



Management Discussion and Analysis (MD&A)

For the Quarter Ending March 31, 2010

ธนาคารกสิกรไทย
KASIKORNBANK 泰华农民银行



Executive Summary
Management Discussion and Analysis
For the Quarter Ending March 31, 2010

In the first quarter of 2010, KASIKORNBANKGROUP continued to place an emphasis on satisfying the diverse needs of both corporate and individual customers in all seven segments thoroughly and effectively. We have also strived to maintain our competitiveness through differentiation of our products and services that have incorporated new innovations for more complete financial solutions.

Following our acquisition of additional ordinary shares of Muang Thai Group Holding Co., Ltd. (MTGH), the Bank's consolidated statement of income for the first quarter of 2010 fully reflected the performance of companies in the MTGH group for the entire quarter. The Bank's consolidated net income for the first quarter of 2010 totaled Baht 4,364 million, an apparent increase of Baht 696 million, or 18.99 percent, over the previous quarter, due mainly to increases in net interest and dividend income, as well as non-interest income. Meanwhile, allowances for bad debts and doubtful accounts were lower when compared to the previous quarter.

With regards to our financial position as of March 31, 2010, the Bank's consolidated assets equaled Baht 1,422,290 million, increasing by Baht 63,758 million, or 4.69 percent, over the end of 2009. These increased assets were due in part to loan growth of Baht 19,268 million, equivalent to 2.04 percent greater than in 2009 year-end, reaching Baht 962,646 million. Broad-based growth was achieved across businesses, including Corporate, SME and Retail Business loans. Meanwhile, our net and gross non-performing loans declined from 2009 year-end, mirroring improved asset quality. Despite intense competition, we continued to see our consolidated deposits growing by Baht 32,444 million, or 3.33 percent, over 2009 year-end, reaching Baht 1,007,936 million. In terms of capital strength, our capital adequacy ratio was 15.03 percent, with Tier-1 and Tier-2 capital amounting to 10.09 and 4.94 percent, respectively. These ratios remain significantly higher than the Bank of Thailand (BoT) minimum requirement, as well as being sufficient for facilitating our present and future business operations.

The success and achievements in our core business operations were a result of KASIKORNBANKGROUP's more aggressive business strategy. Efforts of note included our service expansion to serve business partners of our existing customers, while striving to better meet both financial and non-financial needs of each customer with customized products and services, as well as equipping our customers with relevant knowledge through various activities and channels.

Having always recognized the importance of risk management, we have revised our

business operations to better align with the changing economic conditions. During the most recent emergence of political tension, we have closely monitored customers' business operations, allowing us to provide some necessary assistance to them, particularly those having high exposure to risks associated with the ongoing turmoil. Preparations and various risk analyses have also been performed under different scenarios. In addition to these efforts, we continue to develop all necessary support functions, including our strategic project under "K-Transformation", as planned.

With our dedication to extensively improve our business in each and every dimension, not to mention our adherence to good corporate governance, KASIKORNBANKGROUP was widely honored by marks of recognition from both domestic and foreign institutions in the first quarter of 2010.

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1. Overview

1.1 Overview of Economy, Banking Industry and Regulatory Changes

□ Thailand's Economy in the First Quarter of 2010

For the first quarter of 2010, the Thai economy is expected to grow 8.5 percent over-year, accelerating over the 5.8 percent seen in the fourth quarter of 2009, and recording the fastest pace of growth in over 14 years. In addition to having a low base of comparison, the economy in the first quarter of 2010 was also boosted by healthy export recovery, in tandem with the global economic turnaround and growing trading volume under many free-trade agreements. Expansionary fiscal and monetary policies at home also helped spur domestic activity, particularly private spending and investment. The Headline CPI averaged 3.8 percent over-year in the first quarter of 2010, compared to the 1.9 percent recorded in the fourth quarter of 2009, due to higher agricultural and oil prices. The Thai Baht, however, strengthened significantly against the greenback, as investors were more convinced that economic growth among Asian economies would be healthier than elsewhere, thereby attracting capital inflows into the region, particularly stock markets.

Thailand Economic Growth Forecast

(Units: Year-on-year percentage change, or as otherwise indicated)

	Q1-2010	Q4-2009
Private Consumption Index	7.7	2.3
Private Investment Index	18.2	-1.7
Manufacturing Production Index	30.8	14.2
Agriculture Production Index	2.0	-2.5
Exports	32.0	12.2
Imports	63.6	1.4
Trade Balance (USD billions)	2,133	2,673
Current Account (USD billions)	5,252	4,274
Headline CPI Inflation	3.8	1.9
Gross Domestic Product (GDP)	8.5*	5.8

Sources: BoT, and KASIKORN RESEARCH CENTER CO., LTD.

Note: *Forecasted Figure.

However, the Thai economy has experienced heightened political uncertainty since the second half of March 2010. Although, in the early stages where the most recent episode of unrest had not yet become violent, money and capital markets were not much affected, the growing political tension will inevitably complicate the recovery process of the Thai economy. In fact, the prolonged turmoil has recently hurt consumer confidence, along with the number of foreign tourists, while being

part of the reason for the BoT to maintain their policy rate at an ultra-eased level, at least until a clearer assessment of possible economic impacts can be made.

□ Banking Industry and Competition

For the first quarter of 2010, Thai commercial banks earned higher net profits (unaudited)¹ when compared to the previous quarter and the same quarter of last year, as well as beating consensus expectations. These higher net profits were mainly supported by economic recovery at home and abroad, thereby boosting commercial banks' core businesses which include net interest income and fee income. Net interest margins, for the first quarter of 2010, apparently rose to 3.45 percent, from 3.41 percent in the final quarter of 2009. Meanwhile, fee income continued to accelerate by more than 20.0 percent, as experienced in the final quarter.

As of the end of March 2010, net loans of the Thai commercial banking system grew 3.51 percent over-year, compared to the 0.57-percent contraction at the end of 2009. This loan growth was likely aided by both business and consumer loans, with the latter receiving some support from accelerating demand in housing loans, prior to the expiration of the government's property stimulus measures at the end of May 2010. Meanwhile, deposits expanded at 0.10 percent over-year, a continuation of the 0.29-percent growth seen at the end of 2009. Net and gross non-performing loans declined to 2.79 percent and 5.01 percent, respectively, at the end of March 2010. Capital adequacy of the Thai banking system remained strong, with a CAR ratio beyond 15.0 percent.

Amid the improving economic conditions that led to higher loan demand from the private sector and reduced customer credit risk, Thai commercial banks have adopted a more aggressive business strategy in extending loans, in order to meet the previously-set yearly targets, which are quite ambitious. Competition for deposit products has also intensified, as can be witnessed from the variety of special deposit products and campaigns, with attractive interest rates, launched early in the quarter. These deposit products have not only aimed to secure liquidity for future loan extensions, they have also helped to maintain the customer base after many previous special deposit campaigns came due during the quarter, and enhanced competitiveness against other investment alternatives. These included insurance products and mutual funds, investing in South Korean bonds wherein a significant amount of them gradually came due and, therefore, caused asset management companies to urgently launch new products to maintain their customer base and market share.

Following the escalating political tension witnessed in the latter half of March 2010, commercial banks have become more proactive, in part by monitoring the situation more closely, as well as mapping out necessary preparations — including liquidity and business contingency plans,

¹ Complied from unaudited financial statements of 12 Thai commercial banks.

along with risk analyses and stress tests under different scenarios. These aforementioned efforts are to ensure that each commercial bank will be able to effectively handle unforeseen impacts from the political unrest. In addition, commercial banks have carefully monitored business operations and debt servicing ability of customers having high exposure to political risks, in order to assist them and, at the same time, allow commercial banks to adjust their business in accordance with the changing operating environment more efficiently and promptly.

□ Regulatory Changes

Some important regulatory changes in the first quarter of 2010 that may affect KASIKORNBANK operations can be summarized, as below:

- **Written Clarification of Loan Application Rejection**

According to the notification of the Bank of Thailand (BoT) No. ThorPorTor. ForNorSor. (21) Wor.71/2553, issued on January 20, 2010, regarding the written clarification of loan application rejection, the BoT has asked all financial institutions to issue a written clarification of reasons and relevant details of loan rejection to an applicant. If a loan applicant asks for an explanation of loan application rejection and requests that the financial institutions return their documents submitted for loan application, the financial institution has to respond to those requests in a timely manner. This requirement came into effect on April 1, 2010.

This notification regards the practices of post-credit approval operations which require the financial institutions to set additional procedures for loan application rejection and the return of relevant documents to applicants. In fact, KASIKORNBANK has already put in place loan approval procedures that are in line with this regulation. Moreover, the Bank has already established procedures and guidelines for credit underwriting, as well as loan approval and rejection, which can be clearly stated to all customers. As a result, this notification has not affected the Bank's credit underwriting procedures and approvals.

- **Guidelines for Liquidity Risk Management Policy of Financial Institutions**

According to the notification of the BoT No. ThorPorThor. ForNorSor. (21) Wor.156/2553, issued on January 28, 2010, regarding guidelines for liquidity risk management policy of financial institutions, financial institutions are required to formulate their liquidity risk management policy, in compliance with the new principles of the "Basel Committee on Banking Supervision" issued in September 2008, in order to cope with developments of the financial market and new technologies, for both normal and stressed situations. For instance, the required policy should cover the complete identification of risks, intraday liquidity management and public disclosure of liquidity-related information of each financial institution. At present, this policy guideline is based on a qualitative

approach, but the BoT will revise its qualitative and quantitative principles when clearer standards are developed.

Regarding the impact of this policy guideline, it does not have a significant effect on the Bank, although its content is considerably changed from the prior BoT notification No. ThorPorThor. SorNorSor. 41/2551, issued on August 3, 2008, regarding liquidity risk management of financial institutions, which is currently in force. This is because the Bank has revised our procedures and strategies related to liquidity risk management, public information disclosure, as well as most qualitative principles, in compliance with the newly changed guidelines in the first quarter of 2010.

As for the quantitative principle of the liquidity risk management guidelines, the Bank is monitoring progress of such a principle, which will likely be issued by the BoT in the future. At the same time, we have initially proceeded with quantitative impact assessment, in response to the new principles of the “Basel Committee on Banking Supervision” issued in December 2009, so as to allow effective preparations and prompt adjustments of relevant procedures.

- **Relaxation of Regulations on Derivative Transactions linked to Foreign Exchange Rates**

According to the notification of the BoT No. ThorPorThor. PhorKorChor. (23) Wor.4/2553, issued on February 1, 2010, regarding the relaxation of regulations on derivative transactions linked to foreign exchange rates, commercial banks are allowed to discontinue or unwind positions of Baht-involving derivative transactions of any purpose — including foreign exchange hedging and estimation for financial derivative transactions — without asking for permission from BoT officials. So doing aims at increasing convenience for customers engaging in derivative transactions linked to Baht-related exchange rates, or financial indices calculated from Baht-related exchange rates. The BoT empowers commercial banks to verify the discontinuing or unwinding of derivative transactions involving the Baht, ensuring that customers do not have speculative purposes. In cases where margin compensation or payments are required, commercial banks and customers are allowed to proceed in the Baht only.

This notification helps enhance flexibility in risk management among commercial bank customers, particularly entrepreneurs, as they are allowed to unwind derivative transactions made with a bank, in order to effectively adjust their business operations amid tougher competitions in international trade and fast-changing business conditions. Nevertheless, this measure may increase foreign exchange volatility, causing these entrepreneurs to monitor market movements more closely. By and large, the Bank expects that this measure will cause entrepreneurs in every industry to realize the significance of sound protection from foreign exchange rate risks.

- **Regulations on Mutual Funds' Name and Investment Policy Formulation**

The Securities and Exchange Commission (SEC)'s issued notification No. KorLorTor. Nor. (Wor) 5/2553, dated February 10, 2010, regarding the details and the principles of naming mutual funds and formulating investment policy, as follows:

- 1) *Regarding a mutual fund's name*, it must reflect the main investment plan of the fund, without any content that may mislead investors. For example, if a mutual fund's name emphasizes a particular investment type in any specific asset, the management company must invest at least 80 percent of the net asset value in that asset, in that accounting year. On the other hand, if a fund's name suggests that the management company is investing in two types of assets, the company must invest at least 40 percent of the net asset value in each of those two assets, in that accounting year.
- 2) *Regarding a mutual fund's investment policy formulation*, the management company should separate the policy for the main investment from the policy for other additional investment that aims at enhancing investment returns, or parking wealth in anticipation of better investment timing. On the part of additional investment, the management company may specify the investment scope to cover all assets that can be invested in or possessed. Moreover, the company shall reserve the right to add other types of assets that can be invested in, according to additional SEC notifications that may exist in the future.

This notification helps facilitate all management companies to have common guidelines of mutual fund's names and investment policy formulation. This also reduces investor confusion, as well as providing basic information, in order to facilitate their investment decision-making. As for KASIKORN ASSET MANAGEMENT CO., LTD, this notification does not affect their business operations, because the company has already named all of its mutual funds products to clearly reflect their main investment policies, as well as separating the main investment policy from the other additional investment policy.

1.2 Direction of Business Operations

In the first quarter of 2010, KASIKORNBANKGROUP continued to place an emphasis on satisfying the diverse needs of both corporate and individual customers in all seven segments thoroughly and effectively, in tandem with maintaining the Bank's competitiveness amid tougher competition in the Thai commercial banking system, following a continued trend of improvement in the Thai and global economy. To achieve such an objective, the Bank has strived to differentiate our products and services. New innovations have been added to our existing products and services, in order to offer service solutions to all customers more thoroughly. In addition, the Bank has prioritized

adjustments of our operational procedures and development of relevant systems, in order to enhance the effectiveness and swiftness of our services. Meanwhile, our operational costs continue to be maintained at an appropriate level.

Our efforts have been resulted in the continuous growth of loans. Meanwhile, we have put emphasis on effective risk management, amid lingering economic and political uncertainty, which covers the close monitoring of all involved risks, setting risk management strategies that are in line with international guidelines and practices, as well as developing effective risk management policies, tools and procedures.

With our dedication in effectively responding to the diverse need of customers, along with ongoing efforts to improve support functions, procedures and efficiency of risk management, KASIKORNBANK has achieved a satisfactory degree of success in business operations, regarding both financial and quality targets in the area of corporate and retail businesses. This has been reflected in the marks of recognition awarded to us during the first quarter of 2010, from both domestic and foreign entities including:

Award for Successful Bank Innovations

- Thailand ICT Excellence Awards 2009, presented by the Thailand Management Association (TMA).

Awards for Foreign Exchange Services

- The Most Active Bank in Thailand 2009, Best Foreign Currency Liquidity Providers in Thailand 2009 and Best THB Interest Rates Contributors in Thailand 2009 awards, presented in the “Thomson Reuters FX Award 2010” ceremony, organized by Thomson Reuters.

Awards for Investment Banking Services

- Best Domestic Investment Bank 2009 and Best Debt House 2009 awards, presented by *The Asset* magazine.
- Best Bond House 2009, Best Trade Finance Bank 2009 and Best Cash Management Bank 2009 awards, presented by *FinanceAsia* magazine.
- Best Local Currency Bond Deal of the Year in Southeast Asia award, presented by *Alpha Southeast Asia* magazine
- Best Market Contributor, Deal of the Year, Dealer of the Year and Best Bond House awards, presented in the “ThaiBMA Best Bond Awards 2009” ceremony, organized by the Thai Bond Market Association.

Awards for SME Business

- **Best SME Bank** award, presented in the “Asset Triple A Awards Transaction Banking 2010”, organized by *The Asset* magazine. KASIKORNBANK is apparently the first Thai commercial bank to receive this award.
- **Global Custodian Survey of Agent Banks in Emerging Market (Domestic Top-Rated)** award, based on a survey of local customer satisfaction conducted by *Global Custodian* magazine. KASIKORNBANK has received this award for three consecutive years.

Awards for Retail Business

- **Best Retail Bank in Thailand 2009** award, presented in the “Asian Banker Excellence in Retail Financial Service Awards 2010”, organized by *The Asian Banker* journal.
- **Best Local Private Bank in Thailand 2009** award, presented by *Euromoney* magazine

In the first quarters of 2010, the Bank adhered to good corporate governance principles as a public company limited and a listed company in the Stock Exchange of Thailand (SET). In our 2010 Annual General Meeting (AGM) of Shareholders, the Bank followed the good corporate governance best practices in recognizing the legitimate rights of all shareholders, per the Statement of Corporate Governance Principles, in continuation from the previous year. The shareholders are allowed to submit issues for inclusion in the AGM agenda, propose qualified candidates for director election, and submit their questions for consideration prior to the AGM date. Relevant information and regulations have been disseminated via the information disclosure system of the SET, as well as the Bank’s website.

2. Operating Performance and Financial Position Analysis

2.1 Operating Performance

For the first quarter of 2010, the Bank's consolidated statement of income included the performance of companies in the Muang Thai Group Holding Co., Ltd. (MTGH) for the entire quarter, following our additional investment in Muang Thai Life Assurance Company Limited ("MTL") by acquiring additional ordinary shares of the MTGH group on November 30, 2009. This was despite the inclusion of only one month of operating results of companies in the MTGH group in the Bank's consolidated statement of income for the fourth quarter of 2009.

Operating Performance for the First Quarter of 2010

(Units: Million Baht)

	Q1-2010	Q4-2009	Change		Q1-2009	Change	
			Million Baht	Percent		Million Baht	Percent
Income from interest and dividends	14,581	13,854	727	5.25	15,511	(930)	(6.00)
Interest expense	2,717	2,678	39	1.46	4,755	(2,038)	(42.86)
Net income from interest and dividends	11,864	11,176	688	6.16	10,756	1,108	10.30
Bad debts and doubtful accounts	105	1,594	(1,489)	(93.41)	1,376	(1,271)	(92.37)
Loss on debt restructuring	1,593	684	909	132.89	984	609	61.89
Non-interest income	13,568	9,023	4,545	50.37	5,671	7,897	139.25
Non-interest expense	16,972	12,707	4,265	33.56	8,600	8,372	97.35
Income tax expense	2,101	1,496	605	40.44	1,667	434	26.03
Operating profit (Before bad debts and doubtful accounts, loss on debt restructuring and income tax expense)	8,460	7,492	968	12.92	7,827	633	8.09
Net income	4,661	3,718	943	25.36	3,800	861	22.66
Net income attributable to:							
Equity holders of the Bank	4,364	3,668	696	18.99	3,800	564	14.85
Minority interest	297	50	247	494.00	-	297	-
Net Income	4,661	3,718	943	25.36	3,800	861	22.66

The Bank's consolidated net income for the first quarter of 2010 totaled Baht 4,364 million, increasing by Baht 696 million, or 18.99 percent, over the previous quarter. When compared to the first quarter of 2009, the Bank's consolidated net income rose by Baht 564 million, or 14.85 percent. The increase in net income was due primarily to increases in net interest and dividend income, as well as non-interest income. (The rise in non-interest income was mainly attributable to continued growth of fee and service income, as well as higher net premium written which was the result of consolidation of financial statements of companies in the MTGH group.) Additionally, the increase in

net income was due to lower allowances for bad debts and doubtful accounts. Meanwhile, the Bank's consolidated non-interest expense rose over-quarter and over-year, in light of underwriting expenses from life insurance business, as a result of the consolidation of MTGH.

Income Structure

(Units: Million Baht)

	Q1-2010	Q4-2009	Change		Q1-2009	Change	
			Million Baht	Percent		Million Baht	Percent
Interest and Dividend Income							
1. Loans	11,714	11,637	77	0.66	13,142	(1,428)	(10.87)
1.1 Loans	6,820	6,807	13	0.19	7,729	(909)	(11.76)
1.2 Overdrafts	2,882	2,834	48	1.69	2,803	79	2.82
1.3 Bills	2,012	1,996	16	0.80	2,610	(598)	(22.91)
2. Interbank and money market items	388	333	55	16.52	673	(285)	(42.35)
2.1 Deposits	12	12	-	-	5	7	140.00
2.2 Loans	376	321	55	17.13	668	(292)	(43.71)
3. Finance leases	690	667	23	3.45	609	81	13.30
4. Investments	1,789	1,217	572	47.00	1,087	702	64.58
Total Interest and Dividend Income	14,581	13,854	727	5.25	15,511	(930)	(6.00)
Total Interest expense	2,717	2,678	39	1.46	4,755	(2,038)	(42.86)
Net Interest and Dividend Income	11,864	11,176	688	6.16	10,756	1,108	10.30
Non-Interest Income							
1. Fee and service income							
1.1 Acceptances, avals, and guarantees	374	338	36	10.65	318	56	17.61
1.2 Others	4,833	5,051	(218)	(4.32)	3,910	923	23.61
2. Gains on exchange	855	834	21	2.52	1,129	(274)	(24.27)
3. Net premium written	6,929	2,193	4,736	215.96	-	6,929	100.00
4. Other income	577	607	(30)	(4.94)	314	263	83.76
Total Non-Interest Income	13,568	9,023	4,545	50.37	5,671	7,897	139.25
Total Income	25,432	20,199	5,233	25.91	16,427	9,005	54.82
% Non Interest Income Ratio	53.35	44.67			34.52		

□ Net Income from Interest and Dividends

The Bank's consolidated net interest and dividend income for the first quarter of 2010 increased over the previous quarter, as a consequence of a rise in interest and dividend income – in tandem with gains in interest income from investments, which came largely from return on investments in government bonds by MTL. Meanwhile, our consolidated interest expense rose over-quarter, due mainly to a Baht 106 million increase in interest expense from interbank and money

market items, equivalent to a 44.73-percent growth, in light of higher average volume of private repurchase transactions during the quarter. This led our net interest margins to equal 3.66 percent for the first quarter of 2010, close to those of the preceding quarter.

When compared to the same quarter of 2009, our consolidated interest and dividend income fell, owing mainly to a drop in interest income from loans following lower average lending rates. Meanwhile, interest expense decreased, largely attributable to a high base of comparison in deposit costs following the offering of special deposit products late in 2008. Our net interest margins for the first quarter of 2010 also stayed close to those of the first quarter of 2009.

□ Non-Interest Income

The Bank's consolidated non-interest income for the first quarter of 2010 increased over-quarter and over-year, due mainly to higher net premium written from MTL, which was resulted from consolidation of financial statements of companies in the MTGH group. Excluding this factor, our non-interest income continued to grow. Major attributors were seen from a Baht 216 million increase in the fee and service income, equivalent to a 3.88-percent rise over the previous quarter, particularly fees from sales of products and financial services, such as bancassurance and card business. When compared to the same quarter of 2009, the fee and service income rose by Baht 1,506 million, or 35.62 percent, owing mainly to fees from sales of products and financial services, as well as loan-related transactions in tandem with higher loan volume.

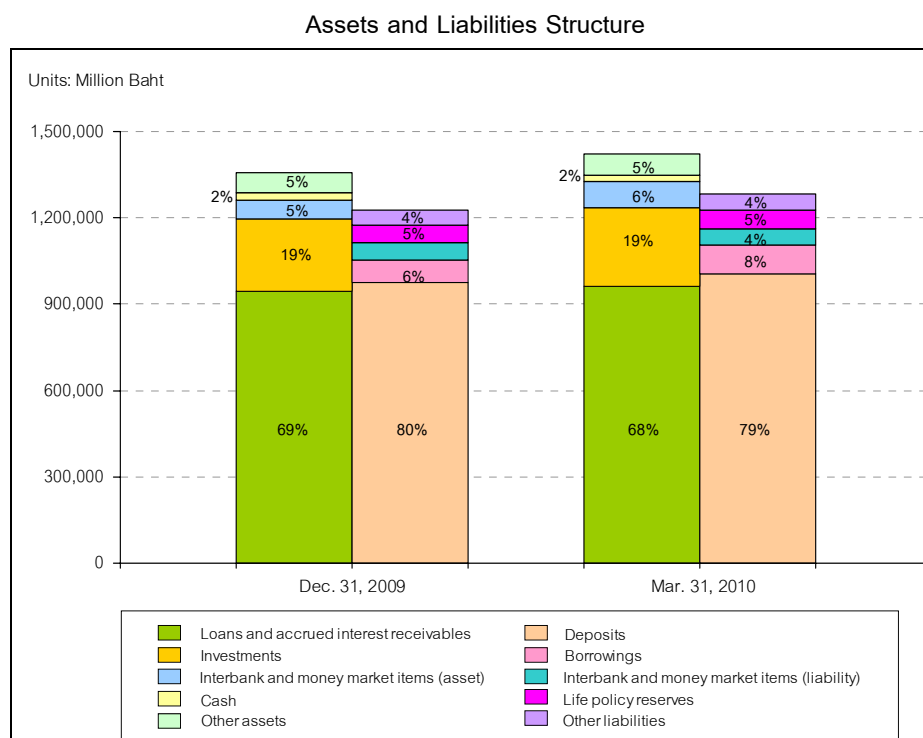
□ Non-Interest Expense

The Bank's consolidated non-interest expense for the first quarter of 2010 totaled Baht 16,972 million, up by Baht 4,265 million, or 33.56 percent over-quarter, and increasing by Baht 8,372 million, or 97.35 percent over-year. This was mainly the result of higher underwriting expenses in insurance business, following the consolidation of financial statements of companies in MTGH. Consequently, our efficiency ratio equaled 66.73 percent. Without the consolidation of MTGH, the ratio was 56.83 percent, dropping from the previous quarter, mainly attributable to lower advertising and marketing expenses. However, the ratio rose over-year, largely due to higher expenditures following our Channel Expansion and Enhancement projects, as well as an increase in advertising expenses.

□ Bad Debts and Doubtful Accounts, and Loss on Debt Restructuring

For the first quarter of 2010, the Bank and our subsidiaries set aside allowances for bad debts and doubtful accounts, as well as incurred losses on debt restructuring, totaling Baht 1,698 million, falling by Baht 580 million, or 25.46 percent, over the previous quarter. This was mainly in response to the economic recovery.

2.2 Financial Position Analysis



□ Assets

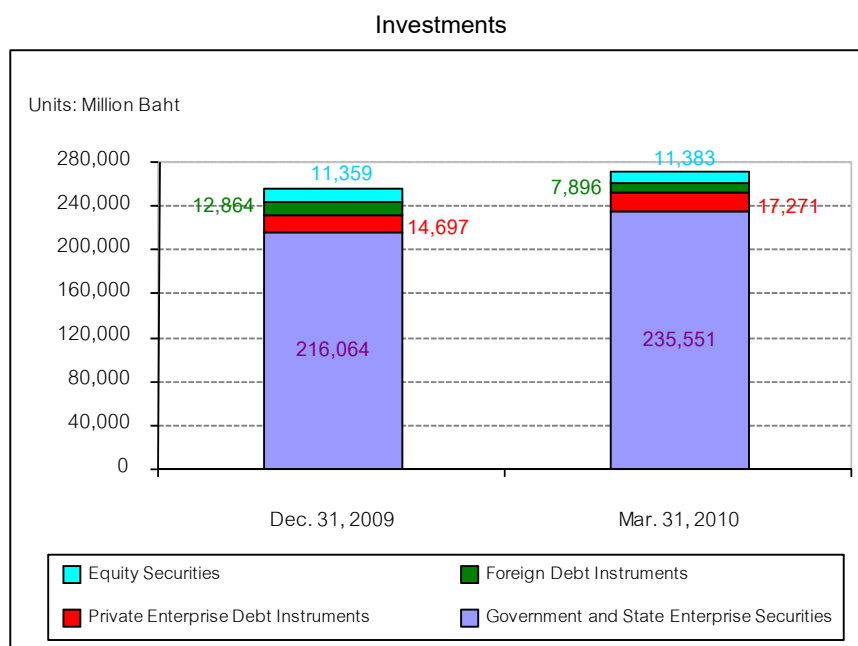
As of March 31, 2010, the Bank's consolidated assets totaled Baht 1,422,290 million, increasing by Baht 63,758 million, or 4.69 percent, over the end of 2009. The increase was mainly attributable to increases in interbank and money market items, loans, and net investments, as follows:

- Interbank and money market items (asset), at the end of March 2010, amounted to Baht 91,637 million, growing by Baht 28,253 million, or 44.57 percent, over the end of 2009. This was as a result of the Bank's liquidity management.
- The Bank's consolidated loans, at the end of March 2010, totaled Baht 962,646 million, up by Baht 19,268 million, or 2.04 percent, over the end of 2009, due primarily to increases in commercial and housing loans.

Meanwhile, our net non-performing loans² (Net NPLs) ratio to total loans, at the end of March 2010, was at 1.77 percent, down from 1.91 percent at the end of 2009. Similarly, the gross NPL ratio to total loans equaled 3.51 percent at the end of March 2010, falling from 3.76 percent at the end of 2009. Such NPL decreases were mainly the result of loan extension and a decline in bad debts.

² Details of non-performing loans are shown in the "Non-Performing Loans and Debt Restructuring" of the "Credit Risk Management" section.

- Net investments, at the end of March 2010, equaled Baht 272,101 million, rising by Baht 17,117 million, or 6.71 percent, over the end of 2009, largely a result of investments in government bonds.



□ Liabilities and Equity

The consolidated liabilities of the Bank, at the end of March 2010, totaled Baht 1,284,712 million, increasing by Baht 58,136 million, or 4.74 percent, over the end of 2009. Consolidated liabilities that had changed significantly relative to the previous quarter included:

- Deposits, at the end of March 2010, amounted to Baht 1,007,936 million, growing by Baht 32,444 million, or 3.33 percent, over the end of 2009. This was mainly due to increased savings and fixed-term deposits.
- Borrowing, at the end of March 2010, was at Baht 98,707 million, up by Baht 19,736 million, or 24.99 percent, over the end of 2009. This was due largely to our bills of exchange offering.
- Life policy reserves, at the end of March 2010, equaled Baht 63,875 million, rising by Baht 3,961 million, or 6.61 percent, over the end of 2009, mainly attributable to MTL transactions from life insurance business.
- Interbank and money market items (liabilities), at the end of March 2010, amounted to Baht 43,577 million, dropping by Baht 3,408 million, or 7.25 percent, from the end of 2009. This was mainly a result of decreases in private repurchase transactions.

At the end of March 2010, total equity attributable to equity holders of the Bank equaled Baht 128,172 million, increasing by Baht 5,106 million, or 4.15 percent, over the end of 2009. This increase was the result of a Baht 4,364 million net operating income for the first quarter of 2010.

□ Relationship Between Sources and Uses of Funds

At the end of March 2010, the funding structure as shown in the consolidated financial statement comprised Baht 1,284,712 million in liabilities, and Baht 128,172 million in total equity attributable to equity holders of the Bank, resulting in a debt-to-equity ratio of 10.02. The major source of funds on the liabilities side was deposits, which equaled Baht 1,007,936 million, or 71.34 percent of the total. Other sources of funds included interbank and money market items, plus borrowing, which accounted for 3.08 percent and 6.99 percent of the total, respectively.

The Bank and subsidiaries' major use of funds was loans. At the end of March 2010, loans amounted to Baht 962,646 million, resulting in a loan-to-deposit ratio of 95.51 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)

	Mar. 31, 2010			Dec. 31, 2009		
	Corporate Business	SME Business	Retail Business	Corporate Business	SME Business	Retail Business
Loans	287,507	365,979	172,236	284,405	363,297	164,249
Domestic credit loans	209,167	342,479		212,607	340,666	
Trade finance loans	73,762	23,500		68,638	22,631	
BIBF loans	4,578			3,160		
Housing loans			137,270			126,708
Credit card loans			23,258			27,021
Consumer loans			11,708			10,520

Note: * Excluding non-performing loans and other loans, such as those to subsidiary companies and others, as well as being revised to reflect regrouped customers.

Regarding the Bank's loans classified by business and product groups, over-quarter growth was witnessed across businesses. Corporate Business loans apparently rose by Baht 3,102 million,

or 1.09 percent, over the end of 2009, due mainly to increased trade finance loans, particularly from hotels and food outlets, as well as jewelry and ornament businesses. Meanwhile, SME Business loans experienced over-quarter growth of Baht 2,682 million, or 0.74 percent, which was mainly attributable to increased domestic credit loans seen particularly in commerce, electrical appliances and electronic parts, chemicals and medical supplies. Following this was an increase in trade finance loans from hotels and food outlets, along with jewelry and ornament businesses. Our Retail Business loans also reported over-quarter growth of Baht 7,987 million, or 4.86 percent, over the end of 2009, with housing and personal loans showing the best performance in terms of volume and growth, respectively.

□ Deposits Classified by Type of Deposit Accounts

KASIKORNBANK's Deposits*

(Units: Million Baht)

	Percent of Total Deposits	Deposits		Change	
		Mar. 31, 2010	Dec. 31, 2009	Million Baht	Percent
Total Deposits	100.00	1,010,200	978,064	32,136	3.29
Current accounts	5.44	54,918	55,613	(695)	(1.25)
Savings accounts	58.67	592,721	539,341	53,380	9.90
Fixed-term deposit accounts	35.89	362,561	383,110	(20,549)	(5.36)

Note: * Excluding deposits of subsidiary companies.

At the end of March 2010, total deposits — comprising deposits of our Corporate, SME and Retail Business customers — had increased by Baht 32,136 million, or 3.29 percent, over the end of 2009. This was due mainly to increases in savings deposits, which overshadowed a decline in other types of deposits, led by fixed-term deposit accounts that reached their maturity, wherein the Bank has offered other investment alternatives carrying attractive returns to customers in place of the matured deposits.

2.4 Treasury Operations

In the first quarter of 2010, the domestic and global economies have shown more evident signs of recovery, due mainly to ultra-eased monetary and fiscal policies pursued continually in many countries. However, the pace of recovery in different regions remained uneven, thereby inducing high volatility in global financial markets. Amid such a business environment, the Bank has analyzed, prepared, and adopted proper strategies for our liquidity and interest rate risk management. So doing has also involved efficient preparations for potential impacts from domestic political uncertainty, plus the possibility that the BoT might shift their policy rate to a more neutral stance in the future.

Treasury Operations Income

(Units: Million Baht)

Income Structure of Treasury Operations (Banking Book)	Percent of Total Income	Q1-2010	Q4-2009	Change	
				Million Baht	Percent
Interest and Dividend Income *					
Interbank and money market items **	25.10	377	335	42	12.58
Investments	74.90	1,125	901	224	24.88
Total	100.00	1,502	1,236	266	21.54

Note: * The figures above are managerial figures.

** Including loans.

In the first quarter of 2010, we earned total interest and dividend income of Baht 1,502 million from our treasury operations (banking book), increasing by Baht 266 million, or 21.54 percent over the final quarter of 2009. This was due mainly to higher dividend income from special items, as well as an increase in liquidity when compared to the previous quarter.

2.5 Capital Requirements and Credit Ratings

□ Capital Funds

As of March 31, 2010, the Bank had capital funds of Baht 153,279 million, consisting of Baht 102,962 million in Tier-1 capital, and Baht 50,317 million in Tier-2 capital. The capital adequacy ratio of the Bank was 15.03 percent, significantly above the BoT'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	Mar. 31, 2010	Dec. 31, 2009	Sep. 30, 2009	Jun. 30, 2009	Mar. 31, 2009
Tier-1 Capital Ratio	10.09	10.25	10.90	10.39	10.17
Tier-2 Capital Ratio	4.94	4.94	5.42	5.52	5.46
Capital Adequacy Ratio	15.03	15.19	16.32	15.91	15.63

Note: * These ratios do not include the net profits of each accounting period. According to BoT regulations, the net profit of the first half of the year shall be included in the institution's capital after approval by the Bank's Board of Directors. The net profit for the second half of the year shall be included in that capital after approval by a General Meeting of Shareholders. However, if there is a net loss, the loss must be deducted from capital immediately.

Capital Adequacy Ratio

(Including the net profit of each accounting period)

(Units: Percent)

Capital Adequacy Ratio	Mar. 31, 2010	Dec. 31, 2009	Sep. 30, 2009	Jun. 30, 2009	Mar. 31, 2009
Tier-1 Capital Ratio	11.16	10.94	11.24	11.08	11.29
Tier-2 Capital Ratio	4.93	4.93	5.40	5.52	5.45
Capital Adequacy Ratio	16.09	15.87	16.64	16.60	16.74

□ Credit Ratings

At the end of March 2010, the Bank's credit rating given by Moody's Investors Service, Standard & Poor's, and Fitch Ratings remained unchanged from the end of 2009. Details are shown in the following table:

KASIKORNBANK Credit Ratings

Credit Ratings Agency	March 31, 2010
Moody's Investors Service **	
<u>Foreign Currency</u>	
Outlook	Negative
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
<u>Domestic Currency</u>	
Outlook	Stable
Long-term - Deposit	A3
Short-term - Debt/Deposit	P-1
<hr/>	
Standard & Poor's **	
<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/>	

Fitch Ratings **

International Credit Ratings (Foreign Currency)

Outlook	Stable
Long-term Issuer Default Rating	BBB+
Short-term Issuer Default Rating	F2
Subordinated Debt	BBB
Individual	C
Support	2

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

In the first quarter of 2010, recovery of the Thai economy became more apparent, particularly in exports, private consumption and investment, while inflationary risk remained tame. Nevertheless, the country's intense political conflict has dampened the confidence of both business and household sectors, likely affecting the Bank's business in various dimensions, such as a possible deterioration in demand for loans and in debt servicing ability among businesses hurt by mass demonstrations.

Amid such economic circumstances, KASIKORNBANKGROUP strives to provide support to our customers' business operations, and meet each customer segment's specific needs in both financial and non-financial services. Our development of note is an extension of our "Customer-Centric" business philosophy to cover business partners of our existing customers under the same value chains. Moreover, in-depth studies have been conducted, allowing us to gain a better understanding of SME customer behaviors, characteristics and needs of loan products in different dimensions. So doing helps enhance our capability to introduce product solution packages, offering our customers complete, innovative solutions in financial products and services.

Regarding our risk management, we have revised our business operations to better align with the changing economic conditions. As for customers affected by the political uncertainty, we have closely monitored their business operations, along with providing them some necessary assistance. All of the aforementioned efforts have been reflected in our key business operations in the dimensions of customer segments, product domains and main distribution channels as follows:

3.2 Customer Segments

- **Multi-Corporate Business**

KASIKORNBANKGROUP has adopted more proactive business strategies to better cope with the changing operating environment and to complement our existing "Customer-Centric" business philosophy by expanding our target customers to cover business partners of our existing customers. So doing also enables us to develop and offer more comprehensive financial products and services. At the same time, value-added benefits are provided to businesses of our customers and their business partners under the Ultimate Value Chain Solution, which helps us to attain our desired market position.

Additionally, in 2010, the Bank has placed more emphasis on customers in the energy sector. Focus has been on corporate finance services for the electricity generation business, with an aim of being a market leader in serving as a lead arranger of project finance, and enhancing our expertise in the alternative energy business, particularly through

knowledge-based support in alternative energy to KGroup customers. As a result of our efforts in striving to thoroughly understand the nature of this industry, business characteristics and customer needs, the Bank has been entrusted by many customers, including the Ministry of Energy, to be their lead arranger, as well as their provider of financial services.

■ **Large Corporate Business**

The Large Corporate Business segment typically experiences rapid changes in business and intense competition. With our commitment to help enhance value-added benefits for customers' businesses, we have placed an emphasis on responding to their business needs by providing appropriate financial and non-financial solutions in a timely manner, which helps our customers to run their businesses smoothly and efficiently. Our Relationship Managers (RMs) having in-depth knowledge of each customer's business are always on hand to provide recommendations and useful financial advisory services to their customers. In addition, we have invented, developed and offered customized financial products and services that effectively meet the diverse needs of our customers in different perspectives and industries. To strengthen relationships with customers and build their relevant knowledge, the Bank's RMs regularly visit their customers, while seminars have been arranged under the "K-Corporate Synergy" program to provide useful knowledge related to sustainable family-run business management for customers, mainly management officers or business owners. The Bank has also improved our internal management procedures for increased efficiency in providing total financial service solutions.

■ **Medium Business**

Affected by the economic downturn, as evidenced from deteriorating consumer confidence and spending, amid the domestic political tension in the first quarter of 2010, SME entrepreneurs had to adjust and pursue more cautious business operations. The Bank, therefore, highlighted our strategy of offering financial product and service innovations that completely meet customers' business needs, especially in the form of a product solution package, such as "SME Customer Solution". We continued to provide knowledge-based support to our customers under the "K SME Care" project, through arrangement of activities that help enhance business knowledge and networks in both public and private sectors. Our customers not only see their business channels broadened, but are also able to grow business opportunities in the future. Major activities included "K SME Care Knowledge Week" and the "K SME Care Green Biz Matching" forum, encouraging our customers to adopt the 'Green Economy' business concept.

- **Small and Micro Business**

To better understand the nature of businesses in this customer segment, the Bank has conducted studies of their behaviors and demand for loans in different dimensions. As a result, in the first quarter of 2010, the Bank launched an array of products and sales promotional campaigns specially catering to this segment, such as “Credit to Non Credit”, “Increase O/D for Empowering Business”, “Refinance 0% 2 Months”, “K-SMEs Buffet Package 2010” and “K-SME BizCard”. In addition to the launch of the sales promotional campaigns, the Bank staged seminars to equip our customers with business management and marketing knowledge, which were well received among attendants.

- **THE WISDOM Segment**

The Bank has renamed the “Signature” service to be “THE WISDOM” service, effective since January 1, 2010. In this regard, we have adjusted qualifications for THE WISDOM customers, wherein each of them must have deposits and average investment of at least Baht 10 million with KGroup, while these customers are entitled for improved services and privileges offered by us. Determined to become a leader in the high-end consumer market segment and to improve levels of customer service satisfaction, we have developed strategies to expand our customer base, covering both new and existing customers. For new customers with business potential, we have utilized cooperation among various business divisions of the Bank and other companies in KGroup, while for existing clients, we have adopted a strategy to upgrade our Middle Income customers with potential to THE WISDOM segment through the offering of special sales promotional campaigns to promote target customers’ investments in mutual funds, fixed-term deposits and life insurance products. These campaigns have apparently received a warm welcome from customers, as evidenced from increasing customers’ product holding and higher fee-based income of the Bank. We also organized a “Wealth Avenue Forum” on March 23, 2010, to equip our customers with knowledge relevant to new investment trends and opportunities, as well as to strengthen ties between existing customers and our KGroup staff. To enhance customer convenience, customers participating in this forum were also encouraged to purchase unit trusts of mutual funds via THE WISDOM card of the Bank.

- **Middle Income Segment**

The Bank continues to put an emphasis on improving satisfaction of our Middle Income customers, in order to increase the number of customers and sales volume of our financial products. To achieve such objectives, we have, for instance, offered “K-Salary Benefits” — which were jointly developed by various business divisions of the Bank to offer special benefits to customers using our payroll services. This campaign aims at meeting the needs of both business owners and their employees, especially in high-growth industries with a large number of Middle Income clients. In cooperation with our business partners, the Bank has launched various marketing campaigns to offer an integrated customer experience, covering both financial and non-financial needs with superior quality of services. This helps differentiate our services from those of our peers, allowing us to become the ‘Bank of Choice’ for more customers.

- **Mass Segment**

The Bank has adhered to our goal of being the main bank for customers in the Mass segment with potential to be upgraded to the Middle Income segment in the future, especially those among university students. To this end, we have emphasized our strategy to increase our fee-based income and reduce costs of services through the launch of marketing promotional activities, aimed at encouraging our customers to conduct financial transactions via the Bank’s electronic channels. We have also communicated more with our customers via social media, such as KBank Live on Facebook. As a way to increase the number of new customers and financial products via cross-selling, the Bank organized marketing campaigns to promote the use of debit card products that offer both functional and emotional benefits under the “K-My Debit Card: Valentine” program in February 2010. New debit card applicants joining this program were entitled to receive an additional debit card free of charge. Moreover, KBank joined hands with GMM Thai Hub Co., Ltd. (GTH) to launch “GTH is me” by KBank – a debit card for movie lovers with special features that enable cardholders to design their own cards on a website by selecting pictures of actors or actresses from GTH movies to put on the cards.

3.3 Product Domains and Sales Channels

3.3.1 Product Domains

In the first quarter of 2010, the Bank not only offered new products and services, but also developed them to better serve the needs of our customers. Furthermore, we have enhanced efficiency of our working process and operations, and continuously launched sales

and marketing promotional programs. In this regard, our efforts of note can be classified into four domains, namely Operation & Transaction, Saving & Investing, Funding & Borrowing, and Protection & Information.

■ Operation & Transaction

	Details
New Products and Services	<ul style="list-style-type: none"> ● <i>Cargo e-Payment</i> features e-payment services for warehouse handling charges for importers, airline agencies, or freight forwarders with Thai Airways International Plc. via auto debit, aiming to help customers discharge their cargo more swiftly and enhance their business operation efficiency. ● <i>Payroll Service Solution</i> offers payroll management for our corporate clients in different dimensions. The service — launched on February 25, 2010 — is aimed at reducing costs in human resource management, while increasing business operation efficiency for our target customers, particularly Small and Micro Business customers. The Bank also customized the service to better meet the needs of our Multi-Corporate and Large Corporate Business customers. ● <i>'GTH is me' by KBank Debit Card</i>: KBank joined hands with GMM Thai Hub Co., Ltd. (GTH), a movie production company, in launching this debit card on February 24, 2010, to attract the new generation of Thai movie lovers.
Product and Service Enhancement	<ul style="list-style-type: none"> ● <i>International Funds Transfer</i>: In cooperation with JP Morgan Chase Bank, we developed a USD-denominated funds transfer service to designated banks in China within one day, as part of our effort to provide risk management services for international trade transactions and greater convenience for our customers who have trading partners in China. ● <i>Business development of card-accepting merchants</i>: To boost our competitiveness, the Bank is in the process of developing the Dynamic Currency Conversion system to accommodate multi-currency payment in up to 35 currencies. The system is expected to be implemented in the second quarter of 2010. ● <i>K-SMEs Buffet Package 2010</i>: The Bank developed the “K-SMEs Buffet Package 2010” program, which offered SME customers a special monthly fee program for specified financial transactions under as many as five different sets of pricing, fitting the different needs of each customer.
Process and Operational Enhancement	<ul style="list-style-type: none"> ● <i>Mutual fund supervisory service</i>: The Bank continued to develop our mutual fund supervisory services, while strengthening our service network in international markets to ensure the highest efficiency in accommodating demands of our customers, especially asset management companies seeking to invest abroad. As a result, we were able to

	Details
	maintain our leadership in this service.
Sales and Marketing Promotional Programs	<ul style="list-style-type: none"> ● <i>Marketing activities for retail customers:</i> The Bank organized marketing campaigns to promote the use of debit card products under the “K-My Debit Card: Valentine” program, wherein new debit card applications submitted in February 2010 were entitled to receive an additional debit card free of charge. To promote the use of the K-Max Debit Card, we also launched more marketing media and special sales promotional programs, including revision of annual fees for card applications submitted from January 16 to March 15, 2010. Marketing promotional activities were also staged during March 1-May 31, 2010, to encourage customers to use our K-ATM, K-MOBILE BANKING and K-Cyber Banking for mobile top-up. ● <i>Marketing activities for card-accepting merchants:</i> The Bank launched sales promotional activities for new merchants applying for the Bank’s EDC services during January to April 2010. Eligible merchants with card acceptance value meeting the required level are entitled to receive a gift voucher offered by the Bank. The program has so far been well-received by our customers. ● <i>New marketing activities for SME customers:</i> We launched the “Convenient SME Account -Strong Business” program, wherein customers are entitled to receive special privileges when conducting transactions under the established conditions and applying for our Transaction Alert services.

▪ Saving & Investing

	Details
New Products and Services	<ul style="list-style-type: none"> ● <i>Introduction of Bond Put Note:</i> This new product offers yields higher than market rate. Upon maturity of the note, the Bank has an option to repay investors in cash in the established amount, or in government bonds with maturities, face value and strike price as earlier agreed in accordance with the contract. Due to its high-risk characteristics, investors may face losses incurred from the mark-to-market pricing assessment of the bonds. The product is therefore suitable for institutional investors with investment expertise. For individual investors, we offered after-sale services, especially for those who want to switch to a fixed-interest rate regime from floating rates. ● <i>New fixed-term deposit products</i> include “Fixed Deposit 5-5-5 with Pro Education”, which bundles the products of a five-month fixed-term deposit account — with an interest rate of five percent p.a., and a minimum deposit of Baht 10,000 up to five times the insurance premium — and ‘Pro Education’ life insurance for children’s education. Other new products

	Details
	<p>were also introduced to replace deposit products that came due. These products included “Fixed Deposit Special 4 Months”, plus deposits under seasonal promotional programs, such as “New Year’s Taweessup Deposit to Earn Taweessuk (Enhanced Happiness)” and “Fixed Deposit 6 Months with Special Interest Rate to Celebrate the Chinese New Year”.</p> <ul style="list-style-type: none"> ● <i>New fund issuances:</i> The Bank, in cooperation with KAsset, issued a variety of 39 new funds in the first quarter of 2010, most of which invested in South Korean bonds, to replace the funds that came to due. In addition, two new funds investing in debentures of Thailand’s leading firms were offered, including “K Fixed Income 38 Months A Fund” and “K Fixed Income 39 Months A Fund”. For the remaining funds, their investment policies mainly focused on domestic and foreign bonds with acceptable risk appetites.
Sales and Marketing Promotional Programs	<ul style="list-style-type: none"> ● <i>Sales promotions for mutual funds:</i> In cooperation with KAsset, fees were reduced for purchase/sale of investment units under K-GOLD Fund and K-OIL Fund, as well as management fees of K-GOLD Fund and K GOLD RMF, with the purpose of reducing investors’ costs, enhancing the Bank’s competitiveness and showcasing our leadership in these kinds of funds. In addition, investors holding THE WISDOM credit card of KBank were allowed to purchase K-GOLD Fund investment units using their credit cards in the “Wealth Avenue Forum”, so as to promote card usage and introduce K-GOLD Fund to THE WISDOM card holders.

■ Funding & Borrowing

	Details
New Products and Services	<ul style="list-style-type: none"> ● <i>The SMEs Loan of Your Choice</i> is a service that enhances management flexibility of entrepreneurs and offers choices for liquidity management that are consistent with their business positions. Customers are able to choose the types of repayment, and to convert the repaid amount into working capital. ● <i>Customer Solution</i> provides a discount of service fees to customers conducting transactions through the electronic channels, or through Bank branches, based on specified conditions. These services include information alerts via e-mail, payroll services via Bank branches, special cheque collection, inter-bank fund transfers via the BAHTNET system, as well as fund transfer to KBank accounts via KBank counters. Customer Solution helps enhance our customers’ business flexibility through savings in time and costs, while customers are ensured of service security, based upon our secured network and database systems in line with international standards. ● <i>THE WISDOM and THE PREMIER credit cards</i> were introduced to enlarge the Bank’s

	Details
	<p>base of customers in the premium class. These cards were issued to target customers according to their qualifications in terms of deposit and investment. Customers can enjoy special privileges that come with each card.</p>
<p>Product and Service Enhancement</p>	<ul style="list-style-type: none"> ● <i>Funding arrangement services:</i> As part of our corporate finance services, we have provided funding arrangement services for customers via debentures, short-term B/E and syndicated loans, in addition to financial advisory services. A number of customers have entrusted the Bank with the underwriting of their debentures. We also offered syndicated loans to customers in major industries, including transportation, energy and public utilities, petrochemical and chemical products, finance and securities, real estate, as well as agri-business. The main objective of the financing is to support customers' business operations and expansion, as well as loan repayments. ● <i>Development of pricing tools for corporate customers:</i> This tool developed by the Bank allows us to set pricing that reflects relevant risks of customers more accurately, by taking into account such factors as the Bank's operating costs, customer risk, selected product types, and collateral value. The Bank has already implemented this tool with the Multi-Corporate and Large Corporate Business segments, while planning to expand its scope to cover other customer segments in the future.
<p>Sales and Marketing Promotional Programs</p>	<ul style="list-style-type: none"> ● <i>Marketing activities for housing loan with Bank's allies:</i> The Bank, in cooperation with Sansiri Plc., has launched a new program to stimulate credit volume and increase market share – the “Super Jaew” home loan. This campaign offers special financial conditions and four other privileges in car service (“Super Car”), tourism service (“Super Fast Track”), as well as advisory services related to home and financial matters (“Super Home Innovation Advisory” and “Super Financial Advisory”). This program follows the successful first program launched in 2009, the “K-Home Loan Plus Home Decoration & Travel Package” program, and emphasizes the Bank's policy of expanding our base of high-quality customers. In addition, the Bank organized other activities with our allies, such as booth arrangement and participation in various marketing events to provide special discounts and privileges for the Bank's housing loan customers who are also members of the K Home Smiles Club. As a result, the volume of new housing loans extended during the first quarter of 2010 was twice the original target, and achieved a 200-percent growth compared to the same period of 2009. ● <i>Marketing activities for unsecured personal loan:</i> The Bank continued to offer K-Express Cash under the “K-Express Cash – Relaunch” program across all target customer segments, ranging from proprietors to individual customers, who applied for the service

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	<p>within the promotion period. In order to stand out in the market, a special zero-percent interest rate for three years has been offered for the amount of loans exceeding 70 percent of the approved limit. Additionally, the Bank has launched the “Combined Application for K-Credit Card and K-Express Cash” program, incorporating the application forms and other related documents for the two products in a single set, to provide added convenience for those interested in both products.</p> <ul style="list-style-type: none"> ● <i>Marketing activities for credit card loan and spending:</i> The Bank has emphasized the creation of brand awareness through mass media, in order to publicize information to a wide range of target groups. So doing should encourage cardholders to realize the significance and the privileges of each type of card, thereby promoting greater spending volume. These activities have been staged in addition to many special privileges given to customers participating in activities at expos arranged by KBank and our allies. Meanwhile, special benefits were continually offered to Carrefour customers using KBank payroll services and applying for our personal loan products under the “Carrefour-KBank Personal Loan for Better Life” campaign. This campaign has been continued from the previous year, following the high customer participation rate. ● <i>Marketing activities for SME loans:</i> The Bank has joined with Workpoint Entertainment Pcl. to produce the “SMEs Tee Tak” TV show, in order to support SME businesses during their start-up stage through the provision of complete business guidelines. In addition, the Bank has collaborated with the Office of Small and Medium Enterprise Promotion (OSMEP), and College of Management, Mahidol University, to give awards based on five categories to role-model entrepreneurs selected from SME firms nationwide. The award categories include: 1) Best SMEs Applying Self-Sufficient Economy in their Business Operation; 2) Best Branding; 3) Best Innovation; 4) Best CSR; and 5) Best Business Owner. Each award category is divided into three levels, including Platinum, Gold and Silver. Furthermore, the Bank has introduced other sales promotions under many campaigns, aimed at spurring loan growth, expanding the cardholder base of the K-SME Bizcard, as well as increasing the number of K-SME All-in-1 Account applicants.

■ Protection & Information

	Details
New Products and Services	<ul style="list-style-type: none"> ● “Fixed Deposit 5-5-5 with Pro Education” bundles two products: the Pro Education life insurance product with savings plan — wherein policy returns will be paid in accordance with the education needs of policyholders’ children — and a five-month fixed-term deposit

	Details
	<p>product carrying a five-percent interest rate p.a. under a minimum deposit amount of Baht 10,000 or up to five times the insurance premium.</p> <ul style="list-style-type: none"> ● <i>Perfect Business Guarantee</i> provides protection for L/I line, catering to our SME customers. This product provides a minimum sum insured of Baht 500,000, and customers are required to pay a single premium for up to three years of coverage, according to the specified conditions. Meanwhile, the Bank continues to put emphasis on equipping our sales representative teams with knowledge about types of insurance and sales techniques, while the sales teams have been encouraged to have life and non-life insurance licenses to strengthen their capability and readiness for market expansion.
<p>Product and Service Enhancement</p>	<ul style="list-style-type: none"> ● <i>Insurance Product Enhancement:</i> The Bank has expanded our insurance services to cover a broader range of businesses, and increased the maximum sum insured for our Perfect Business Functions product, in order to increase selling opportunities for our sales forces. ● <i>Risk management products for foreign exchange, interest rate and commodity price risks:</i> Regarding <u>foreign exchange risk management products</u>, the Bank launched many new types of the Options to increase risk management tools for customers. So doing also helps enhance the Bank's competitiveness in this market, allowing us to enjoy higher fee income from risk management products. Besides this effort, we have expanded the "Night Shift" after-hours service for risk protection transactions, wherein foreign exchange transactions are allowed until 11.00 p.m. of every business day. Meanwhile, the Bank is Thailand's first commercial bank to provide risk management products for Yuan-denominated transactions. <p style="margin-left: 40px;">Regarding <u>interest rate risk management products</u>, we continue to see high demand for our interest rate swap products from Baht-denominated loan customers who prefer to switch from the currently fixed interest rates to floating interest rates linked to the MLR, or FD. So doing reflects their intent to reduce borrowing costs, after they become convinced that neither the MLR nor FD would record a drastic increase in the next few years. Meanwhile, another group of customers sought swap products to switch from floating to fixed interest rates, in order to reduce their interest rate risks after the Ministry of Finance and the BoT sent strong signals supporting the possibility of policy rate hikes by year-end. In addition, the Bank continued to conduct transactions of cross-currency swap products, especially asset swap, to hedge against volatility in foreign exchange and interest rates in investment in foreign securities, albeit with a thinner volume of transactions.</p>

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	Regarding <u>risk management products for commodity prices</u> , consumers and producers in the energy and metals industries continued to drive demand for our risk management products, aiming at locking in low prices of raw material purchased for long-term use, and selling prices of inventory for improved revenue management.

3.3.2 Sales and Service Channels

In addition to expansion of branches, financial service centers, as well as electronic banking services and machines during the first quarter of 2010, we continued to enhance service and operational efficiency of our major sales and service channels. Developments of note are highlighted as follows:

Sales and Service Channels

Major Sales and Service Channels	Number of Locations	
	Mar. 31, 2010	Dec. 31, 2009
Branch Network	784	782
Foreign Exchange Booths	97	92
International Trade Service Offices	60	60
Cheque Direct Service Offices	22	21
Corporate Business Centers	12	12*
SME Business Centers**	87	87

Note: * Revised Figures, due to adjustment in the Bank's business strategy during 2009.

** Excluding International Trade Service Offices.

K-Contact Center

	Key Implementations in the First Quarter of 2010
K-Contact Center	<p>In the first quarter of 2010, the Bank continued to improve our service efficiency. Developments of note included:</p> <ul style="list-style-type: none"> ● Increased service channels and efficiency for THE PREMIER customers, through the special phone number 0 2888 8877, for their enhanced convenience, effective in February 2010. ● Launched the "KBank. Leave Everything in Our Hands via K-Contact Center" project, aiming at emphasizing the "Customer-Centric" philosophy, as well as enhancing our service capability for effective response to customers' requests and in providing them with useful information. Due to these efforts, the ratio of services that were

Key Implementations in the First Quarter of 2010	
	completed in the first contact of customers increased to 94.35 percent.

Electronic Banking Services

Major Sales and Service Channels	Numbers of Units	
	Mar. 31, 2010	Dec. 31, 2009
Electronic Banking Services		
● K-ATM	7,162	6,955
● K-CDM (Cash Deposit Machines)	981	973
● K-PUM (Passbook Update Machines)	872	865

Key Implementations in the First Quarter of 2010

Internet Banking

● K-Cyber Banking	<ul style="list-style-type: none"> Expanded a paper-less channel for applying for this service, through our K-ATMs, for increased efficiency, convenience and speed. Increased maximum transaction limits to Baht 2 million per day.
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K-MOBILE BANKING

<ul style="list-style-type: none"> ● K-MOBILE BANKING SMS ● K-MOBILE BANKING ATM SIM ● K-MOBILE BANKING PLUS 	<ul style="list-style-type: none"> Coordinated with Samart iMobile to develop menus for mobile top-up and balance checking on iMobile phones for greater customer convenience. Enhanced efficiency of our online bill payment services via mobile phone, under the "Push Bill Online" service, by increasing the number and variety of participating merchants, as well as expanding the interbank fund-transfer network to cover more partner commercial banks. Developed systems to be more compatible with a greater variety of smart phone models, including BlackBerry, Windows Mobile and HTC. Enhanced our service efficiency under the "K NOW" project, particularly offering of knowledge and privileges in the form of a mobile magazine, which helps emphasize our ability to provide services beyond conventional mobile-banking services.
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K-Payment Gateway

● K-Payment Gateway	<ul style="list-style-type: none"> Increased security level for internet-based transactions by implementation of the "Verified by VISA" (VbV) service that generates one-time password sent via SMS to customers' mobile phones. KASIKORNBANK is the first commercial bank in Southeast Asia that has jointly developed and launched this service with VISA Worldwide PTC Limited.
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Key Implementations in the First Quarter of 2010	
<ul style="list-style-type: none"> ● K-Payment Gateway 	<ul style="list-style-type: none"> ● Developed the “Refund Online” menu option of the Online Merchant Report system for card holders, for greater customer convenience. ● Developed related systems to accommodate multi-currency payment in up to 35 currencies, aimed at facilitating payments for international goods and services. ● Continued to offer advisory services related to online-payment enquiries of customers through our K-Payment Gateway Clinic.

4. Risk Management and Risk Factors³

4.1 Credit Risk Management

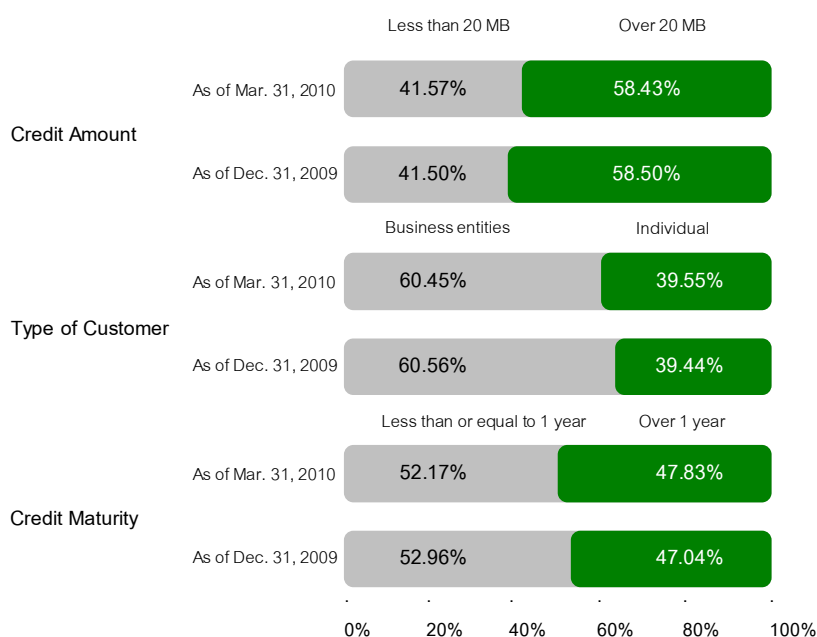
Credit Risk Position

— Outstanding loans with accrued interest receivables included

As of March 31, 2010, the Bank's consolidated outstanding loans, including accrued interest receivables, stood at Baht 963,821 million, increasing by Baht 19,392 million, or 2.05 percent, over Baht 944,429 million at the end of 2009.

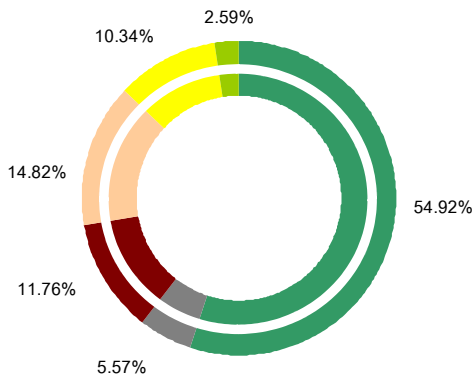
As of March 31, 2010, 58.43 percent of the Bank's outstanding loans to customers were loans exceeding Baht 20 million. Credit extended to the 20 largest borrowers, excluding Phethai Asset Management Company Limited and the companies in KGroup, accounted for Baht 51,998 million, or 5.46 percent of the Bank's total loan portfolio, which is a small ratio. Classified by customer type, juristic persons accounted for Baht 576,146 million, or 60.45 percent of outstanding loans; while sole proprietorships and individual customer credit accounted for the remaining 39.55 percent. In terms of maturity, credit with maturities of less than or equal to 1 year accounted for 52.17 percent of the Bank's total loans.

The Bank's Consolidated Lending Portfolio – Profile



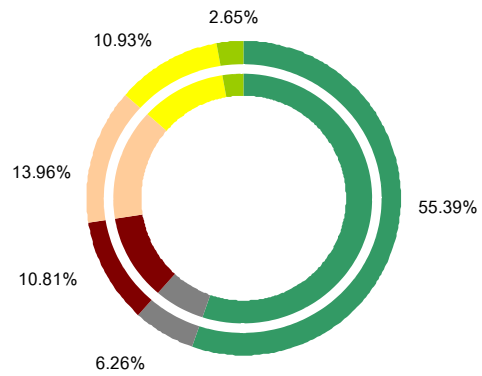
³ The details of Overall Risk Management, as well as management of each type of risks and Capital Management, can be viewed in the MD&A report for the year ended December 31, 2009.

The Bank's Consolidated Lending Portfolio
(Including Accrued Interest Receivables)



As of Mar. 31, 2010

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

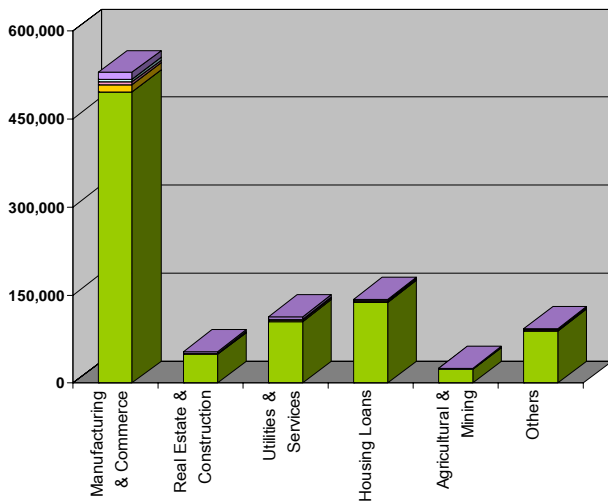


As of Dec. 31, 2009

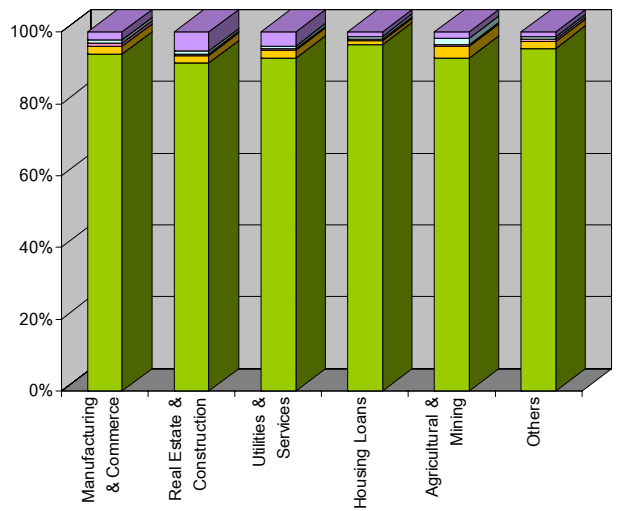
- Manufacturing & Commerce
- Real Estate & Construction
- Utilities & Services
- Housing Loans
- Others
- Agricultural & Mining

As of Mar. 31, 2010

Consolidated Loans
(Including Accrued Interest Receivables)
Classified by Type of
Business and Loan Classification



Percent of Consolidated Loans
(Including Accrued Interest Receivables)
Classified by Type of
Business and Loan Classification



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

Of the Bank's consolidated lending portfolio, including accrued interest receivables, 93.39 percent was classified as 'Normal' loans. Classified by type of business, Manufacturing & Commerce accounted for 54.92 percent of total consolidated lending, including accrued

interest receivables, which was the highest ratio. Of this figure, 93.81 percent was classified as 'Normal' loans.

— **Non-Performing Loans and Debt Restructuring**

Non-Performing Loans

As of March 31, 2010, the Bank's consolidated NPLs stood at Baht 36,521 million, equal to 3.51 percent of the total outstanding credit, including that of financial institutions. For Bank-only NPLs, the amount totaled Baht 34,155 million, accounting for 3.29 percent of the total outstanding credit, including that of financial institutions, which decreased from the end of 2009. These NPL figures are shown in the table below:

Non-Performing Loans

(Units: Million Baht)

Quarter Ending	Mar. 31, 2010	Dec. 31, 2009
The Bank's consolidated NPLs	36,521	37,152
Percent of total outstanding credit, including that of financial institutions	3.51	3.76
The Bank-only NPLs	34,155	35,072
Percent of total outstanding credit, including that of financial institutions	3.29	3.56

Net Non-Performing Loans

As of March 31, 2010, the Bank's consolidated net NPLs stood at Baht 18,078 million, equal to 1.77 percent of the total outstanding credit, including that of financial institutions. For the Bank-only net NPLs, the amount totaled Baht 16,493 million, accounting for 1.62 percent of the total outstanding credit, including that of financial institutions, which decreased from the end of 2009. The net NPL figures are shown in the table below:

Net Non-Performing Loans

(Units: Million Baht)

Quarter Ending	Mar. 31, 2010	Dec. 31, 2009
The Bank's consolidated net NPLs	18,078	18,473
Percent of total outstanding credit, including that of financial institutions	1.77	1.91
The Bank-only net NPLs	16,493	17,145
Percent of total outstanding credit, including that of financial institutions	1.62	1.77

Debt Restructuring

In the first quarter of 2010, the Bank's consolidated pre-written-off, restructured debts totaled Baht 18,181 million, decreasing by Baht 4,533 million when compared to the same period of 2009. Losses from debt restructuring stood at Baht 1,545 million, or 8.50 percent of total restructured debts, an increase of Baht 533 million over the first quarter of 2009, or 2.93 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 March 31, 2010, Phethai AMC had resolved and/or restructured NPLs amounting to Baht 72,641 million, or 98.00 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	Mar. 31, 2010	Dec. 31, 2009	Sep. 30, 2009	Jun. 30, 2009	Mar. 31, 2009
Phethai Asset Management Company Limited					
Cumulative loans resolved/restructured	72,641	72,616	72,565	72,448	72,324
Percent of the total initial unpaid principal balance	98.00	98.00	98.00	98.00	98.00

Foreclosed Properties

As of March 31, 2010, the Bank's consolidated foreclosed properties had a cost value of Baht 15,491 million, accounting for 1.09 percent of total assets.

Meanwhile, consolidated allowances for impairment of foreclosed properties stood at Baht 1,444 million, equivalent to 9.32 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 March 31, 2010, the Bank's consolidated allowances for doubtful accounts and revaluation allowance for debt restructuring totaled Baht 35,263 million. This amount was equivalent to 139.09 percent of the level required by the Bank of Thailand.

4.2 Liquidity Risk Management

Since the global foreign exchange market encountered significant volatility in the final quarter of 2009, the Bank, in the first quarter of 2010, saw the increasing necessity to review and improve our foreign currency liquidity risk management in various dimensions — including risk monitoring, analysis, and management procedures — in order to better align with changing market conditions, asset and liabilities structures of foreign currencies, as well as the Bank's business strategy. One development of note was the establishment of minimum liquidity requirement in foreign

currencies, applied as part of our strategy to help enhance the sufficiency and effectiveness of foreign currency liquidity management.

In addition to the aforementioned efforts, the Bank has identified primary factors that may affect our liquidity and interest rate risk management in the future. These include:

- Possible impacts from domestic political uncertainty on the Thai economy.
- Credit growth prospects influenced by the economic recovery, which may put pressure on commercial banks' liquidity conditions.
- Possible timing of the BoT's policy rate increases.
- Competition in fund mobilization driven by savings and investment products offered by other financial institutions — including asset management and securities companies — which may affect the future liquidity condition of the Bank.
- Possible downturn in foreign direct investment, following diminished investor confidence hurt by the above-mentioned political tension at home.
- Likely ongoing cash deficits of the Thai government, following their various mega-project investments.
- Aggressive business strategies adopted by other commercial banks, such as introduction of new deposit campaigns, or merger and acquisition activities.

The Bank will consistently monitor these factors and conduct relevant impact assessments, which will allow us to adjust our liquidity and interest rate risk management in a more effective and timely manner.

5. Operations of Support Groups

□ Human Resource Management for the Highest Business Efficiency of KASIKORNBANKGROUP

In the first quarter of 2010, the Bank continued to develop human resource management, so as to enhance our competitive potential in doing business in the People's Republic of China, and our preparedness for KASIKORNBANGKGROUP's business strategies to meet our goals. In detail:

- **Support of Business Operations in China:** The Bank adjusted business strategies to support our business growth in China. To this end, a co-lending program was jointly launched with China Minsheng Banking Corporation, while our Shenzhen Branch was restructured as a center to oversee business operations of the Bank's branches and representative offices in China. A plan for staff recruitment both in China and Thailand was also mapped out, in addition to personnel development plans to increase staff competency for long-term business operations.
- **Recruitment and Allocation of Staff:** The Bank recruited new staff, in response to our business plan. On March 19-20, 2010, we participated in a job fair organized by the Ministry of Labour, wherein a large number of participants submitted job applications with the Bank. Following this step, qualified applicants will be further selected to work with KASIKORNBANKGROUP.
- **Performance Management:** The Bank has placed significance on retaining staff with high potential, as well as recruiting new staff. In achieving such objective, our executives had to meet individual goals for staff retention, in order to reduce the employee turnover rate. The Bank also urged department heads to provide on-the-spot coaching to staff under their supervision as part of our effort to improve work efficiency of staff in a timely manner, in addition to giving them recognition to boost their morale.
- **Internal Communications:** The Bank organized knowledge- and health-related activities to promote good quality of life among our staff via such communication channels as the K-Life Balance eMagazine and "Light Talk on Friday Evenings" internal radio program, as well as corporate social responsibility (CSR) activities. Noteworthy activities included donations to disabled people in remote areas, plus communications regarding major events — i.e., the reemergence of influenza A (H1N1) — to provide our staff with safe working guidelines and ensure that they can follow the Bank's business continuity management (BCM) plan.

□ K-Transformation

As of March 31, 2010, the Bank's strategic project under "K-Transformation" had progressed as planned. Major progress was seen in **the Multi-Channel Sales and Services (MSS) project**, which has achieved over 90 percent of the plan. The User Acceptance Testing (UAT) is over 98 percent complete, while we continue to install the infrastructure system at KBank branches, prior to its complete rollout, planned to begin in the second quarter of 2010. Regarding **the IT Capital (ITC) program**, ongoing efforts were made in the development and linkage testing between infrastructure systems — particularly the new core banking and centralized payment systems — and other IT systems. These improved infrastructure systems, once completed, will help enhance the Bank's competitiveness, along with facilitating our business needs more completely and efficiently. As for **the Financial Information System (FIS) project**, the Bank has developed the 'Procure to Pay' solution, aiming at standardizing our purchasing procedures through a specified set of standard products, and enhancing accuracy and effectiveness of budgetary disbursement procedures. This solution development is expected to be completed by April 2010.

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.



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