

# CORPORATE GOVERNANCE

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# CORPORATE GOVERNANCE COMMITTEE REPORT

The Corporate Governance Committee of KASIKORNBANK PCL comprises three directors of the Bank. Pol. Gen. Pow Sarasin, Non-Executive Director, is chairman of the Corporate Governance Committee, and the other two members are Mr. Sukri Kaocharern, Non-Executive Director and Prof. Dr. Yongyuth Yuthavong, Independent Director. Its main responsibility is to oversee the Bank's business practices in compliance with the Statement of Corporate Governance Principles, laws and regulations, to ensure effective practice of Corporate Governance Principles by the Bank, and to supervise corporate environmental and social responsibility. During 2008, the Committee held five meetings in carrying out its duties and responsibilities under the Corporate Governance Charter, as summarized below:

- Ensuring that the whole organization has undertaken its business operations and actions under the Statement of Corporate Governance Principles, as specified.
- Endorsing a strategic plan and activities to enhance good corporate governance. Emphasis has been placed on the maintenance of corporate governance standards of the Bank, and the creation of corporate governance as an organizational culture, by regularly communicating the Statement of Corporate Governance Principles and Code of Conduct to all executives and employees, preparing a Corporate Governance journal for distribution to the Board of Directors, and overseeing continual dissemination of information on corporate governance to the general public.
- Supervising corporate environmental and social responsibility.
- Reviewing the Statement of Corporate Governance Principles, Charters of the Board of Directors and Board Committees, as well as the Statement of Business Conduct and Code of Conduct, keeping them up-to-date, in accordance with the ongoing

business undertakings of the Bank and in line with best practices, as prescribed by the Stock Exchange of Thailand (SET), Office of the Securities and Exchange Commission (SEC), and Bank of Thailand (BoT).

- Endorsing a guideline of the Corporate Governance Report in the Annual Report.

In 2008, the Bank won the Top Corporate Governance Report Award and IR Excellence Award, presented by SET and Money and Banking Magazine at the "SET Awards 2008" ceremony, and achieved an "Excellent" corporate governance score from the Thai Institute of Directors Association (IOD). In addition, the Bank has achieved an "Excellent" score from quality assessment of Annual General Meeting arrangement among listed companies in 2008, with special commendation for exemplary performance in Annual General Meeting arrangement, for three consecutive years, presented by SEC in cooperation with the Thai Investors Association and Thai Listed Companies Association. Such outstanding accolades reflect the ongoing corporate governance development of the Bank, and our commitment to carry out our business in a transparent and fair manner, to ensure trust in the Bank among all shareholders, investors, customers and other stakeholders.

Pol. Gen.



**Pow Sarasin**

Chairman of the Corporate Governance Committee  
January 29, 2009

# HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

ANNUAL REPORT 2008

KASIKORNBANK's Human Resources and Remuneration Committee comprises four directors. Dr. Schwin Dhammanungune, Independent Director, is Chairman of the Human Resources and Remuneration Committee, and the other threemembers are M.R. Yongswasdi Kridakon, Non-Executive Director, Mr. Chaisak Saeng-Xuto, Independent Director and Prof. Dr. Pairash Thajchayapong, Independent Director. Five meetings were held in 2008. The Human Resources and Remuneration Committee has, per the Committee Charter, the duties and responsibilities which can be summarized in the following:

- Review human resource and remuneration policy, compensation for the Chief Executive Officer, President, Executive Vice Presidents and other high-ranking executives. The Committee is also responsible for recommending the successors for high-ranking executives, management development programs, management rotation, and human resource strategies in line with the business direction of the Bank.
- Review the recruitment of directors and senior executives and take into consideration the qualifications of candidates for the positions of directors, Chief Executive Officer, President and high-ranking executives in line with regulatory requirements, the Bank's Articles of Association, and good Corporate Governance Principles.
- Maintain an appropriate proportion, size and composition of the Board per the Board's duties and responsibilities.
- Evaluate performance of Chief Executive Officer and President in pursuance of the Bank's established guidelines.

Upon reviewing the remuneration for directors and high-ranking executives, as disclosed in the Annual Report, the Human Resources and Remuneration Committee deemed it commensurate with their duties and responsibilities, according to the Bank's criteria, and also taking into consideration the Bank's performance results, performance assessment as well as the overall business and economic environment.



**Dr. Schwin Dhammanungune**

Chairman of the Human Resources and Remuneration Committee

January 15, 2009

# CORPORATE GOVERNANCE

## 1. Rights of Shareholders

Recognizing the importance of shareholders, the Board of Directors makes every effort to treat its shareholders equally and fairly, as specified under the Articles of Association of the Bank and related laws. The basic legitimate rights of shareholders include the right to participate in shareholders' meetings, the right to appoint a proxy to participate and vote at shareholders' meetings, the right to vote for the appointment or removal of individual directors, the right to vote on the annual appointment of independent auditors and setting of annual audit fees, and the right to vote on various other businesses of the Bank. Shareholders' rights also include eligibility to receive dividend payment, the right to give opinions and enquire into business matters of the Bank during shareholders' meetings, and the right to receive sufficient information in a timely manner.



*The Annual General Meeting of Shareholders at KBank's Head Office*

Apart from the above basic rights, the Board of Directors emphasizes the disclosure of accurate, complete, timely, and transparent information to shareholders. Information updates are regularly provided on the Bank's website in three languages - Thai, English and Chinese - as well as to the public media. In 2008, the Bank undertook the following tasks to facilitate and promote the rights of shareholders:

1. The Board of Directors Meeting No. 2/2008, on February 28, 2008, resolved to schedule the 2008 Annual General Meeting of Shareholders for on April 3, 2008. The resolution was published on the information

2. Before the Annual General Meeting of Shareholders, the Bank arranged for delivery of the meeting notice, which included information on the date, time and venue of the meeting, a map of the meeting place, and the meeting agenda, in accordance with the law, the Stock Exchange of Thailand's requirements and the Bank's Articles of Association. In addition, proxy forms and a complete set of supporting documents for the meeting agenda, together with the Bank's Articles of Association related to the meeting, were sent to shareholders for their consideration more than 14 days prior to the meeting date. Along with the meeting notice, shareholders were sent sufficient information for voting on every agenda item, each of which



*Atmosphere at the Annual General Meeting of Shareholders*

was identified clearly as either 'for acknowledgment', 'for approval' or 'for consideration', together with sufficient and clear comments by the Board of Directors to help shareholders in their voting decision. All of the information sent in document form was also posted on the Bank's website ([www.kasikornbankgroup.com](http://www.kasikornbankgroup.com)) at least 30 days prior to the meeting date so that shareholders received the information in a convenient and timely manner. Moreover, the meeting notice was published in a Thai daily newspaper for at least three consecutive days and at least three days before the meeting date.

The notice of the general meeting of shareholders and the meeting documentation were also prepared in English and posted on the Bank's website to facilitate participation by foreign shareholders.

For those attending the Annual General Meeting of Shareholders, the Bank gave detailed information on which documents were necessary for shareholders to present on the meeting day in order to have the right to attend the meeting, including a proxy form per the Ministry of Commerce's designation. Also included was a list of independent directors, the Chairman of the Board, the Chief Executive Officer, the President, and any other persons whom the shareholders might wish to appoint as proxy, to vote at the meeting on his/her behalf.

3. On the meeting day, the Bank arranged for shareholder registration to begin more than one hour prior to the meeting. Preparation of the venue, greeters and an appropriate number of registration staff were also arranged to facilitate shareholders. A barcode system was used for shareholder registration and proxy registration, allowing for a quick and efficient registration procedure. Printed ballots were handed out to each shareholder for voting on each agenda item.
4. Before the meeting commenced, the Chairman of the meeting assigned the Corporate Secretary to clearly inform all shareholders of voting and vote-counting procedures. The counting of votes was carried out in a transparent manner. In 2008, the Bank adopted a barcode system to facilitate the vote count processing. One share equals one vote, and approval of a resolution was based on the majority of votes, except for special resolutions which required approval of no less than two-thirds or three-quarters of all votes of eligible voters present at the meeting. This practice was in line with the Bank's Articles of Association and the law.

In the 96<sup>th</sup> General Meeting of Shareholders, the Vice Chairman of the Board acted as the Chairman of the meeting, which was also attended by the Chief Executive Officer, the President, and the chairmen of all Board Committees. Altogether, there were 13 directors in attendance:

1. Pol. Gen. Pow Sarasin  
Vice Chairman and Chairman of the Corporate Governance Committee
  2. Mr. Banthoon Lamsam  
Director, Chief Executive Officer and Chairman of the Risk Management Committee
  3. Dr. Prasarn Trairatvorakul  
Director and President
  4. Mr. Sukri Kaocharern  
Director
  5. M.R. Sarisdiguna Kitiyakara  
Independent Director and Chairman of the Audit Committee
  6. Mr. Somchai Bulsook  
Independent Director
  7. Ms. Sujitpan Lamsam  
Director
  8. Prof. Emeritus Khunying Suchada Kiranandana  
Independent Director
  9. Mr. Charles L. Coltman, III  
Independent Director
  10. Dr. Abhijai Chandrasen  
Director and Legal Adviser
  11. Ms. Elizabeth Sam  
Independent Director
  12. Mr. Chaisak Saeng-Xuto  
Independent Director
  13. Dr. Schwin Dhammanungune  
Independent Director and Chairman of the Human Resources and Remuneration Committee
5. During the meeting, the Chairman of the meeting offered all shareholders an equal opportunity to give suggestions and ask questions within an appropriate time frame, and allowed directors in charge of the topics that were

raised to clarify and provide complete information to shareholders. Moreover, shareholders were given the opportunity to submit questions concerning the meeting agenda in advance, from the day they were notified of the meeting and the meeting agenda until one week before the Shareholders' Meeting date. These criteria were disclosed via the information dissemination system of the Stock Exchange of Thailand, and the Bank's website. For shareholders who entered the meeting after it had commenced, voting or casting of ballots was allowed for agenda items that were still under consideration.

6. In 2008, the Bank prepared a "Shareholder Smart Guide" as a guideline for the shareholders and for quicker and more convenient services.



*Registration of shareholders attending the Annual General Meeting of Shareholders*

## 2. Equitable Treatment of Shareholders

Recognizing the importance of equitable treatment of shareholders, the Board of Directors has established a Corporate Governance Policy based on shareholders' rights and the equal and fair treatment of all shareholders, and has undertaken the following tasks:

1. To promote good governance, the Bank provided shareholders with the opportunity, before the Shareholders' Meeting, to propose matters to consider including as agenda items, per specified criteria. Shareholders were also allowed the opportunity to propose qualified candidates having no prohibited characteristics, for election as director under the

prescribed process at the General Meeting of Shareholders. Guidelines on the proposing procedure and shareholders' rights were provided to shareholders through the information dissemination system of the Stock Exchange of Thailand and disclosed on the Bank's website, including the Bank's decisions and reasons related to the proposed matters or candidates. In 2008, the Bank posted this notification 4 months in advance of the meeting, but no shareholders proposed any issue to be included in the agenda items, nor did they propose a candidate for election as director.

2. The Bank arranged for the Shareholders' Meeting to be conducted in a transparent and efficient manner, in line with the Bank's Articles of Association and related laws. The consideration of items and voting



*The "Shareholder Smart Guide" prepared by KBank*

were conducted in accordance with the announced agenda. This included consideration of the election of directors individually and his/her remuneration, together with consideration of the annual appointment of independent auditors, the audit fee setting and other agenda items as specified in the meeting notice. During the meeting, in addition to related meeting documents, the Bank prepared video presentations and provided English translations for foreign shareholders.

3. Shareholders unable to participate in the meeting had the option to appoint proxies to the meeting. Proxies could be independent directors, or the Chairman of the Board, or the Chief Executive Officer, or

the President or any other person appointed to participate in voting on behalf of the shareholders. Proxy forms were designed such that shareholders were able to designate the direction of the voting.

4. Ballots were used in voting on every agenda item. To enable vote counting to be carried out efficiently and rapidly, the Bank collected only the ballots of shareholders in opposition of or abstaining from the vote. Concerning the appointment of directors, to comply with the operating guidelines of the Office of the Securities and Exchange Commission, the Bank collected the ballots from all shareholders and proxies present at the meeting and arranged to have officers from a legal advisory firm verify the correctness of the votes, and to keep the ballots for future reference.
5. Comprehensive minutes of the meeting were recorded. They comprised details of significance, e.g., meeting resolutions, the voting result (divided into approval, opposition and abstention for each agenda item), questions, explanations and opinions of the meeting. The minutes of the shareholders' meeting were sent to regulatory agencies within 14 days after the meeting, and to shareholders for their acknowledgment, as well as posted on the Bank's website. Moreover, the Bank arranged for the meeting to be video recorded for future benefits.
6. The Bank has established regulations to supervise the use of inside information, concerning securities trading of directors and employees, in compliance with the Securities and Exchange Act and good corporate governance. The regulations are reviewed regularly, the essence of which is summarized as follows:
  - All operational units must set up a system, manage their workplace and maintain inside information to prevent disclosure to others. Inside information can be used and sent only by persons who need to know or use it for their operations.
  - Directors and employees are prohibited from buying, selling, transferring or accepting the transfer of securities in any manner that may take advantage

of outsiders by using inside information that may have a significant impact on the price of securities, and has not been disclosed to the public or the Stock Exchange of Thailand. Though they may have become aware of such information in their capacity, either as directors or employees of the Bank, such actions are prohibited, whether to favor themselves or others, or to reveal such information to others to do or receive benefits thereof.

- The Bank has regulated that directors, officers in the position of Executive Vice President or equivalent and higher, and those in the position of Department Head or equivalent in the Financial Accounting Management Department or Financial Planning Department, must report their ownership of securities issued by the Bank, including those under ownership by their spouses and minor children. Moreover, they have to report every change in the holding of securities issued by the Bank, i.e. by any purchase, sale, transfer and acknowledgement of transfer, as regulated by the office of the Securities and Exchange Commission, and also prepare a copy of reports their ownership of securities for the Corporate Secretary, to submit such reports to the Board of Directors. Furthermore, the Bank requires that all personnel who have access to significant inside information, under the above criteria, report their ownership of securities issued by the Bank, including those under the possession of their spouses and minor children, to the Bank's compliance unit.
- Concerning the supervision of securities trading and prevention of the use of inside information, the Bank has stipulated a silent period for securities trading by directors and related staff, prohibiting trading of securities issued by the Bank starting one month prior to the Bank's disclosure of financial statements or quarterly performance, and lasting until the second day after the information has been disclosed. Regulations on the prevention of the use of inside information have been regularly disseminated

at the beginning of the year and quarterly to directors, and related staff through various operating channels of the Bank, including regular monitoring of actions.

### 3. Roles of Stakeholders

The Bank places particular emphasis on the equal rights of all stakeholders, both internal stakeholders, i.e., shareholders, the Board of Directors, and employees of the Bank and subsidiary companies; and external stakeholders, i.e., customers, counterparties, competitors, creditors and related government agencies, as well as the community, the environment and the society .

In order to ensure the rights of stakeholders, the Bank has established in writing a Statement of Business Conduct and a Code of Conduct for all employees, which have been disseminated through the Bank's website and internal communication media such as newsletters and KASIKORNTV, for strict adherence by directors, executives and employees at all levels. In addition, the Bank has assigned the Compliance Department to monitor employees to abide by the Code of Conduct, and the Corporate Governance Unit under the Office of the Corporate Secretary, Corporate Secretariat Division, to oversee all governance issues of the Bank and to periodically report to the Corporate Governance Committee. All departments and all product managers of the Bank are also required to strictly abide by the Bank's Corporate Governance guidelines.

Realizing the importance of stakeholder involvement, the Bank provides communication channels to receive suggestions, information, or complaints of improper action from stakeholders, which are conveyed to the Bank's Board of Directors in accordance with the guidelines disclosed on the Bank's website. For transparency purposes, as well as for the protection of the rights of the information providers, the Bank has established a policy for receiving information or complaints in writing, with specific channels for complaints, management procedures, and measures for the protection of information providers' rights and the protection of confidential information. Only designated authorized persons have access to the confidential information and

are able to investigate complaints and report to the Board of Directors. In the case of a stakeholder affected by the disregard of their lawful rights, the Bank has also installed measures to give fair treatment to the stakeholder.

**Shareholders:** The Bank is determined to achieve good operating performance, sustainable growth, and competitiveness, with due consideration of both current and future risk factors, in order to maximize shareholders' value over the long term. The Bank discloses all information in a fair and transparent manner, and makes every effort to protect the Bank's assets and uphold its reputation.

**The Board of Directors:** The Board of Directors is fully aware of the rights of stakeholders and undertakes measures to ensure that these legitimate rights are provided, and that all stakeholders are treated equally and fairly.

**Employees:** Employees are valuable assets of the Bank. The Bank continues to seek capable and experienced personnel in line with its growth and the demands of the organization. Necessary training programs have been continuously provided to enhance employees' capabilities and appropriate remuneration, comparable to that of other leading companies, is offered. A favorable business culture and atmosphere is promoted in the workplace, together with fair and equal treatment of all employees. The Bank recognizes the need for proper welfare and security for employees, and provides such benefits as provident funds, scholarships for employees and their children, as well as safety procedures such as fire drills, the installation of fire prevention systems and other efforts to ensure safety and security.

**Customers:** The Bank aims to promote customer satisfaction by offering high-quality financial products and services, and through its readiness to respond to the needs of customers. The Bank gives due attention to and holds itself accountable to customers, and more importantly, gives high significance to the protection of their confidential information. Customers are provided with explanations of the risks related to the use of various financial services, and are given the opportunity to express opinions through responsible departments that the Bank has assigned to handle customer complaints.

**Counterparties:** The Bank respects compliance with contracted terms and conditions in trade, in fair and acceptable competition, and refrains from all dishonest practices.

**Competitors:** The Bank observes fairness in competition and does not practice any dishonest methods that are deleterious to competitors.

**Creditors:** The Bank abides by lending terms and conditions, and all legitimate duties to creditors, debenture holders and depositors. The Bank also gives clear explanations to customers on all the possible risks involved with non-deposit financial services.

**Responsibility to the Community, the Environment and the Society:** The Bank operates as a good financial institution and conducts business according to the Statement of Corporate Governance Principles. The Bank believes that environmental



*KGroup booth at 'SET in the City 2008', organized by the Stock Exchange of Thailand*

and social responsibilities are part of sustainable development and has established the Corporate Social Responsibility (CSR) Policy as follows:

- To strictly adhere to the Statement of Business Conduct, and to participate in social development and environmental protection
- To encourage employees at all levels to strictly abide by the Code of Conduct and CSR Principles
- To embark on CSR activities which encompass demonstration of concerns for all stakeholders
- To arrange for a good working environment by placing considerable emphasis on safety,

occupational health, environmental concerns and working facilities for employees and customers

- To promote environmental preservation
- To refrain from granting credit to any projects not in compliance with the national environmental protection laws.

The Bank acts as a good citizen, is non-partisan and is not aligned with any political party. The Bank bears in mind its role as part of the greater society and its responsibility to assist society and promote activities that benefit the community, the society and the environment, in order to enhance the living standards of the people. The Bank recognizes the importance of and demonstrates concern for sound environmental protection through continuing efforts and activities, as shown under the topic of **Corporate Social**



*KBank and our customers participating in a mangrove reforestation program to help prevent global warming, in Chon Buri*

**Responsibility Activities** in this annual report.

The Bank has also specified other procedural guidelines, as follows:

**Fairness:** The Bank demonstrates fairness to all parties having business relationships with the Bank, and does its best to avoid any bias or event that would lead to a conflict of interest.

**Ethics:** The Bank adheres to its Statement of Business Conduct and integrity in every business endeavor it pursues.

**Professionalism:** The Bank maintains professional standards, aiming high for superb quality integrated with modern and sophisticated technology.

**Responsiveness:** The Bank has the readiness to respond to the needs of the customers and society, as well as to changes in the economy and technology, both at present and in the future.

**Discipline and Compliance:** The Bank pursues business with discipline and ethical principles, and certifies that its business operations comply with the law, the Statement of Business Conduct, and the Code of Conduct for employees.

#### 4. Disclosure and Transparency

Realizing the importance of transparent information disclosure, the Bank has set up and supervised clear policies, approved by the Board of Directors, concerning communication with external parties. The objective of these policies is to ensure that the disclosures of the Bank's financial and non-financial information to shareholders, investors, analysts, regulatory agencies and the general public are accurate, complete, timely, equally accessible to all, transparent, and in accordance with related laws and regulations. In 2008, the Bank reviewed and amended the Policy for External Communications under approval by the Board of Directors, to ensure the uniform operational standard for external communications of KASIKORNBANKGROUP.

On May 18, 1998, the Bank established the Investor Relations and Shareholders' Services Unit under the Executive Services Department, Corporate Secretariat Division. In 2007, under a change in the organizational structure, the unit was renamed as the Investor Relations Unit, under the Office of the Corporate Secretary, with the objective and responsibility of handling investor relations-related activities. Responsibilities of the Investor Relations Unit include setting up annual investor relations plans, and providing timely and accurate information to shareholders, investors, analysts and credit rating agencies, both local and international, so as to enhance the good image and reliability of the Bank to investors, and deliver efficient service to the Bank's shareholders.

The Bank has authorized the Chairman, the Chief Executive Officer, the President and the Chief Investor Relations Officer of the Corporate Secretariat Division,

and/or the Head of Investor Relations to publicly disseminate the Bank's information, as well as replying to shareholders' questions and to those interested in investing in the Bank's securities. Such inquiries would be directly reported to the Chief Executive Officer and the President, and occasionally reported to the Board of Directors.

In 2008, the Bank disclosed important and adequate financial information in its financial statements. The disclosures were in line with the Bank of Thailand regulations, the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission and Thailand Accounting Standards, and were disseminated via the SET Community Portal and the Bank's website. The financial statements were audited under unqualified opinion by the certified public accountants, and were endorsed by the Audit Committee before disclosure to shareholders, while the Board of Directors of the Bank also disclosed its responsibility for financial statements in the annual report. Moreover, the Bank has published unreviewed quarterly financial statements, and reviewed/audited financial statements, as well as other non-financial information, such as the Management Discussion and Analysis and information on the Bank's corporate governance, for the benefit of shareholders, investors and analysts. In addition, the Bank has periodically evaluated the effectiveness of the disclosure procedures.

The Investor Relations Unit announces a 7-day silent period before the quarterly operating results are reported to the Stock Exchange of Thailand. During this period, no information related to the Bank's performance is revealed to shareholders, investors or analysts. Neither were there company visit/participations in one-on-one meetings/group analyst meetings/replies to questions related to the Bank's operating results during this period. This practice is regarded as a key policy of the Investor Relations Unit, to ensure that its operations are consistent with the Bank's procedures that always comply with the Statement of Corporate Governance Principles. By doing so, the Bank can ensure that its disclosures are transparent and equally accessible to all, especially before the report on the Bank's quarterly operating results to the Stock Exchange of Thailand.

For disclosures on important information, the Bank uses various communication channels, and communicates regularly through the public media in order for the Bank's shareholders and stakeholders to have through access to the information. Information outlets include:

1. The Stock Exchange of Thailand
  - 1) The Annual Report
  - 2) The Bank's Financial Statements
  - 3) Notification of the Board of Directors' Resolutions and Other Matters
2. The Office of the Securities and Exchange Commission
3. The Ministry of Commerce
4. Newspapers
5. Magazines and journals
6. Television
7. KBank IR/PR News
8. KBank website (www.kasikornbankgroup.com)
 

Information available in three languages: Thai, English, and Chinese
9. Company Visits/One-on-One Meetings
10. Non-deal Roadshows
11. Analyst Meetings
12. Press Conferences
13. Written communications by mail to shareholders



*Analyst meeting at KBank's Head Office*



*Information providing for minor shareholders*

In 2008, the Bank's executives and Investor Relations Unit personally met with various persons to provide information on the following occasions:

| Type of Meeting        | No. of Events | No. of Companies | No. of Persons |
|------------------------|---------------|------------------|----------------|
| One-on-one Meetings    | 153           | 212              | 380            |
| Conference Calls       | 34            | 38               | 43             |
| Group Analyst Meetings | 9             | 129              | 149            |
| Investor Conferences   | 2             | 21               | 24             |
| Roadshows              | 6             | 99               | 137            |
| <b>Total</b>           | <b>204</b>    | <b>499</b>       | <b>733</b>     |

Of the above figures, 19 meetings were with 123 persons from 164 companies who met with the Bank's Chief Executive Officer or President. Some companies also met with the Bank on more than one occasion.

Moreover, in 2008, the Bank initiated a seminar for minor shareholders, as a knowledge-sharing debate session with KGroup's top executives, participated by 108 shareholders.

In 2008, KBank Investor Relations was recognized widely by investors and received the IR Excellence Awards for SET 50 companies at the SET Awards 2008, organized by the Money and Banking magazine and the Stock Exchange of Thailand.

Investors may contact KBank Investor Relations Unit at:

|                                          |                                                                                                                                                                                                                        |     |             |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-------------|
| Investor Relations Unit                  | : KASIKORNBANK PCL Head Office, 33rd floor, Investor Relations Unit, Office of the Corporate Secretary, Corporate Secretariat Division 1 Soi Kasikornthai, Ratburana Road, Bangkok 10140<br>Email: IR@kasikornbank.com |     |             |
| Chief Investor Relations Officer         | : Tel 0 2470 2673 to 4                                                                                                                                                                                                 | Fax | 0 2470 2680 |
| For Thai Investors and Registrar service | : Tel 0 2470 2663 to 7                                                                                                                                                                                                 | Fax | 0 2470 2747 |
| For Foreign Investors                    | : Tel 0 2470 6900 to 1                                                                                                                                                                                                 | Fax | 0 2470 2690 |
|                                          | 0 2470 2659 to 62                                                                                                                                                                                                      |     |             |



*A Seminar for minor shareholders, as a knowledge-sharing debate session with KGroup's top executives*



*KGroup's executives were presented with awards in the SET Awards 2008, held by the Stock Exchange of Thailand and Money and Banking magazine*

## 5. Responsibilities of the Board of Directors

### 5.1 Structure of the Board of Directors

#### Composition of the Board of Directors

The Bank's Board of Directors comprises of qualified persons who possess knowledge, abilities and experience beneficial to the Bank. According to the company registration in the latest update from the Ministry of Commerce, dated October 17, 2008, the Board of Directors of the Bank is composed of 16 members. The election of Board members follows the resolutions of the Shareholders' Meetings, as well

as the rules, regulations and the Bank's Articles of Association. The number of directors is appropriate for the Bank's business operations, and the composition is in conformity with the Bank of Thailand's notification on the "Governance of Financial Institutions" and Capital Market Supervisory Board's notification on "Request for Permission, and Permission for Sale of new Shares". KBank's Board of Directors includes:

- 2 Executive Directors
- 6 Non-Executive Directors
- 8 Independent Directors (accounting for 50 percent of the total Board members)

Binding agreements of the Bank must be signed by two authorized directors and affixed with the Company Seal. The primary authorized directors with signatory authority on behalf of the Bank are Mr. Banyong Lamsam, or Mr. Banthoon Lamsam, or Dr. Prasarn Trairatvorakul, or Ms. Sujitpan Lamsam. Any of these persons must co-sign with any of the following directors: Pol. Gen. Pow Sarasin, or Mr. Sukri Kaocharern, or M. R. Yongswasdi Kridakon, or Dr. Abhijai Chandrasen.

#### Corporate Secretary

The Bank has appointed Ms. Tida Samalapa as Corporate Secretary. She has suitable knowledge, qualifications, and experience to perform this function. The Office of the Corporate Secretary of the Corporate Secretariat Division is a unit supporting the secretariat functions of the Bank, consistent with the Statement of Corporate Governance Principles for effective management of the Bank. The main duties and responsibilities of the Corporate Secretary include:

1. Provide basic advice pertaining to the laws and regulations governing commercial banking business and the Bank's Articles of Association, as well as monitoring compliance on a regular basis, and reporting any significant changes to the Board.
2. Arrange the Shareholders Meeting and the Board of Directors Meeting in accordance with the laws and regulations, the Bank's Articles of Association and related procedures.
3. Prepare minutes of the Shareholders Meeting and the Board of Directors Meeting, and monitor subsequent compliance with the resolutions of those meetings.
4. Ensure that corporate information disclosures to regulatory agencies are in accordance with the laws and regulations.
5. Communicate with shareholders on their legitimate rights and on the Bank's information.
6. Assist in Board activities.

#### Qualifications of Independent Directors

The Board of Directors Meeting No. 10/2008 on October 30, 2008, resolved to revise the definition of "Independent Director" in conformity with the Principles of Good Corporate Governance of the Stock Exchange of Thailand, the requirements of the Bank of Thailand on "Governance of Financial Institutions", and the requirements of the Capital Market Supervisory Board, in order to maintain investors' confidence and balance in good governance. The Bank's "Independent Director" has been defined as any director who does not take part in the management of the Bank, subsidiary companies or associated companies. The Independent Director is independent from management and from controlling shareholders. The qualifications of the Bank's "Independent Director", which have been defined more stringently than the criteria set by the Capital Market Supervisory Board, are as follows:

1. Holding not more than 0.5 percent of the Bank's shares with voting rights, or those of any subsidiary company, associated company or juristic person with conflict of interest, which shall be inclusive of the shares held by related persons.
2. Not being a director who is involved in the Bank management, an employee, a staff member, an adviser who receives a regular salary, or a controlling person of the Bank, subsidiary company, subsidiary company with the same level, associated company, or juristic person with conflict of interest.
3. Not holding a business relationship with the Bank, subsidiary company, associated company or juristic person, which may have conflict of interest in such a way that prevents the use of independent discretion. Nor is one a major shareholder, a non-independent director, or an executive of a business holding a relationship with the Bank, subsidiary companies, associated companies, or juristic persons with conflict of interest.
4. Not being a person related by blood or registration under law, (as father, mother, spouse, sibling, or child, including the spouse of a child), to executives, major shareholders, controlling persons or those who will be

nominated as an executive or a controlling person of the Bank or subsidiary company.

5. Not being a representative director appointed by the Bank's directors, major shareholders, or shareholders related to major shareholders.
6. Not being an auditor of the Bank, subsidiary companies, associated companies, or juristic persons with conflict of interest, and not being a major shareholder, non-independent director, executive or managing partner of the audit firm, in which there are auditors of the Bank, subsidiary companies, associated companies, or juristic persons with conflict of interest.
7. Not being a professional service provider such as a legal or financial adviser receiving service fees in excess of Baht 2 Million a year, from the Bank, subsidiary companies, associated companies, or juristic persons with conflict of interest. In cases where the adviser is a juristic person, it shall include the major shareholder, non-independent director, executive or managing partner of the above service provider.
8. Not holding other characteristics that prohibit the expression of independent opinion towards the Bank's business undertakings.

The previous directorial records as an independent director to be brought up for consideration include: a new independent director, not subject to reelection as an independent director, must not be the person as in Items (2), (3), (6) and (7), during the last two years before appointment as an independent director: an independent director, subject to reelection as an independent director, must not be the persons as in Items (3), (6) and (7), in the previous term before appointment as an independent director in the present term, except having been granted an exemption under notification of the Capital Market Supervisory Board.

At present, no independent director has a business relationship with the Bank, subsidiary company, associated company or juristic persons, which may have conflict of interest.

#### **Term of Office**

The Board of Directors has an established term of office for directors in the Articles of Association and the Corporate Governance Policy of the Bank. At each General Meeting of Shareholders, one-third of the directors - or if their number is not a multiple of three, then the number nearest to one-third - must retire from office. The directors who have been in office the longest shall retire first. If there is any disagreement as to who shall retire, it shall be decided by drawing lots. The retiring directors may also be re-elected. Regarding the term of office of Board Committee members, members of the Audit Committee, the Human Resources and Remuneration Committee, and the Corporate Governance Committee shall hold office for a term of 3 years, while members of the Risk Management Committee shall hold office for a term of 2 years.

#### **Directorship of the Board of Directors and Executives in other Companies**

The Board of Directors established guidelines that the Bank's directors and executives may hold a directorship in no more than five listed companies. They shall not hold the position of chairman, executive director or director with signatory authority in more than three other business groups, in conformity with the criteria of the Bank of Thailand and the Stock Exchange of Thailand.

The details of directorships held by the Bank's directors and executives in other companies are reported in the Annual Report under the topic of **Board of Directors and Executives**, as well as the topic of **Directorship of Directors and Executives in Subsidiaries, Associated and Related Companies**. At present, no KBank director or executive holds a directorship in more than five listed companies, nor are any in the position of chairman, executive director or director with signatory authority in excess of three other business groups.

#### **Separation of the Chairman and the Chief Executive Officer Positions**

The Chairman of the Board of Directors is not the same person as the Chief Executive Officer. He is neither a

regular employee, nor an executive of the Bank. The Bank has clearly set the scope of duties, responsibilities and governance authority in the Board of Directors Charter for each of the above positions. If and when the Chairman and the Chief Executive Officer are in any way related, the Board shall appoint a senior director who is an independent director to perform specific functions, where necessary, that would be expected of an independent Chairman.

## 5.2 Board of Directors

The members of the Board of Directors are qualified persons who have knowledge, ability and experience beneficial to the Bank. They are:

|                                                    |                      |
|----------------------------------------------------|----------------------|
| 1. Mr. Banyong Lamsam                              | Chairman             |
| 2. Pol. Gen. Pow Sarasin                           | Vice Chairman        |
| 3. Mr. Banthoon Lamsam                             | Executive Director   |
| 4. Dr. Prasarn Trairatvorakul                      | Executive Director   |
| 5. Mr. Sukri Kaocharern                            | Director             |
| 6. M.R. Sarisdiguna Kitiyakara                     | Independent Director |
| 7. M.R. Yongswasdi Kridakon                        | Director             |
| 8. Mr. Somchai Bulsook                             | Independent Director |
| 9. Ms. Sujitpan Lamsam                             | Director             |
| 10. Prof. Emeritus Khunying<br>Suchada Kiranandana | Independent Director |
| 11. Prof. Dr. Yongyuth Yuthavong                   | Independent Director |
| 12. Dr. Abhijai Chandrasen                         | Director             |
| 13. Ms. Elizabeth Sam                              | Independent Director |
| 14. Mr. Chaisak Saeng-Xuto                         | Independent Director |
| 15. Dr. Schwin Dhammanungune                       | Independent Director |
| 16. Prof. Dr. Pairash<br>Thajchayapong             | Independent Director |

### Responsibilities of the Board of Directors

The Board of Directors is responsible to KBank's shareholders. Each director represents all shareholders and takes part in supervisory and regulatory functions in the Bank's operations, in an independent and impartial manner, for the benefit of all shareholders and other stakeholders. The Board has roles and responsibilities

designated in the Board of Directors' Charter as follows:

1. Supervise and manage the Bank so that it is in accordance with the law and the Bank's objectives, the Articles of Association and the resolutions of Shareholders' Meetings.
2. Approve the Vision, Mission, Values and Statement of Business Conduct.
3. Review and discuss Management's proposed strategy options and approve major decisions in respect of the Bank's direction and policies. The Board also reviews and approves the Annual Business Plan, Capital Expenditure Budget, and performance goals proposed by the Management.
4. Monitor the Bank's performance and progress toward achieving set objectives as well as compliance with the laws, regulations and related policies.
5. Supervise and review the balance between the Bank's short-term and long-term objectives.
6. Ensure that the Bank shall vest the authority in the Chief Executive Officer and the President to initiate, commit and approve payments for expenditures approved in the Capital Expenditure Budget, and other budgets approved by the Board for the purpose of special projects. The Board shall also review and approve any credit proposal beyond the established limits of delegated lending authority.
7. Review and approve the human resources policies, management development plans and remuneration policy. The Board shall seek and nominate successors to the Chief Executive Officer and the President, as well as appraise their performance and ensure that effective performance assessments are undertaken for Bank executives.
8. Ensure the existence of an effective internal control system and appropriate risk management framework.
9. Ensure an effective audit system executed by both internal and external auditors.
10. Approve quarterly, semi-annual and annual financial reports; ensure that the reports are prepared under generally accepted accounting standards.

11. Ensure that the Bank has a proper system in place to communicate effectively with all stakeholders and the public.

#### Nomination of Directors

The Bank has established the Human Resources and Remuneration Committee to select and review candidates nominated for the positions of directors, the Chief Executive Officer and the President. The appropriate proportion, number and composition of the committee are taken into consideration, which must also conform to regulatory statutes, the Bank's Articles of Association and the Statement of Corporate Governance Principles. Selection guidelines include:

1. Consider persons with the necessary prerequisite qualifications specified by the Bank, and not having characteristics prohibiting them from holding a directorship in a financial institution or securities company per the criteria of the Bank of Thailand, the Office of the Securities and Exchange Commission, and other related agencies.
2. Review their qualifications based on the questionnaire on the qualifications of director of financial institution in accordance with related laws.
3. Have the qualifications, skills, knowledge and basic experience defined by the Bank.

The Bank gives shareholders the opportunity to propose candidates for consideration and election to such positions in the Annual General Meeting (AGM), according to specified criteria and procedures. The Human Resources and Remuneration Committee may propose to the Board of Directors that it set up an ad hoc committee comprising the Bank's Directors or external personnel to handle the director nomination procedure. If there is no suitable candidate, the nomination procedure will be resumed to find new qualified ones. For the nomination of Independent Directors, the Human Resources and Remuneration Committee will consider qualified candidates who do not have characteristics prohibiting them from holding such positions as prescribed by the regulations of the Bank of Thailand and other regulatory agencies. Qualified candidates

will be recommended to the Board of Directors for consideration and asked for concurrence from the Bank of Thailand before proposing to the Annual General Meeting of Shareholders to elect them individually.

After the Board of Directors resolves to endorse the proposal, the responsible unit would proceed to ask for the Bank of Thailand's concurrence, in either electing a new director or reelecting a director due to retire by rotation. If the Bank of Thailand does not concur with the proposal, the Human Resources and Remuneration Committee shall resume the nomination process.

After the Shareholders Meeting has passed a resolution to appoint a director, the responsible unit must register the change of director, and/or report to related official agencies within a defined period of time.

#### Appointment and Removal of Directors

1. The Bank's shareholders shall appoint not less than 7 and not more than 18 directors, whereby no fewer than half of all directors shall reside in the Kingdom of Thailand, and no fewer than three-quarters of all directors shall be of Thai nationality. A director may or may not be a shareholder. Directors shall be elected by the meeting of shareholders in accordance with the following rules and procedures:
  - (1) Directors shall be elected individually.
  - (2) Each shareholder shall have one vote per share held.
  - (3) Each shareholder shall use all of his/her votes in the election of directors.
  - (4) Persons receiving the highest number of approving votes among all candidates are to be elected in a respective order, in proportion to the number of positions to be filled at that meeting.
  - (5) In the event of a tied vote on candidates for the last order for director election, the chairman of the meeting shall have the deciding vote.
2. At each Annual General Meeting of Shareholders, one-third of the directors, or if the number is not a multiple of three, then the number nearest to one-third must retire from office. The directors who have

been in office the longest shall retire first. If there is disagreement as to who should retire, it shall be decided by drawing lots. The retiring directors may be re-elected.

3. Any director who passes away, or tenders his/her resignation prior to his/her term, or is resolved to be removed by a meeting, or ordered by the Court to resign, or whose qualifications fall short of criteria and prerequisites specified, shall be removed from office.
4. If a vacancy in the Board of Directors occurs for reasons other than the expiration of the director's term of office, the remaining Board members shall elect a person who has the proper qualifications, and has no prohibited characteristics, as a substitute director at the next meeting of the Board of Directors, unless the remaining term of office of the said director is less than two months. Such a resolution by the Board of Directors shall require not less than three-quarters of the remaining directors' votes for approval. The substitute director shall hold office only for the remaining term of the director whom he or she is replacing.

#### **Empowerment by the Board of Directors**

The Chairman and the Vice Chairman may approve the empowerment of executive authority to the Bank's Chief Executive Officer or President to legally act on behalf of the Bank in conducting transactions up to a limit of Baht 3,000 million per transaction. Either the Chief Executive Officer or the President may delegate this authority to a Bank employee to act on behalf of the Bank within the limits of each employee's responsibility. For transactions over the specified limit, the Board shall review and approve the limit of such transactions on a case-by-case basis.

#### **Executive Authority of the Bank**

In addition to the aforementioned empowerment of executive authority, the Bank has also established a set of criteria and plans for exercising internal executive authority. These principles help the Bank to delegate authority among employees in various positions, enabling them to perform

specific functions and make effective decisions with flexibility, but within the confines of an appropriate control system.

Internal executive authority is categorized into 3 areas:

1. Executive authority shared by various departments
2. Departmental/Office executive authority
3. Branch executive authority

#### **Principles**

The following are the main points of the structure and content of the internal executive authority:

1. The empowerment of executive authority is the delegation of the Chief Executive Officer's and/or President's authority to administer and execute various tasks within the Bank to the next lower level of management.
2. The Chief Executive Officer and/or the President are assigned by the Board of Directors to approve the internal executive authority and principles.
3. Internal executive authority shall include:
  - 1) Executive authority involving approvals and instructions that are intended toward financial and non-financial transactions for internal management within the department or unit according to the assigned duties.
  - 2) Executive authority involving disbursements must be within the approved budget of the Bank.
4. For complete control, executive authority is divided into categories according to their operational functions, as follows:
  - 1) Executive authority shared among various departments refers to authority that is not assigned specifically to any one particular department, but may be specified according to the job performed by those employing such authority in various departments/units. This includes executive authority in 9 areas:
    - (1) Executive authority relating to human resources
    - (2) Executive authority relating to expenditures
    - (3) Executive authority to quote exchange rates and offer lower fees or interest rates to domestic and international businesses

- (4) Executive authority of the Assets and Liabilities Management Sub-committee
- (5) Executive authority relating to credit approval and authority in debt restructuring
- (6) Executive authority relating to other aspects
- 2) Departmental executive authority is the executive authority delegated to a specific department relative to its business activities and delegated to the management of that division or department, as well as to individuals in various positions in the related department(s).
- 3) Branch executive authority is the authority delegated to branches relative to their business activities, being delegated to network managers, zone managers and branch managers, as well as individuals in various positions in the branch.
- 5. The principles of executive authority are established and presented in tabular form to ensure that the management and staff at all operational levels understand and perform their duties according to the delegated authority and risk management framework.

#### **Board of Directors' Meetings**

The Board of Directors schedules board meetings for the last Thursday of every month. All board members are informed of the schedule of the meetings for the entire year in advance at the beginning of each year. Additional meetings may also be held as deemed appropriate. The Corporate Secretary shall arrange for notices of board meetings, agendas and related documents containing complete information to be delivered to each director at least 7 days in advance, except in urgent cases, to allow sufficient time for the Board to study the matters at hand. Each director may ask for additional information from the Corporate Secretary and is free to propose an issue as a meeting agenda item. The agenda for board meetings shall be categorized clearly and include agenda items to monitor the operating results of the Bank on a regular basis. The designation of the agenda must undergo the consideration of the Chairman, the Chief Executive

Officer and the President.

During the meeting, the Chairman will allocate sufficient time for discussion and support directors in freely expressing their opinions. Pertinent executives of the Bank shall be invited to attend the meeting to provide related information and to directly acknowledge related policies to ensure effective implementation. The Bank provides a teleconference system for directors who cannot attend the meeting in person, and provides simultaneous translation for foreign directors. Each agenda item and its resolution are completely recorded in writing, and the minutes of the meeting - which have been affirmed by the Board together with related documents - are systematically filed for examination and reference by the Board, or others concerned.

Moreover, the Board has a policy of having non-executive directors conduct meeting sessions without the participation of executive directors, to offer them the opportunity to discuss problems and evaluate the performance of the Chief Executive Officer and the President. The outcome of such meetings shall be reported to the Chief Executive Officer and the President.

In 2008, the Board held a total of 12 board meetings and 1 meeting of non-executive directors. Details of each director's attendance appear under the item of **Meeting Attendance of Each Committee in 2008**.

#### **Advisers to the Board of Directors**

The Board of Directors appointed several qualified persons to act as Advisers to the Board of Directors, including:

1. Mr. Pairote Lamsam
2. Mr. Chaleo Yoovidhya
3. Mr. William Mark Evans
4. Dr. Tian Suning

#### **Responsibilities of the Advisers to the Board of Directors**

Roles and responsibilities of the Advisers to the Board of Directors are to make recommendations to the Board of Directors in matters that are relevant to and within the authority and responsibilities of the Board of Directors.

These include, for example, the Bank's policies, issues that require compliance with established laws and regulations, as well as other important business that, once undertaken, may cause significant changes or impacts to the Bank's operations.

### 5.3 Board Committees

The Board of Directors has appointed directors who have suitable knowledge and skills to act as members of the Board Committees whose specific duties are to pre-screen matters that need prudent attention prior to submission to the Board of Directors. The Board Committees include the Audit Committee, the Corporate Governance Committee, the Human Resources and Remuneration Committee, and the Risk Management Committee. The Bank has also established a Management Committee consisting of the Chief Executive Officer, the President and a number of executives to manage and operate the Bank's business as defined by the Board. In addition, certain directors have been appointed as Advisory Directors to the Management Committee, with the duty of providing expert consultation as deemed appropriate by the Board.

Moreover, the Bank has appointed nine Subcommittees to consider and review the scope of work assigned to them.

#### 1. Audit Committee

The Board of Directors approved the appointment of the Audit Committee in 1998, with the Committee having at least three independent members, and each member having a 3-year term. Each member is fully qualified in accordance with the qualifications prescribed by the Securities and Exchange Commission, the Capital Market Supervisory Board, and the Bank of Thailand. Prof. Emeritus Khunying Suchada Kiranandana has adequate expertise and experience to audit the credibility of financial statements.

At present, there are four independent members as follows:

|                                                |          |
|------------------------------------------------|----------|
| 1. M.R. Sarisdiguna Kitiyakara                 | Chairman |
| 2. Mr. Somchai Bulsook                         | Member   |
| 3. Prof. Emeritus Khunying Suchada Kiranandana | Member   |
| 4. Ms. Elizabeth Sam                           | Member   |

The Committee holds at least six meetings a year and reviews operations regularly per its charter. In 2008, the Committee held a total of eleven meetings and reported all meeting resolutions to the Board.

#### Responsibilities of the Audit Committee

The Audit Committee has duties and responsibilities mandated in the Audit Committee Charter approved by the Board of Directors, as follows:

1. Review financial statements on a quarterly, semi-annual and annual basis under consultation with the Bank's Finance and Control Division and external auditors in order to ensure that the financial statements of the Bank are accurate and reliable, and in compliance with accounting standards, laws and standards pertaining to the Bank's operations.
2. Review the adequacy and effectiveness of all risk management processes with the risk management unit, in consultation with both internal and external auditors.
3. Oversee the efficiency and independence of the risk asset review function.
4. Review the Bank's operations to see that they are in compliance with Securities and Exchange Acts, SET regulations and standards or banking laws and regulations pertaining to the banking business.
5. Review the effectiveness and appropriateness of the internal control and audit system, independence of the internal audit function and endorsement of the appointment, transfer and termination of employment of the Internal Audit Head.
6. Review the performance of the external auditors; consider, select and recommend to the Board the appointment and annual audit fees of the independent auditors. Hold at least one meeting a year with the external auditors without the presence of management.
7. Evaluate the connected transactions, or transactions with possible conflict of interest in relation to compliance with the laws and regulatory requirements, in order to ensure transparency of those transactions.
8. Consider the disclosure of information on connected

transactions, conflicts of interest or certain Bank operations to ensure transparency and appropriateness.

9. Oversee and review complaints or other information submitted directly by stakeholders for attention of the Board.
10. Perform other duties, as regulated or assigned by the Board as agreed by the Audit Committee.
11. Submit minutes of each Audit Committee Meeting to the Board of Directors, and prepare the annual Audit Committee Report, signed by the Audit Committee Chairman, summarizing the year's activities, giving information or data specified by the Stock Exchange of Thailand for disclosure in the annual report of the Bank.
12. Discuss and review with management or outside experts any matters or activities having a bearing on the Board's oversight responsibilities.
13. At least once a year, the Committee will review its Charter and performance over the past year, taking into account any assessment or comments provided by the Chairman of the Board.

## 2. Corporate Governance Committee

The Board of Directors approved the appointment of the Corporate Governance Committee in 2002. Each member has a 3-year term. The committee currently has three members, comprising two non-executive directors and one independent director as follows:

- |                                 |          |
|---------------------------------|----------|
| 1. Pol. Gen. Pow Sarasin        | Chairman |
| 2. Mr. Sukri Kaocharern         | Member   |
| 3. Prof. Dr. Yongyuth Yuthavong | Member   |

The Corporate Governance Committee holds at least four meetings each year. In 2008, the Corporate Governance Committee held five meetings and reported all meeting resolutions to the Board of Directors.

### Responsibilities of the Corporate Governance Committee

The Corporate Governance Committee has duties and responsibilities mandated in their Corporate Governance Committee Charter and approved by the Board of Directors:

1. Establish the principles and best practices for effective corporate governance appropriate to the Bank.

2. Develop and disseminate the principles and best practices of good corporate governance.
3. Formulate the Statement of Business Conduct and the Code of Conduct of the Bank's employees, and disseminate these codes as practical guidelines to all concerned.
4. Develop supervision plans for review of corporate governance compliance.
5. Review announcements concerning good corporate governance to summarize and present in the Bank's reports.
6. Recommend the Code of Best Practices for the Board of Directors or propose guidelines for the Board of Directors Charter and all other Board Committee Charters.
7. Recommend the Code of Ethics for the Bank's business practices, and the Code of Conduct of management and the Bank's personnel.
8. Review corporate governance guidelines and corporate governance in practice to ensure consistency and compatibility with the Bank's business.
9. Review and propose public announcements related to corporate governance issues.
10. Supervise corporate environmental and social responsibility.
11. Review and report to the Board of Directors matters related to corporate governance, giving opinions on practical guidelines and suggesting improvements, as deemed appropriate.
12. Ensure effective practice of corporate governance principles in the Bank.

## 3. Human Resources and Remuneration Committee

The Board approved the appointment of the Human Resources and Remuneration Committee in 2002. Each member has a 3-year term. The committee comprises at least three non-executive directors. At present, there are four members; three of them are independent directors, including the Chairman of the Human Resources and Remuneration Committee, and one is a non-executive director. They include:

|                                    |          |
|------------------------------------|----------|
| 1. Dr. Schwin Dhammanungune        | Chairman |
| 2. M.R. Yongswasdi Kridakon        | Member   |
| 3. Mr. Chaisak Saeng-Xuto          | Member   |
| 4. Prof. Dr. Pairash Thajchayapong | Member   |

The Human Resources and Remuneration Committee holds at least three meetings each year. In 2008, the Human Resources and Remuneration Committee held five meetings and reported all meeting resolutions to the Board of Directors.

#### Responsibilities of the Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee has duties and responsibilities mandated to them in the Human Resources and Remuneration Committee Charter approved by the Board of Directors:

1. Review and make recommendations on the proposals of the Chief Executive Officer and/or the President relating to human resources policies for the Board of Directors' approval, so that the proposals are aligned with the Bank's business strategies.
2. Ensure that a succession plan for senior management in important positions and a list of candidates entitled to consideration are reviewed from time to time.
3. Review the remuneration strategy and propose improvements for the Board's endorsement, in order to retain highly qualified personnel, as well as to review the salaries and benefits to senior management.
4. Establish the terms and conditions of the Chief Executive Officer's and the President's employment contracts, including their remuneration, as well as seeking and recommending to the Board for the qualified successors to the Chief Executive Officer and the President, when considered necessary.
5. Review the composition, size, experience and remuneration of the Board of Directors, as well as make recommendations on the selection of candidates with proper qualifications for director position prior to further submission to the General Meeting of Shareholders for appointment.

#### Nomination of Management

The Human Resources and Remuneration Committee is responsible for nominating, selecting and reviewing qualified candidates to be appointed as the Bank's management at the level of First Senior Vice President and above, or a person who holds an equivalent position under another title under the recruitment process, to propose to the Board of Directors for endorsement before submitting for concurrence from the Bank of Thailand. As for the appointment of lower-ranking management positions, the Division Heads and the Human Resource Management Department shall prepare qualified candidates to be nominated and approved by the President, or the Chief Executive Officer.

#### 4. Risk Management Committee

The Board of Directors approved a change in the status of the former Internal Risk Management Subcommittee to the Risk Management Committee on April 29, 2004. Each member has a 2-year term, and the Committee must comprise at least 7 members. In 2008, the committee comprised 15 members, two of whom were executive directors, one a non-executive director and twelve Bank executives, namely:

|                                 |          |
|---------------------------------|----------|
| 1. Mr. Banthoon Lamsam          | Chairman |
| 2. Dr. Prasarn Trairatvorakul   | Member   |
| 3. Ms. Sujitpan Lamsam          | Member   |
| 4. Dr. Piengchai Pookakupt      | Member   |
| 5. Mr. Predee Daochai           | Member   |
| 6. Mr. Sasawat Virapriya        | Member   |
| 7. Mr. Teeranun Srihong         | Member   |
| 8. Mr. Krisada Lamsam           | Member   |
| 9. Mr. Pakorn Partanapat        | Member   |
| 10. Mr. Thiti Tantikulanan      | Member   |
| 11. Mr. Ampol Polohakul         | Member   |
| 12. Mr. Pongpichet Nananukool   | Member   |
| 13. Mr. Songpol Chevapanyaroj   | Member   |
| 14. Mr. Chongrak Boonchayanurak | Member   |
| 15. Mr. Krit Jitjang            | Member   |

The Risk Management Committee meets at least once each month. In 2008, the Risk Management Committee held 12 meetings and reported to the Board of Directors. The committee ensures that there are effective risk management systems for early warning and measures to prevent and manage risks, including risks that affect operations. They also oversee compliance with risk management practices according to relevant policies, and prepare risk management reports.

#### **Responsibilities of the Risk Management Committee**

The Risk Management Committee has duties and responsibilities as mandated in the Risk Management Committee Charter approved by the Board of Directors, including:

1. Possess the authority to make decisions on related undertakings within the scope of its responsibility, as stipulated in the Risk Management Committee Charter, with the authority to have access to all pertinent information.
2. Formulate the KASIKORNBANK Financial Conglomerate risk management policy to present to the Board of Directors for consideration of overall risk management. The policy must cover the various risks associated with strategies, liquidity, credit, market, operational or other significant types of risk to the financial conglomerate.
3. Formulate strategies for the organization and resources in risk management to conform to the risk management policy of the Financial Conglomerate. The strategies must enable the effective analysis, assessment, evaluation, and monitoring of risk management.
4. Define maximum credit lines according to the Bank's defined risk limits and propose to the Board of Directors for consideration.
5. Oversee, review and provide recommendations to the Board of Directors with regard to the risk management policy, standard practices, strategies and overall risk measurement to ensure that the risk management strategy is properly implemented.

#### **5. Advisory Directors to the Management Committee**

The Board of Directors and the 88<sup>th</sup> Annual General Meeting of Shareholders on April 4, 2000, approved the appointment of the Advisory Directors to the Management Committee. At present, the committee comprises five members, namely:

1. Mr. Banyong Lamsam
2. Pol. Gen. Pow Sarasin
3. Mr. Sukri Kaocharern
4. M.R. Yongswasdi Kridakon
5. Dr. Abhijai Chandrasen

#### **Responsibilities of the Advisory Directors to the Management Committee**

1. Give recommendations to the Management Committee, as the Board of Directors deems appropriate.
2. Ensure efficiency in the Bank's management and operations.

#### **6. Management Committee**

The Board of Directors and the 88<sup>th</sup> Annual General Meeting of Shareholders, on April 4, 2000, approved the appointment of the Management Committee. In 2008, the committee comprised nine members, namely:

- |                               |          |
|-------------------------------|----------|
| 1. Mr. Banthoon Lamsam        | Chairman |
| 2. Dr. Prasarn Trairatvorakul | Member   |
| 3. Dr. Piengchai Pookakupt    | Member   |
| 4. Mr. Somkiat Sirichatchai   | Member   |
| 5. Mr. Predee Daochai         | Member   |
| 6. Mr. Krisada Lamsam         | Member   |
| 7. Mr. Teeranun Srihong       | Member   |
| 8. Mr. Sasawat Virapriya      | Member   |
| 9. Mr. Pakorn Partanapat      | Member   |

The Management Committee meets weekly. In 2008, the Management Committee held 49 meetings and reported all meeting resolutions to the Board of Directors.

#### **Responsibilities of the Management Committee**

The Management Committee has duties and responsibilities as mandated in the Management

Committee Charter, approved by the Board of Directors, as follows:

1. Manage and undertake the Bank's business as assigned by the Board of Directors, or by specific resolutions of the Board of Directors.
2. Manage the Bank's business according to established policies and plans.
3. Take actions in accordance with the authority delegated to them by the Board of Directors, and per their mandated management jurisdiction over the Bank.
4. The Chairman of the Management Committee shall submit the minutes of the Management Committee meetings to the Board of Directors for acknowledgement. However, policy-related issues, or issues likely to have significant impact on the Bank's business, or issues requiring action by the Board of Directors in compliance with laws, or the Bank's Articles of Association, must be approved by the Board of Directors. This also includes issues for which the Management Committee considers it appropriate to seek the approval of the Board of Directors on a case-by-case basis, or per the criteria designated by the Board of Directors.
5. Undertake activities as assigned in order to achieve the Bank's targets, including:
  - 1) Prepare and review strategic objectives, financial plans and key policies of the Bank, to be submitted to the Board of Directors for approval.
  - 2) Consider the annual business plans, capital expenditures, performance targets, and other initiatives to achieve the Bank's targets, including projects with capital expenditures in excess of budgets designated by the Board of Directors, to be submitted to the Board of Directors for approval.
  - 3) Consider and approve various issues under their legitimate authority, or as delegated by the Board of Directors.
  - 4) Review management authority in various aspects stipulated in the approval authority hierarchy, to be submitted for approval to the Board of Directors.
  - 5) Manage and ensure balance between short-term and long-term objectives.
- 6) Develop and ensure that the human resources initiatives are in line with the human resources roadmap and strategies approved by the Human Resources and Remuneration Committee
- 7) Appoint, monitor and evaluate the performance of employees from the level of department head down to middle managers, including the recruitment of successors.
- 8) Monitor and report on the Bank's operating results to the Board of Directors as well as on other work in progress to achieve the Bank's objectives.
- 9) Monitor the performance of employees at all levels with regard to risk management, per the Bank's guidelines, including the effectiveness of internal control systems, and operational compliance with the law, regulations and related policies.
- 10) Review new projects and products prior to being submitted to the Board of Directors for consideration and approval.
- 11) Communicate with external stakeholders, per designated authority, and as deemed appropriate.

#### 7. The Subcommittees

The responsibilities of the Subcommittees are to review and manage various matters within the Bank to ensure accuracy, propriety, efficiency and the highest effectiveness.

The Bank has reviewed and approved the establishment of nine Subcommittees, namely:

1. Information Technology Subcommittee
2. Assets and Liabilities Management Subcommittee
3. Corporate and SME Upper Medium Debt Recovery and Restructure Subcommittee
4. Retail and SME Debt Recovery and Restructure Subcommittee
5. Foreclosed Property Management Subcommittee
6. Data Governance Subcommittee
7. Corporate and SME Product Pricing Subcommittee
8. Retail Product Pricing Subcommittee
9. Credit Policy Subcommittee

## Meeting Attendance of Each Committee in 2008

| Board Members                                  | Board of Directors<br>(Total 12 meetings) | Non-Executive Directors<br>(Total 1 meeting) | Corporate Governance Committee<br>(Total 5 meetings) | Risk Management Committee<br>(Total 12 meetings) | Audit Committee<br>(Total 11 meetings) | Human Resources and Remuneration Committee<br>(Total 5 meetings) |
|------------------------------------------------|-------------------------------------------|----------------------------------------------|------------------------------------------------------|--------------------------------------------------|----------------------------------------|------------------------------------------------------------------|
| Mr. Banyong Lamsam                             | 11                                        | 1                                            |                                                      |                                                  |                                        |                                                                  |
| Pol. Gen. Pow Sarasin                          | 12                                        | 1                                            | 5                                                    |                                                  |                                        |                                                                  |
| Mr. Banthoon Lamsam                            | 12                                        |                                              |                                                      | 7                                                |                                        |                                                                  |
| Dr. Prasarn Trairatvorakul                     | 12                                        |                                              |                                                      | 12                                               |                                        |                                                                  |
| Mr. Sukri Kaocharern                           | 11                                        | 1                                            | 4                                                    |                                                  |                                        |                                                                  |
| M.R. Sarisdiguna Kitiyakara                    | 12                                        | 1                                            |                                                      |                                                  | 11                                     |                                                                  |
| M.R. Yongswasdi Kridakon                       | 10                                        | 1                                            |                                                      |                                                  |                                        | 5                                                                |
| Mr. Somchai Bulsook                            | 12                                        | 1                                            |                                                      |                                                  | 11                                     |                                                                  |
| Ms. Sujitpan Lamsam                            | 11                                        | 1                                            |                                                      | 10                                               |                                        |                                                                  |
| Prof. Emeritus Khunying Suchada Kiranandana    | 11                                        | 1                                            |                                                      |                                                  | 11                                     |                                                                  |
| Prof. Dr. Yongyuth Yuthavong <sup>(1)</sup>    | 8                                         | 1                                            | 3                                                    |                                                  |                                        |                                                                  |
| Mr. Charles L. Coltman, III <sup>(2)</sup>     | 9                                         | 1                                            |                                                      |                                                  |                                        |                                                                  |
| Dr. Abhijai Chandrasen                         | 12                                        | 1                                            |                                                      |                                                  |                                        |                                                                  |
| Ms. Elizabeth Sam                              | 10                                        | 1                                            |                                                      |                                                  | 11                                     |                                                                  |
| Mr. Chaisak Saeng-Xuto                         | 7                                         |                                              | 1                                                    |                                                  |                                        | 3                                                                |
| Dr. Schwin Dhammanungune                       | 12                                        | 1                                            |                                                      |                                                  |                                        | 5                                                                |
| Prof. Dr. Pairash Thajchayapong <sup>(3)</sup> | 8                                         | 1                                            |                                                      |                                                  |                                        | 2                                                                |

Remarks: (1) Prof. Dr. Yongyuth Yuthavong was appointed as a director on April 3, 2008, and a member of the Corporate Governance Committee on April 24, 2008.

(2) Mr. Charles L. Coltman, III resigned from his directorship on October 13, 2008.

(3) Prof. Dr. Pairash Thajchayapong was appointed as a member of the Corporate Governance Committee on April 24, 2008, and was on duty until August 31, 2008, and was appointed a member of the Human Resources and Remuneration Committee, effective on September 1, 2008.

- **The number of members in each committee:** (As of December 31, 2008)
 

|                                                      |            |
|------------------------------------------------------|------------|
| The Board of Directors                               | 16 members |
| Corporate Governance Committee                       | 3 members  |
| Risk Management Committee (includes 3 Board members) | 15 members |
| Audit Committee                                      | 4 members  |
| Human Resources and Remuneration Committee           | 4 members  |
- **Details of meeting attendance through teleconferencing systems of each committee:**

|                           |                                             |             |
|---------------------------|---------------------------------------------|-------------|
| The Board of Directors    | Ms. Sujitpan Lamsam                         | 5 meetings  |
|                           | Prof. Dr. Yongyuth Yuthavong                | 1 meeting   |
|                           | Mr. Charles L. Coltman, III                 | 8 meetings  |
|                           | Ms. Elizabeth Sam                           | 5 meetings  |
| Non-Executive Directors   | Mr. Charles L. Coltman, III                 | 1 meeting   |
| Risk Management Committee | Ms. Sujitpan Lamsam                         | 9 meetings  |
| Audit Committee           | Mr. Somchai Bulsook                         | 1 meeting   |
|                           | Prof. Emeritus Khunying Suchada Kiranandana | 1 meeting   |
|                           | Ms. Elizabeth Sam                           | 10 meetings |
- **Three board members, Mr. Charles L. Coltman, III, Ms. Elizabeth Sam, and Ms. Sujitpan Lamsam, do not reside in Thailand.**

#### 5.4 Roles and Responsibilities of the Board of Directors

The Board of Directors comprises persons who have knowledge, ability and working experience. The Board approves the vision, mission, and core values as well as strategic directions and policies, reviews the annual business plan and budget, and oversees the Bank's management in effectively carrying out actions that are in line with the designated policies and business plans, and are in accordance with the rules and regulatory requirements of related government agencies and the resolutions of shareholders' meetings. The Board of Directors' decisions are independent, in order to ensure that the Bank and its stakeholders receive the maximum benefit that increases the economic value of the Bank.



*The Code of Conduct Guidebook*

Moreover, the Board of Directors ensures the existence of an effective internal control system and appropriate risk management framework, and cooperates with the Bank's management in business undertakings in order to attain the best results. Current and future risks are taken into consideration, in conformity with the Bank's vision, mission, Statement of Business Conduct and Statement of Corporate Governance Principles.

#### Corporate Governance Policy

KASIKORNBANK places great importance on good corporate governance, which is held as essential in sustaining the Bank's business. The Statement of Corporate Governance Principles has been revised and approved by the Board of Directors. The same principles have been applied to the KASIKORNBANKGROUP, as well. The principles, in writing, have been aimed primarily at communicating to all employees, shareholders and other stakeholders the ultimate goal of the Board of Directors to act in accordance with the seven major components of corporate governance, consisting of the following:

- Integrity
- Transparency
- Independence



*Lecture on the Statement of Corporate Governance Principles and the Code of Conduct*

- Responsibility
- Accountability
- Fairness
- Social Responsibility

The content of the Bank's Statement of Corporate Governance Principles covers the structure, composition, roles, duties and responsibilities of the Board of Directors and all Board Committees, as well as matters of risk management, internal control systems, inside information policies, and issues that are likely to involve conflicts

of interest and shareholder relationships. (Details on the Statement of Corporate Governance Principles are available at [www.kasikornbankgroup.com](http://www.kasikornbankgroup.com)).

The Corporate Governance Policy covers the Bank's mission, core values, vision, Statement of Business Conduct and the employees' Code of Conduct. This includes the protection of the legitimate rights of shareholders, who are encouraged to exercise their rights, and reflected in operational guidelines and directions adopted internally that ensure that the Bank has adequately followed the best practices in corporate governance. In 2008, the Bank assessed and reviewed the results from operations according to the Corporate Governance Policy, and the Board of Directors, on December 18, 2008, resolved to amend the Statement of Corporate Governance Principles so as to comply with the regulatory requirements and best practices. Moreover, the Bank disseminated a booklet of KGroup Corporate Governance that compiles important content and operational guidelines for enhancing corporate governance to all stakeholders.

All members of the Board of Directors are aware of their mutual responsibilities for sustaining the highest benefit to the Bank, and their roles in supervising information disclosure, transparency in business undertakings and the decision-making process, and fair treatment to all stakeholders. In addition, the Bank places great importance on fairness in every business undertaking, as well as participation in the Corporate Social Responsibility (CSR) activities. The Bank and its employees have to strictly adhere to the Code of Conduct in performing their duties under the CSR principles. The Bank has also been enthusiastically participating in and promoting environmental protection and social development projects, in recognition of the importance of the need for improvement in the quality of life of individuals and the community at large, and for the benefits of all stakeholders.

In 2008, the Bank's activities that promoted Corporate Governance were as follows:

- The Bank circulated the Code of Conduct to all employees for their acknowledgement.

- The Statement of Corporate Governance Principles and Code of Conduct were two main issues in every orientation program for newly recruited employees.
- Actions in compliance with the Code and the Statement of Corporate Governance Principles were disseminated to employees through a Corporate Governance database set in the electronic networks.
- Actions that comply with the Code were promoted through the KBank closed-circuit TV programs - also known as KASIKORNTV - in order to promote general understanding of actions stipulated in the Statement of Corporate Governance Principles.
- Activities pertaining to the Statement of Corporate Governance Principles and the Code of Conduct were organized through the KGroup newsletter circulated within the organization.
- Activities were organized through the electronic network of KBank on the "Welcome Page", to disseminate information on the Statement of Business Conduct and the Statement of Corporate Government Principles, and the quotes on the Code of Conduct.
- Criteria for the use of inside information related to securities trading were disseminated to directors and employees.
- A Corporate Governance Coordinator of the organization was appointed in order to create common understanding in Corporate Governance implementation.
- Improvements were made to the Code of Conduct manual.
- A Corporate Governance and Corporate Social Responsibility video was prepared in order to disseminate to the public.
- A Corporate Governance Journal was prepared to report to the Board of Directors on Corporate Governance and Corporate Social Responsibility activities of KBank and other leading business entities.

- Permitted and forbidden actions relating to the acceptance of gifts in compliance with the Code of Conduct were disseminated to all employees.
- Self-assessments of knowledge pertaining to the Statement of Corporate Governance Principles were disseminated to employees through electronic mail. This included a checklist for actions in compliance with the principles in order to collect useful data for supervising appropriate and effective actions in compliance with the Statement of Corporate Governance Principles.

#### Business Ethics

The Board of Directors has promoted the establishment of a Statement of Business Conduct and a Code of Conduct for directors and employees. All directors, executives and employees share common goals in carrying out their designated duties and responsibilities to the Bank and its stakeholders. They perform their duties with integrity, in compliance with the law and the Bank's Articles of Association, based on professional standards and a business approach that is transparent, honest and fair, for the development of the organization towards attaining international standards. The Statement of Business Conduct and the Code of Conduct have been disseminated via the Bank's website and the central database.

The Bank's Statement of Business Conduct includes:

1. Aim to satisfy customers by offering quality products and excellent services.
2. Continually strive for superior performance.
3. KBank's employees are valuable assets. The Bank seeks and recruits people with skill and experience, continually develops human resources and offers remuneration comparable to other leading companies.
4. Perform as a good corporate citizen, conduct business with impartiality and contribute to social development and environmental preservation.
5. Believe in being fair to all.
6. Believe in strong ethical standards and be determined to carry out business with integrity.
7. Protect customer confidentiality and maintain customer trust using professional standards.
8. Be dedicated to carrying out responsibilities in a professional manner and strive to achieve excellent results by integrating modern approaches and technological advances.
9. Respect the equal rights of all stakeholders.
10. Be committed to discipline in business execution and make certain that all business decisions and operations conform to related laws and regulations by pursuing the Statement of Business Conduct of the Bank and Code of Conduct of the workforce.

Significant content of the Code of Conduct includes 1) key principles and core values of the Bank; 2) observance of laws and the Bank's regulations; 3) maintenance of good relationship with customers; 4) maintenance of good relationship with society; 5) maintenance of good relationship with employees; 6) an advertising and public relations policy; 7) confidentiality of information; 8) completeness and accuracy of the Bank's information; 9) avoidance of the use of inside information in securities trading; 10) prevention of conflicts of interest; 11) abstention from bribery and inappropriate incentives; 12) non-involvement in political activities; 13) avoidance of accepting or offering inappropriate gifts and/or benefits; and 14) reporting of employee violations of the Code of Conduct. In this Code of Conduct, the Bank has designated the basic principles concerning the execution of duties and compliance with professional standards by directors and employees. The details of the Code of Conduct can be viewed on the Bank's website.

Moreover, the Bank identifies important rules and practical guidelines that are in accordance with the Code of Conduct, which are detailed and disseminated to employees. The Bank also supports the practical implementation of the Code of Conduct throughout KASIKORNBANKGROUP, and has designated regulations that are consistent with business and compliance responsibilities.

Also, the Bank has established the Compliance Department to monitor and evaluate the effectiveness of employees' actions, as stated in the Code of Conduct and the Corporate Governance Unit, and to launch activities to promote ethical behavior, within a culture of good corporate governance. Best practices and actions in line with the Code of Conduct are regularly and efficiently disseminated to all employees. These activities have also been reported to the Corporate Governance Committee for acknowledgement.

#### Conflicts of Interest Prevention

To encourage good governance and meet targets related to its implementation, the Bank has initiated guidelines to control, supervise and prevent transactions that may involve conflicts of interest, or Connected or Related Transactions, to be in compliance with standards of good governance. This is one of the key components of corporate governance policy that the Board of Directors and the Bank's employees must strictly comply with to earn the trust of all stakeholders. The following is the essence of these principles:

- The Board of Directors has established a Conflicts of Interest Prevention and Connected Transaction Policy, as well as guidelines to consider appropriateness in the conducting of transactions that must undergo the scrutiny of the Audit Committee, and ensure compliance with the criteria of the Office of the Securities and Exchange Commission, the Capital Market Supervisory Board, the Stock Exchange of Thailand and the Bank of Thailand.
- Directors, executives or employees with related interests in a transaction with the Bank or its subsidiaries must not participate in considering or approving such a transaction. The price of the transaction must be set appropriately, fairly and in accordance with general commercial terms as applied to general customers.
- Connected Transactions must be submitted to the Audit Committee for consideration before further submission to the Board of Directors for approval, according to the Statement of Corporate Governance Principles and the criteria stipulated by the Office of the Securities

and Exchange Commission.

- The Board of Directors approved principles for conducting Connected Transactions between directors, executives or related persons and the Bank or its subsidiaries. Such a transaction can be conducted if the transaction is under terms and conditions similar to those applied to general customers in the normal course of business of the Bank and its subsidiaries.
- In conducting transactions between the Bank and its subsidiaries or transactions between the Bank's subsidiaries, the Bank requires that all transactions must be under terms and conditions similar to those applied to other persons in the normal course of business at a similar level of risk. Otherwise, those transactions must be approved by the Board of Directors of the Bank and its subsidiaries as the case may be.
- The Bank, and its subsidiaries which conduct transactions in granting credit, have no policy to grant credit, conduct transactions similar to credit granting or conduct transactions relating to assets for any of the directors, executives or related persons of the Bank and its subsidiaries which conduct such transactions in granting credit, except for the cases in line with exceptions according to the Bank of Thailand's rules. Moreover, they have no policy to grant credit, invest, create contingent liabilities or conduct transactions similar to credit granting for any of the major shareholders or related persons of the Bank and its subsidiaries which conduct transactions in granting credit, or any of the businesses that have related interests with the Bank and its subsidiaries which conduct such transactions in granting credit, separately or in combination, at the end of each day, in excess of the quantity prescribed by the Bank and the Bank of Thailand.
- Directors, officers in the position of First Senior Vice President and higher, and those in the position of Department Head or equivalent in the Financial Accounting Management Department or Financial Planning Department and related persons are

required to disclose their shareholding information in businesses, their directorship or their authority to manage or control major votes in the shareholders' meeting, including the right to control the election and removal of directors. The disclosure must also include the assignment of any other person to be the nominee of their shareholding or management, or the authority to control businesses in the Bank's database, which is under the responsibility of the Information Management Department that has the responsibility to update the information regularly for use by the Credit Policy Department. The monitoring and control of credit extensions and investment must follow the rules of concerned regulatory agencies. Information on the benefits of directors, officers in the position of Executive Vice President or equivalent and higher, and those in the position of Department Head or equivalent in the Financial Accounting Management Department or Financial Planning Department or related persons must be reported to the Board of Directors when a transaction between the Bank and the person related to the Bank's directors and such persons is brought into consideration, seven days before the Board of Directors Meeting.

- The Bank has disclosed details of every Related or Connected Transaction that may involve conflicts of interest according to the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand's criteria, in the Annual Reporting Form (56-1 Reporting Form), as well as in the Bank's Annual Report and other reports in which it is appropriate to declare such activities. This also includes disclosure of information on Connected Transactions to the Stock Exchange of Thailand according to the Stock Exchange of Thailand's regulations, as well as disclosure of Related Transactions of the Bank according to the recognized accounting standards and the rules of the Bank of Thailand. Disclosures of Related Transactions are shown in the Notes to Financial Statements, under 'Related Party Transactions'. The Bank has used the same criteria as is used with other general

customers to consider Connected Transactions in accordance with defined procedures necessary to support the Bank's business operations, and in a manner consistent with the Bank's strategies in the best interests of shareholders. In 2008, the Bank conducted no Connected Transactions, which were subject to disclosure of transaction details to the Stock Exchange of Thailand.

- Reviews of Connected Transactions were carried out in accordance with the audit plan that is subject to report to the Audit Committee. Should the Bank become involved in any Related Transaction, directors and employees must follow the above policies in accordance with the official regulations.

#### **Internal Control and Auditing Systems**

The Board of Directors and the Bank's management have placed particular emphasis on an efficient internal control system and promotion of an appropriate business culture recognizing the importance of risk management and the adequacy of the internal control system in every business undertaking. The Bank requires all units to comply with the best practices for internal control as a guideline for the Bank's business operations and in employees' practices. The Bank also set up a risk management unit and established a clear risk management policy. The Audit Committee has the duty and responsibility to review the effectiveness and adequacy of all risk management processes and internal control systems by discussing and evaluating operational results with the Compliance and Audit Division on a continuing basis. These discussions include consideration of the appropriateness of the scope of work, roles and responsibilities, audit plans, audit conclusions with regard to the adequacy and effectiveness of the risk management, internal control, and governance processes, as well as the monitoring of compliance with the Bank's Articles of Association and the laws and regulations. Major recommendations or material deficiencies must be reported to the Board of Directors in a timely manner for effective action.

To create an appropriate control environment, written policies and operational procedures, training and orientation programs, an operational manual providing information on rules and regulations, a professional Code of Conduct, a regular self-assessment program, and standardized disciplinary actions for serious offenses have been established. These also ensure common understanding as well as capabilities that will lead to efficient, transparent and fair operations for the benefit of all stakeholders.

Control activities are an integral part of day-to-day operations. Appropriate segregation of duties is embedded to create a proper 'check-and-balance' system for operating staff, supervisors and performance assessment. Potential conflicts of interest are identified and subject to careful monitoring, in accordance with regulatory requirements and the Bank's regulations.

IT systems have been continuously upgraded to provide accurate, up-to-date, and complete information for timely decision-making by the management and the Board of Directors. Systems include the financial data system, as well as operational and compliance databases to monitor the effectiveness of the internal control system for prompt corrective action against significant deficiencies. The Bank also provides effective communication channels to ensure that all employees understand and adhere to the policies and procedures affecting their duties and responsibilities.

The Compliance and Audit Division, which is independent in its operation and reports directly to the Audit Committee, carries out the risk-based audit function and monitoring of the operation of the KASIKORNBANK Financial Conglomerate. The risk criteria used are in conformity with the objectives of the Bank and the audited units, and cover compliance with regulatory agencies, the Bank's operational procedures and the Statement of Business Conduct, as well as an assessment of the adequacy and effectiveness of the risk management and internal control system, the efficiency of resource management, and the accuracy and reliability of information. Moreover, the Compliance and Audit Division provides consulting services to the audit clients, according to

the agreed scope, with the objective of increasing the value and improving the operations of the KASIKORNBANK Financial Conglomerate.

The Bank is aware that a system of effective internal controls is a critical component of the Bank's management and a foundation for the 'safe and sound' operations of the Bank. These features help to ensure that the goals and objectives of the Bank will be met, that the Bank will achieve long-term profitability, and will maintain reliable financial and managerial reporting. Such a system can also help to ensure that the Bank will comply with laws and regulations as well as policies, plans, and internal rules and procedures, and prevent the risk of unexpected losses or damage to the Bank's assets and its reputation. The Bank, therefore, monitors the effectiveness of the internal control system, through regular operations and periodic assessment. Any detected irregularities will be immediately reported to responsible managers, and any significant findings will be reported to the Board of Directors and senior management.

During the year, the Board of Directors approved the Compliance Policy, and the Audit Committee approved the Compliance Department Charter, which are stipulated as part of ongoing efforts, aligning with the Bank of Thailand's guidelines, to ensure effectiveness in compliance, risk management and suitability of banking business conducted in compliance with laws, regulations and standards.

#### **Risk Management**

The Risk Management Committee is responsible for designating risk management policies that cover the entire organization under the guidelines identified by the Board of Directors, to whom the results must be reported regularly. The Bank has outlined the risk management process, key steps of which include risk identification, assessment, monitoring and control, and reporting. Moreover, the Bank places significance on the early warning of irregular transactions, as well as regularly reviewing the sufficiency of the risk management system and its effectiveness. The details of risk management are disclosed in the section entitled **Risk Management and Risk Factors**.

### Appointment of External Auditors and Consideration of Audit Fees

The Audit Committee considers the qualifications and performance of external auditors for recommendation to the Board of Directors for their annual appointment, and the proposed audit fees for further consideration and approval by the General Meeting of Shareholders. The list of external auditors to be proposed as the Bank's auditors must also be endorsed by the Bank of Thailand.

In 2008, the remuneration for external auditors included:

#### 1. Audit Fees:

The Bank and subsidiary companies have paid audit fees to:

- Auditors of the Bank, totaling Baht 14,535,000 in the past accounting year.
- The respective audit company including individuals or business entities related to the auditors and the respective audit company, totaling Baht 4,433,000 in the past accounting year.

#### 2. Non-Audit Fees:

The Bank and subsidiary companies have paid non-regular auditing fees, i.e., special purpose audit, legal and tax service engagements to perform agreed-upon procedures and consulting services irrelevant to auditing, to:

- Auditors of the Bank totaling Baht 1,510,000 over the past accounting year, together with future payments of Baht -0-, due on incomplete work in the past accounting year.
- The respective audit companies or their independent contracted auditors, including individuals or business entities related to the auditors and their respective audit companies, totaling Baht 3,045,000 over the past accounting year, together with future payments of Baht -0-, due on incomplete work in the past accounting year.

### 5.5 Self-Assessment by the Board of Directors

The Bank has established an annual self-assessment plan for the Bank's Board of Directors. It serves as a tool

for reviewing performance, as well as issues and obstacles facing each director over the past year. It also helps increase the operational effectiveness of the Board. Performance assessment of the Board of Directors is conducted in two ways: the performance assessment of the Board of Directors and the performance assessment of each individual director. To facilitate this, the Bank has developed an assessment form consistent with the Statement of Corporate Governance Principles, as well as the duties and responsibilities stated in the Board of Directors Charter. The Board of Directors conducts self-assessments once a year, and the assessment results are then analyzed and evaluated to indicate the level of achievement of objectives for self-assessment by the Board of Directors, as established by Bank regulations.

The self-assessment process is also applied to four board committees—the Audit, Corporate Governance, Human Resources and Remuneration and Risk Management committees. The assessment results are presented to the Board of Directors.

Both the Chief Executive Officer and the President also have to undergo self-assessments in order to compare their actual performance with the Bank's targets and the annual business plan they jointly created. The Human Resources and Remuneration Committee is responsible for submitting the assessment results to the Board of Directors for consideration. The self-assessments of the Chief Executive Officer and the President are specified as part of their performance assessment in the Board of Directors' Charter. The Chairman of the Human Resources and Remuneration Committee then submits the Board's assessment results, together with their opinion, to the Chief Executive Officer and the President.

### 5.6 Remuneration to Directors and Executives

The Bank has established a set of well-defined and transparent remuneration policies for directors. The Human Resources and Remuneration Committee is responsible for reviewing these policies by taking into consideration the appropriateness of remuneration with respect to the obligations and responsibilities of each director and

the Bank's financial status, to ensure that the Bank's remuneration is comparable to that of other commercial banks.

The remuneration to the executives is paid according to the policies and criteria set by the Board of Directors. It is tied directly to the performance of the Bank and the performance of each individual. The Human Resources and Remuneration Committee shall propose remuneration to the Board of Directors for consideration.

The Annual General Meeting of Shareholders No. 96, on April 3, 2008, has approved the directors' remuneration and bonuses. A director who is also a member of other board committees shall receive additional remuneration according to the increased responsibilities. Details of remuneration to directors and executives are shown as follows:

#### 1. Remuneration

- 1) Remuneration for directors: In 2008, 17 directors received remuneration for directors, for Advisory Directors to the Management Committee, Audit Committee, Corporate Governance Committee, Human

Resources and Remuneration Committee, and as legal adviser, together with a bonus at the rate of 0.5 percent of the dividend payment, totaling Baht 64,572,480.

- 2) Remuneration for Advisers to the Board of Director totaled Baht 1,689,600.
- 3) Remuneration for executives
  - : Executives in the position of First Senior Vice President, totaling 28 persons, received remuneration including salaries, living expenses and bonuses from the Bank, totaling Baht 190,832,109.
  - : Executives in the position of Executive Vice President or equivalent and higher, totaling 10 persons, received remuneration including salaries, living expenses and bonuses from the Bank, totaling Baht 151,122,200.

In summary, executives in the position of First Senior Vice President and higher, totaling 38 persons, received remuneration including salaries, living expenses and bonuses from the Bank, totaling Baht 341,954,309.

### Remuneration for Directors in 2008

|                            |                                                                                                                                                                                                                                    |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr. Banyong Lamsam         | Received remuneration as Chairman and Advisory Director to the Management Committee, totaling Baht 7,128,000, plus a bonus of Baht 2,778,830.                                                                                      |
| Pol. Gen. Pow Sarasin      | Received remuneration as Vice Chairman and Advisory Director to the Management Committee, totaling Baht 5,322,000; and as Chairman of the Corporate Governance Committee amounting to Baht 396,000, and a bonus of Baht 2,084,125. |
| Mr. Banthoon Lamsam        | Received remuneration as a director, totaling Baht 1,131,000, and a bonus of Baht 1,389,410.                                                                                                                                       |
| Dr. Prasarn Trairatvorakul | Received remuneration as a director, totaling Baht 1,131,000, and a bonus of Baht 1,389,410.                                                                                                                                       |
| Mr. Sukri Kaocharern       | Received remuneration as a director and Advisory Director to the Management Committee, totaling Baht 2,331,000; and as a member of the Corporate Governance Committee amounting to Baht 264,000, and a bonus of Baht 1,389,410.    |

|                                             |                                                                                                                                                                                                                                                                        |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| M.R. Sarisdiguna Kitiyakara                 | Received remuneration as a director, totaling Baht 1,131,000; and as Chairman of the Audit Committee amounting to Baht 792,000, plus a bonus of Baht 1,389,410.                                                                                                        |
| M.R. Yongswasdi Kridakon                    | Received remuneration as a director and Advisory Director to the Management Committee, totaling Baht 2,931,000; and as a member of the Human Resources and Remuneration Committee amounting to Baht 264,000, plus a bonus of Baht 1,389,410.                           |
| Mr. Somchai Bulsook                         | Received remuneration as a director, totaling Baht 1,131,000; and as a member of the Audit Committee amounting to Baht 660,000, plus a bonus of Baht 1,389,410.                                                                                                        |
| Ms. Sujitpan Lamsam                         | Received remuneration as a director, totaling Baht 1,131,000, and a bonus of Baht 1,389,410.                                                                                                                                                                           |
| Prof. Emeritus Khunying Suchada Kiranandana | Received remuneration as a director, totaling Baht 1,131,000; and as a member of the Audit Committee amounting to Baht 660,000, plus a bonus of Baht 1,389,410.                                                                                                        |
| Prof. Dr. Yongyuth Yuthavong <sup>(1)</sup> | Received remuneration as a director, totaling Baht 900,000; and as a member of the Corporate Governance Committee amounting to Baht 176,000, plus a bonus of Baht 161,705.                                                                                             |
| Mr. Charles L. Coltman, III <sup>(2)</sup>  | Received remuneration as a director, totaling Baht 831,000, and a bonus of Baht 1,389,410.                                                                                                                                                                             |
| Dr. Abhijai Chandrasen                      | Received remuneration as a director and legal adviser, totaling Baht 5,091,000, plus a bonus of Baht 1,389,410.                                                                                                                                                        |
| Ms. Elizabeth Sam                           | Received remuneration as a director, totaling Baht 1,131,000; and as a member of the Audit Committee amounting to Baht 660,000, plus a bonus of Baht 1,389,410.                                                                                                        |
| Mr. Chaisak Saeng-Xuto                      | Received remuneration as a director, totaling Baht 1,131,000; as a member of the Human Resources and Remuneration Committee amounting to Baht 264,000; and as a member of the Corporate Governance Committee amounting to Baht 88,000, plus a bonus of Baht 1,389,410. |

|                                    |                                                                                                                                                                                                                                                                     |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dr. Schwin<br>Dhammanungune        | Received remuneration as a director, totaling Baht 1,131,000; and as Chairman of the Human Resources and Remuneration Committee amounting to Baht 396,000, plus a bonus of Baht 1,389,410.                                                                          |
| Prof. Dr. Pairash<br>Thajchayapong | Received remuneration as a director, totaling Baht 1,131,000; as a member of the Human Resources and Remuneration Committee amounting to Baht 88,000; and as a member of the Corporate Governance Committee amounting to Baht 88,000, plus a bonus of Baht 845,490. |

Remarks: (1) Prof. Dr. Yongyuth Yuthavong was appointed as director on April 3, 2008, and received a bonus from dividend payment for the 1H08 operating results prorated of his term in office.

(2) Mr. Charles L. Coltman, III resigned from the position of director on October 13, 2008.

## 2. Other remuneration

- 1) Remuneration for directors: none
- 2) Remuneration for advisers to the Board of Directors: none
- 3) Remuneration for executives: In 2008, the Bank contributed Baht 5,596,644 to the provident funds for the Bank's executives in the positions of First Senior Vice President, totaling 28 persons, and Baht 3,549,600 to the provident funds for the Bank's executives in the positions of Executive Vice President or equivalent and higher totaling 10 persons, making a total contribution of Baht 9,146,244 for executives in the positions of First Senior Vice President and higher, totaling 38 persons.

## 5.7 Professional Development for Directors and Executives

To enhance the operational efficiency of the Board of Directors, the Bank has a policy of supporting directors, executives and officers performing duties related to corporate governance, in attending seminars and training courses at the Thai Institute of Directors (IOD), when it is indicated to be useful to their functions, as well as training at the Stock

Exchange of Thailand and other independent institutions. The aim is to continuously improve their performance, which will further benefit the Bank's business operations.

The Bank has organized orientations for new directors, to provide them with information on their roles and responsibilities, as well as information related to the Bank, clarifications on legal obligations, regulations related to the directorship of a listed company, regulations related to the Board Committees' charters, the Bank's core policies and the manual for directors of financial institutions and securities companies, as an overall process to promote understanding among directors about their roles and the Bank's business operations. The director appointed in 2008 has attended a seminar on directors' roles and responsibilities. The Bank also arranged a special session on "Derivatives and Risk Management" for the Board of Directors in 2008.

In addition, the Board of Directors has approved an executive development plan and a succession plan for the positions of Chief Executive Officer, President and senior executives. A list of persons qualified for these positions is reviewed regularly.