Risk Management Process

Krungthai Card Public Company Limited (KTC)

KTC recognizes the importance of preparedness in responding to changes and challenges that may affect the achievement of the Company's objectives. The Company has established a systematic risk management process that is integrated with strategy formulation and business operations, in accordance with Krungthai Bank's risk management policy under consolidated supervision, the regulations of the Bank of Thailand, and the COSO Enterprise Risk Management (COSO ERM) framework. The Company's risk management process begins with an analysis of internal and external factors, including environmental, social, and governance (ESG) issues, to identify and assess risks, consider their potential impacts, and determine appropriate control measures. A risk map is also prepared to illustrate the relationships between risk causes and related risk factors. The Company's significant risks include credit risk, liquidity risk, interest rate risk, strategic risk, operational risk, reputational risk, and information technology risk.

KTC employs a range of key risk management tools, including Risk and Control Self-Assessment (RCSA), to identify and assess risk levels and evaluate the adequacy of control measures, as well as Key Risk Indicators (KRIs) to monitor changes in risk exposures. The KRIs comprise both leading indicators, which provide early warning signals of potential risk events, and lagging indicators, which reflect events or impacts that have already occurred. KTC has established its risk appetite and risk tolerance as a framework for monitoring and controlling risks and reviews their appropriateness annually. Where KRI results exceed the defined thresholds, the responsible functions are required to analyze the root causes, assess the potential impacts, and establish appropriate risk mitigation measures. In addition, the Company conducts Control Self-Assessment (CSA) every six months, considering risk levels, the effectiveness of risk management, and potential risk trends. The assessment results are reported to the Risk Management Committee (RMC) and other relevant committees. They are also submitted to Krungthai Bank to support effective risk oversight and governance.

Risk Management

Credit Risk

Risk Identification	Risk Assessment, Risk Appetite and Risk Exposure	Mitigating Actions
Credit risk arises when debtors are unable to fulfill their debt repayment obligations or when there is a probability of default. This may impact the Company's income and financial position. Credit risk is considered a significant risk, as it is associated with lending activities, which are the Company's core business transactions. In circumstances where Thailand's economy is still recovering, different sectors are experiencing different recovery trajectories (K-Shape Recovery). This is coupled with the fact that both domestic and foreign risk factors remain high, which affect the customers' debt repayment ability.	• The Company leverages credit risk models to evaluate the creditworthiness of each customer and to support granular credit risk assessment and accurate risk classification. Stringent credit criteria and conditions are established, tailored to each customer's risk profile. The Company implements customer management strategies that align with these risk profiles, ensuring a balance between risk and potential rewards. This approach fosters the growth of high-quality credit portfolios while maintaining an acceptable level of risk exposure. By effectively managing credit risk, the Company lays a solid foundation for achieving its revenue and profit targets. • Establish key risk indicators (KRIs), together with risk appetite and risk tolerance levels, and review the KRIs annually. • Conduct regular stress testing under a variety of hypothetical scenarios to assess the Company's resilience to adverse events.	• Maintain strict controls over credit approvals to ensure compliance with regulatory requirements. Establish, review, and update credit policies and underwriting guidelines to remain current and appropriate to prevailing conditions. • Regularly validate the effectiveness of credit risk models to ensure effective risk prediction and classification. Continuously enhance and refine model capabilities to ensure that customer and loan portfolio risk profiles are accurately reflected. • Establish and implement efficient debt collection policy and strategies to proactively address potential defaults and minimize credit losses. Develop clear guidelines and support measures to assist customers in fulfilling their repayment obligations and restoring financial stability. • Classify loans and recognize appropriate provisions in accordance with applicable accounting standards, while maintaining adequate loan loss reserves to absorb potential losses and safeguard the Company's financial position.

Risk Identification	Risk Assessment, Risk Appetite and Risk Exposure	Mitigating Actions
		• Track and report the risk status against established key risk indicators (KRIs) to the Risk Management Committee on a monthly basis to ensure that risks remain within acceptable levels. In cases where risk levels are rather high or high, an action plan must be formulated as specified.

Liquidity Risk

Risk Identification	Risk Assessment, Risk Appetite and Risk Exposure	Mitigating Actions
Liquidity risk arises when the Company does not have sufficient funds to meet its debt obligations due to an inability to obtain adequate funding. This may result in higher financing costs from the need to obtain emergency funding from alternative sources. Liquidity risk may arise from the following key factors: • Inappropriate diversification of funding sources • Maturity mismatches between assets and funding sources • Asset quality deterioration • The unavailability or inefficiency of credit lines to support liquidity	The Enterprise Risk Management Division coordinates with the relevant business units to undertake the following actions: • Establish key risk indicators (KRIs), risk appetite, and risk tolerance in line with liquidity risk factors, and review the KRIs annually. • Conduct quarterly liquidity stress testing using various hypothetical scenarios to assess the severity of potential liquidity crises. • Calculate liquidity risk exposure by modelling historical liquidity crisis scenarios and estimating the potential increase in financing costs associated with various funding sources based on the current funding position. The resulting financial impact is	• Obtain both short-term and long-term borrowings and adjust their proportions to align with financial cost management and acceptable risk levels, considering the prevailing market and economic conditions. Funding is sourced through bond issuances, promissory notes, and borrowings from multiple financial institutions to avoid undue reliance on any single institution. • Monitor daily credit line usage through the Treasury Department and report the status to management on a weekly basis to ensure timely awareness of the Company's liquidity position in the event of a significant increase in credit line usage. • Track and report the risk status against established key risk

Risk Identification	Risk Assessment, Risk Appetite and Risk Exposure	Mitigating Actions
	measured as a percentage of projected net profit or the Company's equity, in accordance with the annual funding plan.	indicators (KRIs) to the Risk Management Committee (RMC) on a monthly basis to ensure that risks remain within acceptable levels. In cases where risk levels are rather high or high, an action plan must be formulated as specified. • Review the liquidity contingency communication plan annually, or as deemed necessary, to ensure that relevant internal and external business units follow the established procedures in the event of a crisis.

Interest Rate Risk

Risk Identification	Risk Assessment, Risk Appetite and Risk Exposure	Mitigating Actions
Interest rate risk arises from changes in market interest rates that affect interest rate-sensitive assets and liabilities (rate-sensitive items), which may adversely impact net interest income. Changes in the value of on-balance-sheet and off-balance-sheet positions resulting from movements in interest rates may adversely affect the Company's net interest income and shareholders' equity. If such impacts are sufficiently significant, they could reduce the Company's capital to a level below that considered	The Enterprise Risk Management Division coordinates with the relevant business units to undertake the following actions: • Establish key risk indicators (KRIs), risk appetite, and risk tolerance in line with interest rate-related factors and review the KRIs annually. • Conduct quarterly interest rate stress testing using assumptions and market interest rate volatility to assess the potential severity of adverse impacts under stressed conditions.	• Consider both short-term and long-term borrowings and adjust the proportion of each type of borrowing to align with expected future interest rate trends and the Company's asset structure, while always taking liquidity risk into consideration. • Monitor interest rate movements in the money and bond markets daily to support the preparation of interest rate risk reports. • Track and report the risk status against the established key risk indicators (KRIs) to the Risk Management Committee (RMC)

Risk Identification	Risk Assessment, Risk Appetite and Risk Exposure	Mitigating Actions
adequate to support its business operations.	• Assess interest rate risk exposure by considering market interest rate volatility and evaluating the potential financial impact of rising funding costs across various sources of funds, based on the current funding position, as a percentage compared to projected net profit or the Company's equity in accordance with the annual funding plan.	on a monthly basis to ensure that risks remain within acceptable levels. In cases where risk levels are rather high or high, an action plan must be formulated as specified.

Strategic Risk

Risk Identification	Risk Assessment, Risk Appetite and Risk Exposure	Mitigating Actions
Strategic risk arises from the formulation of inappropriate strategies and business plans, the ineffective implementation of such strategies, or misalignment with internal factors and changes in the external environment, both present and future. Such risks may affect the Company's revenue, operating performance, competitiveness, financial performance, and ability to maintain business continuity. Currently, credit card and personal loan businesses are operating in a rapidly changing environment, driven by economic conditions, consumer behavior, digital technologies, regulatory requirements, and intensifying	• The Company aims to achieve sustained profit growth, with net profit being no lower than that of the previous year. It plans to expand its core businesses, including credit cards, KTC PROUD cash cards, and KTC P Berm auto title loans, while placing a strong emphasis on portfolio quality to ensure that the overall portfolio grows appropriately within an acceptable level of risk. • Establish key risk indicators (KRIs), risk appetite, and risk tolerance in line with strategic risk factors, and review the KRIs annually or upon any significant changes.	• Continuously improve overall operations by focusing on three main components: people, processes, and technology, to enhance operational efficiency, as well as the efficiency of products and services, and strengthen the Company's competitiveness. • Senior management from all Business Units hold brainstorming meetings to define, plan, and review strategies and business direction, taking into consideration various risk factors that may affect business objectives, including economic conditions, competition, technology, and applicable rules and regulations. The Company's

Risk Identification	Risk Assessment, Risk Appetite and Risk Exposure	Mitigating Actions
competition. As a result, the Company needs to continuously adapt to maintain and strengthen its competitiveness by developing a broader and more competitive range of products and services that better respond to customers' needs and leveraging technology and innovation to enhance operational efficiency and support its goal of becoming a leading provider of credit and comprehensive financial services.		business plan must be approved by the Board of Directors. • Evaluate and monitor performance against the business plan and targets, review strategies to adapt to impending changes, and report performance regularly to the Board of Directors and relevant management. • Establish and review risk management policies, including risk appetite, risk tolerance, and key risk indicators (KRIs), to ensure alignment with business operations and changing regulations. • Monitor and control risks in accordance with key risk indicators and risk appetite. Implement risk reporting mechanisms to provide monthly updates to the Risk Management Committee (RMC).

Operational Risk

Risk Identification	Risk Assessment, Risk Appetite and Risk Exposure	Mitigating Actions
Operational risk refers to the risk of loss arising from inadequate oversight, weaknesses in corporate governance, or inadequate controls over internal processes, personnel, systems, or external events. Such risks may affect the Company's operating income and may also give rise to legal risks, such as legal penalties or fines imposed by regulatory authorities.	The Enterprise Risk Management Division requires risk owners to conduct operational risk assessments at every stage of operations, considering both internal and external risk factors from two perspectives: the likelihood or frequency of occurrence and the severity of impact. Additionally, operational key risk indicators and acceptable risk levels (Risk Appetite) are established based on relevant risk factors to monitor risks in accordance with Krungthai Bank's consolidated supervision guidelines, such as maintaining zero tolerance for internal fraud incidents.	• Establish policies and guidelines for managing operational risk focused on prevention and monitoring to ensure a strong internal control system. • Develop Standard Operating Procedure (SOP) manuals for all departments. • Conduct Risk and Control Self-Assessment (RCSA) that encompasses corruption risks. • Collect and compile operational loss data. • Develop a Business Continuity Plan (BCP) as well as emergency plans for natural disasters or other pre-identified events to ensure operations continuity during crises. • Monitor and control risks according to key risk indicators and risk appetite. Implement risk reporting mechanisms to provide monthly updates to the Risk Management Committee (RMC).

Reputational Risk

Risk Identification	Risk Assessment, Risk Appetite and Risk Exposure	Mitigating Actions
The credit card and personal loan businesses provide financial services to a broad range of customers in an environment where information can be accessed and shared rapidly through digital channels. As a result, news, opinions, complaints, rumors, or incidents relating to the Company may spread widely and quickly, affecting stakeholder confidence, the Company's image, and reputation. Reputational risk may also arise from operations that are inconsistent with regulatory requirements, business ethics, service standards, customer data protection requirements, or stakeholders' expectations.	• The Company considers factors that may affect its reputation and stakeholder confidence, with reference to the reputational risk assessment guidelines of Krungthai Bank and relevant regulatory authorities. For example, customer complaints must be addressed and resolved within the timeframe specified in the Service Level Agreement (SLA). • Establish key risk indicators (KRIs), risk appetite, and risk tolerance in line with reputational risk factors, and review the KRIs annually or upon any significant changes.	• Establish a reputational risk management policy to ensure that reputational risk management is appropriate and effective. • Develop standard operating procedures for the responsible business units, covering processes for communicating with the public and all stakeholders, monitor Company-related information and news, and effectively manage customer complaints through timely investigation, resolution, and closure. • Monitor and control risks in accordance with key risk indicators and risk appetite. Implement risk reporting mechanisms to provide monthly updates to the Risk Management Committee (RMC).

Information Technology Risk

Risk Identification	Risk Assessment, Risk Appetite and Risk Exposure	Mitigating Actions
Information technology risk refers to risks that may arise from the provision and use of information technology in business operations, which may affect the Company's IT systems, information assets, or operational processes, including: • Risks arising from cyber threats, such as network attacks, intrusions into core systems, unauthorized access to databases, and vulnerabilities in software or operating systems that have reached the end of support or end of life (EOS/EOL). • Risks arising from data leakage and the unavailability of critical systems, which may affect customer service delivery. • Risks arising from high reliance on IT systems where internal controls are insufficient or outdated. • Risks arising from human factors, such as breaches of operating procedures or the inappropriate management of data access rights.	The Company conducts IT risk assessments by considering relevant IT processes and sub-processes, risk factors, and risk scenarios that may affect the organization. The assessment considers both the likelihood or frequency of occurrence and the severity of potential impacts. In addition, the Company establishes IT Key Risk Indicators (KRIs) based on relevant risk factors to support ongoing risk monitoring, together with risk appetite levels aligned with Krungthai Bank's consolidated supervision risk management guidelines.	• Apply the international standards ISO/IEC 27001:2022 and ISO/IEC 27701:2019 for information security management. • Conduct penetration testing at least annually and perform vulnerability assessments quarterly. • Maintain a Disaster Recovery Plan and a Business Continuity Plan (BCP), with regular testing. • Apply the Three Lines of Defense approach, with clear segregation of roles among IT Operations, IT Governance, and IT Audit. • Monitor and control risks against established key risk indicators (KRIs) and risk appetite levels and report the results to the Risk Management Committee (RMC) on a monthly basis. • Provide cybersecurity training and promote cybersecurity awareness among employees. • Define appropriate data access rights and regularly review system access and usage. • Establish a 24/7 Cybersecurity Security Operations Center (CSOC) and a Network Operations Center (NOC) to monitor cybersecurity threats and system availability. • Maintain cyber insurance to mitigate potential losses.

Emerging Risks

1. Rising Household Financial Vulnerability and the Transition toward Responsible Lending	
Description	High household debt remains a major structural challenge for the Thai economy. This is compounded by economic uncertainty, rising living costs, and the impact of technological change and AI, which may reduce income or employment opportunities for some workers. These factors may affect household income, increase financial vulnerability, and reduce debt repayment capacity. In addition, the growing role of digital financial products and services, such as digital lending, Buy Now Pay Later (BNPL), and virtual banks, has made credit more accessible to certain groups and may lead to higher indebtedness. These developments may increase household debt risks in the economy and constrain household consumption and long-term economic growth. In response, the government and regulators may revise policies, laws, and regulatory requirements to promote responsible and fair lending, control new debt accumulation, and support the sustainable resolution of existing debt problems. Such changes may affect credit assessment and approval criteria, credit limits and interest rates, minimum repayment requirements, product advertising and offerings, customer assistance and debt restructuring measures, and customer protection requirements. Consequently, these changes may affect the Company's business opportunities, revenue, operating costs, asset quality, and competitiveness. As a credit card and personal loan provider under the supervision of the Bank of Thailand, the Company must closely monitor regulatory developments and adjust its business processes, products, and risk management practices to comply with responsible and fair lending requirements.
Impact	The enhancement or revision of regulatory requirements to address household debt issues may require the Company to adjust its business strategy, credit policies, product terms and conditions, debtor assistance measures, systems, and operational processes. These changes may constrain the Company's growth opportunities and reduce its revenue, while increasing operating and regulatory compliance costs. Furthermore, a decline in customers' debt repayment capacity may increase non-performing loans and credit loss provisions, affecting the quality of the Company's credit portfolio, financial position, and operating performance. If the Company is unable to comply with applicable requirements accurately and on time, it may be required to take corrective action or be subject to regulatory sanctions or fines. Such non-compliance may adversely affect the Company's reputation and stakeholder confidence and could result in the revocation of its business licenses.
Mitigating actions	The Company has established policies, regulations, and operating procedures relating to lending practices, customer care, and regulatory compliance, and has communicated them to relevant directors, executives, and employees to ensure their acknowledgement and compliance. Key risk management measures include: • The Compliance Business Unit is responsible for monitoring draft laws, regulations, supervisory requirements, and guidelines, and coordinates with regulators and relevant

	industry associations, such as the Credit Card Club and Personal Loan Club, to assess potential impacts and prepare in advance. Relevant updates are reported to committees, the Board of Directors, and relevant functions to determine appropriate response measures. • The Company provides annual training on key regulatory requirements for all employees, including when new requirements are introduced or existing requirements are amended. The Company also assesses employees' knowledge and understanding and continuously monitors compliance with and implementation of such requirements. • The Company develops and regularly reviews its products, credit approval processes, and credit limit setting practices to ensure alignment with the Responsible Lending guidelines and avoids encouraging customers to incur debt beyond their repayment capacity. • The Company incorporates economic data and assumptions into its assessment of credit portfolio quality and expected credit losses. It also conducts scenario analysis and stress testing to assess potential impacts on asset quality, provisions, revenue, financial position, and profitability, and determine appropriate mitigating measures. • The Company has a dedicated function responsible for monitoring credit portfolio quality, customers' repayment behavior, and early warning indicators of customers who may be experiencing financial difficulties. This enables the Company to engage with such customers, provide appropriate advice, and offer timely assistance, including debt restructuring where necessary. • The Company provides channels for customer inquiries, requests, and assistance through KTC Phone and other Company channels. The terms and conditions of debtor assistance measures are also communicated through the Company's website and other appropriately accessible channels. • The Company operates in accordance with the Responsible Lending (RL) guidelines by implementing debtor assistance measures that are appropriate to customers' circumstances and repayment capacity, while avoiding excessive debt burden. These measures cover customers showing early signs of financial difficulty, non-performing loans, and debtors with Severe Persistent Debt (SPD). The Company also supports and cooperates with measures introduced by the Bank of Thailand and other relevant government agencies. • The Company monitors credit quality indicators, customer assistance outcomes, complaints, regulatory compliance, and the progress of implementation plans for new regulatory requirements and reports the results to management and relevant committees for ongoing review and improvement.

2. Risks Associated with the Increasing Use of and Reliance on Artificial Intelligence (AI)	
Description	KTC recognizes the importance of adopting artificial intelligence (AI) to support its business operations, as AI can process large volumes of data and improve the efficiency of various business processes. The Company currently uses Generative AI for data analysis, decision support, and solution recommendations. AI is also used to enhance customer experience through consumer behavior analysis and continuous improvement of customer communications. However, the Company recognizes the risks associated with AI, which may affect stakeholders, including personal data breaches, data accuracy and reliability issues, and cybercrime. Therefore, the development and use of AI must take these risks into account and be supported by appropriate controls and oversight measures to ensure proper use.
Impact	The adoption of AI technology without appropriate governance and controls may expose the Company to risks relating to cybersecurity and data leakage, leading to the inadvertent disclosure of confidential information or intellectual property. Reliance on AI-generated information may also create risks if such information is inaccurate, outdated, or biased, potentially affecting business analysis and decision-making. In addition, inadequate monitoring and oversight of AI use may increase exposure to cybercrime, including phishing, deepfakes, and impersonation. Such incidents could result in losses to customers, disrupt the Company's operations, and adversely affect confidence in and the reputation of the Company. Furthermore, deficiencies in data governance or the use of AI in a manner that does not comply with applicable laws and regulations may result in regulatory fines or other legal measures.
Mitigating actions	The Company has established an AI risk management framework appropriate to the nature and level of AI-related risks and aligned with applicable laws, regulatory requirements, and relevant standards. Key risk management measures include: • The Company has established policies, scope of use, roles and responsibilities, and approval processes for AI usage. The use of personal data, customer information, or the Company's non-public information in unauthorized AI tools is strictly prohibited. The Information Security Committee reviews and approves AI usage within the organization. • The Company conducts assessments of data, security, output accuracy and reliability, and third-party risks. Material outputs must be reviewed and validated by responsible personnel before use. The Company operates in accordance with certified international standards, including ISO/IEC 27001:2022 and ISO/IEC 27701:2019. Vulnerability assessments and penetration testing are conducted before new technologies are implemented. Risks relating to outsourced service providers and vendors are also assessed, and AI-related requirements are clearly defined in relevant contracts. • The Company monitors and reviews AI usage to ensure traceability and has established incident reporting and management processes. Employees receive training on the safe and responsible use of AI, and control measures are regularly reviewed to keep pace with changes in technology, threats, and regulations. Internal Audit and relevant oversight functions conduct regular reviews to ensure that data processing through Generative AI complies with established policies and requirements.

KTC conducts an annual independent review of the effectiveness and adequacy of its risk management processes. The review is performed by the internal audit unit to ensure that the Company has appropriate risk management and internal control systems in place. In addition, the Company engages external auditors or independent experts to review and assess specific risk management processes, as described below:

- **Credit Risk :** KTC monitors and reviews the performance of its credit scoring models on a quarterly basis and reports the results to the Risk Management Committee (RMC) in accordance with the established reporting schedule. In addition, KTC annually reviews the performance of its Expected Credit Loss (ECL) model and stress-testing process to assess the adequacy of credit loss allowances and provisions and to ensure prudent preparedness for potential stress scenarios. To further enhance the reliability and accuracy of financial reporting, the ECL model is also subject to periodic performance reviews by the Company's external auditor, EY Office Limited, as part of the regular audit cycle. Whenever an existing model is materially modified or a new model is developed in a manner that may affect provisioning, EY also validates the model prior to its implementation. The validation assesses the appropriateness of the model, key assumptions, and potential impact on financial reporting.
- **Information Technology Risk :** KTC engages an independent external auditor to conduct annual assessments of its operational practices and compliance with relevant international standards, including ISO/IEC 27001:2022 for Information Security Management Systems and ISO/IEC 27701:2019 for Privacy Information Management Systems. These assessments are conducted by BSI Group (Thailand) Co., Ltd., part of the United Kingdom's national standards body. They provide assurance that KTC systematically identifies, assesses, and manages risks related to information technology, cybersecurity, and personal data, with appropriate and effective controls in place.