

KBank gears up sustainable business strategies for 2017's "new normal" economic conditions, with loan growth target of 4-6%, service innovation enhancement and new business partners.

KASIKORNBANK has announced 2017 business plan for growing in tandem with the Thai economy, with a focus on service innovation and new business models taking advantage of the digital economy. The plan calls for a 5-billion-Baht IT development budget aimed at bolstering KBank's leading role in digital banking. Driven by government investment, GDP growth is expected to be close to this year's at 3.3 percent and KBank is targeting loan growth of 4-6 percent.

According to **Ms. Kattiya Indaravijaya, KBank President**, the Bank projects 2017 GDP growth as close to this year's, approximately 3.3 percent, driven mainly by expected 8.5 percent growth in government spending and megaproject investment. Private investment is expected to rise 2.8 percent next year while foreign tourist arrivals should increase satisfactorily at 4.8 percent, the relatively low figure being due to a high 2016 base. Exports are expected to increase marginally at 0.8 percent for 2017.

A number of external risks need to be monitored, including Brexit consequences on the UK, economic fragility in Europe and continuing slowdown in China's economy. Rate hikes by the US Fed may impact capital flows and weaken the Baht. Internal risks include accumulating household debt curbing spending power thus limiting recovery in private spending. Growth in private consumption is forecast at 2.2 percent with inflation of 1.8 percent for 2017.

KBank's assessment is that consumer demand for digital banking services will continue to rise in Thailand. At the same time, the changing service landscape powered by technological advances is giving new players, particularly FinTech operators, a greater role in the financial services industry. The Bank has responded with key strategies of applying digital technologies to multiple services and of working with business partners to boost long-term competitiveness for sustainable growth.

Ms. Kattiya notes that KBank will continue to adhere to the Customer Centricity principle, providing services in response to customer demand, with strategies to become the Customers' Main Bank in all segments. The Bank's major 2017 financial targets have been established at appropriate growth levels, including average loan growth of 4-6 percent and a gross NPL ratio of 3.3-3.4 percent. Business directions have been set for four business divisions, ensuring that they offer excellent products and services to our retail and corporate customers.

Retail customers: KBank aims at being a retail bank by global standards (World Best-in-Class Retail Bank) and to improve the quality of branch service and advisory to global standards (Best Experience & Advisory at Branch). We also continue to strive towards developing full-service digital financial innovations, placing great significance on mobile banking in line with customer lifestyles. We are targeting over 7.1 million mobile application users in 2017, from 5 million in 2016. Our loan-growth target for this segment is 5-7 percent, with a goal of a total customer base of 14.1 million or an increase of 5-6 percent.

SME customers: KBank intends to remain the leading bank for SMEs along with being their main bank, promoting sustainable growth through maintaining value chains for customers, enhancing access to funding for new customers with potential, and offering innovative digital products. Loan growth for this segment is targeted at 4-6 percent, with an emphasis on industries related to government stimulus measures, businesses with ties to economic expansion in neighboring countries, and border trade, for example construction and construction materials/hardware.

Corporate customers: KBank is determined to be the leader in providing an array of fund mobilization services (Best Funding Solutions) from issuing securities and REITs to mergers and acquisitions for the best cost. Winner of the Best Transaction Banking Provider award, KBank provides a large number of transactions in foreign currencies including AEC+3 and other major currencies from across the globe. KBank has set a loan growth target of 4-6 percent for this segment.

World Business: KBank aims at becoming the leading bank for regional settlements and investment through: Infrastructure for international money transfers and settlements in ASEAN currencies; support for Thai businesses in the CLMVI countries; border trade centers promoting trade on borders; supporting fund mobilization for investment in infrastructure such as power plants, roads and ports in CLMV; and mergers and acquisitions (M&A), especially among Thai and Japanese businesses.

KBank will continue to expand its networks abroad through 2017, including Locally Incorporated Institution (LII) conversion in China, branch expansion in Lao PDR, broadening services at the Phnom Penh Branch, and seeking means of opening branches in Vietnam, Indonesia and Myanmar by 2018.

Ms. Kattiya notes that given Thailand's current economic climate, businesses likely to grow well in 2017 include: Construction, thanks to an improving environment for investment and government projects; Automotive—as the effects of the first-time car buyer program wear off, domestic auto sales may pick up while exports of vehicles and auto parts within ASEAN and to Australia may rebound;

Health services, benefiting from medical tourism, as Thailand has competitive advantage over countries in the region; Tourism, as certain markets, for example Russia and Scandinavia, recover.

Mr. Teeranun Srihong, KBank President, notes that technological advances continue to alter the financial landscape, particularly in terms of channels and modes of transactions. In order to maintain competitiveness and tap into new markets as they form and expand along with evolving digital lifestyles, the Bank will continue to develop new business models through business partnerships as well as the development of comprehensive services, and apply advanced technology with all customer segments. In 2017, KBank will allocate 10.0 percent of net profits to the IT budget, about 4.0 billion Baht, for innovation, and about 2.0 percent of net profits, or 1.0 billion Baht, for venture capital (VC) investment for innovation development. The Bank will push forward implementation of technological plans under the lead of the KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG), as explained below.

In 2017, the Bank envisages adopting keystone technologies to improve its service, planning to roll out blockchain technology for OriginCert document certification, with letters of guarantee (L/G) as the pilot application for business customers. This will be a full cycle application, from L/G approval through notice of expiration. The service will reduce the work time involved in providing the service while putting in place the components of the digital ecosystem needed for L/G services. Commencing in the first quarter, the service will include a database allowing customers to be assured of the documents' accuracy and be able to reference data more easily. KBank will also utilize *World Class UI/UX Design* concepts in crafting user-friendly digital interfaces for customers. At the same time, the Bank is concerned for those who have more difficulty than most in accessing financial services and supports the Thai startup Beacon Interface in developing an innovative mobile app enabling the visually impaired to conduct financial transactions with ease. The app is scheduled to roll out in the first quarter of 2017. KBank will also work on existing technologies to strengthen *cyber security*, which would involve its immune system to external cyber threats, with the development of tools for inspection, detection, and prevention of data leakage.

Besides placing importance on applying technology to the development of innovation, establishing partnerships is KBank's core operational direction, aiming at promoting Thailand's digital ecosystem through partnerships with major technology firms in joint technology development and with educational institutions and other organizations to create innovation labs supporting the incubation of ideas for commercialization. The Bank will support FinTech and startups through the Bank's strong

points, for example API access to customer databases for the development of services, business suggestions for banking, and information on regulations and technology as well as financing.

KBank will increase investments in FinTech and startups in 2017 with Venture Capital firms with a budget of about 1.0 billion Baht for direct investment in Thai and other Asian startups, giving KBank a role in the development of innovative products and services along with new business models. Moreover, KBank will invest in Funds of Fund to mobilize capital, enabling the Bank to quickly access world-class innovative concepts and gain experience in mobilizing funds cooperatively, allowing us to generate relationships with investors and startups at all levels. Investment targets may include businesses in the areas of financial technology, customer engagement and experience, businesses relying on artificial intelligence (AI)/machine learning technology, big data and analytics, and the like. KBank will also invest in organizational IT development, infrastructure and security.

Finally, Mr. Teeranun emphasized that the Bank is more than ready to lend support to FinTech companies and tech startups in creating superlative services where the greatest possible customer convenience is provided. This will ensure that customers and KBank together achieve sustainable growth, equipped with global competitiveness, thus strengthening the Thai economy ultimately.