



# Management Discussion and Analysis (MD&A)

For the Quarter Ending September 30, 2011

ธนาคารกสิกรไทย  
KASIKORNBANK 泰华农民银行



Executive Summary  
Management Discussion and Analysis  
For the Quarter Ending September 30, 2011

In recognition of persistent economic uncertainties at home and abroad, KASIKORNBANKGROUP (KGroup) continued to place great emphasis towards effective business operations to suit these circumstances, via the “Customer-Centricity” strategy and related efforts to effectively respond to customer needs with high-quality financial services. So doing has helped support KGroup in reaching our increased business targets, as evidenced through our consolidated net profit of Baht 7,761 million for the third quarter of 2011, showing an increase of Baht 443 million, or 6.05 percent over-quarter, and of Baht 2,245 million, or 40.70 percent over-year, due to gains in net interest income, as well as higher net fees and service income.

Regarding our financial position as of September 30, 2011, the Bank’s consolidated assets totaled Baht 1,777,794 million, increasing by Baht 105,453 million over the end of the second quarter of 2011, equivalent to a 6.31-percent increase. This was mainly attributable to increases in our consolidated loans, net interbank and money market items (asset), as well as net investments. The Bank’s consolidated loans expanded by Baht 32,039 million, or 2.75 percent, compared to the end of the previous quarter, reaching Baht 1,199,196 million, supported by loan growth in SME and Retail Business loan segments. Our non-performing loans dropped further. Meanwhile, the Bank’s consolidated deposits equaled Baht 1,255,177 million, up by Baht 52,672 million, or 4.38 percent, compared to the end of the previous quarter, mainly the result of increased special fixed-term deposits, providing another savings alternative for customers. As for capital, the Bank’s capital adequacy ratio was 13.90 percent, with Tier-1 and Tier-2 capital ratios equaling 9.72 percent and 4.18 percent, respectively, a testament to our continued capital strength.

In response to the current widespread and severe flooding, KGroup has promptly crafted assistance measures to help and rehabilitate the businesses of flood-hit customers. Meanwhile, appropriate and effective risk management remains in place. With our dedicated efforts in developing our core business and support functions – including human resource management, IT and the K-Transformation project – along with good corporate governance in every dimension, we have been warmly received by our customers, as well as domestic and international agencies, with many awards being presented to us.

## Content

	Page
1. Overview	1
1.1 Overview of Economy, Banking Industry and Regulatory Changes	1
a Thailand's Economy in the Third Quarter of 2011	1
a Banking Industry and Competition	1
a Regulatory Changes	2
1.2 Direction of Business Operations	3
2. Operating Performance and Financial Position Analysis	5
2.1 Operating Performance	5
2.2 Financial Position Analysis	8
2.3 KASIKORNBANK's Loans and Deposits	11
2.4 Treasury Operations	12
2.5 Capital Requirements and Credit Ratings	13
3. Operations of Core Businesses	16
3.1 Business Overview	16
3.2 Customer Segments	16
3.3 Product Domains and Sales Channels	20
3.3.1 Product Domains	20
3.3.2 Sales and Service Channels	26
4. Risk Management and Risk Factors	31
4.1 Credit Risk Management	31
4.2 Market Risk Management	34
4.3 Liquidity Risk Management	35
5. Operations of Support Groups	36
a Human Resource Management for the Highest Business Efficiency of KASIKORNBANKGROUP	36
a IT Management	37
a K-Transformation	37

# 1. Overview

---

## 1.1 Overview of Economy, Banking Industry and Regulatory Changes

### □ Thailand's Economy in the Third Quarter of 2011

In the third quarter of 2011, the Thai economy is expected to achieve 4.6-percent growth over-year, increasing over the 2.6 percent seen in the second quarter of 2011, due to impressive recovery in industrial production after being hard hit by the Japanese disasters and electrical shortage problems in the previous quarter. Despite a more evident sign of global economic slowdown, exports were able to sustain their growth momentum, while optimism toward government economic stimuli helped boost domestic confidence and spending, during the period that negative impacts from flooding remained yet feeding in. Amid these economic conditions, together with high inflationary pressure, the Bank of Thailand thus resolved to raise the key policy rate from the 3.00 percent at the end of the second quarter of 2011 to 3.50 percent at the end of the third quarter of 2011, before keeping the rate on hold in their October meeting.



Sources: National Economic and Social Development Board,  
Ministry of Commerce and KASIKORN RESEARCH CENTER CO., LTD.

As for the final quarter of 2011, it can clearly be seen that economic risks have heightened substantially, particularly from widespread flooding at home and growing global economic uncertainties, pressured mainly by slow U.S. economic recovery and prolonged EU debt crisis. These negative surroundings are expected to hurt not only exports, but also impede domestic spending, resulting in a possible

over-year contraction in the GDP for the fourth quarter of 2011, and thus a more pronounced slowdown in the full-year GDP. In the meantime, inflationary pressure is poised to remain high, particularly for necessity and flood-protection products. However, as such situation will likely be short-lived, it is therefore anticipated that the Bank of Thailand will continue to give priority to higher economic risks, and decide to hold the key policy rate steady throughout the rest of this year. Nevertheless, a door for possible rate cuts remains open, especially if economic condition worsens than initially assessed.

### □ Banking Industry and Competition

Amid a gradual economic recovery during the third quarter of 2011, core banking revenue, particularly net interest income, sustained growth momentum both over-quarter and over-year. To the

same end, the net interest margin, as well as net fees and service income, reported over-quarter gains. Although an increase in expenses related to impairment losses on loans and debt securities contributed to a slight over-quarter drop in the bottom-line net profit for the third quarter of 2011, it is believed to mirror proactive and conservative provisioning policies by Thai commercial banks to brace for heightened economic uncertainties lying ahead.

Major support for an increase in net interest income stemmed mainly from robust loan growth, in tandem with strong demand from businesses and households, as well as supply-side push derived from heightened competition between commercial banks. Apparently, net loans (after allowances for doubtful accounts) at 14 Thai commercial banks, as of the end of third quarter of 2011, achieved 18.62-percent growth over-year, rising over the 16.93 percent recorded at the end of the second quarter of 2011. However, deposits saw relatively stable growth momentum of 7.55 percent over-year at the end of the third quarter of 2011, versus the 7.56 percent achieved at the end of the previous quarter. This was due somewhat to continued adjustments by commercial banks favoring bills of exchange, amid reduced deposit protection by the Deposit Protection Agency down to Baht 50 million/depositor/financial institution, effective August 11, 2011. This helped maintain their competitiveness versus savings products against other savings and investment alternatives, including principal-protection mutual funds and deposit products offered by specialized financial institutions that have increased their stake by meeting demand in some customer segments, particularly customers with deposits exceeding the protection limit.

However, it is likely inevitable that core banking business – particularly loans – and asset quality will face greater challenges in the final quarter of 2011. In addition to a possible slowdown in exports, in tandem with cooling global growth momentum, other notable negative factors include widespread flooding that remains far from abating. During this difficult period, utilization of credit lines and demand for loans will likely see a temporary hiatus, thereby lessening competition within the loan market and thus deposits. However, when the flooding eases, increased loan demand will be seen for rehabilitation of damaged business, assets, homes, etc., implying that competition in core banking business should gradually resume to pre-flood norms thereafter. Nevertheless, there remain some factors to keep a close watch on. These include funding demand from the government and public organizations, aimed at recovery from losses at the national level and assistance to flood victims, which could affect liquidity within of the financial and commercial banking system, as well as the direction of loans and deposits, going forward.

#### ๑ Regulatory Changes

Some important regulatory changes in the third quarter of 2011 that may affect KASIKORNBANK business operations can be summarized, as below:

- Rules and Methods of Non-life Insurance Policy Issuance and Offering, as well as Performance of Duties of Non-life Insurance Agents, Brokers and Banks

Amended by the Office of Insurance Commission's Notification (No. 2) governing *rules and methods of insurance policy issuance and offering, as well as performance of duties of non-life insurance agents, brokers and banks (No. 2), B.E. 2554 (2011)*, responsible persons for non-life insurance offering must be bank officers with a license of non-life insurance brokers only. In case of a business transfer or acquisition or merger, with the approval of the Bank of Thailand, those offering insurance policies, nevertheless, may also be officers with a license of non-life insurance brokers of the contracting party bank, under the approved transfer or acquisition or merger program. These rules were put into effect on July 28, 2011.

This revised notification should help smooth non-life insurance business operations of commercial banks entering a transfer or acquisition or merger program. KASIKORNBANK has always and strictly complied with the criteria that insurance agents must be bank officers with a license of non-life insurance broker, so the above revised regulation has had no effect on our insurance operations.

## 1.2 Direction of Business Operations

During the third quarter of 2011, more positive momentum was seen in the Thai economy, drawing support from the improving political situation and optimism towards possible government economic stimuli to spur domestic consumption. However, uncertainty among major economies, particularly the U.S. and Europe, has heightened risks to the growth of Asian and Thai economies through the possibility of a more pronounced slowdown in exports. In addition, the Thai economy, especially from the end of the third quarter into the final quarter of 2011, has been affected by severe flooding, wherein its subsequent impacts have yet to be fully measured.

Acknowledging this uncertain situation, KASIKORNBANKGROUP (KGroup) continued to place great importance towards effective business operations to suit these changing economic circumstances, via the "Customer-Centricity" strategy and related efforts to effectively respond to customer needs with high-quality financial services, efficient risk management, as well as good corporate governance practices. The aforementioned efforts have rewarded us with many marks of recognition from both domestic and foreign agencies, presented during the third quarter of 2011, including:

Awards for KBank Business Divisions	Other Important Awards
<ul style="list-style-type: none"> <li>● Best Retail Bank of the Year 2011 award for the fourth consecutive years, and the Most Attractive Booth award for the fifth consecutive year at the Money Expo 2011 from <i>Money and Banking</i> magazine</li> <li>● 10<sup>th</sup> Best TV Commercial award (Consumer Service Category) for “KBank. Leave everything in our hands” campaign, organized by Office of the Consumer Protection Board, in corporation with the Advertising Association of Thailand.</li> <li>● Best Bond House and Best FX Bank for Corporates and Financial Institutions awards in the 5<sup>th</sup> Annual Best Financial Institution Awards in Southeast Asia from <i>Alpha Southeast Asia</i> magazine.</li> <li>● IDC Enterprise Innovation Awards 2011 from International Data Corporation (IDC).</li> <li>● Thailand Energy Awards 2011, in the category of energy conservation from Department of Alternative Energy Development and Efficiency (DEDE), Ministry of Energy.</li> </ul>	<ul style="list-style-type: none"> <li>● Five awards based on 2011 Fixed Income Poll by <i>Asiamoney</i> magazine: <ul style="list-style-type: none"> <li>– Overall Best Domestic Credit Service Provider in Thailand</li> <li>– Overall Best Domestic Interest Rates Services in Thailand</li> <li>– Overall Best Interest Rates Research &amp; Market Coverage in Thailand - THB</li> <li>– Overall Best for Credit in Thailand</li> <li>– Overall Best for Interest Rates in Thailand</li> </ul> </li> <li>● Three awards based on 2011 FX Poll by <i>Asiamoney</i> magazines: <ul style="list-style-type: none"> <li>– Best Domestic Provider of FX Services in Thailand, as voted by Financial Institutions</li> <li>– Best Domestic Provider of FX Services in Thailand, as voted by Corporates</li> <li>– Best Domestic FX Provider of Single-Bank Electronic Trading Platform in Thailand, as voted by Corporates</li> </ul> </li> </ul>

Moreover, the Bank continues to place emphasis on corporate governance activities, in accordance with our corporate governance policy that meets international standards, as well as the regulatory criteria of the Bank of Thailand (BOT), Stock Exchange of Thailand (SET) and Securities and Exchange Commission (SEC), thus resulting in greater public recognition. In the third quarter of 2011, the Bank’s Annual General Meeting of Shareholders (AGM) was rated as “Excellent” for the sixth consecutive year and was recognized as an Exemplary Core in the 2011 AGM Quality Assessment program initiated by the Thai Investor Association. In addition, representatives from educational institutions, as well as governmental and private entities, have been welcomed to visit the Bank for their field trip programs, and presentations on the corporate governance practices of KGroup.

## 2. Operating Performance and Financial Position Analysis

### 2.1 Operating Performance

As a result of our efforts to strictly adhere to the “Customer-Centricity” concept, the Bank’s consolidated net profit for the third quarter of 2011 totaled Baht 7,761 million, increasing by Baht 443 million over-quarter, or 6.05 percent, and Baht 2,245 million over-year, or 40.70 percent.

#### Operating Performance for the Third Quarter of 2011

(Units: Million Baht)

	Q3-2011	Q2-2011	Change		Q3-2010	Change	
			Million Baht	Percent		Million Baht	Percent
Interest income	22,119	20,267	1,852	9.14	15,783	6,336	40.14
Interest expenses	7,439	6,323	1,116	17.65	3,787	3,652	96.44
Interest income - net	14,680	13,944	736	5.28	11,996	2,684	22.37
Fees and service income - net	5,498	5,333	165	3.09	4,731	767	16.21
Other income	12,568	11,883	685	5.76	8,620	3,948	45.80
Total operating income	32,746	31,160	1,586	5.09	25,347	7,399	29.19
Underwriting expenses	9,187	8,094	1,093	13.50	6,232	2,955	47.42
Total operating income - net	23,559	23,066	493	2.14	19,115	4,444	23.25
Total other operating expenses	10,265	10,097	168	1.66	9,348	917	9.81
Operating profit (Before impairment loss on loans and debt securities, and income tax expense)	13,294	12,969	325	2.51	9,767	3,527	36.11
Impairment loss on loans and debt securities	1,719	1,785	(66)	(3.70)	1,596	123	7.71
Income tax expense	3,424	3,361	63	1.87	2,365	1,059	44.78
Net profit	8,151	7,823	328	4.19	5,806	2,345	40.39
Net profit attributable to:							
Equity holders of the Bank	7,761	7,318	443	6.05	5,516	2,245	40.70
Non-controlling interests	390	505	(115)	(22.77)	290	100	34.48
Net profit	8,151	7,823	328	4.19	5,806	2,345	40.39

As of October 11, 2011, after the closing of the Bank and subsidiaries’ financial statements, the Cabinet resolved to approve a reduction in the corporate income tax rate from 30 percent of taxable profit to 23 percent in 2012 and 20 percent in 2013 onward. Therefore, the Bank and subsidiaries will benefit from this reduction in the corporate income tax rate from 2012 onward. However, as a result of this resolution, we have to adjust the item of deferred tax without any effect to the financial statements of the third quarter of 2011, but there will be a one-time impact to the financial statements of the fourth quarter of 2011. Since this is the accounting item adjustment, it is not

involved with the actual tax payment to the Revenue Department. Furthermore, our business undertaking, profitability and capital fund have not been affected.

### Income Structure

(Units: Million Baht)

	Q3-2011	Q2-2011	Change		Q3-2010	Change	
			Million Baht	Percent		Million Baht	Percent
<b>Interest income</b>							
Interbank and money market items	1,847	2,017	(170)	(8.43)	590	1,257	213.05
Deposits	68	49	19	38.78	22	46	209.09
Loans without repurchase agreements	33	15	18	120.00	6	27	450.00
Repurchase agreements	1,746	1,953	(207)	(10.60)	562	1,184	210.68
Investments	2,222	1,906	316	16.58	1,762	460	26.11
Trading investments	98	46	52	113.04	74	24	32.43
Available-for-sale investments	1,123	937	186	19.85	885	238	26.89
Held-to-maturity investments	1,001	923	78	8.45	803	198	24.66
Loans	17,209	15,545	1,664	10.70	12,673	4,536	35.79
Finance leases	859	805	54	6.71	733	126	17.19
Others	(18)	(6)	(12)	(200.00)	25	(43)	(172.00)
<b>Total interest income</b>	<b>22,119</b>	<b>20,267</b>	<b>1,852</b>	<b>9.14</b>	<b>15,783</b>	<b>6,336</b>	<b>40.14</b>
<b>Total interest expenses</b>	<b>7,439</b>	<b>6,323</b>	<b>1,116</b>	<b>17.65</b>	<b>3,787</b>	<b>3,652</b>	<b>96.44</b>
<b>Total interest income - net</b>	<b>14,680</b>	<b>13,944</b>	<b>736</b>	<b>5.28</b>	<b>11,996</b>	<b>2,684</b>	<b>22.37</b>
<b>Non-interest income</b>							
Fees and service income	6,897	6,645	252	3.79	5,848	1,049	17.94
Fees and service expenses	1,399	1,312	87	6.63	1,117	282	25.25
<b>Fees and service income - net</b>	<b>5,498</b>	<b>5,333</b>	<b>165</b>	<b>3.09</b>	<b>4,731</b>	<b>767</b>	<b>16.21</b>
<b>Other income</b>							
Gain on trading and foreign exchange transactions	1,584	1,224	360	29.41	1,292	292	22.60
Gain (loss) on financial liabilities designated at fair value through profit or loss	(39)	(8)	(31)	(387.50)	(39)	0	0.00
Gains (loss) on investments	58	346	(288)	(83.24)	105	(47)	(44.76)
Share of profit from investments using equity method	3	3	0	0.00	1	2	200.00
Dividend income	219	328	(109)	(33.23)	142	77	54.23
Earned premium	10,602	9,802	800	8.16	7,069	3,533	49.98
Other operating income	141	188	(47)	(25.00)	50	91	182.00
Less Underwriting expenses	9,187	8,094	1,093	13.50	6,232	2,955	47.42
<b>Total non-interest income</b>	<b>8,879</b>	<b>9,122</b>	<b>(243)</b>	<b>(2.66)</b>	<b>7,119</b>	<b>1,760</b>	<b>24.72</b>
<b>Total operating income - net</b>	<b>23,559</b>	<b>23,066</b>	<b>493</b>	<b>2.14</b>	<b>19,115</b>	<b>4,444</b>	<b>23.25</b>

For the third quarter of 2011, the Bank's consolidated net interest income increased over-quarter and over-year. This was mainly attributable to increased interest income as a result of loan

growth, as well as consequence of assets and liabilities management to align with interest rate trend. Consequently, our net interest margin was recorded at 3.65 percent, better than those of the previous quarter and the same quarter of last year. In the meantime, net fees and service income continued to grow over-quarter, and recorded higher growth than the same quarter of last year. Our other income gained most of the support from earned premiums from insurance business. As for the efficiency ratio, it stood at 43.57 percent, improving from the previous quarter and the same quarter of last year.

#### ๑ Net Interest Income

The over-quarter increase in the Bank's consolidated net interest income for the third quarter of 2011 was mainly due to increased interest income – comprising interest income from loans, following larger average loan volume and higher lending rates during the period. In the meantime, our interest expenses rose, mainly as a result of increased interest expenses from deposits, in accordance with our offering of special fixed-term deposits and rising deposit rates during the period. Consequently, our net interest margin equaled 3.65 percent in the third quarter of 2011, higher than the 3.56 percent in the previous quarter.

When compared to the same quarter of 2010, the increase in net interest income was mainly attributable to increased interest income, led by increased interest income from loans following larger average loan volume and higher lending rates. Also, our interest expenses rose, due primarily to increased interest expenses from deposits, in tandem with higher deposit rates and the offering of special fixed-term deposit products. As a result, our net interest margin in the third quarter of 2011 was higher than the 3.55 percent in the same quarter of last year.

#### ๑ Non-Interest Income

For the third quarter of 2011, the Bank's consolidated non-interest income dropped over-quarter. Of note was a Baht 293 million decrease in earned premium net of underwriting expenses from Muang Thai Life Assurance Company Limited (MTL), equivalent to 17.15 percent. Meanwhile, net fees and service income increased over-quarter.

The over-quarter increase in our net fees and service income was due mainly to the increase in net fees and service income from sales of products and financial services, such as card businesses.

When compared to the same quarter of last year, our non-interest income increased, mainly as a consequence of increases in net fees and service income, earned premium net of underwriting expenses from MTL, as well as gains on trading and foreign exchange transactions.

In details, the over-year increase in net fees and service income was attributed to increases in net fees and service income from sales of products and financial services, including cards and card accepting merchants businesses, as well as higher net fees and service income from loan-

related transactions following growing loan volume. Net fees and service income from securities underwriting representatives also rose, all of which was a consequence of our “Customer-Centricity” strategy, leading to continual growth in the number of new customers.

□ Other Operating Expenses

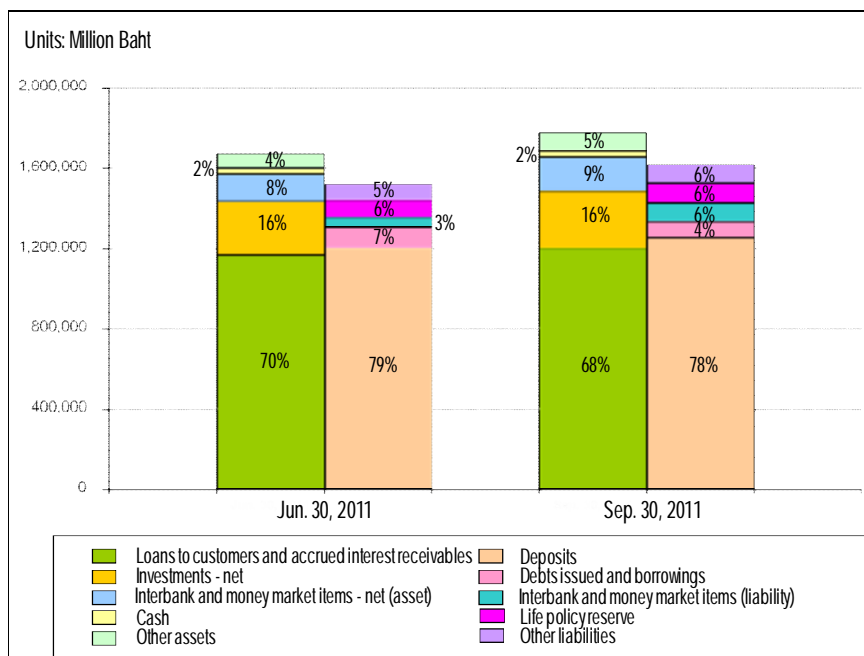
For the third quarter of 2011, our other operating expenses rose over-quarter. This was due mainly to an increase in personnel expenses. When compared to the same quarter of last year, other operating expenses also increased over-year, led by the increase in personnel expenses, in light of increased salary and number of staff. The efficiency ratio in the third quarter of 2011 equaled 43.57 percent, better than the 43.78 percent in the previous quarter and the 48.90 percent in the same quarter of last year.

□ Impairment Loss on Loans and Debt Securities

For the third quarter of 2011, the Bank and our subsidiaries set aside lower allowances for impairment loss of loans and debt securities than the previous quarter, but higher than those of the same quarter of last year. This was mainly in response to changing economic environment.

## 2.2 Financial Position Analysis

Assets and Liabilities Structure



□ Assets

As of September 30, 2011, the Bank’s consolidated assets totaled Baht 1,777,794 million, increasing by Baht 105,453 million, or 6.31 percent, over the end of June 2011. The increase was

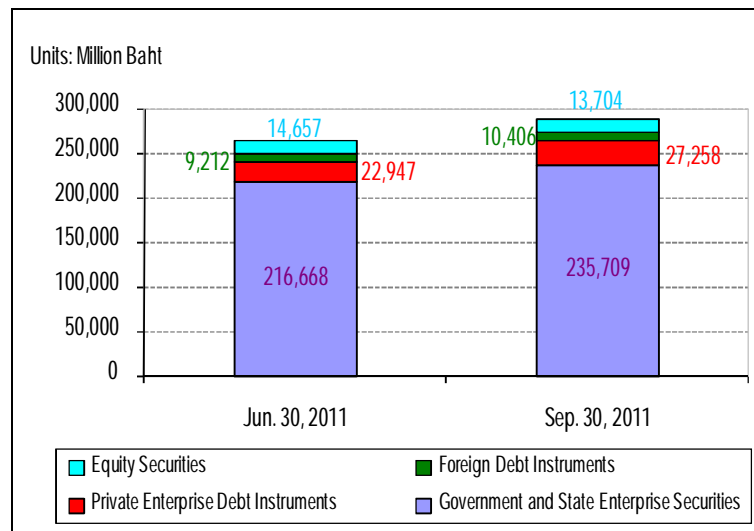
mainly due to increases in our consolidated loans, net interbank and money market items (asset), as well as net investments, as follows:

- The Bank's consolidated loans less deferred revenue, at the end of September 2011, totaled Baht 1,199,196 million, growing by Baht 32,039 million, or 2.75 percent, over the end of June 2011. This was the result of increases in commercial loans and housing loans. Our consolidated loans were the fourth-largest among the group of large commercial banks.

Meanwhile, our net non-performing loans<sup>1</sup> (Net NPLs) ratio to total loans, at the end of September 2011, equaled 1.10 percent, dropping from 1.22 percent at the end of June 2011. Similarly, the gross NPL ratio to total loans was at 2.25 percent at the end of September 2011, down from 2.52 percent at the end of June 2011. Such NPL ratio decreases were due primarily to a fall in non-performing loans and a rise in total loans.

- Net Interbank and money market items (asset), at the end of September 2011, amounted to Baht 165,267 million, up by Baht 30,182 million, or 22.34 percent, over the end of June 2011. This was mainly attributable to the Bank's liquidity management.
- Net investments, at the end of September 2011, equaled Baht 287,252 million, rising by Baht 23,585 million, or 8.94 percent, over the end of June 2011, mainly as a result of investments in government and state enterprise securities.

Investments in Securities



<sup>1</sup> Details of non-performing loans are shown in the "Non-Performing Loans and Debt Restructuring" topics of the "Credit Risk Management" section.

## ๑ Liabilities and Equity

The consolidated liabilities of the Bank, at the end of September 2011, totaled Baht 1,616,977 million, increasing by Baht 99,173 million, or 6.53 percent, over the end of June 2011. The increase was the consequence of increases in deposits, as well as interbank and money market items (liability). Meanwhile, debts issued and borrowings dropped over-quarter. Consolidated liabilities that had changed significantly relative to the previous quarter included:

- Deposits, at the end of September 2011, totaled Baht 1,255,177 million, increasing by Baht 52,672 million, or 4.38 percent, over the end of June 2011. This was mainly the result of increased special fixed-term deposits, as another savings alternative for customers. Our consolidated deposits were the third-largest among the group of large commercial banks.
- Interbank and money market items (liability), at the end of September 2011, amounted to Baht 94,176 million, rising by Baht 44,964 million, or 91.37 percent, over the end of June 2011. This was due mainly to an increase in private repurchase transactions.
- Debts issued and borrowings, at the end of September 2011, equaled Baht 76,729 million, falling by Baht 23,188 million, or 23.21 percent, from the end of June 2011. This was mainly attributable to the redemption of debentures and bills of exchange.

At the end of September 2011, total equity attributable to equity holders of the Bank amounted to Baht 149,707 million, increasing by Baht 6,458 million, or 4.51 percent, over the end of June 2011. This increase was supported by our net operating income for the third quarter of 2011, despite having a Baht 1,197 million interim dividend payments from net operating income for the first half of 2011 in September 2011.

## ๑ Relationship Between Sources and Uses of Funds

At the end of September 2011, the funding structure as shown in the consolidated financial statement comprised Baht 1,616,977 million in liabilities and Baht 149,707 million in total equity attributable to equity holders of the Bank, resulting in a debt-to-equity ratio of 10.80. The major source of funds on the liabilities side was deposits, which equaled Baht 1,255,177 million, or 71.05 percent of the total. Other sources of funds included interbank and money market items as well as debts issued and borrowings, which accounted for 5.33 percent and 4.34 percent of the total, respectively.

The Bank and subsidiaries' major use of funds was loans. At the end of September 2011, loans amounted to Baht 1,199,196 million, resulting in a loan-to-deposit ratio of 95.54 percent. As for the remaining liquidity, the Bank invested it in various selections of liquid assets, such as interbank and money market items, and investments in securities.

## 2.3 KASIKORNBANK's Loans and Deposits

### Loans Classified by Business and Product Groups

#### KASIKORNBANK's Loans Classified by Business and Product Groups\*

(Units: Million Baht)

	Sep. 30, 2011			Jun. 30, 2011		
	Corporate Business	SME Business	Retail Business	Corporate Business	SME Business	Retail Business
Loans	356,633	430,683	244,194	363,833	419,752	227,469
Domestic credit loans	252,813	394,991		261,183	387,245	
Trade finance loans	92,446	35,692		93,201	32,507	
BIBF loans	11,374			9,449		
Housing loans			184,330			174,138
Credit card loans			34,904			31,938
Consumer loans			24,960			21,393

Note: \* Excluding non-performing loans and other loans, such as those of subsidiary companies and others.

Regarding the Bank's loans classified by business and product groups, as of the end of September 2011, Corporate Business loans decreased by Baht 7,200 million, or 1.98 percent, from the end of June 2011. This was mainly the result of a drop in domestic credit loans, particularly seen in short-term promissory notes for financial institution customers. However, SME Business loans increased by Baht 10,931 million, or 2.60 percent, over the end of June 2011, led by higher domestic credit loans seen in long-term loans for electronic equipment, petroleum and petrochemical products, as well as financial institution businesses. Meanwhile, Retail Business loans reported an increase of Baht 16,725 million, or 7.35 percent, over the end of June 2011. This was mainly attributable to housing loans, which recorded the highest growth rate in terms of loan volume, in light of our efforts to maintain good relationships with leading property developer allies, as well as our continued introduction of marketing campaigns and special programs that can make a difference and respond to the needs of all customer groups. In the meantime, our consumer loans showed the best performance in terms of growth.

## ๑ Deposits Classified by Type of Deposit Account

### KASIKORNBANK's Deposits\*

(Units: Million Baht)

	Percent of Total Deposits	Deposits		Change	
		Sep. 30, 2011	Jun. 30, 2011	Million Baht	Percent
Total Deposits	100.00	1,257,001	1,203,882	53,119	4.41
Current accounts	5.26	66,061	68,712	(2,651)	(3.86)
Savings accounts	54.94	690,661	678,446	12,215	1.80
Fixed-term deposit accounts	39.80	500,279	456,724	43,555	9.54

Note: \* Bank-only

At the end of September 2011, total deposits – comprising deposits of our Corporate, SME and Retail Business customers – had increased by Baht 53,119 million, or 4.41 percent, over the end of June 2011. This was due mainly to an increase in fixed-term deposits, in tandem with our offering of deposit products carrying special interest rates in various periods, meeting the needs of customers.

## 2.4 Treasury Operations

In the third quarter of 2011, the Bank maintained our focus on proper liquidity management, in response to changing economic circumstances at home and internationally, as well as continuous increases in policy rates by the BOT that spurred overall money market rates. To strengthen our primary dealer status with the BOT, the Bank continued to pursue a strategy of increasing transaction volume with other financial institutions in the money market. This has been achieved through enlargement of borrowing and lending sources, which has resulted in our higher liquidity adjustment efficiency. Meanwhile, the Bank continued to support the BOT's requests in encouraging all primary dealers to jointly develop a "Bangkok Interbank Offered Rate" (BIBOR) by keeping the authorities notified of problems and their solutions, as well as increasing our transaction volumes in the money market, particularly for 3-month tenors, all of which will help to make BIBOR more popular among all related players in the money market in the future.

### Treasury Operations Income

(Units: Million Baht)

Income Structure of Treasury Operations (Banking Book)	Percent of Total Income	Q3-2011	Q2-2011	Change	
				Million Baht	Percent
Interest income *					
Interbank and money market items **	61.53	1,791	1,979	(188)	(9.50)
Investments	38.47	1,120	948	172	18.14
<b>Total</b>	<b>100.00</b>	<b>2,911</b>	<b>2,927</b>	<b>(16)</b>	<b>(0.55)</b>

Note: \* Managerial figures

\*\* Including loans

In the third quarter of 2011, total interest income, contributed from our treasury operations (banking book), was Baht 2,911 million, decreasing by Baht 16 million, or 0.55 percent, from the second quarter of 2011. This was the consequence of decreases in liquidity over-quarter.

## 2.5 Capital Requirements and Credit Ratings

### ๑ Capital Funds

As of September 30, 2011, the Bank had capital funds of Baht 175,145 million, consisting of Baht 122,521 million in Tier-1 capital, and Baht 52,624 million in Tier-2 capital. The capital adequacy ratio of the Bank was 13.90 percent, significantly above the Bank of Thailand's minimum requirement of 8.50 percent. Details of the capital adequacy ratio of the Bank are shown in the following table:

#### Capital Adequacy Ratio\*

(Units: Percent)

Capital Adequacy Ratio	Sep. 30, 2011**	Jun. 30, 2011**	Mar. 31, 2011**	Dec. 31, 2010**	Sep. 30, 2010
Tier-1 Capital Ratio	9.72	9.18	9.43	9.37	10.56
Tier-2 Capital Ratio	4.18	4.39	4.61	4.59	4.83
<b>Capital Adequacy Ratio</b>	<b>13.90</b>	<b>13.57</b>	<b>14.04</b>	<b>13.96</b>	<b>15.39</b>

Note: \* Excluding the net profits of each period, which under Bank of Thailand's regulations, net profit in the first period is to be counted as capital after approval by the Board of Directors as per Bank's regulations. Net profit in the second period is also counted as capital after approval of the General Meeting of Shareholders. However, whenever a net loss occurs, the capital must be immediately reduced accordingly.

\*\* Inclusive of the impact of TAS 19: Employee Benefits.

#### Capital Adequacy Ratio

(Including the net profit of each accounting period)

(Units: Percent)

Capital Adequacy Ratio	Sep. 30, 2011*	Jun. 30, 2011*	Mar. 31, 2011*	Dec. 31, 2010*	Sep. 30, 2010
Tier-1 Capital Ratio	10.27	10.23	10.80	10.24	10.97
Tier-2 Capital Ratio	4.18	4.39	4.62	4.59	4.80
<b>Capital Adequacy Ratio</b>	<b>14.45</b>	<b>14.62</b>	<b>15.42</b>	<b>14.83</b>	<b>15.77</b>

Note: \* Inclusive of the impact of TAS 19: Employee Benefits.

## ๑ Credit Ratings

At the end of September 2011, the Bank's credit ratings given by Moody's Investors Service, Standard & Poor's, and Fitch Ratings remained unchanged from the end of June 2011. Details are shown in the following table:

KASIKORNBANK Credit Ratings	
Credit Ratings Agency	Sep. 30, 2011
<b>Moody's Investors Service **</b>	
<u>Foreign Currency</u>	
Outlook	Stable
Long-term - Debt	n.a.*
- Deposit	Baa1
Short-term - Debt/Deposit	P-2
Subordinated Debt	Baa1
Bank Financial Strength Rating (BFSR)	D+
Outlook for BFSR	Stable
Baseline Credit Assessment	Baa3
<u>Domestic Currency</u>	
Outlook	Stable
Long-term - Deposit	A3
Short-term - Debt/Deposit	P-1
<hr/>	
<b>Standard &amp; Poor's **</b>	
<u>Global Scale Ratings</u>	
Outlook	Stable
Long-term - Debt/Certificate of Deposit	BBB
Short-term - Debt/Certificate of Deposit	A-2
Subordinated Debt (Foreign Currency)	BBB-
Bank Fundamental Strength Rating (BFSR) (Local Currency)	C
<u>ASEAN Regional Scale Ratings</u>	
Long-term - Debt/Certificate of Deposit	axA
Short-term - Debt/Certificate of Deposit	axA-1
<hr/>	
<b>Fitch Ratings **</b>	
<u>International Credit Ratings (Foreign Currency)</u>	
Outlook	Stable
Long-term Issuer Default Rating	BBB+
Short-term Issuer Default Rating	F2
Subordinated Debt	BBB
Viability	bbb+
Individual	C
Support	2
Support Rating Floor	BBB-

National Credit Ratings

Outlook	Stable
Long-term	AA(th)
Short-term	F1+(th)
Subordinated Debt	AA-(th)

Note: \* Moody's Investors Service does not assign ratings to the Bank's long-term debt.

\*\* The base levels for investment grade on long-term credit ratings for Moody's Investors Service, Standard & Poor's, and Fitch Ratings are Baa3, BBB- and BBB-, respectively. For short-term credit ratings, the base levels for investment grade as viewed by these three agencies are P-3, A-3, and F3, respectively.

## 3. Operations of Core Businesses

---

### 3.1 Business Overview

Realizing that existing opportunities and risks derived from changing economic circumstances could affect each customer segment differently, KASIKORNBANKGROUP continued to pursue our “Customer-Centricity” strategy during the third quarter of 2011. This strategic goal has been achieved through our harmonious efforts in effective business development among all customer segments, product domains, as well as major sales and service channels. In essence:

### 3.2 Customer Segments

#### § Multi-Corporate Business

With our thorough understanding of not only the needs of our customers, but also their up-downstream trade partners in all dimensions, we have strived to meet such needs by offering of the Total & Comprehensive Fund Raising Solutions – including the Value Chain Solution and Integrated Cash Management Solution – that go beyond a single product, or service. In the third quarter of 2011, the Bank jointly developed K-Value Chain Solutions, as complete financial solutions that help enhance business potential for THAI Airways International PCL., with services meeting their own and their trade partners’ needs. These solutions comprise of specific services serving 4 key customer segments, including retail air ticket buyers, air ticket distributors, Thai Cargo and THAI Catering customers. Moreover, to better serve Japanese customers, KBank, as a pioneer bank, entered into an the agreement with AEON Thana Sinsap (Thailand) PCL., enabling AEON cardholders to withdraw cash via K-ATM. Aside from increasing fees for the Bank, this cooperation helps strengthen brand awareness along all Japanese customers. Meanwhile, the Bank placed significance on maintaining our position of knowledge-based organization by developing potential of employees at all levels to be specialized at their responsible industries, particularly for alternative and renewal energy, together with selecting employees to join the discussion, as well as participating in presentations on energy-related issues in relevant seminars.

#### § Large Corporate Business

KASIKORNBANKGROUP continued to develop our products and services, in order to effectively respond to the needs of customers and their trade partners. Extensive cooperation across KGroup has been made to expand the scope of services, in terms of product dimensions that respond to business and personal needs, as well as enlarged service coverage areas. Meanwhile, the Bank has established a CB Capital Markets Business Development team, aiming at providing advices to customers on how to brace for

future economic trends and integration under ASEAN Economic Community (AEC), so that entrepreneurs can be well aware of necessary adjustment on their financial structure. Our support also includes various methods of funds raising at home and internationally. Moreover, we have undergone studying and analyses of positive and negative impacts from relevant factors to keep our customers informed about indentified opportunities and threats, thereby enabling them to better cope with any possible unpleasant situation. To this end, customers have been encouraged to seek risk management products to guard them against foreign exchange rate and commodity price volatility. Assistance measures have been promptly sought to help flood victim customers in a timely manner, such as granting of grace period and new loans for business habilitation.

## § Medium Business

KBank have continually implemented complete product development strategies, via our offering of Industry Solutions, in order to meet the needs of customers in nine key industries, such as hotel, apartment, international trade, automobile, construction, transportation, electronic and electrical appliances, hardware and processed agricultural products. Meanwhile, the Bank, during the third quarter of 2011, introduced two newly developed products and services, including K-Trade Premier and “SME Super Trade Credit” programs that cover pre- and post-financing support for all international trade customers. Our operating procedures and services have been upgraded for faster service delivery, while privileges have been offered to customers at KBank branches, Corporate & SME Service Centers nationwide, plus our “24/7 Business Assistant” service channel for entrepreneur customers.

## § Small and Micro Business

Determined to implement the strategy to achieve our goal of being the “Top-of-Mind” bank for SME proprietors and maintaining our largest market share further, KBank adheres to our aim of supporting customers throughout their business cycles, including the first stage of business operation by means of both financial products and relevant knowledge sharing for sustainable business growth. In the third quarter of 2011, the Bank introduced K-SME Commercial Real Estate, featuring loans for SMEs wishing to buy or build their own home offices, with an installment period of up to 30 years which are the longest offer of its kind provided in the Thai market. Moreover, the Bank has joined hands with our business allies to continuously provide knowledge, supporting customer business operation and helping to widen their business network. Notable activities included a joint coordination between the Bank and Post Today newspaper in arranging “Post Today – K SME Expo 2011” on the occasion of the fifth anniversary of K-SME Care, providing many training activities and

arrangement of booths offering complete advisory and financial services. The “Thai SME Go Online” fair was organized for entrepreneurs who wished to create or improve their websites, while “SME Thailand Expo 2011” was arranged with an aim of encouraging SMEs to create their own branding and providing them with advices on interesting marketing channels through the concept of “Think Chic to Big Brand”.

## § High Net Worth Individual

Understanding and realizing diverse needs of each customer in this segment, KBank adheres to “When Your Wish is More than Wealth” concept to further improve our KGroup Private Banking services through complete product and service offering. During the third quarter of 2011, KGroup launched K SMART CLN 1 YEAR A fund, investing in credit-linked notes, with dividend payments depending on credit rating or incidents that may affect repayment ability of assets. Meanwhile, as part of our attempt to facilitate customers that would like to diversify their bank deposits amid reduced deposit protection limit by the Deposit Protection Agency, K Principal Protected Thai Fixed Income fund was introduced at different timing, featuring 100-percent investment in the government bonds. Moreover, the Bank organized many activities to respond to customers’ needs in their daily life, seminars on overall economic condition and outlook, as well as dharma activities with the aim of soothing natural disaster victims.

## § Affluent

The Bank continued to implement our strategy of increasing the number of customers in this segment, by acquiring new customers and upgrading the Middle Income customers into the Affluent segment through cross-selling and increasing their holdings of investment products. During the third quarter of 2011, the “Member Get Members” program, phase 2 was initiated, after the phase 1 was well accepted during its implementation during the first and second quarter of 2011. With the cooperation from the Corporate and SME Business Divisions, KGroup’s investment advisory managers have been delegated to make customers’ acquaintance, as well as participated in initiating new services and sales promotions. Some of these notable projects included “Money Inflow Boost Up” that helps encourage Affluent proprietors to increase their use of KBank funds transfer and deposits. Moreover, “THE WISDOM” brand was continually strengthened for this customer segment, through various advertising media in leading business newspapers and magazines, as well as *THE WISDOM of Wealth and Lifestyle* magazine that was widely distributed for increased awareness of customers and their better acknowledgement of our provided privileges. Another effort by the Bank for this customer segment included the expansion of THE WISDOM Exclusive Centers at Central Festival Phuket in July 2011, in order to provide

unsurpassed and exclusive financial services to Affluent customers in Phuket and neighboring areas.

## § Middle Income

With our continued effort to develop products and services that better meet the needs of Middle Income customers, the Bank, in the third quarter of 2011, launched “Savings for Future Benefit” campaign, allowing freelancer and business owner customers, who mainly operate on a cash basis and having limitation in presenting income evidence, to gain a better access to our lending products through the use of their savings behavior information as an input for a loan application. In addition, the Bank implemented strategies to expand the customer base for Middle Income segment, through introduction of credit card products, as well as deposit and investment products that comply with the needs of target customers, thus continuously helping increase the number of new customers. Meanwhile, the Bank continued to upgrade potential customers in the Mass segment, through our branch officers’ introduction of appropriate products and services, as well as launches of sales promotional campaigns for an increase of product holdings and a more frequent use of our services via database marketing. For customer segment having deposits and investments with KBank of more than Baht 2 million, the Bank has offered them with our “KBank THE PREMIER” services, with exclusive privileges and tailored-made marketing campaigns designed specifically to meet this customer’s segment lifestyle.

## § Mass

The Bank has adhered to a strategy of acquiring new potential customers to join the Middle Income segment in the future. Meanwhile, as we realize dynamic development of business merchants from conventional physical shops to E-Commerce, which will likely be evolved further into M-Commerce, the Bank, in the third quarter of 2011, joined hands with VISA International to provide “Mobile Verify by VISA,” the world’s first payment system via mobile phone, allowing customers to shop online via their mobile phones. Payments for such transactions can be made by K-Credit Cards, or K-Debit Cards, under Verified by VISA service, with One-Time Password system (OTP) that helps to ensure maximum payment security. In the meantime, we continued to add and increase variety of K-Debit Cards’ privileges that best suit our customers’ lifestyle for their enhanced spending convenience.

### 3.3 Product Domains and Sales Channels

#### 3.3.1 Product Domains

To brace for heightened risk of global economic uncertainty, the Bank, in the third quarter of 2011, continued to introduce new products and services, while also developing our product features and service quality to meet the needs of customers more efficiently, and to provide greater risk management alternatives for them. Along with this effort, sales promotional activities and knowledge-based support have been launched to assist clients in their decision-making. To this end, our notable efforts can be classified into four domains, namely Operation & Transaction, Saving & Investing, Funding & Borrowing, and Protection & Information. In essence:

#### § Operation & Transaction

	Details
New Products and Services	<ul style="list-style-type: none"> <li>• <i>K-Value Chain Solutions</i>: The Bank offered the complete financial innovations to Thai Airways International PCL., THAI, in order to meet the needs of the company's customers and trading partners throughout their value chains. The solutions feature products and services that effectively respond to the needs of all THAI customer segments, ranging from retail customers buying air tickets to ticket sales agents, cargo operators and catering business operators.</li> <li>• <i>Customer Solution Cards</i>, specifically personalized for medium-sized SME operators for granting special privileges to them and spurring transaction volume of this target segment.</li> <li>• <i>Cash Package 799 service</i>: This service encompasses multiple services to facilitate customers in their financial transactions for enhanced convenience and cost management effectiveness.</li> <li>• <i>K-Auto Top Up</i>: First introduced to One-2-Call customers, the service automatically tops up customer's mobile phones, when their airtime value is lower than Baht 50, or on a monthly basis. A bonus of refill amount has been offered under established conditions to customers applying for the service from September 16 to December 15, 2011.</li> <li>• <i>AEON member card cash withdrawal service at K-ATMs</i>: The Bank, in cooperation with AEON Thana Sinsap (Thailand) Public Company Limited, introduced cash withdrawal services with AEON member cards via K-ATM on September 19, 2011 onward. Sales promotional programs were also launched to keep AEON cardholders</li> </ul>

	Details
	<p>abreast of increased convenience from the use of this service.</p>
Product and Service Enhancement	<ul style="list-style-type: none"> <li>• <i>Enhancements of card-accepting-merchant services:</i> With coordinated efforts among different divisions within the Bank, we launched EDC services, together with “KBank Smart Pay”, to offer installment payments for goods and services at zero percent that efficiently meets the needs of customers. As a result, the Bank was able to acquire more large corporate customers, including petrol service station operators and car dealers in this quarter.</li> <li>• <i>Development of funds transfer via electronic channels:</i> Service hours of KBank electronic channels - including K-ATMs, K-MOBILE BANKING, K-Cyber Banking and K-CDM - were extended to accommodate fund transfer to other KBank and interbank accounts throughout 24 hours, starting in July 2011 onwards.</li> <li>• <i>Improvement of K-Bank to Post service:</i> After the debut of the service that offers funds transfer at K-ATMs for receiving at any post office in the first quarter of 2011, the Bank developed transaction process at K-ATMs for increased user-friendliness. Reduction of service fee has also been offered to customers as part of a sales promotional campaign running from September 1 to December 31, 2011.</li> </ul>
Enhancement of Business Operation Efficiency	<ul style="list-style-type: none"> <li>• <i>Enhancement of internal operation process,</i> allowing faster credit services and financial transactions, as well as adding service channels that enable customers to contact the Bank’s officers throughout 24 hours. Together with our clients, the Bank has also set a financial support plan, based on their needs within the next one year, as part of our preparedness for the delivery of excellent service solutions to them.</li> <li>• <i>Upgrade in customer satisfaction via phone-based relationship managers (RMs),</i> to ensure service quality enhancement for our customers in each industry.</li> <li>• <i>Development of Easy Pass top-up services:</i> The Bank has provided customers wishing to refill their Easy Pass cards with additional channels, including K-ATM, K-MOBILE BANKING PLUS and K-MOBILE BANKING ATM SIM. Waiver of service fee has also been granted to transactions conducted between August 16 and November 30, 2011, in addition to a bonus of five percent on top of refill value offered by the Expressway Authority of Thailand.</li> <li>• <i>Improvement of custodial and mutual fund supervisory services:</i> The Bank expanded our custodial and mutual fund supervisory service coverage to Exchange Traded Fund (EFT), investing in 96.5-percent gold bullions, funds with large-size assets (such as Vayupak Fund), and TICON Property Fund (TFUND) that invests in lands and more than 200 ready-built factory facilities and warehouses.</li> </ul>

	Details
	<ul style="list-style-type: none"> <li>• <i>Fund accounting service enhancement</i>: Bundling the fund accounting service with custodial service, the Bank aims to offer a more complete fund accounting management service. The aforementioned development was in addition to our efforts to enhance customer convenience, through provision of portfolio reports, financial statements and document administration to ensure reduced management costs and increased data utilization efficiency for customers.</li> <li>• <i>Improvement of registrar services for unit trusts, debentures and bonds</i>: The Bank has placed emphasis on improvement of the system and operating procedures for increased efficiency in registrar services, in order to help reduce operating costs and allow more efficient response to the needs of customers.</li> <li>• <i>Participation in project finance and related services</i>: The Bank continued to act as a security agent for syndicated loan projects of solar power plants, customers in energy, natural gas and petrochemicals industries, as well as transportation and telecommunications.</li> </ul>
Sales and Marketing Promotional Programs	<ul style="list-style-type: none"> <li>• <i>Sales promotional activities for transactions related to savings and/or current accounts</i> were launched including “The More You Use, the More You Get”, wherein customers meeting the established conditions were entitled to get gift vouchers of participating restaurants.</li> <li>• <i>Marketing activities for international funds transfer</i>: Customers were entitled to get cash coupons, when international funds transfer transactions meet the established conditions.</li> <li>• <i>Marketing promotional activities for holders of K-Max Debit Cards, K-My Debit Cards and GTH is me Debit Cards</i> were jointly organized by the Bank and our business allies to grant these card holders numerous benefits, under the established conditions within the promotional period.</li> <li>• <i>Marketing promotional activities for funds transfer products and bill payment services</i> have been staged by offering a reduced flat rate of fee on bill payments via electronic channels to Baht 10 between June 25 and December 10, 2011, plus waiver of fee for transactions conducted with more than 200 merchants, including addition of special functions – such as scheduled bill payments and payment without showing bills. In addition, application for K-Direct Debit service for bill payment of True Visions can be made, via K-ATMs, wherein score of benefits were also offered to customers meeting established conditions.</li> </ul>

## § Saving & Investing

	Details
New Products and Services	<ul style="list-style-type: none"> <li>• <i>New deposit products:</i> The Bank continued to introduce special and step-up fixed term deposit products, including “Special 7-Month Fixed Deposit” and “Step-up 13-Month Fixed Deposit”. Another new product included “Flexible Fixed Deposit, plus Family Protection”, a product bundling that offers personal accident coverage and allows withdrawals before maturity with attractive interest payment. The deposit product can meet demand of family groups that need emergency cash reserves.</li> <li>• <i>New mutual funds:</i> The Bank, joined hands with KAsset, to offer 28 mutual funds, investing in domestic and foreign bonds. These new funds including K-Principal Protected Thai Fixed Income funds, investing in government securities for replacement of matured funds and for increased alternatives for investments with attractive returns under a comparable level of risk appetite to customers. Meanwhile, K Gold Linked Complex Return 1 Year A (KGL 1YA), a complex gold fund that invests in structured notes was also launched in the third quarter of 2011.</li> </ul>
Enhancement of Business Operation Efficiency	<ul style="list-style-type: none"> <li>• <i>Launch of PR media on Deposit Protection Agency (DPA) Act,</i> which requires that blanket guarantee be reduced to not more than Baht 50 million/depositor/financial institution, starting from August 11, 2011. This is aimed at providing knowledge on DPA among our customers and general public, as well as assuring them of the Bank’s financial stability and performance. The Bank also formulated a contingency plan to cushion the impact that may have on the High Net Worth Individual (HN) customers, as well as introducing KGroup investment alternatives offering attractive returns with similar features to fixed-term deposits in lieu of uncovered deposits.</li> </ul>

## § Funding & Borrowing

	Details
New Products and Services	<ul style="list-style-type: none"> <li>• <i>K-SME Commercial Real Estate:</i> This loan facility, with the longest installment term of 30 years, was provided for SME customers in need of workplaces which can be used as their housing or for long-term debt refinancing purpose. Eligible SME borrowers must generate sales of lower than Baht 50 million per year.</li> <li>• <i>Savings for Future Benefit program:</i> This financial product was catered to freelancers, or business owners operating on a cash basis and having no income evidence, as well as to customers who would like to map out financial plans for their future. To be eligible to this loan program, borrowers must have deposit accounts or invest in funds</li> </ul>

	Details
	<p>with KGroup, while participating loan products include K-Home Loans, K-Credit Cards, K-Express Cash and K-Auto Finance.</p> <ul style="list-style-type: none"> <li>• <i>A pilot project of escrow agent:</i> By joining hands with six leading developers, KBank is providing an escrow agent service, the first of its kind in Thailand, acting as a neutral third party with fiduciary responsibilities on behalf of home buyers and sellers.</li> <li>• <i>Bangkok Hospital Group-KBank Credit Cards:</i> KBank and Bangkok Hospital Group jointly offer high-quality medical and financial services, plus multiple privileges that completely meet the needs of health-conscious customers through these co-branded credit cards. The effort, in addition to the launch of THE WISDOM, THE PREMIER and Platinum cards, is aimed to expand our high-end customer base.</li> <li>• <i>K-Personal Loan for Pensioner:</i> This features a new consumer loan facility provided for government retirees, with the use of pension inheritance rights certification as collateral for the loan application.</li> </ul>
Product and Service Enhancement	<ul style="list-style-type: none"> <li>• <i>Improvement of K-Energy Saving Guarantee program:</i> To support entrepreneurs with energy-saving policies, the Bank offers this loan program, which includes equipment leasing/hire purchase financing of a wider range of machine types to better meet our customer needs while also enhancing the Bank's competitiveness. In addition, the Bank has developed the "Step-Up Leasing" program for equipment leasing to help lessen our customer's installment payment burden.</li> <li>• <i>Development of K-Global Factoring, or Export Insurance Guarantee service,</i> which is aimed to support exporters in their payment collections. Meanwhile, the factoring service coverage has been continuously expanded to target areas nationwide.</li> <li>• <i>Development of K-Express Cash for Payroll:</i> This working capital facility, with preferential interest rates, has been provided for borrowers having payrolls with KBank. For enhanced convenience to loan applicants, only national ID card is required.</li> </ul>
Enhancement of Business Operation Efficiency	<ul style="list-style-type: none"> <li>• <i>Expansion of SME loan market:</i> KBank has joined hands with our business allies to strengthen and expand our customer base in equipment leasing business, as well as improving work process for faster service delivery of factoring business.</li> <li>• <i>Expansion of retail customer base:</i> The Bank continued to place emphasis on expansion of housing loans, especially to retail customers of leading property developers which are our business allies, to ensure improved loan quality. Meanwhile, activities and booths were arranged in various exhibitions which induced our new loans to meet the set target.</li> </ul>

	Details
Sales and Marketing Promotional Programs	<ul style="list-style-type: none"> <li>• <i>Arrangement of sales promotions for SME customers:</i> The relevant effort included a “Get Free a Cash Coupon, Up to Baht 12,000 when Opening L/C with KBank” campaign, wherein customers with transactions in accordance with specified conditions and period are entitled to cash coupons.</li> <li>• <i>Arrangement of marketing campaigns for spurring applications for and spending with credit card loans:</i> The Bank, in cooperation with our allies in four major businesses engaged in shopping, dining, travelling and healthcare services, offered our K-Credit Cardholders exclusive privileges. In addition to lucky draws for special prizes provided to K-Credit Card users, monthly rewards were given to top spenders of K-Credit Cards in each month. Meanwhile, the “August Get Away 2011” program was arranged for those making online payment for their Thai Airways air tickets, regardless of routes and destinations. This promotion offered a six-month installment payment plan of zero percent for the first time.</li> <li>• <i>Arrangement of marketing campaigns for personal loans:</i> The relevant programs included “Apply for Home Loan, Get Free K-Express Cash Card”, offering special low interest rates, plus privileges for customer applying for personal loans with the Bank. Other promotional activities were also staged, via various media to increase awareness and the use of K-Express Cash among our customers.</li> </ul>

## § Protection & Information

	Details
New Products and Services	<ul style="list-style-type: none"> <li>• <i>Pro Saving 1525:</i> A life insurance product for fixed income earners, or heads of family, who would like to sustain wealth security for their family in long-run. This product combines endowment policy with critical illness protection, plus supplementary contracts. This product has been well embraced by customers, as evidenced by total premium that reached the full-year target since August 2011.</li> <li>• <i>Private Pet Care insurance product,</i> which offers medical expense coverage for customers’ pets in case of accidents and illnesses. The pet insurance program is available for animals with or without microchip implant. Insured pets will also get check-up, free of charge.</li> </ul>
Product and Service Enhancement	<ul style="list-style-type: none"> <li>• <i>Extension of insurable age for critical illness protection (Multiple CI):</i> The insurable age under this product has been extended to 18-65 years old, from formerly 18-60, to enhance opportunity to access insurance coverage for senior customers. This move is</li> </ul>

	Details
	<p>in response to the fact that the critical diseases were the major causes for death of Thais, aside from accidents.</p> <ul style="list-style-type: none"> <li>• <i>Development of Perfect Business Smart Plus.</i> This business loan protection product provides additional benefits – including maturity benefits of 15 percent of premium, with an increase in the sum insured to 150 percent of credit limit, and longer coverage period of 1.5 times of loan term, but not exceeding 10 years. In addition to accommodate changes in premium rates by Office of Insurance Commission (OIC), effective August 1, 2011, the product has been well responded to customer needs, and helped enlarge the Bank's insurance business market shares.</li> <li>• <i>Development of products and services for mitigating risks for exporters and importers.</i> Of note was trade credit insurance product that helps minimize export and import business towards risks of late payments or uncertainty in their trade partners' economies, as well as foreign exchange rate volatility, allowing them to brace for unknown challenges more effectively.</li> </ul>

### 3.3.2 Sales and Service Channels

To satisfy customers needs more efficiently, the main sales and service channels, as well as service quality were continually upgraded, during the third quarter of 2011. Meanwhile, many new sales promotions were launched to increase customer awareness and frequency of the use of services via our various sales and service channels. Notable developments and operations are summarized as follows:

#### Branches and Financial Service Offices/Centers

Major Sales and Service Channels	Number of Locations or Machines/ Key Implementations in the Third Quarter of 2011	
	Sep. 30, 2011	Jun. 30, 2011
Branch Network	809	808
	<ul style="list-style-type: none"> <li>• <i>Opening a new branch in target area,</i> thus allowing us to achieve better branch coverage, and meet the diverse needs of target customers more efficiently.</li> <li>• <i>Launch of the "Ultra Wi-Fi Experience@KBank" project.</i> KBank joined hands with True Corporation PCL. to offer Wi-Fi hotspot service at branches, being the first of its kind among Thai commercial banks. This service enables customers to make their internet connection for rapid communication and information search, while conducting transactions at KBank branches. During the initial period, the new service was made available at 42 branches in Bangkok, with Wi-Fi hotspot service signs.</li> </ul>	

Major Sales and Service Channels	Number of Locations or Machines/ Key Implementations in the Third Quarter of 2011	
	Sep. 30, 2011	Jun. 30, 2011
Foreign Exchange Booths	99	100
	<ul style="list-style-type: none"> <li>Facilitating service use of customers via foreign exchange booths, particularly at provincial tourist spots. Meanwhile, one foreign exchange booths became unavailable, due to the end of tenancy contract.</li> </ul>	
Corporate & SME Service Centers	62	61
Cheque Direct Service Offices	24	23
Corporate Business Centers	8	8
SME Business Centers*	95	95

Note: \* Excluding Corporate & SME Service Centers

#### K-Contact Center

	Key Implementations in the Third Quarter of 2011
K-Contact Center	<ul style="list-style-type: none"> <li>Introduction of KGroup Private Banking Contact Center 0 2888 8811, specially catered for High Net Worth Individual customers. Through this channel, many special services are made available, including limousine, assistance at the airports, as well as medical and personal concierge assistance services, effective from August 2, 2011 onwards.</li> <li>Change of service name to "KBank Delivery by K-Contact Center" from "Personal Banking, 24 hours, daily by K-Contact Center": Main features of this service remain facilitating financial transactions for customers via landline telephone/mobile phones without having to visit the Bank. In addition to arranging sales promotions for the "Foreign Currency Order Service" via leaflet and IVR system at Tel. 0 2888 8888 ext. 710, the Bank introduced new marketing campaigns of "Currency Exchange at Call Today, Get it at Your Convenient Branch", in order to create awareness and offer a service trial. This campaign received a warm applaud by customers, as seen from a 273.00-percent increase in transaction volume over the previous quarter when this service began effective.</li> <li>Efforts supporting increased transactions: During the third quarter of 2011, the</li> </ul>

Key Implementations in the Third Quarter of 2011	
	number of special-segment customers conducting transactions via special telephone numbers, and retail customers using service via K-Contact Center, increased 32.00 percent and 52.00 percent, respectively, from the same period of last year. Meanwhile, communications via other channels, including email, fax, web chat and our “KBankLive” social network channel, grew 18.00 percent, over-year.

### Electronic Banking Services

Major Sales and Service Channels	Number of Locations or Machines/ Key Implementations	
	Sep. 30, 2011	Jun. 30, 2011
<b>Electronic Banking Services</b>		
• K-ATM	7,326	7,301
	<ul style="list-style-type: none"> <li>• <i>K-ATM increases and relocation:</i> We added the number of K-ATMs and relocated some of them to better suit business growth in each area, as well as the needs of customers.</li> </ul>	
• K-CDM	1,046	1,018
	<ul style="list-style-type: none"> <li>• <i>New K-CDM installation and adjustment:</i> These efforts enable both deposit and withdrawal of cash within the same machine. Meanwhile, the number of Stand-Alone machines, located outside of our service branches, was increased in strategic locations for supporting a higher use of service by customers with enhanced convenience.</li> </ul>	
• K-PUM	908	905
<b>Key Implementations in the Third Quarter of 2011</b>		
<b>Internet Banking</b>		
• K-Cyber Banking	<ul style="list-style-type: none"> <li>• <i>Development of K-Cyber Banking screen,</i> by simplifying service explanation and making displayed information more concise, particularly at the “Add Your Own Account” and “Interbank Funds and International Funds Transfer” screens. New public relations media were introduced, so that customers can learn about the use of K-Cyber Banking by themselves.</li> <li>• <i>Arrangement of sales promotions,</i> aimed at stimulating application and conduct of payment, or mobile top-up transactions during the Money Expos, or other E-Commerce events. In addition, the Bank has arranged events to praise branches with the highest number of K-Cyber Banking service users. Customer feedbacks and recommendations on E-services were taken for our further service improvement.</li> </ul>	
• K-Cyber Service	<ul style="list-style-type: none"> <li>• <i>Development of K-Cyber Service:</i> This service combines the same user ID of three</li> </ul>	

Key Implementations in the Third Quarter of 2011	
	<p>online KGroup services together, under a single set of password, for greater convenience of customers. KGroup's online service customers having similar user ID as mentioned above are now entitled to use this new service, after its pilot use for KSecurities customers in the previous quarter.</p>
<b>K-MOBILE BANKING</b>	
<ul style="list-style-type: none"> <li>• K-MOBILE BANKING SMS</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Sales promotion for K-Salary Benefit 2011:</i> Customers making transactions via K-MOBILE BANKING will get a refund credited to their accounts as per the established conditions.</li> </ul>
<ul style="list-style-type: none"> <li>• K-MOBILE BANKING ATM SIM</li> </ul>	<ul style="list-style-type: none"> <li>• <i>System efficiency enhancement:</i> In addition to a replacement of a database server, the Bank has added new participating merchants, including the Expressway Authority of Thailand (EXAT) for topping-up their Easy Pass cards.</li> </ul>
<ul style="list-style-type: none"> <li>• K-MOBILE BANKING PLUS</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Service enhancement:</i> A new application channel via mobile phones has been added. Also, a database server for this service has been replaced with a new one, while new merchants, such as Expressway Authority of Thailand (EXAT), the service operator of Easy Pass cards, were added to the system of K-MOBILE BANKING PLUS.</li> <li>• <i>Development of air ticket payment channel,</i> for making payments for air tickets of Thai Airways International PCL., via K-Mobile Banking Plus at any time. This innovated service is part of our dedicated effort to offer complete financial services for the company's customers and trade partners.</li> <li>• <i>Arrangement of sales promotion:</i> KBank joined hands with our business allies to offer e-coupon, a privilege for customers using services of participating merchants and those using top-up services for "Data i-Kool Real 3G", as per the specified conditions. In addition, the Bank organized activities in various expos, in order to increase customer applications, program downloading and financial transactions, whereby the customers are entitled to a refund credited into their accounts, discounts at merchants and gifts as per the specified conditions.</li> </ul>
<b>K-Payment Gateway</b>	
<ul style="list-style-type: none"> <li>• K-Payment Gateway</li> </ul>	<ul style="list-style-type: none"> <li>• <i>K-Payment Gateway Clinic service:</i> Monthly financial advisory services have been provided on the issue of online payment via credit cards for our corporate customers, having their own websites to sell products and services.</li> <li>• <i>Development of payment system via mobile phones:</i> KBank and VISA International Co. Ltd., jointly launched "Mobile Verified by VISA" service for enhanced customer convenience and security for online shopping via mobile phones. With this service, customers can make payments with K-Credit Cards, or K-Debit Cards, based on</li> </ul>

Key Implementations in the Third Quarter of 2011	
	<p>Verified by VISA service with One-Time Password (OTP). This service is the first of its kind in the world.</p> <ul style="list-style-type: none"> <li>• <i>Improvement of template for Dynamic Currency Conversion (DCC) transactions:</i> Following such improvement, fee rates are now presented more clearly, while the system has been improved to allow a conduct of online refund transactions, in alignment with amended regulation by VISA and MasterCard.</li> </ul>

## 4. Risk Management and Risk Factors<sup>2</sup>

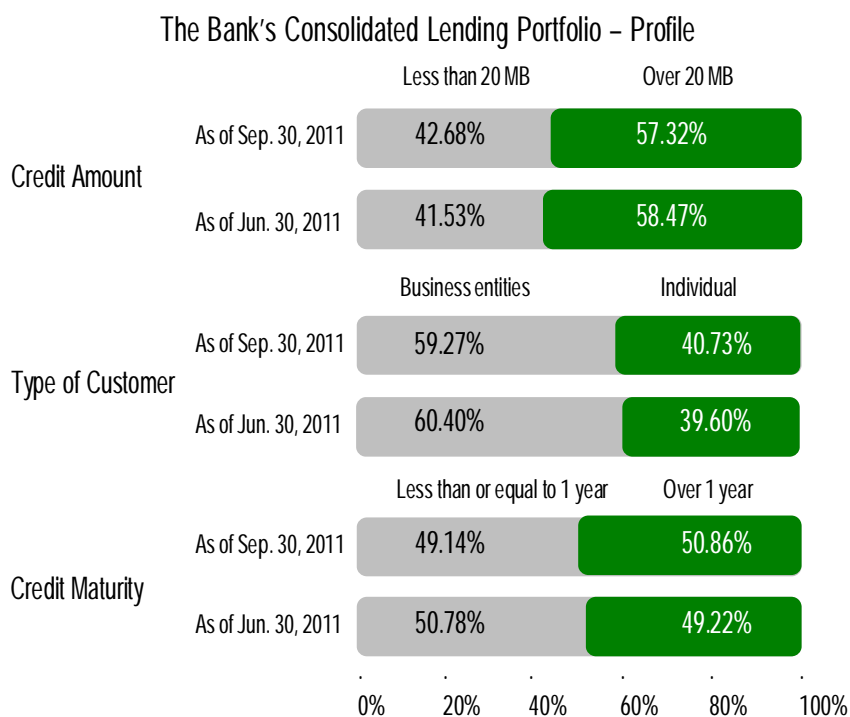
### 4.1 Credit Risk Management

#### Credit Risk Position

##### – Outstanding loans

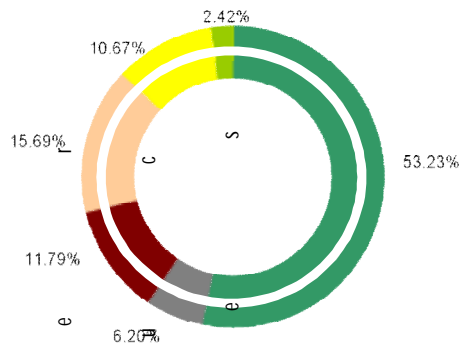
As of September 30, 2011, the Bank's consolidated outstanding loans stood at Baht 1,199,196 million, increasing by Baht 32,039 million, or 2.75 percent, over Baht 1,167,157 million as of June 30, 2011.

As of September 30, 2011, 57.32 percent of the Bank's outstanding loans to customers were loans exceeding Baht 20 million. Credit extended to the 20 largest borrowers, excluding Phethai Asset Management Company Limited and the companies in KGroup, accounted for Baht 62,838 million, or 5.24 percent of the Bank's total loan portfolio, which is a small ratio. Classified by customer type, juristic persons accounted for Baht 705,107 million, or 59.27 percent of outstanding loans; while sole proprietorships and individual customer credit accounted for the remaining 40.73 percent. In terms of maturity, credit with maturities of less than or equal to 1 year accounted for 49.14 percent of the Bank's total loans.



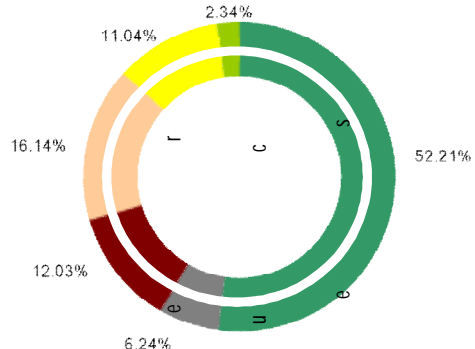
<sup>2</sup> The details of Overall Risk Management, as well as management of each type of risk and Capital Management, can be viewed in the MD&A report for the year ended December 31, 2010.

## The Bank's Consolidated Lending Portfolio



As of Jun. 30, 2011

- Agricultural & Mining
- Manufacturing & Commerce
- Real Estate & Construction
- Utilities & Services
- Housing Loans
- Others

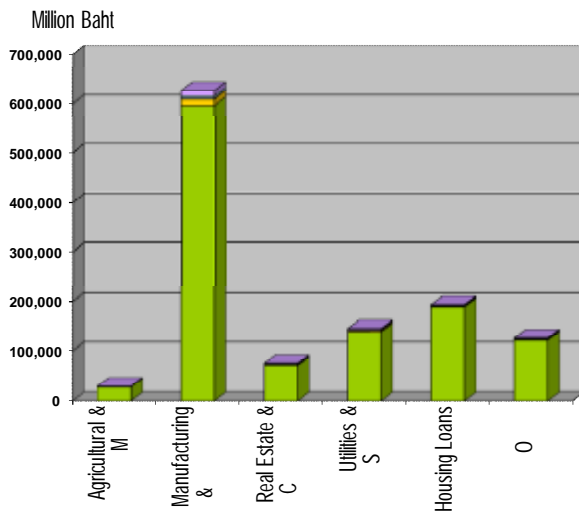


As of Sep. 30, 2011

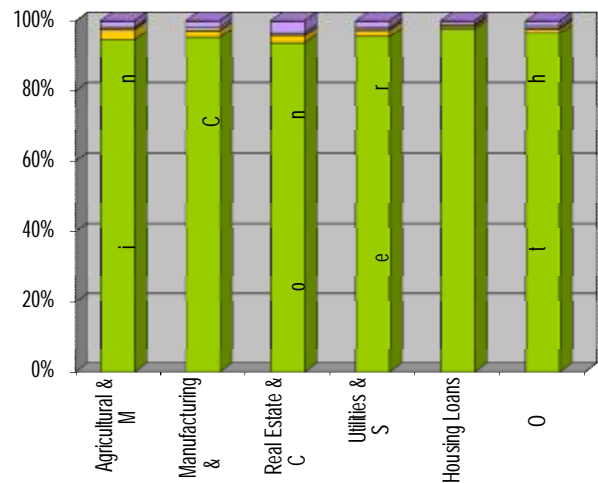
- Agricultural & Mining
- Manufacturing & Commerce
- Real Estate & Construction
- Utilities & Services
- Housing Loans
- Others

As of Sep. 30, 2011

Consolidated Loans Classified by Type of Business and Loan Classification



Percent of Consolidated Loans Classified by Type of Business and Loan Classification



- Normal
- Special Mention
- Sub-Standard
- Doubtful
- Doubtful and Loss

Of the Bank's consolidated lending portfolio, 95.75 percent was classified as 'Normal' loans. Classified by type of business, Manufacturing & Commerce accounted for 52.21 percent

of total consolidated lending, which was the highest ratio. Of this figure, 95.27 percent was classified as 'Normal' loans.

– Non-Performing Loans and Debt Restructuring

*Non-Performing Loans*

As of September 30, 2011, the Bank's consolidated NPLs stood at Baht 30,073 million, equal to 2.25 percent of the total outstanding credit, including that of financial institutions. For Bank-only NPLs, the amount totaled Baht 28,171 million, accounting for 2.11 percent of the total outstanding credit, including that of financial institutions, which decreased in volumes and ratios from the end of the second quarter of 2011. These NPL figures are shown in the table below:

Non-Performing Loans

	(Units: Million Baht)	
Quarter Ending	Sep. 30, 2011	Jun. 30, 2011
The Bank's consolidated NPLs	30,073	32,312
Percent of total outstanding credit, including that of financial institutions	2.25	2.52
The Bank-only NPLs	28,171	30,333
Percent of total outstanding credit, including that of financial institutions	2.11	2.37

*Net Non-Performing Loans*

As of September 30, 2011, the Bank's consolidated net NPLs stood at Baht 14,529 million, equal to 1.10 percent of the total outstanding credit, including that of financial institutions. For the Bank-only net NPLs, the amount totaled Baht 13,454 million, accounting for 1.02 percent of the total outstanding credit, including that of financial institutions, which decreased in volumes and ratios from the end of the second quarter of 2011. The net NPL figures are shown in the table below:

Net Non-Performing Loans

	(Units: Million Baht)	
Quarter Ending	Sep. 30, 2011	Jun. 30, 2011
The Bank's consolidated net NPLs	14,529	15,457
Percent of total outstanding credit, including that of financial institutions	1.10	1.22
The Bank-only net NPLs	13,454	14,337
Percent of total outstanding credit, including that of financial institutions	1.02	1.14

*Debt Restructuring*

In the third quarter of 2011, the Bank's consolidated pre-written-off, restructured debts totaled Baht 44,121 million, increasing by Baht 2,322 million when compared to the same period of 2010. Losses from debt restructuring stood at Baht 3,074 million, or 6.97 percent of total

restructured debts, an increase of Baht 378 million over the Baht 2,696 million for the third quarter of 2010, or 0.90 percent of total restructured debts.

### *Non-Performing Loans of Asset Management Company, and Foreclosed Properties*

#### Non-Performing Loans of Phethai Asset Management Company Limited

As of September 30, 2011, Phethai AMC had resolved and/or restructured NPLs amounting to Baht 72,931 million, or 98.54 percent of the total initial unpaid principal balance, with an expected recovery rate of 48.00 percent.

The details of NPL resolution and/or restructuring over the past five quarters are shown in the table below:

#### Loans Resolved/ Restructured at Phethai Asset Management Company Limited

(Units: Million Baht)

Quarter Ending	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sep. 30, 2010
Phethai Asset Management Company Limited					
Cumulative loans resolved/restructured	72,931	72,807	72,790	72,750	72,665
Percent of the total initial unpaid principal balance	98.54	98.00	98.00	98.00	98.00

#### Foreclosed Properties

As of September 30, 2011, the Bank's consolidated foreclosed properties had a cost value of Baht 14,401 million, accounting for 0.81 percent of total assets.

Meanwhile, consolidated allowances for impairment of foreclosed properties stood at Baht 1,626 million, equivalent to 11.29 percent of the cost value of those foreclosed properties, which is believed to be sufficient to cover holding, maintenance and disposal expenses, as well as losses on the liquidation of foreclosed properties.

#### Allowance for Doubtful Accounts and Allowance for Impairment of Assets

As of September 30, 2011, the Bank's consolidated allowances for doubtful accounts and revaluation allowance for debt restructuring totaled Baht 38,563 million. This amount was equivalent to 150.34 percent of the level required by the Bank of Thailand.

## 4.2 Market Risk Management

In the third quarter of 2011, the capital market remained fluctuated, affected by both positive and negative factors. Major positive factors at home included clearer political situation after the general election, and some improved economic indicators, particularly exports that were able to maintain satisfactory growth momentum as negative impacts from the Japanese disasters subsided.

Meanwhile, notable negative factors were persistently high inflationary risk that has pressured the BOT's monetary policy maneuver, as well as heightened global economic uncertainty – especially the U.S. economy that underperformed their growth potential level, and the prolonged EU debt crisis – all of which have hurt Thai exports and thus economy. To effectively brace for such volatility and risks, the Bank, under the supervision of the Enterprise Risk Management Division and the Risk Management Committee, adheres to our effective procedures to measure and manage such risks to remain within our established risk appetite.

### 4.3 Liquidity Risk Management

In the third quarter of 2011, the Thai economy was able to maintain some growth momentum, drawing some support from better political situation during the post-election period. This condition, plus persistent inflationary risks and higher inflation expectations that were resulted from consumption-led economic stimuli by the government, caused the Bank of Thailand to continually tighten their monetary policy, in order to keep economic stability in check. However, as risks to domestic economic growth became more evident late in the quarter – following growing global economic uncertainty, particularly slow U.S. economic recovery and widespread EU debt crisis – money and capital markets saw increased and continuous volatility.

Aside from our regular revision and improvement of the liquidity risk management process to better align with dynamics of economic situation and the Bank's business growth, we have sought preparation and actions to accommodate the situation, where the global economy has seen more downside risks from impeded confidence and rating agencies' credit rating downgrades on worsened debt servicing ability among some EU members and the U.S., which could then indirectly affect Thai commercial banks having tight linkage with global financial markets. Our notable preparation and actions included revision of our monitoring, analysis and risk management process of foreign currency liquidity, as well as consideration of our strategic policy to maintain appropriate level for minimum foreign currencies liquidity, amid both normal and stressed situations.

Following the above efforts, it has been found that our foreign currency and overall liquidity remains at normal level, and sufficient for absorbing arising liquidity and interest rate risks caused by different factors in the future. Meanwhile, the Bank will closely monitor changing operating environment, such as outlook of global and Thai economies, capital flows, Thai authorities' policy implementation, as well as competition of savings and investment products among financial institution, amid a decrease in deposit protection limit. Such assessments will help us estimate possible impacts on our deposits and B/Es, and liquidity in both short and long term, more accurately, thereby leading to effective implementation of appropriate funds raising strategies in the future.

## 5. Operations of Support Groups

---

### ๑ Human Resource Management for the Highest Business Efficiency of KASIKORNBANKGROUP

In the third quarter of 2011, the Bank continued to improve the way to manage human resources to facilitate KGroup in achieving their business goals, as follows:

- Recruitment and Allocation of Staff: In line with our business expansion in China, the “China Project Career Day (Walk-in Interview)” was arranged in September 2011, in order to recruit staff to support this business expansion plan. This program aimed at seeking employees with Chinese literacy through one-day process of application and interview. A number of interested applicants participated in this program.
- K-Culture: Our plan to establish an organizational culture has progressed as planned. Notable development included efforts to create better understanding of positive behaviors as per KGroup Core Values, and to continuously promote desired behaviors by means of many campaigns and activities organized by KBank and various KGroup units.
- Performance Management: The mid-year performance evaluation of each employee was completed by the end of the third quarter of 2011, while supervisors were assigned to notify their staff members on the appraisal result by means of advices and coaching during September to October 2011, which would serve as guidelines for individual improvement for better achievement of their earlier-set 2011 performance goals. In addition, the Bank prepared a DVD relating to the “on-spot coaching” for better understanding and wider practices among KGroup employees and executives.
- Staff Potential Development and Retention: The Bank continued to monitor the progress of Leadership Development Program (LDP) and arranged Individual Development Plan for employees participating in this program in 2011. Moreover, staff potential has been developed in cooperation with the responsible department as per the established plan. For employee retention, the Bank has arranged many activities to enhance positive impression and to strengthen relationship with new employees, such as the “Care for New Colleagues” project and communications of techniques to take care of new colleagues via the Bank’s internal media, including KASIKORNBANKGROUP newsletter, as well as Tools & Tip circulating via internal emails.
- Labor Relations Management: KASIKORNBANK is the only commercial bank in Thailand granted with the “Outstanding Labor Relations and Welfare 2011” award in the category of large business enterprises with labor unions, by the Ministry of Labour, for the sixth consecutive year. In the third quarter of 2011, the Bank organized activities to promote good

employee relationship within KGroup by inviting specialized physicians to provide information on health subjects to employees under the “KGroup Healthy Group” project, and arranging campaigns to encourage the efficient use of resource, as well as motivating all supervisors to give advices and coaching on a regular and systematic basis for effective human resource management.

#### ๑ IT Management

- IT Security Policy and Infrastructure

The development of the “Controlled Compliance on Servers” project by the Bank for monitoring security risks arising from the operating system and database management system software on servers at branches, has helped improve data security and branch service system, as well as reducing risks of computer virus infection and system hacking. In addition, this effort enables system administrators to examine the server security in a timely manner for enhanced efficiency and reduced working time and process.

- IT Outsourcing

KBank continued to review the IT outsourcing contracts, concerning the areas of application maintenance, plus application development and enhancement, to ensure clearer working scopes for better service quality and flexibility, at more reasonable prices. In addition, training programs on the Bank’s work procedures were arranged for our new IT outsourcing vendor. A meeting between the Bank and executives of the new IT outsourcing vendor has been organized every two weeks to ensure seamlessly coordinated efforts.

Regarding the cost management of IT project and systems, the Bank joined hands with the IT service providers in employing “Server and Storage Virtualization” technology, which has impressively enhanced efficiency and reduced relevant costs for the Bank. Due to the aforementioned efforts, our IT-related costs dropped Baht 132 million during the first nine months of 2011.

Besides these, the Bank is establishing the “Outsourcing Sub-Committee”, to be in charge of setting directions and framework for outsourcing, and approving the use of outsourcing services, for increased efficiency in our IT operations.

#### ๑ K-Transformation

K-Transformation program has been progressing, particularly in the area of human resource and other important process development. As of the third quarter of 2011, major progress was seen in the Multi-Channels Sales & Service (MSS) project, which accomplished over 98.00 percent completion. Of this, new branch infrastructure platform rollout was fully completed. New sales and service solution has already been deployed to all 650 Bangkok and upcountry branches, while, given

this rate of progress, our plan to complete the 800 branch coverage nationwide should be achieved by early 2012, as earlier targeted.

Regarding the IT Capital (ITC) program, the Bank has been expanding the working scope of the Bulk Payment System to fuller functionalities, and keeping our existing timeline for the launch of the new Core Banking System by 2013. With all of these efforts, the Bank's business goals shall be reached more efficiently and effectively, through our expanded ability in responding to the needs of customers and differentiating our products and services, thus resulting in higher income than rivals.

#### Disclaimer

---

Certain statements shown in this document are forward-looking statements in respect of financial position or performance of KASIKORNBANK Public Company Limited (“KBank”). KBank has prepared such statements based on several assumptions, and has relied on the financial and other information made available from public sources as of the date these statements were made. Statements with words such as “expect”, “believe”, “estimate”, etc., are types of forward-looking statements involving uncertainties and subject to change at any time due to future events, including but not limited to, changes in the global/national economic, political and regulatory environment. KBank is under no obligation to update these forward-looking statements to correspond to the current situation. Thus, recipients shall carefully review these statements and make an independent decision prior to investing or entering into any transaction.

