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| Product Management Framework PMF/2020/VN101 (2021 V1.0) | Ngân Hàng KASIKORN 开泰银行 KASIKORNBANK  |
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| Product Management Form | | |
|---|--|---|
| Product Name: VN _ KBank Biz Loan | | |
| Version: 1.0 | | Effective Date: 8 December 2021 |
| Responsible Squad & Chapter: VN: Digital Lending & ZC | Responsible Member: Anon Wansarn Watsapon Tharana | Squad Captain & Chapter Lead: Ua-aree Atchariyaboon Chatuporn Boozaya-Angool Piyawadee Srisangnam |
| Approval Authority: Regional Business Executive Working Group (REG) | | User: KASIKORNBANK PUBLIC COMPANY LIMITED - Ho Chi Minh City Branch (KBank Vietnam and/or KBank) |
| Period for Process Development/Improvement: 6 months | | |
| Type of Product Development /Improvement / Extension | | |
| New | | Existing |
| <input checked="" type="checkbox"/> Product <input checked="" type="checkbox"/> Process <input type="checkbox"/> IT | | <input type="checkbox"/> Product <input type="checkbox"/> Process <input type="checkbox"/> IT |
| Process related to | | |
| <input type="checkbox"/> Non-Credit Related <input checked="" type="checkbox"/> Credit Related | | |
| Background: To penetrate and understand Vietnamese lending market by launching the first digital lending product called “ KBank Biz Loan ”. KBank Biz Loan provides the E2E seamless digital lending experience through the newly developed “ KBank Loan Mobile Application ”, which developed by FPT. The breakthrough in technology enables KBank to deliver product and services with ease of application, simple procedures, and flexible options for serving business needs in the fast-changing in digital era. | | |
| Objectives: 1. To broaden KBank business opportunity in Vietnam and better understand market and local Vietnamese customers to strengthen KBank's the competitive advantage 2. To support household business in Vietnam. KBank Biz Loan will be a source of fund for household business owner. 3. To generate interest and fee income for KBank Vietnam. | | |

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Involvement/ Impacts on Departments/Segment: KBank Vietnam, ZC, ZP, ZC, LG, FA, IA

VERSION CONTROL

| Date | Chapter | Contents | Revise by |
|-------------|----------------|--------------------|------------------------|
| 15 Nov 21 | All | Initiative version | Anon, W Watsapon, T |
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| Product Program Sign-Off | | | |
|--------------------------|---|------------------------|-----------------------|
| Dept./ Division | Title | Name | Email Signed Off Date |
| ZC | Corporate Credit Proficient | Piyawadee Srisangnam | |
| ZP | Credit Policy and Risk Process Proficient | Supaporn Silitertpisan | |
| LG | Department Head-Legal Department | Thana Thanamittamanee | |
| ZK | Legal and Compliance Proficient | Phataravee Klaiklern | |
| FA | First Senior Vice President | Wasana Surakit | |

| Product Program Sign-Off | | | |
|--------------------------|--|------------------------------|---------------------|
| Dept./ Division | Title | Name | Email Sign Off Date |
| VN | Chief Financial Officer of KASIKORNBANK PUBLIC COMPANY LIMITED - HO CHI MINH CITY BRANCH | Pitchayuth Techapichetvanich | |
| VN | General Director of KASIKORNBANK PUBLIC COMPANY LIMITED - HO CHI MINH CITY BRANCH | Chatuporn Boozaya-Angool | |
| VN | Branch Compliance | Linh Thai Nhat | |

| Endorsement Sign Off | | | |
|-----------------------|---------------------------------|------|-----------|
| Name | Title | Date | Signature |
| Ua-aree Atchariyaboon | Head of World Business Strategy | | |

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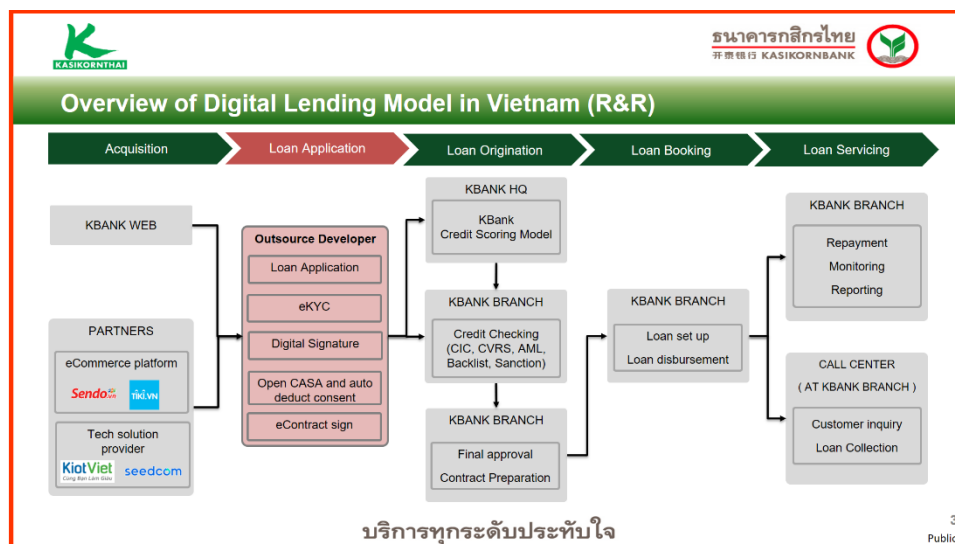
Chapter 1: Product Overview


KASIKORNBANK PUBLIC COMPANY LIMITED – Ho Chi Minh City Branch (KBank Vietnam) is granted the In-principle Approval No. 04/GP-NHNN dated January 19, 2021, by the State Bank of Vietnam.

To provide accessible financial services and deliver a seamless digital lending experience to individual merchant customers in Vietnam, the KBank Vietnam plans to launch the first digital lending product (called KBank Biz Loan) on **December 8, 2021**. The product serves as a multi-purposed loan for the small businesses in the booming Vietnamese economy. Customers who are interested in KBank Biz Loan can easily apply through the mobile application (Called KBank Loan Mobile Application), which FPT Information System developed. KBank Biz Loan offers a simplified banking procedure by enhancing digitalized technology along the customer journey such as e-KYC, digital signature solution, and digitalize document uploading through the mobile application.

Therefore, customers perceive benefits and convenience by not visiting branches with efficiently process and secured data privacy together with legally binding.

1.1 Product Diagram



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1.2 Product Overview

| Product Name | KBank Biz Loan | | | | | | | | | | | |
|---------------------------------|---|----------------------|--|---------|------|----------------------|-----------------|---------------------|--------|----------------|-------------|------|
| Vietnam Product Code | <table><tr><th>Product</th><th>Term</th><th>Vietnam Product Code</th></tr><tr><td>KBank Biz Loan</td><td>Short Term</td><td>6101</td></tr><tr><td>KBank Biz Loan</td><td>Medium Term</td><td>6102</td></tr></table> | | | Product | Term | Vietnam Product Code | KBank Biz Loan | Short Term | 6101 | KBank Biz Loan | Medium Term | 6102 |
| Product | Term | Vietnam Product Code | | | | | | | | | | |
| KBank Biz Loan | Short Term | 6101 | | | | | | | | | | |
| KBank Biz Loan | Medium Term | 6102 | | | | | | | | | | |
| Thai Product Code | <table><tr><th>Product</th><th>Term</th><th>Thai Product Code</th></tr><tr><td>Commercial loan</td><td>Short & Medium Term</td><td>110581</td></tr></table> | | | Product | Term | Thai Product Code | Commercial loan | Short & Medium Term | 110581 | | | |
| Product | Term | Thai Product Code | | | | | | | | | | |
| Commercial loan | Short & Medium Term | 110581 | | | | | | | | | | |
| Product Summary | KBank Biz Loan is multi-purposes for business usage, targeted to personal customer segment. This product is digitalized to provide accessibility for customers widely in Vietnam. | | | | | | | | | | | |
| Type credit facility | Short & Medium Term Loan | | | | | | | | | | | |
| Credit Limit | Loan amount starting from 10 to 100 mVND | | | | | | | | | | | |
| Currency | Vietnam Dong (VND) | | | | | | | | | | | |
| Loan Tenor | 12 – 36 months | | | | | | | | | | | |
| Pricing (interest rate and Fee) | <div>Interest rate</div> <div><div><input type="checkbox"/></div>Interest rate: depends on RAROC, minimum 17% and maximum 50% per annum</div> <div><div><input type="checkbox"/></div>Interest payment: at the end of month</div> <div><div><input type="checkbox"/></div>Prepayment Fee : 5% of the Loan amount owed to the Bank being prepaid on the date of prepayment</div> | | | | | | | | | | | |

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| | |
|------------------------------------|--|
| Customer Qualification | <ul style="list-style-type: none"><input type="checkbox"/> Individual Vietnamese who own business in Vietnam or on partner platform i.e. Sendo, iPos, Haravan, Kiot Viet<input type="checkbox"/> Age must be at least 18 years and maximum age at 60 years' old<input type="checkbox"/> At least 3 months for Business experience<input type="checkbox"/> Minimum business income 1 MVND in the latest 3 months and Average 6-months' income must not less than 5 MVND (after tax, before multiplying margin)<input type="checkbox"/> Not be occupation "monk/priest"<input type="checkbox"/> Not be business sector "Operator of casino/ Arms dealer/ Unlicensed Money Lender"<input type="checkbox"/> Passed Credit Policies , Watchlist, Sanction , AML, Fraud analysis, DCC (related to KBank), SLL (single lending limit) and GLL (group lending limit) |
| Repayment | Monthly repayment (The 5 th day of the month) |
| Collateral and LTV (if any) | No (Un-secured loan) |
| Disbursement Method | One-time disbursement <ul style="list-style-type: none"><input type="checkbox"/> Fully disburse to customer's K PLUS Online account and transfer to customer's domestic bank account by NAPAS |
| Repayment condition | There are two scenarios to identify date of first payment by monthly cut off at 15 th <ul style="list-style-type: none">1) Disbursement before 15th end of date, Date of first payment should be 5th next month2) Disbursement after 15th end of date, Date of first payment should be 5th next two month |
| Outsourcing | KBank outsource FPT Information System Corporation to develop mobile application, called "KBank Loan" to be digital channel and application services detail as following: <ul style="list-style-type: none"><input type="checkbox"/> Loan request<input type="checkbox"/> e-KYC<input type="checkbox"/> Document uploading<input type="checkbox"/> Electronic contract and T&C |

| | |
|--|---|
| | <input type="checkbox"/> Digital signature |
| Require Document | <input type="checkbox"/> Identification card (ID) <input type="checkbox"/> Bank statement (if any) <input type="checkbox"/> Salary slip (if any) <input type="checkbox"/> Partner statement (if any) |
| Required Contracts/ Application | <input type="checkbox"/> Credit application data <input type="checkbox"/> KBank Biz Loan Agreement <input type="checkbox"/> K PLUS Online account T&C |

Chapter 2: Business Opportunities

2.1 Benefits to Customers

(1) Increase liquidity

The primary benefit to customer is enabling the customer to operate and expand household business with increased liquidity. KBank Biz Loan is used to finance a short-term and medium-term need. These include:

- ☐ Paying operation cost to ensure the daily operation smoothness
- ☐ Paying increased cost during a peak period or taking advantage of any trade discounts offered by vendors/suppliers
- ☐ Acquiring seasonal inventory
- ☐ Support cash cycle management with additional easy to apply source of fund

(2) Support business expansion

KBank Biz Loan is aimed to support financial needs of household business which is not only ensuring day-to-day operation smoothness but also business expansion such as purchasing of new equipment, increasing of production capacity etc.

(3) Alternative source of fund without requiring of collateral

To support household business growth in Vietnam, KBank Biz Loan will be source of fund for household business owner to access funding from financial institution more flexibility as the product is not required collateral.

2.2 Competitor Products and Analysis



Household business owned by individual or family is considered as a major contributor of Vietnamese economy which produce goods and services for the market. Hence financial needs from household business owner are considered as a great opportunity for not only financial service provider to capture the growing demand but also for the Vietnamese financial system to increase financial accessibility that to enhance financial system of the country.

Household business loan is currently offered by both commercial banks and finance companies in Vietnam with difference condition and service which is considered as the competitor of KBank Biz Loan. The competitor is offering the loan both of secured and unsecured loan through both of tradition distribution channel and digital channel.

KBank Biz Loan is presented as a household business loan in Vietnam that aimed to penetrate retail lending Vietnam market with differentiated value proposition to capture the growth of this sector by offering seamless end to end digital lending experience with competitive of loan condition and service with enabling of KBank expertise in Thailand to strengthen the competitive advantage.

2.3 Benefits to Bank and Profitability Analysis

Obviously, KBank derives the benefits of launching KBank Biz Loan to Vietnam market, which include:

- ☐ To increase a variety of products and services provided by KBank Vietnam which will help the branch to be more competitive and better fulfill customer needs.
- ☐ To generate the economic benefit – both interest income and fee income to KBank Vietnam.
- ☐ To expand ecosystem of KBank in Vietnam through partnership collaboration in providing of KBank Biz Loan service
- ☐ To strengthen KBank's brand image and create a strong footprint in Vietnam.

Chapter 3: Operation Model

3.1 Operating Process

KBank Biz Loan operating process is involving both third parties who are business partners and outsource developer who is developer for mobile application, KBank Loan Application, for loan application channel of KBank Biz Loan. KBank HQ in Thailand will enabling of credit scoring model development while credit operation, loan origination and loan booking, and loan servicing are operated by KBank Vietnam Branch

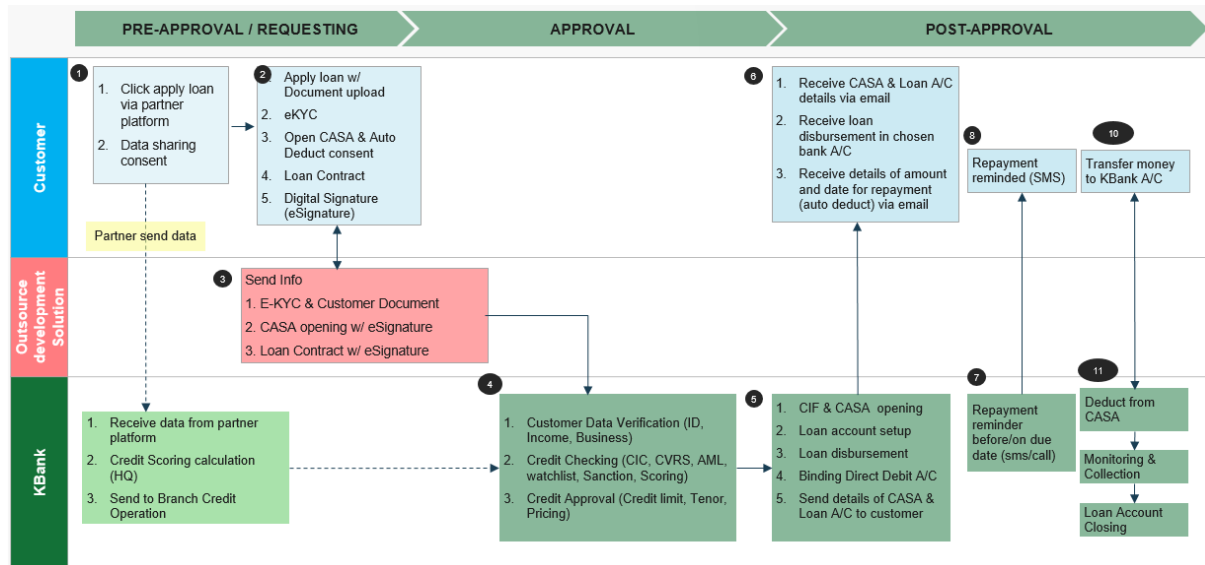
The operating process of KBank Biz Loan are composed of 3 main parts – (1) Pre-Approval/Requesting (2) Approval and (3) Post-Approval

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Specific details refer to VN_RCSA of KBank Biz Loan

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开泰银行 KASIKORNBANK**List of Documents and Forms for Digital Lending Process**

| Process | Documents and Forms | Description | Maker/User |
|------------------------------------|--|--|--|
| (2) Loan application request (FPT) | Loan application Data | Lists of documents that require customer for credit approval process | Branch credit operation officer (Verifier/Approver) |
| | Electronic loan contract | Loan Contract with customer's digital signature K PLUS Online account T&C | Customer |
| (5) Account setup & Disbursement | KBank Biz Loan: Account Set & Disbursement | To identify deposit A/C setup and Loan A/C setup, including Loan detail, Limit, interest rate, payment amount | Branch credit operation officer (Verifier/Approver) |
| (10) Post approval | Approval letter | To inform customer for approval and detail of KBank Biz loan and K Plus Online Account information 1) Bank Approval Notice in respect of KBank Biz Loan 2) Letter to notify the approval result of opening K PLUS Online Account 3) Loan Installment Plan | Branch credit operation officer (Post approver) |
| (11) Loan repayment | Debit advice / Receipt | To generate receipt after repayment (auto deduction) | Branch credit operation officer (Post approver) |

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|--|---|---|---|
| (5) Disbursement to other Bank A/C (NAPAS) | KBank Biz Loan: Domestic outward remittance | To request domestic outward remittance from Branch Operation credit to branch customer sales and services team | Branch credit operation officer (Post approver) |
| (11) App-in assignment and end of day Reconciliation | App-in tracking report | To track number and status of loan application and reconcile application no., Total approved, credit limit, Total disbursed loan amount | Branch credit operation officer (Admin.) |
| (RCSA) Servicing | KBank Biz Loan: Servicing | To generate request waiving interest rate, Prepayment and Payoff | Branch credit operation officer (Admin.) |

Note: Any changes in documents/forms will be subjected to the latest version.

3.2 Operational DLAs

In order to elevate customers' satisfaction as per product term and condition, KBank delegates approval authority to shorten some credit operational process. Product Manager and Branch Operation is thus required to understand the delegated level of authorities (DLAs) in order to properly process for an approval.

| DLA | AUTHORIZER |
|---|------------------|
| Authority to waive interest and related fee of loan account | General Director |

To follow the Operational DLAs, Branch Operation (Digital Lending team) must propose the case in an approval form, or a memo via email and send the copy to Product Manager. After being approved, the form or the memo must be saved and attached with related documents in customer file and report to Squad Sponsors.

Chapter 4: Pricing

4.1 Pricing Methodology

The pricing methodology is derived from internal factors such as KBank's strategy, cost of fund and/or profit target together with external factors such as Bank of Vietnam's monetary policy. When offering the price to customers, KBank always considers Risk Adjusted Return on Capital (RAROC) target as well as the market practice and competitiveness

Four main components of the RAROC pricing:

4.1.1 The funding cost incurred by the bank to raise funds for lending activity, whether such funds are obtained through customer deposits or through various money markets. For KBank, cost of fund is managed by TS.

4.1.2 The operating costs of servicing the loan, which include application and payment processing, and the bank's wages, salaries and occupancy expense.

4.1.3 A risk premium to compensate the bank for the degree of default risk inherent in the loan request



4.1.4 The interest income which collected as a percentage of the customer's outstanding.

In summary, considering both internal and external factors, the pricing of the product will be expressed as the interest rate which varied by the credit limit so as to achieve the portfolio target RAROC.

Chapter 5: Accounting, Tax, Report

Financial Accounting Department – KBank Head office (Kasikornbank PCL in Thailand) has established the accounting and tax guideline and procedure for KBank Biz Loan product, which is identified the product scope in chapter1 and this is not allowed to use for other products. If there is any extension on the scope of the product, please inform Financial Accounting Department to update the accounting policy and procedure to comply with the accounting standard and regulatory requirement.

Finance unit at KBank Vietnam deem full responsible for establishing own accounting and tax guideline based on Vietnam laws & regulations, business practices under KASIKORNBANKGROUP framework.

5.1 Vietnam accounting, tax and reporting

☐ **Accounting Guideline**

Recognition and de-recognition of financial Assets of Vietnam or Foreign Currencies.

Financial Assets:

1. Financial assets will be recognized when the bank becomes a party to the contractual claim of the instrument and probable that the future economic benefits will flow into the bank
2. Financial assets will be derecognized from financial position when the contractual claim specified in the contract is discharged, cancelled or expired.

Therefore, the financial assets will be recognized and derecognized by using the settlement date.

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Interest income recognition:

1. Interest income will be recognised in profit and loss account as accrual basis since settlement date.
2. For loan which is overdue (include extension period) 89 days or is classified as substandard, doubtful or loss by qualitative basis, stop recording accrued interest in P&L and record only memorandum account.
3. In compliance with the BOL's regulation, the Bank reverses accrued interest receivable on loans once it meets stop interest accrual criteria above.
4. Fee income will be recognised in profit and loss account as accrual basis.

Allowance for doubtful accounts

1. Allowance for doubtful accounts is recognized directly to P/L based on BOL's regulation.
2. Allowance amount will be reversed and re-recognized when customer is moved to new classification.

Impairment


1. The financial assets will be assessed at the end of reporting period whether there is any objective evidence that the financial asset is impaired.
2. The impairment loss will be recognised in profit and loss.
3. Bad debt recovery is recognized as income and is presented net of bad debt and doubtful accounts expense in the statement of income.

☐ Taxation Guideline

| Tax Burden | Income and expense of KBank Head Office |
|---------------------------------|---|
| Corporate Income Tax (CIT): 20% | Accrual basis |

☐ Reporting Guideline

| Report name | Report objective | Frequency | Deadline |
|-------------|---------------------------|------------|---------------------------------------|
| 05-TT | Báo cáo giao dịch quốc tế | Sem-annual | Within 20 th of next month |

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|-----|------------------------|-------|-------------------------|
| DWT | Domestic wire transfer | Daily | Within 4 pm of next day |
|-----|------------------------|-------|-------------------------|

Please also refer to credit (KBank Biz Loan) PMF for other credit related report; above reports are additional under digital lending

5.2 KBank Head Office (KASIKORNBANK PCL in Thailand)'s Accounting, Tax and Reporting

☐ Accounting Guideline

Recognition and de-recognition of financial assets

Financial assets:

1. Credit products will be recognised as financial assets when the bank becomes a party to the contractual provisions of the instrument and probable that the future economic benefits will flow to the bank i.e. working capital loan, commercial loan, discounted bill.
2. Credit products will be derecognised from financial position when
 - The contractual right to the cash flow from the financial assets expire; or
 - The risk and reward of the ownership of financial asset is substantially transferred to external party.

Therefore, the credit products will be recognised and derecognised by using the settlement date

Interest and fee income recognition

1. Interest income will be recognised in profit and loss account as accrual basis since settlement date.
2. Integral fee i.e. front end fee will be included as part of EIR and will be recognised as interest income in profit and loss account as accrual basis.

Impairment

1. The financial assets will be assessed and recognised in profit and loss in accordance to TFRS 9.
2. Bad debt recovery is recognized as income and is presented net of bad debt and doubtful accounts expense in the statement of income.

Remark: Accounting entries are in appendix 1

□ **Taxation Guideline**

1. As Vietnam branch (i.e., KASIKORNBANK PUBLIC COMPANY LIMITED – HO CHI MINH CITY BRANCH) is a foreign branch of KBank Head Office, the products will be subject to Corporate Income Tax as the following:

| Tax Burden | Income and expense of KBank Head Office |
|--|---|
| Corporate Income Tax (CIT): 20% ^(a) | Accrual basis ^(b) |

Note:

- a. The Thailand CIT is 20% and the calculation is based on world-wide income basis which is the consolidation of KBank Thailand's revenue and all overseas branches revenue, net off taxable expenses per Thai Revenue Code. CIT paid in overseas (including both annual CIT paid and withholding tax paid in advance during the fiscal year) can be credited in KBank Head Office's CIT calculation in Thailand but the credit amount must not exceed the CIT amount calculated under Thai Tax Laws. Tax credit process in Thailand is stringent and requires certificated tax evidence (the Certification) which must be translated into Thai or English and contained the key fields such as (i) tax payer name, (ii) CIT tax period and (iii) the paid tax amount. Such Certificate must be issued by tax office of the country (i.e., in the country whereby the Branch is operated) and verified by Thai Consular Office. The Branch must send the Certification to KBank Head Office within 30th April of the next fiscal year.
 - b. All income and expenses must be recorded and recognized on the accrual basis for tax purposes.
2. Reverse accrued interest overdue 90 days (if any), cannot recognize as tax deductible expense.

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3. The allowance on loan under Bank of Thailand regulation (if any) can be recognized as tax deductible expenses.
4. Under Thai law principles, the bad debts for secured loan (if any) can be deductible in Thailand must have the litigation process which have done under Thai court or foreign court outside Thailand. If the litigation process was done outside Thailand, the supporting evidence of court judgment needs to be notarized by Thai Embassies or Thai Consulates and Notary Public in that country.
5. Revenue (if any) will not subject to special business tax (SBT) in Thailand if the following conditions are met:
 1. Loan contract and disbursement was completed in Vietnam; and
 2. Remittance was separated from loan contract and disbursement; and
3. Repayment was done in Vietnam.

☐ **Reporting Guideline**

The Accounting department at KBank-HC is responsible to submit the following reports to Financial Accounting Management Department (FA) for the consolidation purpose:

| Report name | Report objective | Frequency | Deadline |
|---|---|-------------------------|--|
| 1) ADI: Application Desktop Integrator (Daily journal voucher) <u>Remark:</u> All 11 segments must be completed, especially the GL line and product code | For upload accounting journal entries | Daily | Next working day |
| 2) Template Note Oversea | For disclose in note to financial statement | Quarterly / Semi-annual | Around 10 th of next month after ended period |



Chapter 6: Risk Identification and Management

6.1 Market Risk and Market Risk Management

The market risk of KBank Biz loan is related to supply and demand in the market (both global and domestic), government policy, industry situation, and etc. Moreover, market risk includes interest rate and price fluctuation.

With regard to this, market risk is the risk that the financial instrument's value will fluctuate as a result from market price changes, regardless of whether these changes are caused by factors typical for individual instruments or their issuer, or by factors pertaining to all the instruments traded on the market. The market risk management shall be followed to market and liquidity risk policy.

6.2 Credit Risk and Credit Risk Management


Credit risk of KBank Biz Loan arises from performance of customer. It may arise from either an inability or an unwillingness to perform in the pre-committed contracted manner. Therefore, bank shall focus on customer's profile, approval criteria, and monitor periodically. Policy tools shall be implemented to perform in order to perfect our KBank's credit management and dissolve the credit risk. KBank HCMC evaluates and review customer profile on ability to make loan repayment. Customer must pass policy criteria and credit risk scoring before granting the credit.

6.3 Operational Risk and Operational Risk Management

The operational risk of KBank Biz Loan complied with operational risk management framework and policy. Through operational risk management process, including identification, assessment, controlling and reporting procedure. Branch Operation Units have primary responsibility to manage operating process and controls to ensure operational risk exposures within risk appetite and related limits. There will be process to mitigation risk such as end of day reconciliation, maker checker, UAM setting and post launch audit process.

6.4 Liquidity Risk and Liquidity Risk Management

Liquidity risk is the current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from the failure to recognize or address changes in market conditions that affect the

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ability to liquidate assets quickly and with minimal loss in value. Moreover, treasury department is the main responsible managing liquidity for all currency.

6.5 Legal Risk and Legal Risk Management

The legal risk for this product is related to (1) the terms and conditions contained in the relevant agreement for KBank Biz Loan to be e-signed by the customer via FPT application as the borrower who has been approved by KBank Vietnam for the credit facility in form of the loan, and (2) the authority and existence of the customers who e-sign as the borrower on the relevant agreement for KBank Biz Loan via FPT application.

In addition, if there is any legal process required to be done in order to cause any legal effect on the relevant agreement for KBank Biz Loan, application and all relevant documents under Vietnamese law, such legal process shall be done by legal advisor/law firm in Vietnam who/where is acting as the legal advisor of KBank Vietnam

For the customers, if the customers who apply for the KBank Biz loan facility and sign on the relevant agreement, application and all relevant documents for KBank Biz Loan are not juristic persons, the documents to identify and prove the existence of the customers, who are natural persons, are required to be submitted to KBank Vietnam via digital channel, on the basis of Electronic Know Your Customer (eKYC)

The procedure and method to examine and prove the required documents to identify and prove the existence of the customers on the basis of eKYC, must be made in compliance with the base method as determined by KBank Vietnam in order to precribe the regulation stipulated by SBV and BOT

If KBank Vietnam can examine all the documents required for eKYC for each of the customers who apply for the KBank Biz Loan facility and sign on the relevant agreement, application and all relevant documents, and can prove the existence of such customers who apply for the KBank Biz Loan facility and sign on the relevant agreement, application and all relevant documents, then KBank Vietnam can mitigate the legal risk for this product and can consider to allow the customers to utilize/the KBank Biz Loan facility.

Chapter 7: Legal, Compliance and Regulatory Reports

7.1 Legal (LG)

In order to ensure that all agreements, applications and documents relevant to the product under this Product Program are (i) properly reviewed by Legal Department of KBank (Thailand), and/or the Director and Legal Adviser of KBank (Thailand), and/or local law firm who acts as the legal advisor



of KBank (ii) made in compliance with the relevant laws, rules, regulations; and (iii) complied with WBG Documentation Procedure.

7.2 Compliance (CO)

KBank Vietnam has to conduct businesses in accordance with Vietnam and Thai regulations.

1. Obligation to comply with Banking license

KBank in Vietnam is obligated to carry out its business comply in fully with the scope of operation which are clear stated in its banking license and FX operation license.

2. Restriction/Limitation of credit granting

- ☐ Please refer to credit policy for further information.¹

3. Guideline on Third Party Risk Management³

In case that KBank Vietnam enters into contract/agreement to use service, has IT nexus or allow accessibility with Third Party (Entrust OTP, SBV, CITAD and NAPAS), KBank Vietnam shall perform in compliance with the following guideline:

For 1st Line operation, KBank Vietnam shall

- ☐ Perform risk Assessment on using service, having IT nexus or information accessibility allowance with 3rd party, and perform 3rd party Due Diligence prior entering into or renewing the contract/agreement.
- ☐ Set up scope and guideline on assessment, controlling and monitoring on the use, nexus and accessibility to information with 3rd party based on quality control and IT security (CIA), including personal data protection.
- ☐ Monitor changes, issues and uncommon circumstances which occurred in relation to the use, nexus and accessibility to information with 3rd party in order to ensure that 3rd party performance aligned with contract/agreement.
- ☐ Report results of performance, risk assessment, including issues and uncommon circumstances related to the use, nexus and accessibility to information with 3rd party which has significant impacts to bank, board of director or appointed executives of bank.
- ☐ In selection of 3rd party, KBank shall assess potential of 3rd party (Due Diligence) by considering to significance and risk level regarding BOT's regulation and internal bank procedures.



- ☐ Enter into a written contract/agreement which contains detail and significant terms and conditions regarding BOT's regulation, and keep the contract/agreement available for legal enforcement and BOT's inspection.
- ☐ Appoint responsible person and continuously monitor performance result of 3rd party, including review on potential assessment, performance assessment and risk assessment prior renewal of contract/agreement.
- ☐ In cancellation or termination of contract/agreement, KBank shall assess impact and risk which may occur in accordance with the cancellation or termination in order to ensure an efficiency of such cancellation/termination or agreement, and prepare to cope with prospective impact.

Quarterly submit report on third party used by bank in relation to IT outsourcing and significant business partner to Bank of Thailand

4. Banking Channel⁴

1. KBank Vietnam must have an annual banking channel strategy, including overseas banking channels (if any). Such strategy must include analysis of previous year's overall actions on banking channels, action plan for that year with information on service goal for each channel, service form, service scope or the use of technology in providing service, and also management plan in the event that changes in banking channels have significant impacts on risks, customers, and KBank's staffs, for example. And then KBank Vietnam must conduct on-going review on the annual banking channel strategy and risk management guideline, especially in the event that there are significant changes on KBank's service.

2. KBank Vietnam must submit the annual banking channel strategy to the Bank of Thailand within the 31st of January every year and when there is a significant change

3. in case of the service related to digital channels such as internet banking and internet banking, KBank Vietnam shall comply as follows;

- KBank Vietnam shall comply with Information Technology Risk regulation in case of applying new technology, adjust or modify technology which has significant impacts to KBank's business activities.
- KBank Vietnam shall have risk management plan on banking service efficiency, regarding customer risks, covering from service application process access to service, and transaction making and amendment of customer data.



- KBank Vietnam must have process on customer protection by complies with KBank customer protection standard. The customers will be informed if there is any error during the service/transaction; if KBank Mobile Application displays products/services of others; if there is any problem or threat on service system which would impose negative impact on the customer. The customers will be given warnings on electronic scam and educated on the safe usage of digital channel and electronic equipment.
- For service through mobile application, KBank Vietnam must have measures to prevent the customer from cyber threats that will further affect customer regarding policy statement on Guiding Principles for Internet banking Security where appropriate for example, Customer is not allowed to use the devices related rooted / jailbroken, the customer's mobile device must be up dated, Customers are not allowed to use lower versions of the application than specified by the bank and investigated the detect and handle counterfeit applications on both trustworthy and untrusted platforms.

5. Business partner ⁵

Bank of Thailand approved KBank Vietnam to outsource third party. KBank Vietnam shall comply with conditions imposed in BOT's approval letter together with outsourcing regulations as follows:

- ☐ Provide the agreement determine details regarding types of services, service level agreement, business continuity plan, scope of responsibilities, subcontract conditions etc.;
- ☐ Take responsible to customers and outside parties as if KBank Vietnam performs such functions or services itself such as provides risk management, internal control system, security system for the collection of data, customers complaint system;
- ☐ Prepare contingency plan in case where other service providers are unable to provide services;
- ☐ Keep monitor, assessment, risk management control from outsourcing services

6. Market Conduct⁶

- ☐ KBank Vietnam must set out a remuneration scheme and punitive measures by placing importance on service quality for all levels of staff involved in providing service to customers, including the management with oversight responsibility, in order to promote fair market conduct
- ☐ The customer must be offered the product without prejudice to their privacy. They must receive all material non-exaggerated non-distorted information in the amount that it is sufficient



for them to make a decision with the right understanding and to use the product or service suitable for their financial and understanding capability.

- ☐ KBank Vietnam must ensure that sales are not the cross-sales, except the sale of the other products that are for hedging risks of the main products to a significant extent, e.g. selling fire insurance together with a mortgage loan.
- ☐ The importance of fair service must be communicated to staff at all levels related to customer service. They must have sufficient knowledge and capability in performing their duties to ensure fair and practical service.
- ☐ The customer information must be secured with respect of the customer's privacy and confidentiality. Forwarding the customer information to the third party requires their consent and it must not affect the customer's privacy
- ☐ There must be a channel for the customer to cancel their consent to disclose customer information or to inform the bank of their wish not to be contacted any further. The channel must be easily accessible. Once received the instruction from the customer to cancel their consent or to inform the bank of their wish not to be contacted any further, KBank Vietnam must proceed accordingly soonest.
- ☐ Problem solving, complaint handling, remedies compensation for customer must be clear, swift, independent, effective and just.
- ☐ There must be a process, controlling and operation audit system with respect of providing the fair service, detecting risk and abnormalities to prevent damages effectively.
- ☐ The change of the terms & condition of the products or service provided
 - ☐ If the change of terms & condition of the products or service provided results in increasing burden and risks to be borne by customers, such change would become effective only if the customers give consent to do so.
 - ☐ If the change of terms & condition of the products or service provided affects its usage by the customers, the Bank shall prior communicate or give notice of the changes which are essential parts within sufficient period of time to customers, for example, 30 days unless Bank has considered that the change would create significant sabotages to Bank of which Bank has stated in the contract.
 - ☐ Law or regulation has stipulated that Bank can proceed otherwise.

**7. Fees ⁷**

- ☐ If KBank Vietnam clearly announces category, number or rate of service fees KBank Vietnam may charge those service fees separately from interest or discount.
- ☐ KBank Vietnam shall not charge interest or discount more than the maximum rates that it announces.
- ☐ Customers should be informed in advance about changes to the interest rates, charges or terms and conditions
- ☐ The fees and any change thereof in KBank Vietnam must be
 - (a) post in a conspicuous place at the head office and each branch that provides services, and
 - (b) published on KBank Vietnam's website prior to the effective date and such information shall be kept available and accessible by customers for a minimum of 3 years.
 - (c) if it appears that the customer would lose their benefit from it, (a) and (b) must be done 30 days prior to the effective date.
- ☐ KBank Vietnam shall retain the original of an announcement in document format or electronic file or in any other formats at least 10 years from the effective date of the announced rates.

8. Borrowed fund guarantee

- ☐ The bank and its customer shall agree on whether or not a security for a borrowed fund is implemented. Agreement on security for the borrowed fund between the credit institution and its customer must conform to regulations of the laws on security and relevant legislation.
- ☐ The bank shall make its decision on and bear responsibility for any unsecured loan.
- ☐ The customer and guarantor must liaise with the credit institution to treat assets pledged as collateral for loans when there are sufficient grounds for such treatment under terms and conditions of loan agreements, loan guarantee contracts, laws and regulations.

9. Repayment of loan principal and interest

- ☐ The bank and its customer must agree on the period of loan principal and interest repayment in either of the following manners:
- ☐ Separate periods of repayment of loan principal and interest.



- ☐ Same period of repayment of loan principal and interest.
- ☐ The bank and its customer shall agree on repayment of debt prior to the due date.
- ☐ Where the customer is unable to make due repayment of principal and/or interest in part or in full, the credit institution shall consider approving the debt scheduling, or delinquency of such debt. The bank and its customer shall agree on the interest rate charged for the overdue debt.
- ☐ The bank and its customer must agree on the priority order for collection of principal and interest amounts. In terms of overdue loan debts, the credit institution shall observe the order in which collection of principal amount will take priority over that of interest amount.

10. Delinquent debt:

The bank shall perform delinquency procedures for the principal amount of which repayment is not made by the agreed due date and rescheduling is not accepted by the credit institution; notify the customer of such delinquency. That notification shall include at least the following contents: outstanding amount of overdue principal, time of delinquency of such debt and interest rate charged for that overdue principal amount

11. Inspection of loan use⁸:

- ☐ The customer shall be responsible for using loan funds and repaying debts as agreed; reporting and providing documents evidencing use of such loan at the request of the bank.
- ☐ The bank shall be entitled to carry out inspection and supervision of use of loan and debt repayment by the customer.

12. Documentation, Retention, and Submission of Electronic Information⁹

- ☐ The bank may choose to document, retain, or submit various information, in accordance with the supervisory regulations for financial institutions set by the Bank of Thailand, in electronic form. The bank must be ready in terms of its operational systems and internal procedures, to enable the documentation and retention of electronic information in compliance with related laws, to ensure that such electronic information can be legally enforceable.
- ☐ The bank may choose to notify or change their notifications to each of its financial service customers, in accordance with the supervisory regulations for financial institutions set by the Bank of Thailand, in electronic form. The bank must have an agreement with its financial service consumer on the form and channel of notification prior to the said action, where the financial service consumer must be the decision maker. Furthermore, the bank must have the procedures



to ensure that the financial service consumers can receive accurate and complete information, in a timely manner

☐ The bank may choose to change its general disclosure of information to its financial service consumers, in accordance with the supervisory regulations set by the Bank of Thailand, to an electronic form. Such financial institution must still be able to facilitate its service users as requested.

13. Loan disbursement with using non-cash payment service¹⁰:

☐ The bank must use non-cash payment services in accordance with law regulations in order to transfer borrowed fund to the beneficiary's checking account opened at the payment service provider, except cases mentioned in Clause 2 of Circular 21/2017/TT-NHNN. The bank must transfer of disbursed amounts into the beneficiary's checking account opened at the payment service provider immediately within the disbursement date for the loan purpose specified in the loan agreement. In case the loan disbursement is made after the daily settlement times of the lending credit institution, disbursed amounts shall be transferred on the following business day of that bank.

☐ The bank must use non-cash payment services to transfer borrowed funds to the borrower's checking account opened at the payment service provider in the following cases:


☐ The borrower makes payment for loan purpose which must be made via the borrower's checking account as required by law;

☐ The borrower, who is also the beneficiary, has the checking account opened at the payment service provider and has advanced money from the borrower's equity to pay/cover expenditures for the business plan/project or the plan/project serving personal life approved by the lending credit institution in accordance with the law;

☐ The borrower makes direct payment for products in the fields of agriculture, forestry, salt production and aquaculture purchased from individuals, households, farm owners, household businesses and artels, whose business and production activities are carried in a rural area, in order to implement the borrower's business plan in conformity with the loan purpose specified in the loan agreement.


14. AML/CFT:

KBank Vietnam shall follow the AML/CFT regulations including AML/CTPF policy and procedures for Know Your Customer (KYC), Customer Due Diligence (CDD), sanction screening, customer risk rating, transaction monitoring and transaction reporting.

| | |
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|---|---|

AML/CFT Risk Assessment

| KBank Biz Loan | | | |
|------------------------------|--|------------------|--|
| AML/CFT Risk Rating | Risk Factors | | Risk score |
| | This product/service can pose Low money laundering and financing terrorism risk to the Bank because | | Scoring Rule Lower Risks = 1, Higher Risks = 3 |
| | <input type="checkbox"/> Financial product or service that is not redeemable to cash | | 1 |
| | <input type="checkbox"/> Financial product or service that is not transferable to other person. | | 1 |
| | <input type="checkbox"/> Financial product or service that is not cross-border service. | | 1 |
| | Total | | 3 |
| | Risk Level | | Low |
| | Low Risk: 1-3 | Medium Risk: 4-6 | High Risk: 7-9 |
| Risk Mitigation (Regulation) | <input type="checkbox"/> Financial product or service limits number of transactions. <input type="checkbox"/> Financial product or service limits types of transactions. <input type="checkbox"/> Financial product or service limits value of transactions. | | X ✓ ✓ |

| | |
|--|--|
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| | |
|------------------------------------|---|
| Risk Mitigation (Bank Practice) | <ul style="list-style-type: none"> <input type="checkbox"/> One-time Face to Face requirement for KYC /CDD measure at KBank Vietnam or by Relationship Managers to identify and verify customer when applying for the product. <input type="checkbox"/> Update the customer's information if the periodic review is due or a suspicion occurs. If the new information increases the customer's AML/CFT risks, additional information/documents are required. <input type="checkbox"/> Screen the customer, their related persons and suppliers against Designated Persons lists announced by AMLO and SBV. <input type="checkbox"/> Classify and manage money laundering and terrorist financing risks. <input type="checkbox"/> A senior management approval would be implemented to all relationship identified as high risk. <input type="checkbox"/> Conduct on-going monitoring of the transaction and activity of customer. In case of suspicious transaction, a business unit is required to report Compliance Department for further investigation. |
|------------------------------------|---|

***If there are any changes to related regulations, KBank Vietnam must follow the requirement of updated regulations.**

15. Mobile application¹:

KBank Biz Loan application on mobile equipment provided by the supplier shall be consistent with regulations and the following requirements:

1. The supplier must clarify the link on the website or in application store enabling clients to download and install the KBank Biz Loan application on mobile equipment.
2. The KBank Biz Loan application must be protected to hinder reverse engineering.
3. The KBank Biz Loan application software must authenticate the user when accessing and there is no feature to remember the access key. In case of consecutive incorrect authentication exceeding the number of times specified by the unit, the KBank Biz Loan application software must automatically temporarily lock the user to prevent further use.

The bank shall apply the following online transaction authentication methods.



| No. | Method | Description |
|-----|------------------------------|---|
| 1 | SMS OTP | <p>When an online payment is made, the online banking system will send an SMS that contains OTP to the phone number registered by the client.</p> <p>The client has to enter the OTP on the online payment interface to complete the transaction.</p> |
| 2 | OTP matrix card | <p>The matrix card is a 2-dimension table (line and column), each line and column have an OTP.</p> <p>When an online payment is made, the online banking system will inform the client of the number of line and column on the matrix card. The client has to enter the corresponding OTP to complete the transaction.</p> |
| 3 | Basic OTP software | <p>The basis OTP software program will be installed on a cell phone or tablet registered with the bank and will periodically generate random OTPs, which are synchronized with the online banking system.</p> <p>When an online payment is made, the online banking system will request the client to enter the OTP generated by the OTP software to complete the transaction.</p> |
| 4 | Advanced OTP software | <p>The advanced OTP software program will be installed on a cell phone or tablet registered with the bank and will generate the OTP together with a transaction code (transaction signing).</p> <p>When an online payment is made, the online banking system will generate a transaction code.</p> <p>The client has to enter the code to the OPT program to generate the OTP.</p> <p>Then the client has to enter the OTP on the online payment interface to complete the transaction.</p> |
| 5 | Basic OTP token | <p>OTP token is an OTP-generating device. A basic OTP token will periodically generate random OTPs, which are synchronized with the online banking system.</p> <p>When an online payment is made, the online banking system will request the client to enter the OTP generated by the token to complete the transaction.</p> |

| | | |
|----|--|--|
| 6 | Advanced OTP token | <p>Advanced OTP token is an OTP-generating device. It will generate the OTP together with a transaction code (transaction signing).</p> <p>When an online payment is made, the online banking system will generate a transaction code.</p> <p>The client has to enter the code to the OPT token to generate the OTP. Then the client has to enter the OTP on the online payment interface to complete the transaction.</p> |
| 7 | Two-factor authentication | <p>When an online payment is made, the online banking system will send an authentication request to the client's mobile device through the telephone network or using USSD code or through a dedicated software program</p> <p>The client has to respond utilizing the same factor to confirm or cancel the transaction.</p> |
| 8 | Biometric authentication | <p>When an online payment is made, the online banking system will analyze the client's hard-to-fake biometric traits (face, finger vein, palm, retina, voice) before accepting the transaction.</p> |
| 9 | Universal 2nd Factor/ Universal Authentication Framework (U2F/ UAF) | <p>When an online payment is made, the online banking system will request the client to use an U2F/UAF device which is connected through the USB port or wirelessly (Bluetooth, NFC). After authenticating the user with a password or biometric traits, the U2F/UAF device will communicate with the browser and server to authenticate the website address and the transaction.</p> |
| 10 | Digital signature | <p>When an online payment is made, the online banking system will request the client to enter the digital certificate (stored on an USB flash drive or SIM card).</p> <p>The client has to enter the access code of the USB device or SIM card and select the digital certificate to complete the transaction.</p> |

16. Transaction Authentication for Internet banking¹²

1. A client accessing to use the internet banking services must be authenticated with at least user name and password complying with the following requirements:

- a) The user's name must be at least 6 characters long; all the 6 same characters or characters in the order of the alphabet or numerals are not allowed;



b) The password must be at least 6 characters long, including letters and numerals, containing uppercases and lowercases or special symbols. Maximum validity period of the password is 12 months.

c) For accessing the Internet Banking system by browser, the unit must take measures to prevent automatic login.

2. Internet Banking application software must have the feature to force customers to change their secret key at the first login time; lock the access account in case the wrong secret key is entered in a row more than the number of times specified by the bank. The bank only unlocks the account when requested by the customer and must authenticate the customer before unlocking the account, ensuring against fraud.

3. Requirements for OTP authentication by SMS or email:

a) OTP sent to clients must attach with warning of OTP's purposes;

b) OTP shall be valid within 5 minutes.

4. Requirements for authentication using OTP matrix cards:

a) An OTP matrix card shall be used within 1 year from the date of registration;

b) OTP shall be valid within 2 minutes.

5. Requirements for OTP authentication generated by an application installed in mobile equipment:

a) The service providers must clarify the link on the website or application store enabling clients to download and install the OTP generator software;

b) The OTP generator software, before its operation, shall be activated by the password provided by the service provider. An activate password will be used for solely one mobile equipment;

c) OTP generator software shall be controlled in terms of access. In a case where five incorrect passwords are entered continuously, the application shall be automatically locked out to prevent clients from keeping using.

d) OTP shall be valid within 2 minutes.

6. Requirements for OTP authentication generated by a token (OTP token): OTP shall be valid within 2 minutes.



7. Requirements for authentication by digital signatures: The service provider shall use digital signatures and authentication of digital signatures from a provider of authentication of digital signatures operating in accordance with regulations of law on digital signatures and authentication of digital signatures.

8. Requirements for biometric authentication: signs of biometric identification are the only signs associated with a client and cannot be forged.

17. Protection of customers' interest¹³

1. The bank must provide a client with information about Internet banking services before he/she/it registers to use the services, at least containing:

- a) Method of providing services: on the Internet, via mobile equipment or telecommunication. Method of accessing internet banking services equivalent to each equipment on the mobile, mobile equipment, or telecommunication equipment;
- b) Transaction limit and transaction authentication measures;
- c) Necessary conditions for equipment upon using of services: OTP generator, mobile phone number, email, digital certificate, mobile equipment to be installed with the software;
- d) Risks in connection with using of Internet banking services.

2. The bank must provide the client with a contract of Internet banking services, at least containing:

- a) Rights and obligations of the client when using Internet banking services;
- b) Responsibility of the service provider for confidentiality of the client's personal information; method of collecting and using the client's information; commitment not to sell or disclose the client's information;
- c) Commitment to ensure the continuous operation of the internet banking system;
- d) Other contents in terms of internet banking services (if any).

3. The bank shall formulate procedures and manuals on installation and use of software, applications, equipment conducting internet banking transactions and provide clients with guidance on using such procedures and manuals.

4. The bank shall instruct each client to adopt measures for ensuring safety and confidentiality when using internet banking services, at least containing the following:



- a) Protecting password and OTP and not sharing equipment storing such information;
- b) Method of establishing password and change password of the username at least once a year or upon its exposure or suspected exposure;
- c) Not using public computers for the purposes of accessing and conducting internet banking transactions;
- d) Not saving username and password on web browsers;
- dd) Logging out from the Internet Banking application when not using;
- e) Identifying and taking actions against circumstances of phishing or fake websites;
- g) Requesting to install or use anti-virus software on personal equipment used for Internet Banking transactions;
- h) Selecting authentication measures with safety and confidentiality levels in conformity with the client's demand in terms of transaction limit;
- i) Warning of risks in connection with using of internet banking services;
- k) Not using mobile equipment which is unlocked to download and use the internet banking application, or OTP generator software.
- l) Promptly notifying the service provider of any unusual transaction;
- m) Immediately notifying the service provider of the following cases: loss, missing, damage of OTP generator, phone number from which SMS is received, storing device of private key generating digital signature; upon being fraudulent or suspiciously being fraudulent; upon being attacked or suspiciously attacked by hackers.

5. The bank must provide the client with information about the contact point of receiving information, hotline and guidelines for procedures and methods of cooperation in dealing with mistakes and incidents during the service using.

6. The bank must adopt measures for ensure the safety and confidentiality of clients' database, at least containing the following:

- a. Confidential information of customers when storing must apply encryption or concealment measures to ensure confidentiality.
- b. Establish access right according to functions and tasks of personnel in charge of accessing clients' database; and adopt monitoring measure upon each access.



c. Implement measures for managing access to equipment and device that store clients' information to prevent the risks of exposure of clients' information.

18. Reporting ¹⁴

☐ The bank shall send reports in writing to Information Technology Department affiliated to the State bank of Vietnam as follows:

☐ Irregular reports:

a) The bank shall submit irregular reports when the unsafe incidents occur or affecting the operation of the Internet Banking system within 05 days from the time of the accident or of incident detection, in particular

- (i) Time and place of occurrence of incidents;
- (ii) Preliminary description of the incidents, the status of the incidents when they occur;
- (iii) The cause of the problem;
- (iv) Assessment of risk, the impact on Internet Banking system and other involved systems;
- (v) The situation of the damage;
- (vi) The measures taken to eliminate the problem; prevent and stop risks;
- (vii) Recommendations and proposals.

b) Other cases of irregular reports at the request of the State Bank.*If there are any changes to related regulations, KBank Vietnam must follow the requirement of updated regulations.

¹⁴[47/2010/QH12](#) Law on credit institution 16/6/ 2010 article 126 ; Thai Financial Institution Business Act B.E. 2551 sections 50,51,52; Notification of BOT No. SorNorSor. 22/2555

²including Individuals or legal entities that are interconnected in such a way that financial problems experienced by one or more of them would necessarily entail serious financial problems for the other

³including those granted to related person

⁴including those granted to related person

⁵ Notification of BOT No. SorNorSor.21/2562 Re: Information Technology Risk Management of Financial Institution

⁶ Notification of the Bank of Thailand No. FPG. 15/2563 Re: Banking Channel

⁷ Notification of Bank of Thailand No. FPG. 6/2562 Re: Documentation, Retention, and Submission of Electronic Information by Financial Institutions

⁸ Cir 21/2017/TT-NHNN



Chapter 8: Trigger Point and Monitoring Process

8.1 Trigger Point

The trigger point shall be defined in order to control KBank Vietnam's exposures and limit risk appetite level. The key factors determined the trigger point is portfolio asset quality which measured by Non-Performing Loan (NPL) rate. The NPL would not exceeding 6% of total outstanding. If It reached 6.0%, this product program shall be reviewed by First Senior Vice President (FSVP – ERM) and Chapter Lead (Master level) or Department Head – Product Owner for further development and approval.

8.2 Credit Monitoring Process

The monitoring process will be applied when the customer has a financing. Project team and ERM will conduct portfolio review and analysis on KBank Biz loan regularly.

☐ Operation Monitoring Process

The operation monitoring in Vietnam will be under the monitoring scheme developed by IM department.

1. **Risk Event Database (RED)** is the database used to collect the internal operational risk event for the bank-wide.
2. **Key Risk Indicators (KRIs)** are measures that help bank predict loss events, and typically embody several key characteristics (measurable, controllable, and linked to risk driver).
3. **Risk Dashboard** is an executive summary of bank-wide risk profiles on both the current and forward-looking viewpoints.

Product Management Framework

PMF/2021/VN101 (2021 V1.0)

Ngân Hàng KASIKORN
开泰银行 KASIKORNBANK**APPENDIX 1: POLICY CRITERIA**

| Criteria | Description | Check stage |
|------------------------|---|---|
| Experience in business | ≥ 3 months in business | Prescreening (FPT) |
| Min. monthly income | 1. Average income ≥ 5 M VND in the latest 6 months 2. Minimum income from business ≥ 1MVND each month in the latest 3 months | Prescreening (FPT) |
| Document Verification | Customers who have merchant on partner platform, refer to 1. Partner statement in the latest 6 months 2. Bank statement in the latest 6 months (if any) 3. Salary slip latest in the latest 3 months (if any) Or Customers who do not have merchant on partner platform, refer to 1. Bank statement in the latest 6 months 2. Salary slip latest in the latest 3 months (if any) | Credit approval (Policy tool) |
| Age | 18-60 years old * 18+1 years old per E-KYC regulation ** Age + Loan tenor must < 60 years old | Prescreening&Credit approval (FPT&Policy Tool) |

Product Management Framework

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| | | |
|------------------------|---|-------------------------------|
| Nationality | Vietnamese | Prescreening (FPT) |
| DCC (related to KBank) | No Hit | Credit approval (Policy tool) |
| SLL/GLL | Not exceed limit on credit exposure according to KBank HCMC Policy on Credit Granting and Loan Management | Credit approval (Policy tool) |
| Sanction&AML | No Hit | Credit approval (CVRS) |
| DPD (CIC and KBank) | Classification = debt group 1 and Have DPD =< 9 days in the last 6 months | Credit approval (Policy tool) |
| NPL | No NPL in the latest 6 months | Credit approval (Policy tool) |
| DSCR | >=1.2 | Credit approval (Policy tool) |
| Fraud | No Hit | Credit approval (Policy tool) |
| Restricted occupation | Monk/ Priest | Prescreening (FPT) |
| | Operator of Casino | |
| | Arms Dealer | |
| | Unlicensed money lender | |

Product Management Framework

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Ngân Hàng KASIKORN
开泰银行 KASIKORNBANK**APPENDIX 2: Authentication Framework**

| Action / Service | Authen. Level | Authen. Required | FPT Application authentication |
|--|---------------|--|--|
| On-boarding / enrolling for loan request | Super Cri | <input type="checkbox"/> 2FA ; <input type="checkbox"/> You Have = High OR <input type="checkbox"/> You are >=Medium <input type="checkbox"/> 3FA ; | <input type="checkbox"/> eKYC (OCR + Face Recognition) <input type="checkbox"/> SMS OTP <input type="checkbox"/> Email OTP |
| E-Contract Signing | Super Cri | <input type="checkbox"/> 2FA ; <input type="checkbox"/> - You Have = High OR <input type="checkbox"/> You are >= Medium <input type="checkbox"/> 3FA ; | <input type="checkbox"/> eKYC (OCR + Face Recognition) <input type="checkbox"/> SMS OTP |
| Re-Access to submit document (not allow to change submitted information) | Very High | <input type="checkbox"/> 2 Factor Authen | <input type="checkbox"/> SMS OTP <input type="checkbox"/> Email OTP |

Product Management Framework

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Ngân Hàng KASIKORN

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**APPENDIX 3: ACCOUNTING MANUAL**Accounting and tax treatment for credit product

The accounting and tax manual for credit products, which is identified the product scope in Product Program Management, is complied with the accounting standard and regulatory requirement and is not allowed to use for other products. Due to the change in business and regulatory environment, Financial Accounting Department would be appreciated to be acknowledged from the business for any product change in order to update this manual.

| Business events | Accounting entries | Head office GL account | KBank HCM | Note |
|-----------------------------------|--|------------------------|------------------------------|---|
| 1) Approve credit line | Dr. Customers' liabilities - Commitment to lend Cr. Bank's liabilities - Commitment to lend | N/A | 710690100001 760690100001 | KBank HQ has no requirements for commitment account booking |
| 2) Approve Mortgage account | Dr. Mortgaged, pledged assets of customers Cr. Mortgaged, pledged assets of customers - contra | N/A | 809000300001 809000309001 | KBank HQ has no requirements for mortgage account booking |
| 3) Fee Collection (Front-end fee) | | | | |
| 3.1) Accrued fee income | Dr. Accrued Income Receivable - Related loan product Cr. Financial Related Fee Received (Front end fee) Fees on Loans/Other Fee | 1729013 2715007 | N/A | KBank HCM records fee income upon collection |

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| | | | | |
|---|--|--------------------------------|---|---|
| 3.2) Customer pay front-end fee | Dr. Customer account Cr. Accrued Income Receivable - Related loan product | Xxxxxxx 1729013 | xxxxxxxxxxxx 463991800001 | KBank HCM books front end fee as income |
| 4) Disburse Loan | Dr. Loans - in foreign currencies (Credit 0) Cr. Customer account Dr. Bank's liabilities - Commitment to lend Cr. Customers' liabilities - Commitment to lend | 1202001 Xxxxxxx | 1202501xxxx xxxxxxxxxxxx 760690100001 710690100001 | KBank HCM has only 1 branch; no service owner branch KBank HQ has no requirements for commitment account booking |
| 5) Interest accrual (Performing loan) 5.1) Normal Interest (Contract interest) | <u>Normal and Special mention grades</u> Dr. Accrued interest receivable on loans (INTEREST 0/1) Cr. Interest income - Loans (Paid Interest 0/1) | 1724001 4202001 | 1724001xxxx 4202001xxxx | |
| 5.2) Record EIR adjustment 5.2.1 EIR Gross carrying amount (Loan stage 1&2) <input type="checkbox"/> Interest income per contract rate < Interest per EIR Gross | Dr. Loan adjustment - EIR Gross - Loan to Customers - CCY - Step rate Cr. Adjustment to Interest income - EIR Gross - Loan to Customers - CCY - Step rate | 1802501 4232501 | N/A | KBank HCM is not applying IFRS; applies 5 reclassification due to SBV regulation |

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| | | | | |
|--|---|---------|-----|--|
| <input type="checkbox"/> Interest income per contract rate < Interest per EIR Gross | <u>Amortised direct loan fee amount</u> Dr. Loan adjustment - EIR Gross - Loan to Customers - CCY - Integral fee | 1802601 | | |
| | Cr. Adjustment to Interest income - EIR Gross - Loan to Customers - CCY - Integral fee | 4232601 | | |
| | Dr. Adjustment to Interest income - EIR Gross - Loan to Customers - CCY - Step rate | 4232501 | | |
| | Cr. Loan adjustment - EIR Gross - Loan to Customers - CCY - Step rate | 1802501 | | |
| | <u>Amortised direct loan fee amount</u> Dr. Loan adjustment - EIR Gross - Loan to Customers - CCY - Integral fee | 1802601 | | |
| | Cr. Adjustment to Interest income - EIR Gross - Loan to Customers - CCY - Integral fee | 4232601 | | |
| 5.2.2 EIR net carrying amount (<u>Loan stage3</u>) <input type="checkbox"/> Interest income from source system < Interest income based on credit adjusted EIR | Dr. Loan adjustment - EIR net - Loan to Customers - CCY - Step rate or | 1812501 | N/A | KBank HCM is not applying IFRS; applies 5 reclassification due to SBV regulation |

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| | | | | |
|--|---|--------------------|--|--|
| <input type="checkbox"/> Interest income from source system > Interest income based on credit adjusted EIR | Cr. Adjustment to Interest income - EIR net - Loan to Customers - CCY - Step rate or | 4242501 | | |
| | <u>Amortised direct loan fee amount</u> | | | |
| | Dr. Loan adjustment - EIR net - Loan to Customers - CCY - Integral fee | 1812601 | | |
| | Cr. Adjustment to Interest income - EIR net - Loan to Customers - CCY - Integral fee | 4242601 | | |
| | Dr. Adjustment to Interest income - EIR net - Loan to Customers - CCY - Step rate or | 4242501 | | |
| | Cr. Loan adjustment - EIR net - Loan to Customers - CCY - Step rate or | 1812501 | | |
| | <u>Amortised direct loan fee amount</u> | | | |
| | Dr. Loan adjustment - EIR net - Loan to Customers - CCY - Integral fee | 1812601 | | |
| | Cr. Adjustment to Interest income - EIR net - Loan to Customers - CCY - Integral fee | 4242601 | | |
| 6) Interest Adjustment | Increase <u>Normal and Special mention grades</u> Dr. Accrued interest receivable on loans (INTEREST 0/1) Cr. Interest income - Loans (Paid Interest 0/1) | 1724001 4202001 | 1724001xxxxxx 4202001xxxxxx <u>Special Mention to Loss</u> 8021001xxxxx 8021501xxxxx | |

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| | | | | |
|--|---|-------------------------------|--|---|
| | | | | |
| | Decrease <u>Normal and Special mention grades</u> Dr. Interest income – Loans Cr. Accrued interest receivable on loans | 4202001 1724001 | 4202001xxxxxx 1724001xxxxxx <u>Special Mention to Loss</u> 8021501xxxxx 8021001xxxxx | For KBank HQ, the decrease scenario is the case of reverse on-book interest for loans that are graded sub-standard downwards. |
| 7) Repayment at due date | Dr. Customer account Cr. Accrued interest receivable on loan Cr. Loans – in foreign currencies | Xxxxxxx 1724001 1202001 | xxxxxxxxxx 1724001xxxxx 1202501xxxxx | |
| 8) Loan Classification (Non-Performing Loan) | <u>Remove Principal</u> Dr. Credit 2/3/4 Cr. Credit 0/1 <u>Remove Accrued Interest</u> Dr. INTEREST Income Cr. INTEREST 0 Dr. Estimated accrued interest 1/2/3/4 Cr. Estimated interest income 1/2/3/4 <u>Record additional Provision (specific)</u> Dr. Provision expense (different b/w class) | N/A | 1200501xxxxx 1202501xxxxx 4202001xxxxx 1724001xxxxx 8021001xxxxx 8021501xxxxx 680300200001 | KBank HQ has no requirements for changing GL line for reclassification for principal, accrued interest, provision. KBank HCM records loan class 2/3/4/5, refer to KBank HCM CoA and GLSC |

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| | | | | |
|--|--|---------|---------------|--|
| | Cr. Provision (different b/w class) | | 1522001xxxxx | |
| 9) After due date - Daily Memo Late Charge | Dr. Estimate Memo Late charge receivable | 8021051 | 8021051xxxxx | |
| | Cr. Estimate Memo Late charge income | 8021551 | 8021551xxxxx | |
| 10) Payment after due date | Dr. Customer account | Xxxxxxx | xxxxxxxxxxx | |
| | Cr. Late charge income | 4202021 | 4202021xxxxxx | |
| | Cr. Accrued interest receivable on loan | 1724001 | 1724001xxxxx | |
| | Cr. Loans – in foreign currencies | 1202001 | 1202501xxxxx | |
| | Dr. Estimate Memo Late charge income | 8021551 | 8021551xxxxx | |
| | Cr. Estimate Memo Late charge receivable | 8021051 | 8021051xxxxx | |
| 11) Provision for doubtful account | | | | |
| 11.1) Record provision for doubtful account | | | | |
| <input type="checkbox"/> 12-month ECL(Stage1) | Dr. Provision for doubtful accounts - TFRS 9 - 12 Mth ECL- Loan to Customers - CCY | 6812501 | N/A | |
| | Cr. Allowance for doubtful accounts - TFRS 9 - 12 Mth ECL - Customers - CCY | 1542501 | | |
| <input type="checkbox"/> Life time (Stage2 &3) | Dr. Provision for doubtful accounts - TFRS 9 - Lifetime ECL- Loan to Customers - CCY | 6812502 | N/A | |
| | Cr. Allowance for doubtful accounts - TFRS 9 -Lifetime ECL - Loan to Customers - CCY | 1542502 | | |

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| | | | | |
|---|--|---------|------------------------------|--|
| 11.2) Reverse provision for doubtful account <input type="checkbox"/> 12-month ECL(Stage1) | Dr. Allowance for doubtful accounts - TFRS 9 - 12 Mth ECL - Customers - CCY | 1542501 | N/A | |
| | Cr. Provision for doubtful accounts - TFRS 9 - 12 Mth ECL- Loan to Customers - CCY | 6812501 | | |
| | <input type="checkbox"/> Life time (Stage2 &3) | | | |
| | Dr. Allowance for doubtful accounts - TFRS 9 -Lifetime ECL - Loan to Customers - CCY | 1542502 | N/A | |
| | Cr. Provision for doubtful accounts - TFRS 9 - Lifetime ECL- Loan to Customers - CCY | 6812502 | | |
| 12) Credit line returned (Close Contract) | Dr. Bank's liabilities - Commitment to lend Cr. Customers' liabilities - Commitment to lend | N/A | 760690100001 710690100001 | |
| 13) Return mortgage asset to customer | Dr. Other items of the Off-Balance-Sheet Cr. Commitment for Financing received | N/A | Refer to collateral PMF | |

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For write-off

| Business events | Accounting entries | Head office GL account | VIETNAM office O9 Code | Note |
|---|--|--|--|---|
| 1. Loan write-off 1.1 Write-off principal and accrued interest | Dr. Bad debts Cr. Loans - in foreign currencies Cr. Accrued interest receivable on loans Dr. Irrevocable Loan - Charge off - contra/Provision Loan Loss Cr. Irrevocable Loan - Charge off Dr. Estimated interest income 4 Cr. Estimated accrued interest 4 | 680XXXX 1202001 1724001 | 809000309002 809000300002 8021501xxxxx 8021001xxxxx | In Vietnam, all written off Principal is moved to Off B/S Account (called Charge-off) |
| 1.2 Write-off Loan adjustment □ EIR Gross | Dr. Loan adjustment - EIR Gross - Loan to Customers - CCY - Integral fee Cr. Write-off Loan Adjustment Dr. Write-off Loan Adjustment Cr. Loan adjustment - EIR Gross - Loan to Customers - CCY - Step rate | 1802601 6813001 6813001 1802501 | | |

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| | | | | |
|--|--|--|------------------------------|--|
| <input type="checkbox"/> EIR Net | Dr. Loan adjustment - EIR net - Loan to Customers - CCY - Integral fee or Cr. Write-off Loan Adjustment | 1812601 6813001 6813001 1812501 | | |
| | Dr. Write-off Loan Adjustment Cr. Loan adjustment - EIR net - Loan to Customers - CCY - Step rate | | | |
| 1.3 Reversal memo late charge interest | Dr. Estimate Memo Late charge income Cr. Estimate Memo Late charge receivable | 8021551 8021051 | 8021551xxxxx 8021051xxxxx | |
| 2. Bad debt recovery | Dr. Current account Cr. Bad debt recovered | xxxxxxx 4700001 | xxxxxxxxxxxxx 47000100001 | |

| | |
|--|---|
| <p>Product Management Framework</p> <p>PMF/2014/LA101 (2020 V1.0)</p> | <p>ທະນາຄານກະສິກອນໄທ 开泰银行 KASIKORNTHAIBANK</p>  |
|--|---|

Appendix 4: Payment Action

Profile system is set up the payment action to support WCL as below;

| Payment Condition | Payment Grid | Payment String | Payment Path |
|-------------------|---|----------------|--------------|
| 1.Overdue Payment | 1. Unpaid Bill (principle and interest) 2. Late charge principle 3. Late charge interest 4. Fee 5. Interest (not billed) 6. Principle (not billed) | P-I | Horizontal |
| 2.On Due Payment | 1. Fee 2. Bill (principle and interest in bill) 3. Principle | P-I | Horizontal |
| 3.Advance Payment | 1. Fee 2. Bill (principle and anticipate interest) 3. Principle 4. Interest (not billed) | P-I | Horizontal |