

MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview

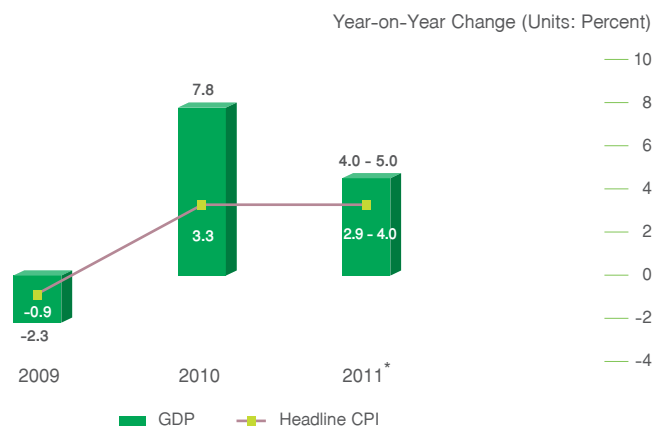
1.1 Overview of Economy, Banking Industry and Regulatory Changes

Thailand's Economy in 2010 and Outlook for 2011

For 2010, Thailand's economy grew 7.8 percent over-year, an improvement from a contraction of 2.3 percent in 2009, which was largely driven by export recovery in tandem with positive economic momentum seen in Thailand's key trading counterparts. This factor - coupled with the government's clearer investment policy in some sectors, and continued relaxed monetary and fiscal policies in particular during the first half of 2010 - has outweighed lingering negative factors, thus lending support to domestic spending and investment activities. These negative factors included political tensions in the second quarter of 2010, droughts and the rapid Baht appreciation against the U.S. dollar in the third quarter of 2010, flooding in the last quarter of the year, as well as continued investor concerns that were deepened by the fiscal debt woes in Europe throughout 2010.

Looking out into 2011, we anticipate that the economy will likely record growth of 4.0 - 5.0 percent, a slowdown from the previous year, due mainly to a high base effect. Moreover, the economies of Thailand's major trading partners - the U.S. and China in particular - are expected to slow slightly, in tandem with their monetary policy normalization, which will consequently affect Thai exports. On the other hand, domestic demand, especially private investment, will likely play a more important role in driving the overall economy, as many industries see the need to expand their production capacity and investment. However, the road to recovery for the Thai economy will continue to face challenges from many uncertainties, including the domestic political situation and heightened inflation risks that might be affected by both demand and supply-side factors, which will then pressure the Bank of Thailand (BOT) to continue normalizing their monetary policy during 2011, after beginning to raise the policy rate in the latter half of 2010.

Thailand Economic Growth Forecast



Source: Bank of Thailand and KASIKORN RESEARCH CENTER CO., LTD.

Note: * Forecasted Figure.

Banking Industry and Competition

In 2010, several economic risks had affected operations of Thai commercial banks at different timings and magnitudes, but, when looking at the entire year, the core banking business – loans in particular – managed to report higher-than-expected growth of more than 10.0 percent over-year, in tandem with support from many factors. These included recovery in domestic economic momentum and private sector confidence, low interest rates, as well as a supply-side push from intense competition between commercial banks, plus government measures to boost activities in some particular business sectors. Meanwhile, over-year growth in fee and service income also accelerated, all of which helped Thai commercial banks to maintain their profitability, in the dimension of higher net profits and sound net interest margins. Also, Thai banks' asset quality remained healthy, as seen from a decline in the ratio of non-performing loans to total loans.

As for 2011, it is expected that Thai commercial banks will see more challenges in maintaining their earnings and profitability, due to an anticipated slowdown in loan growth resulting from a result of cooling economic momentum overall, an uptrend in domestic interest rates, plus the absence of the government's property stimulus measures. Although this potential slowdown in loan growth could reduce the need of Thai commercial banks to accumulate liquidity, which then implies the possibility that deposits could grow at a slower pace, competition in the deposit market will continue to be intense. Key drivers for heightened deposit competition include the upward interest rate trend, competition with other savings and investment alternatives, as well as a transition from full to partial deposit guarantee of Baht 50 million/customer/financial institution by the Deposit Protection Agency from August 11, 2011, onwards. To the same end, competition for loan products will remain tough, especially in some particular customer segments and/or types of financial services, following operational and strategy adjustments by existing players, amid pressure from the implementation of the Financial Sector Master Plan Phase II, and also ahead of other possible changes in measures and regulations by the authorities that might gradually be put in place in the future.

Regulatory Changes¹

Some important regulatory changes in 2010 that may affect KASIKORNBANK operations this year, as well as influencing our businesses in the future, can be summarized, as below:

- **Practices and Methods for Arrangement or Conversion of Document and Text into Electronic Format (e-Document)**

The Electronic Transactions Commission issued an announcement that governs the principles and methods for arrangement or conversion of documents and text into an electronic format (e-Document), B.E. 2010, as publicized in the Government Gazette on September 30, 2010, and put into effect on the following day. The key point of this announcement is for preventing any change that may occur due to a document or text being arranged or converted into electronic format (e-Document). That is to say, the meaning or format of converted documents or texts must remain the same as the original ones. On the converted documents or texts, the name of the creator, who shall be responsible for document or text arrangement or conversion, must be specified. In addition, the creator should implement measures to prevent any change or amendment in such converted documents and provide a verification process, with true and complete copy certification for such documents. Also, those who convert documents into electronic format have to facilitate the investigation process by the Electronic Transactions Commission or other authorized agencies, while the Bank of Thailand is responsible for supervising any practices and actions, according to the announcement, as well as submitting a report to the Electronic Transactions Committee at least once a year.

This announcement is regarded as the law for supporting the account debiting by Image Cheque Clarity and Achieve System (ICAS). It helps enhance confidence towards the use of cheque images, as evidenced in the litigation, as well as promoting the efficiency of the payment system, so the cheque clearing process can be performed faster, thus reducing the operational costs for the Bank.

¹ Other details relating to regulatory changes during 2010 can be viewed in the report of Management Discussion and Analysis (MD&A) for the quarter ending March 31, 2010, June 30, 2010 and September 30, 2010.

- **Relaxation of Regulations on Foreign Exchange Transactions**

According to the Bank of Thailand Notification No. ForKorChor (23) Wor. 7/2553, dated October 5, 2010, governing “Additional Relaxation of Regulations on Foreign Exchange Transaction,” effective on October 12, 2010, the authorities announced relaxing regulations on Thai direct investment and lending to business entities overseas; increasing the limit for purchase of real estates and properties abroad; and also increasing the limit for individuals in Thailand to purchase, exchange, as well as borrow in foreign currencies from permitted juristic persons for depositing with permitted juristic persons without having to declare any obligations. Moreover, the authorities also allow juristic persons, or companies, with foreign-currency revenues received from exports of goods and services, to transfer funds from their foreign currency deposit accounts to their counterparties in Thailand for payment of goods and services. Meanwhile, requirements for the submission of reports and other, documents, as well as others regulations, have been eased.

This notification has helped enhanced flexibility for Thai individuals to invest overseas, thereby broadening the Bank’s opportunity for international trade-related business. In addition, this measure helps increase flexibility and efficiency of foreign exchange rate risk management for Thai businesses.

- **The Financial Sector Master Plan Phase II**

On November 4, 2009, the Economic Cabinet resolved to approve the Financial Sector Master Plan Phase II (FSMP II), as jointly proposed by the Ministry of Finance and the Bank of Thailand, in realization of the importance of setting goals and outlining directions for the development of the financial institution system from FSMP I. Key measures of FSMP II to be implemented during 2010 - 2014 can be summarized under 3 pillars: 1) reduce system-wide operating costs; 2) promote competition and financial access; and 3) strengthen financial infrastructure, all of which will be implemented through various measures to help reach the previously-set goals.

KASIKORNBANKGROUP continues to study and apply the principles and guidelines of FSMP II, in order to maximize the benefit for the organization and customers through:

1) adjusting our operational procedures, in compliance with

the Bank of Thailand’s easing of regulations, by reducing work procedures and enhancing the effectiveness of our operations; 2) continuously studying opportunities and possibilities of new business under the framework of FSMP II, such as finding out ways to serve customers in areas that have difficulties in reaching commercial banking services, by joining hands with Thailand Post Co., Ltd. to introduce “K-Bank to Post” by early-2011; and 3) developing the K-Transformation project, in order to enhance the Bank’s IT potentiality, as well as reducing costs for tailoring financial services to all customer segments.

- **ASEAN Economic Community (AEC)**

After the approval of establishment of the ASEAN Community within 2020, under three main pillars - including political and security, economic and socio-cultural pillars that reflect the objectives of collaboration in all dimensions among the member countries in the region - the ASEAN leaders also aimed at accelerating the formation of their economic group through the establishment of an ASEAN Economic Community (AEC) within 2015. This is in order to drive ASEAN to be a single market and production base, thus facilitating free mobility of products, services, investments, capital funds, as well as skilled labor. To this end, the AEC Blueprint has been rolled out to help promote clarity and concreteness in the operational procedures, helping the AEC establishment progress as planned and in accordance with the previously set timeline.

Having realized the significance of the AEC establishment that will lead to new opportunities and challenges for Thailand, as well as tougher competitions among member countries, KGroup has studied the details of AEC establishment, as well as related internal and external factors, in order to set out clearer operational and strategic plans to prepare for more business opportunities in both the customer and KGroup dimensions.

- **Basel III**

On September 12, 2010, the Basel Committee on Banking Supervision (BCBS) announced some new requirements, unofficially called Basel III, resulting in changes to Tier-1 minimum capital requirements in the dimensions of constituents, capital ratios, conditions for additional capital requirements (depending on economic conditions of each country), as well as other types of financial ratios that are additionally required.

According to our assessment, impacts from the new Basel III requirement on KGroup's operations have been found to be insignificant, and the full implementation date is quite far away, allowing time to achieve complete compliance. However, KGroup has conducted some studies and assessments of both direct and indirect impacts after the Basel III Accord will gradually be put into effect at commercial banks in Europe and America, bracing for possible effects on business operations and competition in the financial sector, as well as capital markets and the global economy in the future.

- **Implementation of International Accounting Standards (IASs and IFRSs)**

In accordance with the Federation of Accounting Professions (FAP)'s timeframe for enforcement of the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) for companies listed on the Stock Exchange of Thailand (SET), the Bank, in 2010, continued to implement our IFRS Conversion project from the previous year. So doing will ensure an improved operational policy and working procedures, as well as minimizing the impacts from adoption of the new standards, so that KGroup is more ready to fully conform with the Thai Financial Reporting Standards (TFRS) which have been improved in accordance with requirements of the international accounting standards .

Meanwhile, KGroup has adopted the newly-issued and newly-revised TFRS before official enforcement in the Government Gazette, in order to make our financial statements fully compliant with international standards. Under the newly-adopted standard, the solid financial strength of KGroup has been maintained, while we have also improved related systems, prior to new financial reporting formats enforced by the Bank of Thailand in 2011.

1.2 Direction of Business Operations

KASIKORNBANK in 2010 and Outlook for 2011

Although the overall Thai economy in 2010 improved from a contraction in 2009, there were many incidents affecting economic activities during the year, such as economic slowdown and complications of Thailand's major trading partners, domestic political unrest and flooding that hit many areas of our country, as well as the currency fluctuation. Amid these uncertainties, KASIKORNBANKGROUP (KGroup) has adhered to vigilant

business operation, precise business strategies under the "Customer-Centricity" concept and dedication to providing total solutions that offer a complete range of products and services to meet the needs of customers, allowing us to achieve satisfactory degree of success.

Notable business strategies implemented during 2010 included re-categorization of our customer segments, from 7 to 8 customer segments, in order to better conform and respond to the needs of customers. The new customer segment that has been added is "High Net Worth Individual", wherein these customers' financial and non-financial needs are more specific and different from those of other segments. This re-categorization allows the Bank to manage and design appropriate relationship models that better fit with this customer segment.

In addition, the Bank has strengthened our synergy with Muang Thai Life Assurance Co., Ltd. through strategic integration that amalgamates skills of the two organizations to help develop products and services, as well as upgrading the after-sales services and core competencies of the organizations. So doing helps promote KGroup to be Thailand's leading service provider of life insurance business via bancassurance, as seen from our remarkable 2010 growth of life insurance premiums sold through bancassurance, reaching 60 percent over-year. As a result, KASIKORNBANK (KBank) has achieved the highest market share for new life insurance business sold through bancassurance.

Having recognized business opportunities overseas - particularly in China that will likely maintain the relatively high economic growth, due to boosts from government and business sector policies, along with trade liberalization - KASIKORNBANKGROUP continues to strengthen relationships with government sector and business allies abroad. Furthermore, the Bank has engaged in a co-lending project with China Minsheng Banking Corporation (CMBC), which has allowed us to have a greater understanding of and confidence in business operations in China, as well as seeing greater business opportunities there. In addition to China, we have conducted in-depth studies and proceeded operations in other aspects, in order to enhance our business opportunities with customers in other countries, including South Korea, that plan to invest in Thailand.

To achieve notable success in those core businesses operations as initially planned, the Bank has placed an emphasis on the development of support functions to work in harmony, particularly through enhancement of organizational culture that has been achieved with human resource management, as well as the IT preparation and management under the K-Transformation

project that has helped increase the Bank's competitiveness and revenues from customers.

All of these aforementioned efforts not only supported the Bank to accomplish higher business goals in 2010, but also rewarded us with many marks of recognition from both domestic and foreign agencies, including²:

For Corporate Business	For SME Business	For Retail Business
<ul style="list-style-type: none"> • Best Debt House 2010 award from The Asset magazine • Thailand's Best Domestic Providers for Local Currency Products awards for forex risk management products from Asia Money magazine • Best Bond House, Best Investment Bank and Best Project Finance Deal of the Year in Southeast Asia awards of 2010 from Alpha Southeast Asia magazine 	<ul style="list-style-type: none"> • Best SME Bank award at "The Asset Triple A Awards Transaction Banking 2010," organized by The Asset magazine • Bronze Awards for "SME Tee Taek" show at the 7th MAT Awards organized by the Marketing Association of Thailand 	<ul style="list-style-type: none"> • Best Retail Bank in Thailand 2009 award in the Asian Banker Excellence in Retail Financial Service Awards 2010, organized by The Asian Banker journal • Best Retail Bank of the Year 2010 award was given to the Bank for the third consecutive year as most visitors to Money Expo 2010 preferred to use the Bank's services, according to the survey conducted at Money Expo 2010 organized by Money & Banking magazine and Huachiew Chalermprakiet University (HCU) • The Best Local Private Bank in Thailand 2009 award from Euromoney magazine

Having foreseen some remaining economic uncertainties in 2011, KGroup will thus expand our business, in accordance with the momentum and direction of the economy, based on the "Customer-Centricity" strategy and the concept of KGroup teamwork. To achieve our aim of expanding the number of customers in all segments, we see human resource development as one of key success factors, allowing our staff to better understand the needs of customers and strive to meet them by integrating the total solutions of KGroup and Muang Thai Life Assurance Co., Ltd. In addition to human capital, IT system development will continue to play an important role. In 2011, Multi-Channel Sales and Services (MSS), under the K-Transformation project, is expected to gradually result in

the enhancement of sales and service efficiency at KGroup. Product development procedures will be improved with the new branch infrastructure, allowing better and more effective response to the needs of customers, in the dimensions of increased convenience and service efficiency at branches.

With our strong intention to grow our business in China sustainably, the Bank plans to expand our business there, by providing a more solid foundation for business operation in various dimensions, which will thus enhance our capability in facilitating increased business activities in the future.

² Complete details of marks of recognitions and rewards can be viewed in the "Awards and Commendations" section.

Recently, the Bank has restructured our organizational management by setting up the China Business Division, together with establishing a strategic project for supporting our business operations in China more concretely and effectively.

Aside from those plans, KGroup will continue to develop other necessary infrastructures, including effective cost management, risk management to ensure its alignment with the changing business environment, human resource management, and IT development. So doing will help ensure that KGroup will be able to achieve our business strategies and goals as planned.

Corporate Governance

KASIKORNBANK believes that good corporate governance is a key factor to help us improve business operations in a sustainable way, thus enabling us to attain our ultimate goals for the maximum benefits of shareholders. Not only will it lead to sound and transparent management under a clear standard which will enhance the Bank's market competitiveness, but it will also result in greater confidence among shareholders, local and foreign investors, and all other involved parties. The Bank has, therefore, continued to place emphasis on corporate governance. Some notable actions in 2010 included:

- Review of Statement of Corporate Governance Principles, as well as the Statement of Business Conduct and Code of Conduct, together with revision of the Charters of the Board of Directors and Board Committees, ensuring that they are consistent with the government's regulations and the Statement of Corporate Governance Principles.
- Grant of right for shareholders to propose some issues beneficial to the Bank's business undertakings for inclusion in the Annual General Meeting Agenda, according to the criteria as specified by the Bank.
- Grant of right for shareholders to propose qualified candidates (not having characteristics prohibiting them from holding a directorship) according to the government and Bank's regulations for election as directors at the Annual General Meeting, under the criteria as specified by the Bank.
- Overseeing transparency and effectiveness of the Annual General Meeting arrangement, in accordance with the government's regulations and the Statement of Corporate Governance Principles.

With our dedication and efforts to continually promote corporate governance, in 2010, KASIKORNBANK was awarded many marks of recognition for outstanding corporate governance, including the **2010 NACC Integrity Award**, which was awarded for the first time, from the National Anti-Corruption Commission; and the **SET Award of Honor for Continuous Excellence in Corporate Governance Report**, which was awarded to a company with outstanding corporate governance reports for 2008 - 2010 by the Stock Exchange of Thailand (SET) and Money & Banking magazine at the "SET Awards 2010" ceremony. Besides these awards, the Bank has achieved **Excellence** in rating scores for corporate governance and quality assessment results of the Annual General Meetings of Shareholders of listed companies for many years running.³

2. Operating Performance and Financial Position Analysis

2.1 Operating Performance

As a result of KGroup's strategies to enhance our business potential and promote sustainable profitability, the Bank's consolidated net income for 2010 totaled Baht 20,047 million, increasing by Baht 5,314 million, or 36.07 percent, over 2009. This increase was due mainly to an increase in net interest and dividend income, in accordance with an upward trend in interest rates. In the meantime, we have expanded our investments into life insurance business for greater efficiency in providing life insurance products to customers, which resulted in higher premium written from life insurance business - playing a key role in driving our consolidated non-interest income. Additionally, our fee and service income continued to rise, mirroring the success of our "Customer-Centricity" strategy that leads to continual growth of new customers. Meanwhile, the Bank's consolidated non-interest expense also rose, consisted mostly of underwriting expenses from life insurance business. Subsequently, our efficiency ratio stood at 65.99 percent for 2010. Without the consolidation of MTGH, the ratio would be 56.34 percent.

³ Details of marks of recognition and awards related to corporate governance can be viewed in the "Awards and Commendations" section.

Operating Performance for 2010

(Units: Million Baht)

	2010	2009 (Restated)	Change	
			Million Baht	Percent
Interest and dividend income	62,740	56,396	6,344	11.25
Interest expense	11,502	13,021	(1,519)	(11.67)
Net income from interest and dividends	51,238	43,375	7,863	18.13
Bad debts and doubtful accounts	4,100	6,436	(2,336)	(36.30)
Loss on debt restructuring	2,596	2,967	(371)	(12.50)
Non-interest income	57,946	27,299	30,647	112.26
Non-interest expenses	72,048	40,444	31,604	78.14
Operating profit				
(Before bad debts and doubtful accounts, loss on debt restructuring and income tax expenses)	37,136	30,230	6,906	22.84
Income tax expenses	9,094	6,033	3,061	50.74
Net income	21,346	14,794	6,552	44.29
Net income attributable to:				
Equity holders of the Bank	20,047	14,733	5,314	36.07
Non-controlling interests	1,299	61	1,238	2,030
Net income	21,346	14,794	6,552	44.29

As a result of an additional investment in Muang Thai Life Assurance Company Limited (“MTL”), by acquiring additional ordinary shares of Muangthai Group Holding Co., Ltd. (“MTGH”) on November 2009, the financial statements of 2009 for comparison would reflect only 1 month of operating performance of those companies. For better alignment with international practices, KGroup, in 2010, early adopted new and revised Thai Financial Reporting Standards, prior to their official implementation as per announcement in the Government

Gazette. Following these accounting implementations, it was found that KGroup’s financial position remained solid, while the Thai Financial Reporting Standards that had some impacts on our financial statements included TAS 19 (Employee Benefits) and TAS 12 (Income Taxes). For comparison, the Bank has restated our 2009 consolidated financial statements, through the adjustment of retained earnings at the beginning of the year, wherein changes were seen in the balance sheet, and no significant impact was witnessed for the statements of income, as follows:

Impact from the Restatement on the Balance Sheet as of December 31, 2009

(Units: Million Baht)

	2009
Increase in total assets	8,461
Increase in total liabilities	12,271
Decrease in equity attributable to equity holders of the Bank	(3,069)
Increase in unappropriated retained earnings	725
Decrease in others	(3,794)

Income Structure

(Units: Million Baht)

	2010	2009	Change	
			Million Baht	Percent
Interest and dividend income				
1. Loans	49,895	48,076	1,819	3.78
1.1 Loans	29,410	27,982	1,428	5.10
1.2 Overdrafts	12,399	11,166	1,233	11.04
1.3 Bills	8,086	8,928	(842)	(9.43)
2. Interbank and money market items	2,363	1,484	879	59.23
2.1 Deposits	80	29	51	175.86
2.2 Loans	2,283	1,455	828	56.91
2.3 Securities purchased under resale agreements	-	-	-	-
3. Finance leases	2,892	2,485	407	16.38
4. Investments	7,590	4,351	3,239	74.44
Total interest and dividend income	62,740	56,396	6,344	11.25
Total interest expense	11,502	13,021	(1,519)	(11.67)
Net income from interest and dividends	51,238	43,375	7,863	18.13

(Units: Million Baht)

	2010	2009	Change	
			Million Baht	Percent
Non-interest income				
1. Fees and service income				
1.1 Acceptances, avals, and guarantees	1,657	1,354	303	22.38
1.2 Others	21,164	18,189	2,975	16.36
2. Gains on exchanges	4,102	3,871	231	5.97
3. Net premium written	29,294	2,193	27,101	1,235.80
4. Other income	1,729	1,692	37	2.19
Total non-interest income	57,946	27,299	30,647	112.26
Net income from interest and dividends and non-interest income	109,184	70,674	38,510	54.49
% Non-Interest Income Ratio	53.07	38.63		

Net Income from Interest and Dividends

The Bank's consolidated net interest and dividend income for 2010 rose over the previous year, mainly attributable to increased interest and dividend income - in tandem with interest and dividend income from investments, following gains on MTL investment portfolios and interest income from loans, as a result of larger loan volume. Also, our interest expense dropped, due primarily to interest expense from deposits, largely attributable to a high base of comparison in deposit costs in 2009 that followed the offering of special deposit products late in 2008. Consequently, our net interest margins equaled 3.81 percent in 2010, higher than the 3.51 percent in 2009.

Non-Interest Income

The Bank's consolidated non-interest income for 2010 increased over the previous year. Of note was an increase in net premium written from life insurance business, as well as an increase in fee and service income. Without the consolidation of MTGH, our fee and service income also continued to grow, with support from the "Customer-Centricity" strategy, thus resulting in continued growth of new customers. The increase in fee and service income was due mainly to fees from sales of products and financial services, such as card business, bancassurance, and mutual fund management, as well as fees from loan-related business that drew support from larger loan volume.

Non-Interest Expense

The Bank's consolidated non-interest expense for 2010 totaled Baht 72,048 million, up by Baht 31,604 million, or 78.14 percent, over 2009. This was largely the consequence of an increase in underwriting expenses from life insurance business, personnel expenses following the increased number of staff, as well as increased premises and equipment expenditures that resulted from the Channel Expansion and Enhancement project. Consequently, our efficiency ratio

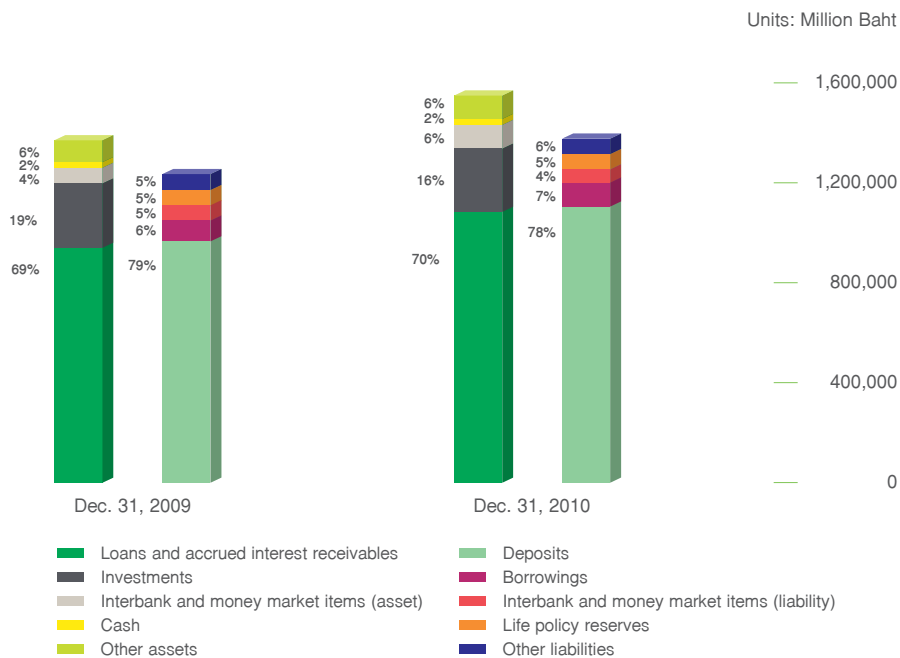
equaled 65.99 percent in 2010. The ratio was 56.34 percent when excluding MTGH.

Bad Debt and Doubtful Accounts, and Loss on Debt Restructuring

For 2010, the Bank and our subsidiaries set aside Baht 6,696 million in allowances for doubtful accounts and incurred losses on debt restructuring, falling by Baht 2,707 million from the previous year. This was mainly in response to the improved economic environment.

2.2 Financial Position Analysis

Assets and Liabilities Structure



Assets

As of December 31, 2010, the Bank's consolidated assets totaled Baht 1,551,528 million, increasing by Baht 184,535 million, or 13.50 percent, over the end of 2009. The increase was mainly attributable to increases in loans, as well as interbank and money market items (asset). Meanwhile, net investments dropped, as follows:

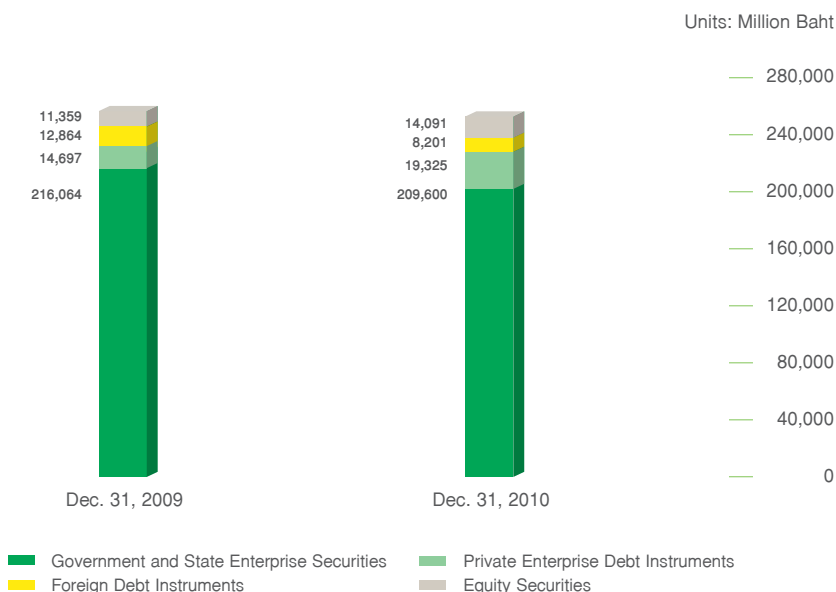
- The Bank's consolidated loans, at the end of 2010, totaled Baht 1,079,513 million, growing by Baht 136,135 million over-year, or 14.43 percent, due primarily to increases in commercial, housing, trade finance, and working capital loans that aimed at providing liquidity support to our business customers. Our consolidated loans were the third-largest among the group of large commercial banks.

Meanwhile, our net non-performing loans⁴ (Net NPLs) ratio to total loans, at the end of 2010, equaled 1.43 percent, falling from 1.91 percent at the end of 2009. Similarly, the gross NPL ratio to total loans was at 2.91 percent at the end of 2010, down from 3.76 percent at the end of 2009. Such NPL ratio decreases were due to a fall in bad debts and growth in total loans.

- Interbank and money market items (asset), at the end of 2010, amounted to Baht 97,592 million, rising by Baht 34,208 million, or 53.97 percent, over the end of 2009. This was as a result of the Bank's liquidity management.

- Net investments, at the end of 2010, equaled Baht 251,217 million, falling by Baht 3,767 million, or 1.48 percent, from the end of 2009, due mainly to sales of investments in government bonds for the Bank's liquidity management.

Investments



Liabilities and Equity

The consolidated liabilities of the Bank, at the end of 2010, totaled Baht 1,406,040 million, increasing by Baht 167,193 million, or 13.50 percent, over the end of 2009. Consolidated liabilities that had changed significantly relative to the previous year included:

- Deposits, at the end of 2010, amounted to Baht 1,100,036 million, rising by Baht 124,544 million, or 12.77 percent, over the end of 2009. This was mainly as a result of increased savings deposits. Our consolidated deposits were the third-largest among the group of large commercial banks.

- Borrowings, at the end of 2010, equaled Baht 96,684 million, increasing by Baht 17,713 million, or 22.43 percent, over the end of 2009. This was mainly the consequence of an increase in bills of exchange.

- Life policy reserves, at the end of 2010, amounted to Baht 76,404 million, up by Baht 16,490 million, or 27.52 percent, over the end of 2009, due mainly to MTL transactions from life insurance business.

At the end of 2010, total equity attributable to equity holders of the Bank amounted to Baht 134,943 million, increasing by Baht 14,946 million, or 12.46 percent, over the end of 2009. This increase was the result of higher net operating income for 2010.

⁴ Details of non-performing loans are shown in the "Non-Performing Loans and Debt Restructuring" of the "Credit Risk Management" section.

Relationship Between Sources and Uses of Funds

At the end of 2010, the funding structure as shown in the consolidated financial statement comprised Baht 1,406,040 million in liabilities and Baht 145,488 million in total shareholder equity, resulting in a debt-to-equity ratio of 9.66. The major source of funds on the liabilities side was deposits, which equaled Baht 1,100,036 million, or 78.24 percent of the total. Other sources of funds included interbank and money market items, plus borrowing, which accounted for 2.41 percent and 6.88 percent of the total, respectively.

The Bank and subsidiaries' major use of funds was loans. At the end of 2010, loans amounted to Baht 1,079,513 million, resulting in a loan-to-deposit ratio of 98.13 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.

The major sources and uses of funds, as of the end of 2010, are categorized by contractual maturity periods shown in the following table:

The Bank and Subsidiaries' Major Sources and Uses of Funds

(Units: Million Baht)

Period	Deposits				Loans			
	Dec. 31, 2010	Percent	Dec. 31, 2009	Percent	Dec. 31, 2010	Percent	Dec. 31, 2009	Percent
≤ 1 Year	998,405	90.76	910,015	93.29	548,120	50.77	500,818	53.09
> 1 Year to								
5 Years	101,631	9.24	65,477	6.71	272,145	25.21	270,199	28.64
> 5 Years	-	-	-	-	259,248	24.02	172,361	18.27
Total	1,100,036	100.00	975,492	100.00	1,079,513	100.00	943,378	100.00

The Bank and subsidiaries' deposits with remaining maturities of less than or equal to 1 year at the end of 2010 totaled Baht 998,405 million, increasing by Baht 88,390 million, or 9.71 percent, over the Baht 910,015 million at the end of 2009. Deposits with remaining maturities of over 1 year at the end of 2010 were Baht 101,631 million, increasing by Baht 36,154 million, or 55.22 percent, over the Baht 65,477 million at the end of 2009.

At the end of 2010, the Bank and subsidiaries had loans with remaining maturities of less than or equal to 1 year totaling Baht 548,120 million, increasing by Baht 47,302 million, or 9.44 percent, over the Baht 500,818 million at the end of

2009. Loans with remaining maturities of over 1 year up to 5 years amounted to Baht 272,145 million, increasing by Baht 1,946 million, or 0.72 percent, over the Baht 270,199 million at the end of 2009. In addition, loans with remaining maturities of over 5 years equaled Baht 259,248 million, increasing by Baht 86,887 million, or 50.41 percent, over the Baht 172,361 million at the end of 2009.

From the above table, it can be seen that, as of December 31, 2010, deposits with remaining maturities of less than or equal to 1 year were larger than loans with remaining maturities of less than or equal to 1 year. This is considered normal for commercial banks in Thailand,

as they normally fund their lending or investments in long-term assets from short-term liabilities. However, since most deposits are renewed upon maturity, it is considered likely that they will remain with the Bank longer than their stated contractual term, thereby helping to support funding for the Bank's lending.

In order to enhance flexibility and variety in the Bank's funding structure, as well as provide more alternatives in investments for the public and the Bank's depositors, the Bank has offered "K-B/E Investment" products to both retail and corporate customers, with their outstanding value totaling Baht 46,143 million as of December 31, 2010.

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)

	Dec. 31, 2010			Dec. 31, 2009**		
	Corporate Business	SME Business	Retail Business	Corporate Business	SME Business	Retail Business
Loans	315,507	399,713	213,164	285,596	362,279	164,249
Domestic credit loans	223,190	370,566		214,297	339,860	
Trade finance loans	82,630	29,147		68,850	22,419	
BIBF loans	9,687			2,449		
Housing loans			159,751			126,708
Credit card loans			36,719			27,021
Consumer loans			16,694			10,520

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

** Revised to reflect regrouped customers.

Regarding the Bank's loans classified by business and product groups, Corporate Business loans increased by Baht 29,911 million, or 10.47 percent, over the end of 2009, mainly as a result of increases in trade finance loans mostly seen in working capital loans of processed agricultural product and automobile industries, as well as long-term loans of electric plant business. In the same direction, SME Business loans increased by Baht 37,434 million, or 10.33 percent, over the end of 2009, led by higher domestic credit loans seen in working capital loans of agricultural product, construction material, machinery, automobile and electrical

appliance businesses. Our Retail Business loans, at the end of 2010, also reported healthy growth of Baht 48,915 million, or 29.78 percent, over the end of 2009, with housing loans recording the highest growth rate in terms of loan volume, boosted by government stimulus measures during the first half of 2010, together with our efforts to maintain good relationships with leading property developer allies. Meanwhile, consumer loans recorded the highest growth rate over the previous year, due to our continued efforts to offer sales promotional campaigns that effectively meet the needs of target customers.

Deposits Classified by Type of Deposit Accounts

KASIKORNBANK's Deposits*

(Units: Million Baht)

	Percent of Total Deposits	Deposits		Change	
		Dec. 31, 2010	Dec. 31, 2009	Million Baht	Percent
Total Deposits	100.00	1,102,229	978,064	124,165	12.69
Current accounts	5.60	61,698	55,613	6,085	10.94
Savings accounts	62.48	688,650	539,341	149,309	27.68
Fixed-term deposit accounts	31.92	351,881	383,110	(31,229)	(8.15)

Note: * Bank only

At the end of 2010, total deposits - comprising deposits of our Corporate, SME and Retail Business customers - had increased by Baht 124,165 million, or 12.69 percent, over the end of 2009. This was due mainly to increases in savings and current account deposits. However, fixed-term deposits dropped, as they reached their maturity, wherein the Bank has offered these customers other investment alternatives carrying attractive returns in place of the matured deposits.

2.4 Treasury Operations

In 2010, aside from appropriate liquidity management as per authorities' requirements and changing economic and political circumstances during each period, the Bank

adjusted our investment strategy in alignment with expectations of an upward interest rate trend domestically. This investment strategy adjustment was achieved by reducing our exposure in long-term bond investment and turning to increased exposure in short-term bonds, which resulted in a consistent schedule of bonds coming due, thereby allowing the Bank to benefit from the continuous increase in bond yields.

As a primary dealer, the Bank adheres to guidelines of vigilant and flexible management of our daily liquidity. Moreover, we continue to pursue a strategy to increase transaction volume with other financial institutions in the money market, in order to expand sources of lending and borrowing for more effective adjustment of our liquidity position, as well as to maintain our counterparty status with the Bank of Thailand.

Treasury Operations Income

(Units: Million Baht)

Income Structure of Treasury Operations (Banking Book)	Percent of Total Income	2010	2009	Change	
				Million Baht	Percent
Interest and dividend income*					
Interbank and money market items**	35.97	2,289	1,584	705	44.51
Investments	64.03	4,075	3,961	114	2.88
Total	100.00	6,364	5,545	819	14.77

Note: * Managerial figures

** Including loans

In 2010, total interest and dividend income, contributed from our treasury operations (banking book), was Baht 6,364 million, increasing by Baht 819 million, or 14.77 percent, over 2009. This was due mainly to our higher liquidity of

approximately Baht 77,000 million, when compared to the previous year, as well as increases in interest rates during the latter half of 2010.

2.5 Operating Performance of K Companies and Muang Thai Life Assurance Co., Ltd.

Operating Performance of K Companies* and Muang Thai Life Assurance Co., Ltd.

(Units: Million Baht)

	Performance Measurement	2010	2009
KF&E	Outstanding Loans	3,967	4,525
KLeasing	Outstanding Loans	53,908	43,603
KAsset	Assets Under Management (AUM)	634,834	508,630
	Market Share (Percent)	22.02	19.74
KSecurities	Trading Volume	429,985	206,833
	Market Share (Percent)	3.47	2.39
MTL	Premium written	29,649	21,541
	Market Share (Percent)	10.01	8.31

Note: * KResearch is not included, as the company does not engage in financial business.

In 2010, KSecurities was presented the **SET Award of Honor** by the Stock Exchange of Thailand (SET) and Money & Banking magazine, as an excellent securities company for the third consecutive year (2008 - 2010), making the company the first ever to receive this award three times in succession. Moreover, the company's market share in the securities brokerage business, gauged by trading volume, jumped up to 13th place in 2010, from 18th place in 2009.

KAsset, in 2010, achieved growth of assets under management (AUM) of 24.81 percent over-year, which exceeded the market average growth rate of 11.90 percent and, thus, supported the company in maintaining their largest AUM market share of 22.02 percent in 2010.

KLeasing and KF&E, which engage in lending business, were able to accomplish noteworthy performance in 2010. KLeasing's loan growth was as high as 23.63 percent over 2009, while being able to retain sound asset quality, with a ratio of non-performing loans to total loans of only 1.12 percent. As a result of this achievement, coupled with the company's dedication to continually develop and expand their variety of products to better meet the needs of consumers, the company was honored with the **Best Car Leasing of The Year 2010** award, for the second consecutive year, at the 31st Bangkok Motor Show. In addition to a continued emphasis on providing leasing and hire-purchase services for machinery and equipment, KF&E has engaged in establishment and enhancement of their fundamental structure and synergy with KGroup, as well as developing various product programs to meet the needs of customers more effectively. With this work priority,

plus the fact that the company has just transferred factoring business to the Bank in 2010, KF&E's loans dropped from 2009. However, once the adjustment procedures are completed, it is expected that the company's business will be able to expand substantially, making them a leader in the machinery leasing and hire-purchase market.

In 2010, MTL recorded premium written totaling Baht 29,649 million, ranking third in the market and showing the 37.64-percent growth over-year, which exceeded the market average growth rate of 14.32 percent. In response to continued dedication in developing products and services in every dimension, the company not only saw an improvement in their market share to 10.01 percent, but was also awarded many marks of recognition. Notable awards included being the **First Winner of the Life Insurance Company with Outstanding Management** award for four consecutive years (2006 - 2009) from the Office of Insurance Commission; **Gold Award Winner of the Trusted Brand Award 2010** by the Reader's Digest, as well as the **Superbrands** award from Superbrands Thailand for the fifth consecutive year.

2.6 Capital Requirements and Credit Ratings

Capital Funds

As of December 31, 2010, the Bank had capital funds of Baht 157,869 million, consisting of Baht 105,936 million in Tier-1 capital, and Baht 51,933 million in Tier-2 capital. The capital adequacy ratio of the Bank was 13.96 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	Dec. 31, 2010**	Sep. 30, 2010	Jun. 30, 2010	Mar. 31, 2010	Dec. 31, 2009
Tier-1 Capital Ratio	9.37	10.56	10.12	10.09	10.25
Tier-2 Capital Ratio	4.59	4.83	4.90	4.94	4.94
Capital Adequacy Ratio	13.96	15.39	15.02	15.03	15.19

Note: * Excluding the net profits of each period, which under the 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	Dec. 31, 2010*	Sep. 30, 2010	Jun. 30, 2010	Mar. 31, 2010	Dec. 31, 2009
Tier-1 Capital Ratio	10.24	10.97	10.95	11.16	10.94
Tier-2 Capital Ratio	4.59	4.80	4.90	4.93	4.93
Capital Adequacy Ratio	14.83	15.77	15.85	16.09	15.87

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

Maintenance of Ratios

The Bank maintains liquid assets, on average, of at least 6.00 percent of deposits and some kinds of borrowing, in compliance with the Bank of Thailand's regulations. As of December 31, 2010, the Bank had cash in hand, cash at central cash centers, deposits with the Bank of Thailand and eligible securities, totaling Baht 251,483 million.

Credit Ratings

In 2010, Moody's Investors Service upgraded the Bank's rating outlook of long-term foreign currency deposit and subordinated debt to "Stable" from "Negative". Meanwhile, our credit ratings given by Standard & Poor's and Fitch Ratings remained unchanged from year-end 2009. Details are shown in the following table:

KASIKORNBANK Credit Ratings

Credit Ratings Agency	Dec. 31, 2010	Dec. 31, 2009
Moody's Investors Service**		
<u>Foreign Currency</u>		
Outlook	Stable	Negative
Long-term - Debt	n.a.*	n.a.*
- Deposit	Baa1	Baa1
Short-term - Debt/Deposit	P-2	P-2
Subordinated Debt	Baa1	Baa1
Bank Financial Strength Rating (BFSR)	D+	D+
Outlook for BFSR	Stable	Stable
<u>Domestic Currency</u>		
Outlook	Stable	Stable
Long-term - Deposit	A3	A3
Short-term - Debt/Deposit	P-1	P-1
Standard & Poor's**		
<u>Global Scale Ratings</u>		
Outlook	Stable	Stable
Long-term - Debt/Certificate of Deposit	BBB	BBB
Short-term - Debt/Certificate of Deposit	A-2	A-2
Subordinated Debt (Foreign Currency)	BBB-	BBB-
Bank Fundamental Strength Rating (BFSR) (Local Currency)	C	C
<u>ASEAN Regional Scale Ratings</u>		
Long-term - Debt/Certificate of Deposit	axA	axA
Short-term - Debt/Certificate of Deposit	axA-1	axA-1

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.

KASIKORNBANK Credit Ratings

Credit Ratings Agency	Dec. 31, 2010	Dec. 31, 2009
Fitch Ratings**		
<u>International Credit Ratings (Foreign Currency)</u>		
Outlook	Stable	Stable
Long-term Issuer Default Rating	BBB+	BBB+
Short-term Issuer Default Rating	F2	F2
Subordinated Debt	BBB	BBB
Individual	C	C
Support	2	2
<u>National Credit Ratings</u>		
Outlook	Stable	Stable
Long-term	AA (tha)	AA (tha)
Short-term	F1+ (tha)	F1+ (tha)
Subordinated Debt	AA- (tha)	AA- (tha)

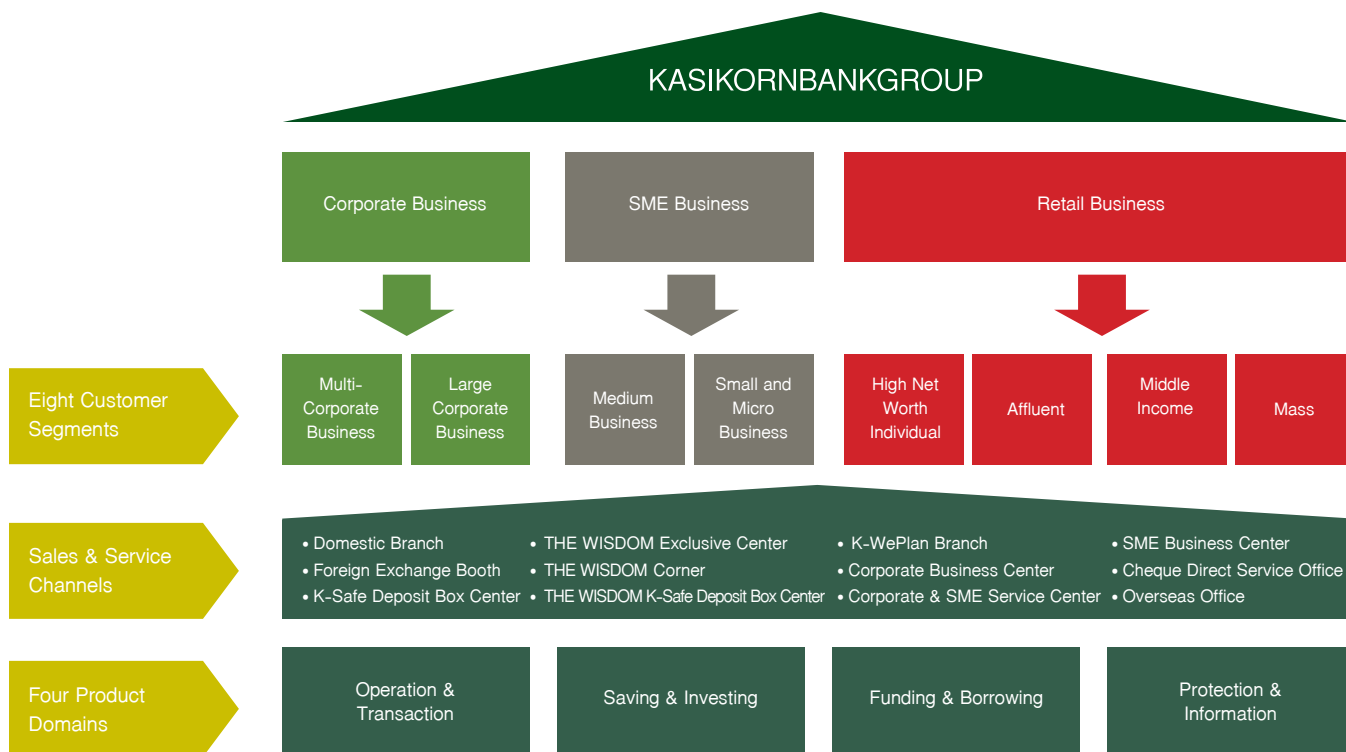
Note: ** The base levels for investment grade on long-term credit ratings for Moody's Investors Service, Standard & Poor's, and Fitch Ratings are Baa3, BBB- and BBB-, respectively. For short-term credit ratings, the base levels for investment grade as viewed by these three agencies are P-3, A-3, and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

3. Operations of Core Businesses

3.1 Business Overview

In 2010, KASIKORNBANKGROUP continued to pursue our "Customer-Centricity" strategy. To effectively achieve that strategic goal, we have improved our business structure through

customer segment re-categorization, resulting in 8 customer segments currently. In addition, we have focused on business development in the dimensions of customer segments, product domains, as well as major sales and service channels, thus ensuring their smooth working harmony, as follows:



3.2 Customer Segments

Multi-Corporate Business

In 2010, many large businesses in Thailand faced incidents that affected their business operations directly and indirectly, but, with our ultimate business goal of being a “Trusted Partner” for customers, the Bank redesigned our internal working procedures, allowing us to have a better knowledge of various financial products available in the market, and more importantly to gain a more thorough understanding of customers’ needs. These efforts have helped to diversify our financial products to meet the business needs of our customers and their value-chain clients more completely, under the concepts of “Think: Think Through”, “Innovative” and “Keep Commitment”. The Bank also outlined knowledge development, based on the specialization of our team by initiating the knowledge-based organization of renewable energy for our staff and the public, making KBank as Thailand’s first bank to do so.

Large Corporate Business

Due to rapid changes in services and intense competition among financial institutions serving customers in this segment, KGroup has developed both financial and non-financial products and services, in order to respond to their business needs in all dimensions and to suit the varied demands of each industry. In achieving these goals, the Bank has studied customers’ business cycles, while knowledge obtained from this study has been utilized in improving our internal working procedures for better and faster services to this customer segment. At the same time, the Bank developed the quality standards of relationship managers (RMs) through the Value-Added Advisory (VAA) project, so that our RMs are better equipped with relevant knowledge and expertise that fits the needs of each industry and area. In addition, many activities that helped add value for customers’ businesses were organized, including marketing activities under the K Now project, and management workshops for customers at the executive level or entrepreneurs. Besides the aforementioned efforts, the Bank surveyed customers’ opinions regarding the use of KBank services, and the survey results were used to upgrade our service efficiency.

Medium Business

In 2010, although a gradual recovery of the global economy helped support the business sector, there remained many negative factors - including the Baht's appreciation, natural disasters and political uncertainties - directly affecting SME businesses, particularly those in the tourism sector, as well as hotel and retail businesses. As a result, the Bank launched many measures to assist these customers, with notable measures being a 1-year extension of grace period, as well as offering a 3-year extension of promissory note terms (P/N, T/R and P/C), with additional credit limits. In addition, the Bank has developed loan products with features specifically tailored to fit the conditions of each business. These products include K-Privileged Trade Solutions, K-Equipment Finance and K SME Easy Leasing with a special interest rate of 1.49 percent. Meanwhile, the Bank has arranged many sales promotional campaigns and projects to equip our entrepreneur customers with knowledge, such as the K SME Company Visit project and intensive training under the K SME Academy project, to help enhance entrepreneurs' financial management potential, thus supporting their future business expansion.

Small and Micro Business

As Small and Micro business is regarded as a large customer group for the Bank, we have thus strived to understand this customer segment more thoroughly through in-depth studies of their loan usage behavior, which has translated into a better knowledge of the nature of these customers' business operations,

sources of funds, and factors influencing customers' loan selection. In addition, we have sought to learn from experience and expectations of customers towards the use of our products and services, in order to better meet their needs. These notable efforts allowed us to launch many loan projects, tailor-made to fit different needs and natures of each business, including K-SME Construction Credit, K-SME Medical Credit, K-SME Trading Credit, K-Equipment Finance, K-SME Apartment and Hotel Credit, K-SME Contract Poultry Farming, K-Max and K-SME Franchise Credit. Meanwhile, the Bank has continued to arrange sales promotional campaigns, improve the K SME Reward Plus campaign, and organize knowledge-based activities for customers in each industry.

High Net Worth Individual

In 2010, KASIKORNBANKGROUP re-categorized affluent customers, with deposits and/or investments with KGroup of at least Baht 50 million, for 6 months on average, to be in the High Net Worth Individual segment. In meeting the needs of these sophisticated customers, KBank introduced "KGroup Private Banking", comprised of complete investment advisory services ranging from fundamental investment to alternative and securities investment, as the primary service for this customer segment. In addition, the Bank has joined hands with Muang Thai Insurance PCL. to introduce "Private Collection Insurance" products - responding to the needs of those who like to collect valuable assets - as well as offering a "Passion Investment" program through providing advice related to



Press conference on Payroll Service Solution for KBank corporate customers



KGroup synergies to serve corporate customers under the Think concept

investment in and appraisal of diamonds, paintings and watches. To keep our customers informed about their financial status and investment portfolio under KGroup's management, we have integrated this information in the form of a "Consolidated Statement", while we have also organized various marketing activities which have helped differentiate our services from those of our rivals. Notable activities of this campaign included our sponsorship of the Thailand Open tennis tournament and customer invitations to watch the matches.

Affluent

The Bank continued to expand this customer segment, through offers of various sales promotional campaigns that allowed branches to cross-sell products and services to target customers. In addition, localized marketing activities were organized, and cooperation with our hospital business allies was promoted, as part of our strategy to reach the target clients via existing customers' referral. This is in addition to our synergized efforts with the SME Business Division, and executives of the Multi-Corporate Business and Large Corporate Business Departments, in offering special products and exclusive privileges to business customers with an aim of meeting their business and personal needs more effectively. Moreover, we have adopted an "Up-Sell" strategy of upgrading our Middle Income customers with potential to the Affluent segment through the offering of special sales promotional campaigns to promote target customers' investments in mutual funds and fixed-term deposits of 6 months or longer. With an aim of maximizing

customer satisfaction, the Bank continues to place emphasis on offers of new services and privileges, including the launch of THE WISDOM passbooks for THE WISDOM cardholders, consolidated statements, approved credit limits for business purposes with special interest rates, as well as sales promotional campaigns inviting more customers to use the Bank's services to support their business needs, encouraging them to make KBank their main operating bank. In addition, we expanded the range of our exclusive services to Affluent customers in regions outside Bangkok, via the opening of THE WISDOM Exclusive Center at Central Plaza Chiang Mai Airport 2 Branch, while planning to open more centers in other areas in the future. In acquiring new customers and expanding the customer base, we has emphasized strengthening cooperation with our business allies to continually present various marketing activities.

Middle Income

The Bank has adhered to our strategy of expanding the group of Middle Income customers, especially those who have deposits and investments with KGroup of at least Baht 2 million, through special services and privileges catered specifically for THE PREMIER service, such as special-interest-rate loans, Royal Orchid Lounge access, access to fitness facilities at leading hotels and fitness centers, as well as tailor-made marketing activities customized to suit the lifestyle of this customer segment. In addition to our continuous efforts to increase service satisfaction of this customer segment, the Bank has continued to offer payroll services and privileges for



KBank, in cooperation with Thammasat University, in the launch of K SME Academy



K-SME Credit

customers using our K-Salary Benefit, which targets business owners and employees in high-growth industries. Moreover, the Bank has joined hands with our business allies to develop and offer new products that fit both the financial and non-financial needs of these customers. New products and efforts of note included the launch of co-branded credit cards, development of multi-channel payments for customers' increased convenience, as well as an offer of benefits for pregnant customers using prenatal care services at hospitals. This service diversification not only helps create good customer experiences and meets their needs more effectively, based on our thorough understandings of customers' lifestyle and life stage, but also differentiates our products and services from those of our peers, thereby broadening the Bank's opportunities for customer base expansion, as well as increasing their product holdings.

Mass

The Bank has continued to follow our strategy of expanding the customer base of the Mass segment with the potential to be upgraded to the Middle Income segment in the future, focusing on college and university students, plus new graduates. Also, we have developed services via electronic channels which are more convenient and suited to their lifestyles. This helps highlight our leadership in the technology sphere. In 2010, the Bank further developed K-My Debit Card, making these debit cards the first such cards in Southeast Asia with Verified by VISA and One-Time Password systems that can help ensure the security of online shopping. Our efforts related to electronic channels

included website redesign projects for mycard.kbankcard.com by connecting it to Facebook, a social networking website; and the development of K-My ATM, an innovative service that allows KBank card customers to personalize ATM screen background themes, as well as recording and recalling frequently-performed transactions for the increased convenience of customers, who no longer need to memorize transaction details as before. Meanwhile, the Bank has expanded services via K-Mobile Banking, as well as increasing customers' product holdings via appropriate sales promotional campaigns.

3.3 Product Domains and Sales Channels

3.3.1 Product Domains

In 2010, the Bank introduced financial service innovations and continued to improve our product features and service quality to facilitate operations of our business clients, as well as enhancing convenience of retail customers in conducting their financial transactions. Moreover, we have continuously launched sales and marketing promotional programs. To this end, our efforts of note can be classified into four domains, namely Operation & Transaction, Saving & Investing, Funding & Borrowing, and Protection & Information. In essence:

Payroll Service Solution for corporate customers

K-My ATM, a personalized service through which customers can choose ATM screen background themes, together with record and retrieval of their usual financial transactions

Operation & Transaction

	Details
New Products and Services	<ul style="list-style-type: none"> • Commercial Card to distributors within supply chain: The Bank, in cooperation with Thai Beverage PCL., introduced a commercial card - a financial innovation under the card-accepting business for distributors under their supply chain - for payment of goods to the company. Following this effort, the Bank plans to offer this service to other companies in the future. • Tax Smart Card - an innovation for tax payment developed by KBank to facilitate both taxpayers and the Revenue Department with increased security, ending the need to use cash or cheque. Taxpayers can set the daily limit and volume of transactions on their own. • New products for SME customers: They include "SME Credit Calculator" - a service that helps calculate initial credit limits for SME clients before they apply for our K-SME Credit. The Bank, in cooperation with AIS, launched "K SME Sim" for SME customers holding Platinum K-Credit Cards, providing privileges in reserving seats at seminars and searching for locations of the Bank's SME Business Centers, as well as receiving free consultant services at the K-Biz Contact Center. • K-Monthly Transfer, which features automated money transfer services to recipients with linked KBank accounts both within the same and across clearing districts, in fixed amounts of up to Baht 10,000 on a fixed date of every month. • New debit cards: Joining hands with our business allies, including GMM Thai Hub Co., Ltd. (a Thai film studio), True Digital Plus Co., Ltd. (a leading online game company) and Honda Accord Club Thailand, the Bank has issued co-branded debit cards with numerous privileges to meet the needs of our customers. We also developed online shopping services equipped with the Verified by Visa security system, using a One-Time Password (OTP) - the first of its kind in the Southeast Asia region.

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	Details
<p>Product and Service Enhancements</p>	<ul style="list-style-type: none"> • Development of card-accepting business: The Bank has developed the Dynamic Currency Conversion (DCC) system to accommodate multi-currency payment in up to 35 currencies. Application forms for use of the Bank’s EDC have been improved to accommodate small merchants, in addition to reducing the length of cardholder sales slips to ensure reduced costs which is also part of our environmental conservation efforts. • Improvement of “Payroll Service Solution”: The service, which incorporates KBank Payroll and K-Salary Benefit, offers our customers cost-reduction and time-saving in applying to our services, in addition to the other benefits of KGroup products. • Development of “BIZ Info”: The service offers delivery of business-related information, such as updated deposit and lending rates, as well as foreign exchange rates, through our corporate customers’ websites on a real-time basis. • Development of Platinum credit cards for SME customers under “K SME - Business Plus”, which features enhanced benefits to better meet both personal and business needs of the card holders.
<p>Enhancement of Business Operation Efficiency</p>	<ul style="list-style-type: none"> • Enhanced capability of mutual fund supervisory services to accommodate services for asset management companies, which have shown increased interest in launching foreign investment funds (FIFs) in emerging markets other than South Korea, including India, Portugal, Russia and Israel. • Development of custodial services: We have developed our custodial services to facilitate sales of both single and bundled products of KBank and KGroup to completely meet the needs of each customer segment, as part of our attempt to provide total solutions to customers. • Participation in project finance and related services: Developments in 2010 included provision of syndicated loan projects for the construction of Southeast Asia’s largest shopping mall and seven mid-sized power plants, as well as being a security agent for 34 syndicated loan projects of solar power plants in 34 provinces across the country. The Bank also acts as the bond holder representative for a large state enterprise which has raised funds via the issuance of 100-year bonds - the longest maturity of bonds issued to the general public - implying our intention to provide the service throughout the bond maturity.



Platinum credit cards for SME customers (under K SME - Business Plus)



K-Salary Benefit



Marketing activities for K-Credit Card

	Details
<p>Sales and Marketing Promotional Programs</p>	<ul style="list-style-type: none"> <p>Marketing activities for SME customers: We have launched programs entitled “New Loan Applicants - The More You Spend, The More You Save” to increase deposits of the Bank under the established conditions; and “Customer Solution - The More You Spend, The More You Get” to offer special interest rates for savings deposits for juristic person customers and cashback under the established conditions. The Bank also organized the “Get Triple Cashback when Conducting K-Global Money Transfer”, in addition to various sales promotional campaigns and privileges, including free cheque books, as well as special features for K-mAlert: Transaction Alert, K-mAlert: Cheque Alert, as well as K SME Care.</p> <p>Marketing activities for KBank debit cards and ATM cards: The Bank issued the “GTH is me” by KBank debit cards, featuring a new motif of a famous teen movie, and launched “K-My Debit Card: Valentine”, for which debit card applicants were entitled to get another debit card free of charge. We also launched “Troop” marketing activities to promote use of the K-Max Debit Card, along with other forms of promotional programs - including discounts and giveaways for spending via debit cards at restaurants and tourism fairs.</p> <p>Marketing activities to highlight KBank’s leading status in SME business solutions: The Bank launched “SME Start-Up City”, a simulation game on Facebook for running a business, to help SMEs learn new skills and concepts regarding entrepreneurship - the first effort of its kind in the Thai banking business. To enhance business potential and efficiency among SMEs, the Bank, in cooperation with Google, offers “K SME BIZ on Web” - a service that enables our SME clients to create their own websites for enhanced business opportunities in the cyber world, with the offer of Baht 2,000 in free credit for advertisement via Google AdWords.</p> <p>Marketing activities for funds transfer products and bill payment services: The Bank has launched the “Midnight Transaction Free” campaign to increase customers’ awareness of our sales and service channels that are available to them 24 hours a day.</p>



K-My Debit Card promotion in the Month of Love - Apply for K-Debit Card and get one free!



K SME Start-up City: a simulation game for running a business on Facebook, a social networking website

Saving & Investing

	Details
<p>New Products and Services</p>	<ul style="list-style-type: none"> • K-Smart equity linked note-put spread: This new product offers returns based on stock prices and the SET index, with a minimum investment of Baht 10 million. It is suitable for short-term investors having a good understanding of stock investment and high risk appetites. The Bank also introduced “Proportionate Floating Rate Note” which offers floating yields based on fixed-term deposit and/or lending, and/or THBFIX rates. The product is designed for those who anticipate higher interest rates. • Launch of new deposit products: Amid the rising interest rate environment, the Bank has introduced deposit products and B/Es, offering step-up interest rates. They include “Step-up Fixed Deposit 33 Months”, “Step-up 10-month Fixed and Flexible Deposit”, “Step-up 18-month Fixed Deposit” and “Step-up K-B/E 21-month”. To meet the needs of a specific customer group, we also launched “Deposit for Kids” - a bundled product of Taweesusup Deposit and personal accident insurance policy that offers daily compensation for inpatient treatment of injuries caused by accident and six specific illnesses common among children, as well as “Fixed Deposit 5-5-5 with Pro Education”. • New fund issuances: The Bank, in cooperation with KAsset, issued a variety of 114 new funds in 2010, most of which were fixed income funds that invest both at home and abroad, including South Korea, India and other emerging markets - such as China, Taiwan, Russia, Indonesia and Turkey - for risk diversification and better return opportunities.



Step-up Fixed Deposit offering interest rates of up to 4.75 percent, p.a.



Mutual Fund invested in India

	Details
	<ul style="list-style-type: none"> • Introduction of loan products for specific SME businesses: Notable loan programs included K-SME Trading Credit, K-SME Medical Credit, K-SME Construction Credit, K-SME Contract Poultry Farming, K SME Easy Leasing (with special loan rate of 1.49 percent p.a. to support SMEs' new car purchases for their business operations) and K-SME Franchise Credit. • Issuances of new credit card products: THE WISDOM and THE PREMIER credit cards, with exclusive privileges, were launched in order to expand the high-end and professional customer bases with high potential. In addition, we launched "Japanese Cards", the first Platinum credit cards in Thailand, tailored to Japanese customers. • Introduction of a new payment method via credit card: GSM Mobile payWave allows customers to use their mobile phones as a credit card, by waving their mobile phones in front of secured Visa payWave readers to make payments for products and services. This service is now available via more than 40 counters of the Central Marketing Group (CMG)'s brands, as well as 1,500 other stores nationwide.
Product and Service Enhancements	<ul style="list-style-type: none"> • Adjustment of conditions of SME loan products to meet the needs of customers more effectively: Notable improvements included revised conditions for K-Max, wherein its credit lines for small-business entrepreneurs were extended from Baht 10 million to Baht 15 million, with increased credit lines to 120 percent and 150 percent of collateral value under faster credit turnaround time of only 2 business days, while the loan applicant can receive loans within 10 business days. We also extended the loan term for K-SME Extend from 7 to 10 years, in addition to improvements of conditions for K-Privileged Trade Solution, wherein customers can now receive working-capital funding of up to 30 percent of sales volume without having to place any collateral. In addition, we adopted a credit scoring system to quicken the credit application process for K-Equipment Finance, as well as revising and increasing flexibility of lending criteria for K-SME Apartment and Hotel Credit to better suit the nature of these businesses.



K SME CREDIT
EXCELLENCE Credited by KBank
คือความเป็นเลิศทางธุรกิจ



ธนาคารกสิกรไทย
KASIKORNBANK 泰华农民银行



คุณสมารถเป็นหนึ่งในเจ้าของธุรกิจแฟรนไชส์ได้ง่ายกว่าที่คิด
เพียงสมัครสินเชื่อเพื่อธุรกิจแฟรนไชส์กสิกรไทย (K-SME Franchise Credit)

- ไม่ต้องมีประสบการณ์การทำธุรกิจ
- ชำระขั้นต่ำถึง 18 เดือน
- ไม่ต้องใช้หลักทรัพย์ค้ำประกัน
- ครบวงจรด้วยบริการทางการเงินและองค์ความรู้

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K-SME Franchise Credit



K DEBIT CARD
EXCELLENCE Credited by KBank
คือความเป็นเลิศทางธุรกิจ



ธนาคารกสิกรไทย
KASIKORNBANK 泰华农民银行



ขาดเจ็บ...บัตรจ่าย
กับ **K-Max Debit Card**
บัตรเอทีเอ็มพร้อมประกันกสิกรไทย

จ่ายค่าชำระให้ลูกค้า
ครั้งละ 5,000.-

จำกัดวงใช้บัตรชำระ
เงินได้ไม่เกิน 200,000.-

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วงจำกัดรายวัน
สูงสุด 20%

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全方位的卓越服务 服务超越期待 Towards Service Excellence

K-Max Debit Card: a KBank ATM card plus K-Bancassurance

	Details
	<ul style="list-style-type: none"> • Improvement of housing loan products: The Bank introduced K-Up-to-You Home Loan, for the first time allowing all customers to choose loan features that best suit their needs. • Development of consumer loan product: We introduced “Cash Direct” service, allowing personal loan customers to have the first tranche of loans credited to their accounts without having to first wait for the cards and security code. Meanwhile, K-Express Cash has offered special interest rates of zero percent for 3 years for the portion of loan that is higher than 70 percent of credit line, in addition to our introduction of personal loans for the purchase of LTF/RMF investment units, for those who are provident fund members of KBank.
Enhancement of Business Operation Efficiency	<ul style="list-style-type: none"> • Improvement of operating procedures for the “K-SME Credit – Easy and Fast Approval” project: So doing allows customers to receive an instant pre-approval result, after applying for loans at the Bank. • Improvement of operating procedures for consumer credit, in order to enhance convenience in application and approval processes for all customers. In addition, the Bank has initiated a special project for customers who apply for both K-Credit Cards and personal loan products by requiring customers to fill out an integrated form of applications and single set of related documents. Meanwhile, the Bank has increased payment channels through our business allies, such as Counter Services locations, Tesco Lotus and post offices, as well as via K-Cyber Banking. • Measures to help customers affected by political unrest since April 2010: For our SME customers, the Bank offered a 1-year extension for grace period and 3-month extension of promissory note (P/N T/R and P/C) term, with additional credit lines for those customers. For personal loan customers living in affected areas, the Bank launched measures to assist K-Home Loan and K-Credit Card customers through relaxation of debt repayment conditions.



K-SME Credit: Easy to get...quick turnaround!



K-Express Cash with 0% interest rate for three years

	Details
<p>Sales and Marketing Promotional</p>	<ul style="list-style-type: none"> • Improvement of “SME Tee Taek” show: The Bank put more emphasis on SME businesses in provincial areas nationwide, highlighting interesting business operations and models. • Marketing campaigns for SME customers: The campaigns included offering refunds as per the conditions under the project of “Win Free Dining, Flying, and Shopping Sprees with K-SME Credit”; a project offering refunds for L/C issuance with KBank; K SME Reward Plus for customers who can maintain a certain average level of outstanding loans per month as required by the Bank; SME loans for new branch opening for customers whose business loan is approved and credit line is set; and a project titled “Refunds for OD Applications” for those who use OD in accordance with the Bank’s conditions. Moreover, other notable campaigns were “China Direct Phase 2” which features U.S. Dollar-denominated funds transfer services to every province of China within a single day; and a project titled “The More You Spend, The More You Get” for new customers with transactions meeting the requirements. In addition, we launched the “Industry Solutions” project - offering privileges in the form of fuel cards for new customers, whose business credit lines for specified loan types are approved and established - as well as the “Loan Plus” project, offering additional loans without reappraisal of collateral. • Marketing activities for housing loans: We have joined hands with leading developers to launched “Super Jaew” and “Miracle 9” campaigns, offering special monthly installment payments and interest rates for all customers. The Bank also participated in many marketing fairs and coordinated with our business allies to launch various sales promotional activities by focusing more on the provincial market, particularly in provinces of strategic importance to the Bank. • Marketing activities for K-Credit Cards: To spur credit card spending, create brand awareness and respond to all dimensions of our customers’ needs, the Bank has introduced the “Credit Card that Quickens Your Pulse” campaign with buy-one-get-one-free privileges under a campaign of earning free traveling/ flying/ dining/ shopping sprees, by joining hands with our 50 business allies. Meanwhile, special benefits that fit the specific features of each credit card type were offered to our high-end customers, as part of our main strategies to expand the new customer base. We also improved and modernized image of our credit cards, as well as all types of advertising in all kinds of media.



“SME Tee Taek” TV show nationwide coverage



China Direct...one-day money transfer to China

Protection & Information

	Details
New Products and Services	<ul style="list-style-type: none"> • Introduction of specific insurance plans, in order to respond to the diverse needs of customers more effectively, such as “Pro Saving 1525”, a savings plan for fixed income earners suited with a monthly premium payment; “Private Collection Insurance”; and “PA for Kids”, with accident coverage and daily hospital benefits for six diseases that commonly occur in children. In addition, we launched the “Fixed Deposit 5-5-5 with Pro Education” and “KBank Looks After Your Home” campaigns in April 2010. • Introduction of insurance products for business, including “Perfect Business Smart Plus”, which offers effective risk protection for a company’s borrowings, with coverage on the highest credit line of the sum insured of Baht 400 million per credit line, plus maturity benefits, and customers can choose insurance terms that best suit their needs. Moreover, the Bank has issued other products, such as K-Cheque to Cash, K-Supplier Financing and K-F&E.
Product and Service Enhancements	<ul style="list-style-type: none"> • Risk management products for foreign exchange: The Bank has introduced ‘option’ products, such as “Strangle Forward” and other new forward products, in order to increase alternatives for foreign exchange risk management. In addition, we offered payment services for international trade transactions in Chinese Yuan, and launched “Deliverable Forward” products for domestic customers, in order to prevent any possible impact from fluctuations in the Chinese Yuan against the Thai Baht. Meanwhile, the Bank has presented derivative products, linked to zinc and cotton, as part of the attempt to help mitigate risks from commodity price fluctuations for customers. In addition, the service hours of our foreign exchange service have been extended to 11:00 p.m., with an increase in the number of dealers and spokes (foreign exchange service hubs) to cover all areas in the vicinity of every 10 - 20 kilometers. • Increased convenience for insurance premium payment: The Bank enhanced effectiveness of top-up loan procedures and added to the insurance premium payment channels via credit cards.



K FACTORY & EQUIPMENT
K-F

แฟคทอรี แอนด์ อีควิปเม้นท์ ฟอร์ ไทย
KASIKORN FACTORY AND EQUIPMENT (K.F.E.)



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ได้เงินไปซื้อเครื่องจักรตามใจ

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3.3.2 Sales and Service Channels

Major sales and service channels are one of the crucial elements linking the products and services of KGroup to each target customer segment, as well as delivering a satisfactory experience in the use of services to all customers. They also play an important role in enhancing the image and strengthening the brand of KGroup. To respond

to customer's needs more efficiently, KGroup has continued to develop the main sales and service channels to serve customers in the dimensions of coverage, efficiency and quality of services. Meanwhile, the Bank has launched many new sales promotions continuously to increase customer awareness and frequency of the use of services via our various sales and service channels, with notable developments and operations summarized as follows:

Branches and Financial Service Offices/Centers

Major Sales and Service Channels	Number of Locations/Key Implementations in 2010	
	2010	2009
Branch Network	805	782
	<ul style="list-style-type: none"> • Opened new branches at areas with potential, such as locations of our business allies, department stores, hypermarkets and community malls for the development of the Bank's branding by adding convenience and striving to meet the various demands of target customers. • Developed training courses, operational workshops, knowledge assessments and competitions for employees at all levels, from new staff to branch managers, in order to encourage and equip our staff at all KBank branches with advisory techniques in offering services and sales of products to customers. • Added K-WePlan service to 389 branches. 	
Foreign Exchange Booths	100	92
	<ul style="list-style-type: none"> • Increased foreign exchange booths in provincial areas, particularly tourist destinations. • Continued to put eight foreign exchange mobile booths into service at various fairs and exhibition. 	
Corporate & SME Service Centers	61	60
Cheque Direct Service Offices	23	21
Corporate Business Centers*	6	12
SME Business Centers**	95	87

Note: * Reduction in the number of centers was a result of consolidation of some centers.

** Excluding Corporate & SME Service Centers.

K-Contact Center

	Key Implementations in 2010
K-Contact Center	<ul style="list-style-type: none"> • Enhancement of K-Contact Center servicing capability and convenience: The Bank has increased new telephone numbers for special customer segments, including the Affluent and THE PREMIER, as well as for Japanese customers. In addition, we have expanded our service to social network websites, such as Facebook and Twitter, on behalf of “KBank Live”, 24 hours a day. Currently, KBank has the world’s second-largest friend base on Facebook and the world’s fourth-largest follower base on Twitter (in the category of banking and financial institutions), thus highlighting KBank’s leadership in the digital sphere, aside from offering suggestions about products and services, as well as enabling customers to apply for services, in a manner that conforms to their behaviors and needs more effectively. • Improvement of K-Contact Center service to facilitate KGroup customers: With this channel, we have extended our service scope, as well as presenting privileges of products and services of KGroup, such as K-Credit Card and K-Express Cash, to KAsset and KLeasing customers, as well as launching a trial service for receiving purchase orders of KAsset’s LTF and RMF investment units via staff authorized by the Securities and Exchange Commission, Thailand, to serve as contact persons with investors. • Efforts in responding to increased transactions: There were more than 27 million transactions of retail customers via the K-Contact Center at telephone No. 0 2888 8888, rising 18 percent over 2009. Meanwhile, there were 1.1 million transactions of special-segment customers using this service channel, rising 116 percent over-year. Following our dedication to develop sales and service quality, we were able to maintain high customer satisfaction, in accordance with the survey conducted immediately after using the service, at 96.60 percent. Meanwhile, the portion of services that were completed in the first-time contact increased to 94.78 percent, higher than the mean of service in money markets.



KBank THE WISDOM & THE PREMIER Card offering exclusive privileges and services for Affluent customers

Electronic Banking Services

Major Sales and Service Channels	Numbers of Units/Key Implementations in 2010	
	2010	2009
Electronic Banking Services		
<ul style="list-style-type: none"> K-ATM 	7,471	6,955
	<ul style="list-style-type: none"> Introduction of the “Personalize Your Financial Experience with K-My ATM” innovation, which is Thailand’s first service of its kind. This new service allows our ATM and debit cardholders to choose ATM screen background themes, as well as recording and recalling customers’ frequent financial transactions for their greater convenience and time saving. This service has already been made available at more than 2,200 K-ATMs, at areas with potential. Initiation of the Localized Language project: This project aimed at adding more languages, such as Myanmar, Jawi and Lao, to K-ATMs in selected areas to support the use of the service by foreign customers. Implementation of eco-friendly projects, which included the “Electricity Saving” project, the project to change the slip quality and length at K-ATMs, and the “Peak-Time Management” project that helps activate K-ATM service when needed by customers, which consequently reduced costs by as much as Baht 100 million. Moreover, these projects were in line with the concept of “KBank Eco-Green Trip” activities. 	
<ul style="list-style-type: none"> K-CDM (Cash Deposit Machines) 	1,014	973
<ul style="list-style-type: none"> K-PUM (Passbook Update Machines) 	906	865



K-My ATM, a personalized service through which customers can choose ATM screen background themes, together with record and retrieval of their usual financial transactions



K Lobby, providing complete electronic banking services

Key Implementations in 2010

Internet Banking

- K-Cyber Banking
 - **Enhancement of service application channels:** The customers can apply for K-Cyber Banking conveniently, quickly, and paper-free, via K-ATM.
 - **Development of funds transfer system:** Customers can choose to record information of destination accounts, as well as other information of recipients, for greater convenience in their transactions.
 - **Security system improvements:** Essential information has been added into SMS texts sent to customers, when they perform some transactions, including adding of new third-party accounts and funds transfers to another account of KBank and other commercial banks. So doing allows customers to verify the accuracy of funds transfers before confirming the transaction. In addition, the Bank, joining hands with four other large commercial banks and Trend Micro, Inc., provided virus-scanning and anti-virus software on the website, free of charge, for all customers.

K-MOBILE BANKING

- K-MOBILE BANKING SMS
- K-MOBILE BANKING ATM SIM
- **Introduction of i-Top Up:** The Bank, in cooperation with Samart I-Mobile PCL., provided a more convenient top-up service, with special icon available on iMobile cell phones.
- **Continued service enhancement:** For example, customers are allowed to register at the K-Contact Center for receiving notification of every financial transaction result, as funds transfer/payment evidence, via e-mails, and to add savings and current accounts - linked to a mobile phone number that applies for the use of the service - up to 8 accounts. Together with this, customer can request to increase limits of transactions and/or funds transfer up to Baht 2 million at all KBank branches nationwide. In addition, the Bank enhanced the scope of the Push Bill Online service by increasing merchant numbers and the partner bank network in inter-bank funds transfer.

K-MOBILE BANKING PLUS

เช็คยอด Balance Inquiry

โอนเงิน

เติมเงิน Mobile Loans

จ่าย/ซื้อ Payment & Purchase

สมัคร K-MOBILE BANKING PLUS

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K-MOBILE BANKING

K-CYBER BANKING

ธนาคารกสิกรไทย KASIKORN BANK

อยู่ไหน...ก็ไปธนาคารได้ 24 ชม. ผ่าน K-Cyber Banking

บริการธนาคารทางอินเทอร์เน็ต (บริการไทย)

ช่องทางง่าย ๆ ที่จะทำให้เรื่องการเงินการธนาคารของคุณสะดวก ยืดหยุ่น และรวดเร็วทันใจ กับ 3 ขั้นตอนง่ายๆ...

- 1) เข้าสู่ระบบ www.kasikornbank.com
- 2) เลือก K-Cyber Banking
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K-Cyber Banking

	Key Implementations in 2010
<ul style="list-style-type: none"> • K-MOBILE BANKING PLUS 	<ul style="list-style-type: none"> • Service enhancement for compatibility with more smart phones, including iPhone, BlackBerry and HTC. The Bank, in cooperation with HTC and Microsoft, was the first in Thailand to install K-MOBILE BANKING PLUS on new mobile phones, in order to allow easy application for the use of service. A special menu has been added on iPhones for users to seek locations of the Bank's ATMs and branches in specified areas. • K Now service enhancement: A mobile phone-based magazine has been developed for a more-than-mobile-banking service by providing relevant knowledge and diverse privileges in terms of mobile coupons that can be used at participating merchants. • Development of diverse services: Diverse services have been developed in the same fashion of K-MOBILE BANKING ATM SIM, while a K-Saving Memo menu has been added, in order to provide customers a tool to record income/expenditures on mobile phones.
<p>K-Payment Gateway</p>	
<ul style="list-style-type: none"> • K-Payment Gateway 	<ul style="list-style-type: none"> • Introduction of the website www.2010MegaSale.com: The Bank joined hands with more than 20 partners in initiating this website to facilitate online shopping that fits the lifestyle of the new generation, while this development mirrors our leadership in online payments with credit cards. • Transaction security upgrade: With Verified by VISA (VbV), the Bank joined hands with Visa International to provide a One-Time Password (OTP) via SMS to cardholders' mobile phone number, while they are conducting online shopping. The Bank is the first bank in Southeast Asia to provide such a service, and was mentioned as a case study in the website www.visa-asia.com. • System capability enhancement to serve customers' specific demands: For example, the Bank has enhanced our foreign currency payment system to accommodate up to 36 currencies from 10 currencies, in order to satisfy the needs of customers in the tourism industry. The virtual EDC system has also been enhanced to support RMF and LTF purchase to be financed by loan limits pledged with provident funds of KAsset as collateral. Together with this, the Bank has enhanced the system that facilitates installment payments in purchasing goods and services through credit cards and investment unit purchases for greater convenience and customer privileges. • Fees waived for customers affected by the recent political violence: The Bank, in cooperation with Tarad Dot Com Co., Ltd., assisted customers with a 3-months fee waiver in K-Payment Gateway, an online payment service via credit cards. The waiver was available to participating merchants that have been approved to open online shops with Tarad Dot Com.

4. Operations of Support Groups

To enhance the Bank's operational efficiency, under the "Customer-Centricity" strategy, we have made an effort to develop our capability to meet the diverse financial needs of customers through re-categorization of customers into 8 segments, so we can better understand, and respond to their various needs by offering them the right products, services and sales promotions. As part of a key driver to such sustainable success, we continued to make progress on development of all necessary support functions in 2010, particularly in the dimensions of strengthening our organizational culture through the management of human resources, and preparation of IT facilities. To summarize:

Human Resource Management for the Highest Business Efficiency of KASIKORNBANKGROUP

In 2010, the Bank, under the operation of the Human Resource Division, continued to put an emphasis on development of personnel potentiality to achieve the Bank's strategic goals, including efforts to provide total solutions to effectively meet the needs of customers, expansion of businesses related to life insurance, as well as enhancement of business opportunities through branch network expansion in China. In effectively achieving these objectives, we need to develop personnel potentiality, based on the stable ground of a favorable organizational culture, such as effective coordination and cooperation, constructive communication and discussion, as well as unity. As part of our efforts to reinforce and strengthen this organizational culture, KGroup's "Core Values" - comprising Customer-Centricity, Group-Wide Teamwork, Professionalism and Innovation - have been emphasized and promoted for adoption by all KGroup staff.

In addition, the Bank undertook other aspects of human resource management and tasks, in order to ensure that all operations remain in line with the organizational strategic plan. In detail:

Strategies for responding to customers' needs through offers of total solutions:

- The Bank set human resource management strategies to suit business strategies for 8 customer segments.
- The Bank assigned the HR Partnership team to analyze the progress and status of human resource management, together with relevant problems, as well as suggesting some solutions by cooperating with executives of each division to determine more concrete ways to solve the problems, suited to the changing business environment.
- The Bank continued to recruit new staff and pursue a staff allocation program to sufficiently support and best suit the operations of all departments of the Bank. Having participated in the "Career Exhibition 2010", the Bank was voted the most favorite corporation by job seekers there.
- The Bank has systematically developed employee knowledge and skills, through expanding the coverage of the Leadership Development Program (LDP) to cover K Companies' staff. So doing has helped foster and sustain leadership generations.
- The Bank surveyed our employees' opinions towards KGroup. Then, employee feedback was analyzed and summarized as a guideline to improve and develop our operations in various aspects, in order to help us achieve organizational excellence, as well as a better living quality for our staff; thus they are able to provide excellent services to our customers.
- The Bank revised KGroup's "Core Values" to better conform to our business directions. All KGroup staff are encouraged to adhere to these Core Values, ensuring that they all can efficiently meet the diverse needs of customers through offers of total solutions.

Strategies for expanding bancassurance services

- The Bank has improved our organizational structure to better facilitate the life insurance business operations, in addition to increasing the number of staff, and equipped them with related knowledge through training courses for their enhanced professionalism in providing services. Test and assessment programs have also been arranged to certify the standard of knowledge of employees after attending the training courses. As a result, we currently have sufficient well-trained staff, ready to support the Bank's life insurance business expansion.

Strategies for enhancing business opportunities overseas

- The Human Resource Division has reorganized the organizational structure to better fit with KGroup's strategic plan of enhancing business opportunities overseas, as well as meeting the needs of customers who wish to expand their investment abroad in Asia, particularly China, South Korea and Japan. Efforts to support our business expansion in those countries included recruitment of both Thai and local staff having language proficiency, understanding of local cultures and knowledge of local banking business to work for the Bank. In addition, we have designed a performance management system, human resource development program, as well as a competitive rewarding and compensation system, all of which helps drive our business operations forward as planned.

IT Management

• IT Security Policy and Infrastructure

In 2010, the Bank remained in the process of evaluating our service readiness for supporting "Payment Card Industry Data Security Standard" (PCI DSS), a security standard for storage, processing, and transfer of credit cardholder information, for enhanced customer confidence towards credit card products of the Bank.

In addition, the Bank has continued to test and check the security of our computer networks and electronic services, thus increasing confidence of customers when using services via our electronic channels.

• IT Outsourcing

Due to our aim of promoting flexibility and efficiency in IT services, plus the fact that costs of IT operations - including equipment lease and hiring of experts - have increased and will tend to rise further in line with business expansion, the Bank has bargained on contract conditions with vendors to reduce costs in our IT operations, and ensure delivery of higher-quality services with greater efficiency. To this end, key performance measurement indicators have been improved to be more meticulous, with greater coverage. Notable actions that have been taken included establishment of requirements for system testing prior to full deployment rollout; availability assessment of the overall system for enhanced confidence in new system implementation; enhancement of capability and flexibility in vendors' services to reduce unneeded IT service exposures; as well as service fee adjustments in various products to more appropriate levels.

The Bank plans to apply results and benefits from such cost reductions as strategic guidelines to achieve the best cost-saving alternatives. This means, for instance, switching from lease to purchase methods in the areas that give more advantages to the Bank.

K-Transformation

With the vision of maintaining long-term competitiveness to support our "Customer-Centricity" strategy, the Bank believes that the way to effectively meet the diverse financial needs of customers largely hinges on technology development by terminating the use of the outdated technologies that require relatively high maintenance costs. In 2010, we continuously developed the K-Transformation program, a new technology platform, that can compile all information and relationships between customers and KGroup in a single source, so the Bank can introduce new products, services and sales promotions that suit the needs of each customer, as well as catering those products and services to serve market demands more quickly, via various distribution channels with standardized quality. This has helped enhance the Bank's competitive advantages, as well as our incomes.

Key operations under the K-Transformation program in 2010 included the development of staff potentiality and important procedures, relating to new marketing and campaign management, procurement centralization and cost management, sales & service excellence, and new product development.

Major progress was seen in the **Multi-Channel Sales and Services (MSS)** project in 2010, with 90 percent achievement of the plan, while the branch infrastructure system installation at KBank branches nationwide has been completed. The new sales & service solution has been successfully deployed to the 30 pilot branches, prior to full deployment expected for 800 branches by the end of 2011. The new sales & service solution now available at branches includes an Automated Lead and Referral System, Product and Campaign Information Management System, CT DOS Replacement, Smart Queue System, Document Imaging, and New Account Opening Process with Pre-Populated Forms.

Regarding the **IT Capital (ITC)** program, the Bank requires more time for the testing phase of connectivity of the ITC program with other systems of the Bank, in order to ensure maximum operational efficiency and security to mitigate operational and deployment risks. Additionally, the Bank plans to launch the new core banking system in 2012, with full functionalities to be completed by 2013. Upon arriving at that phase, we should be able to enjoy substantial benefits from these aforementioned efforts in driving us to reach our business goals.

5. KASIKORNBANK'S Investments in Subsidiary and Associated Companies

Subsidiary and Associated Companies

Definitions of subsidiary and associated companies are in alignment with those specified in accounting standards, wherein the Bank discloses such details in the Notes to the Financial Statements.

Investment Policy

The Bank's investment policy can be summarized, as follows:

- **Strategic Investments**

The Bank invests in companies for strategic benefit. The Bank and these companies collaborate on the review of business strategies and synergies, through the sharing of various resources, equipment, tools and channels, in order to efficiently meet the needs of customers, with minimal operational redundancies.

- **Outsourcing Investments**

The Bank invests in companies that support the Bank's operations. These are companies providing services that are not the core business of the Bank, and that would face inflexibility if they were to remain a part of the Bank. Bank executives are appointed as directors of these companies to oversee their management and operating policies, with one director having control over the firms' operations. This helps ensure standardized service quality, as well as maximum efficiency and benefits for the Bank.