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CORPORATE GOVERNANCE COMMITTEE REPORT

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CORPORATE GOVERNANCE

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FACTORS AFFECTING INVESTMENT DECISIONS

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# 1965

## Silom

With far-reaching vision forecasting that Silom Road which was only a small underdeveloped road at that time would become one of the country's most successful business districts, the head office was relocated to Silom on February 22, 1965. This was a golden step in the Bank's growth with ideas and forecasts that proved KASIKORNBANK was the leading bank in Thailand.

## CORPORATE GOVERNANCE COMMITTEE REPORT

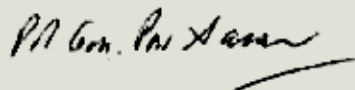
The Board of Directors established the Corporate Governance Committee in 2002 to take responsibility for overseeing the corporate governance of the Bank. The Corporate Governance Committee performs its duties with the utmost effort to ensure that the Bank's operations are in compliance with good corporate governance principles and guidelines of relevant regulatory bodies in Thailand and international best practices. This is to provide assurance to all shareholders, investors, customers and other stakeholders that the Bank does business in a transparent manner and that all related parties are treated fairly, as well as to contribute towards a long-term, firm foundation and stability for the Bank.

The Corporate Governance Committee continuously promotes corporate governance environment and activities within the Bank to develop and maintain the corporate governance culture within the organization. The Corporate Governance Committee held five Meetings in 2005, and met the roles, duties and responsibilities set forth in the Corporate Governance Committee Charter. The scope of work includes:

- Reviewing the Statement of Corporate Governance Principles of the Bank, the charters of the Board of Directors and other Board Committees, as well as the Code of Conduct and the Code of Business Conduct, keeping them up-to-date and consistent with the Corporate Governance Guidelines of the Stock Exchange of Thailand (SET), the Office of the Securities and Exchange Commission and the Bank of Thailand.
- Developing and maintaining the Bank's corporate governance in line with the best practices adopted by governmental and international institutions, e.g., the Organization for Economic Cooperation and Development (OECD) and the Bank for International Settlement (BIS). The Committee also oversees the assessment of the Bank's employees on their understanding of the Code of Conduct.
- Promoting good corporate governance within the organization by regularly communicating corporate governance policies and the Code of Conduct to all employees, and encouraging good corporate governance culture within the organization. The Committee also oversees the continual dissemination of information on corporate governance activities to the general public.
- Supporting the Bank to participate in corporate governance rating and assessment programs by independent rating agencies approved by the regulatory agencies.
- Considering and approving annual corporate governance plans and activities.
- Overseeing the Self-Assessments by Board Committees according to the Corporate Governance Principles.

The continuing promotion and development of good corporate governance at the Bank has earned the Bank wide recognition. These efforts have resulted in the Bank achieving a high corporate rating of 8.89 by the Thai Rating and Information Services (TRIS), equivalent to "Very Good" -- the highest score achieved among listed firms applying for corporate governance ratings by TRIS. It is also the highest rating ever achieved by the Bank, since participation in the rating program began, having been held two times previously, in 2002 and 2004. Other awards and recognitions for the marked success of KBank in corporate governance include the "Distinction in Maintaining Excellent Corporate Governance Report", awarded by SET at the "SET Award 2005" ceremony, for the maintenance of excellent reports in compliance with the fifteen Corporate Governance Principles of the SET for the third consecutive year, since the first "SET Award" ceremony in 2003.

In addition to that, the Bank has been placed among the "Top 10 Listed Companies in 2005", out of a total of 371 listed companies for its outstanding corporate governance practice by the Thai Institute of Directors (IOD). The Bank has won the award for the "Best CG" for three consecutive years, since the inception of the award by the IOD and SET in 2002. Also, the KASIKORNBANK Board of Directors won the "Board of the Year for Exemplary Practices 2004/05" award for the second consecutive year from the IOD, since the award was first instituted in 2002. Commendations by these independent institutions clearly affirm the level of the Bank's success in promoting good corporate governance, and the earnest efforts of the Corporate Governance Committee in promoting good corporate governance at the Bank.



**(Pol. Gen. Pow Sarasin)**

Chairman, Corporate Governance Committee

January 26, 2006

## Corporate Governance Policy

The Statement of Corporate Governance Principles has been revised and approved by the Board of Directors on December 23, 2004. The principles, made in writing, have been aimed primarily at communicating to all employees of the Bank, shareholders and other stakeholders the ultimate goal of the Board of Directors to act in accordance with the key components of corporate governance, i.e.,

- Integrity
- Transparency
- Independence
- Accountability
- Responsibility
- Fairness
- Social Responsibility

These are the seven major components of corporate governance policy communicated by KASIKORNBANK to all levels of staff, and they have been harmoniously integrated into the vision, missions, core values, Statement of Business Conduct and Code of Conduct for all employees. Being reflected therein are the values, operational guidelines and direction adopted internally to assure that the Bank has adequately followed best practices in corporate governance. All members of the Board of Directors are aware of their mutual responsibilities for the highest benefit to the Bank, and their roles in supervising all businesses and decision-making processes to ensure transparency and fair treatment to all stakeholders. In addition, the Bank places great importance on social responsibilities in every business undertaking, where the Bank and its employees are to perform their duties as good citizens and maintain healthy relationship with the community. Social responsibility concerns have also been reflected in the Bank's consumption and use of resources, notably capital, personnel and energy. The Bank has been enthusiastically participating in environmental protection and social development projects in recognition of the importance of improvement in the quality of life and the community at large. The Bank believes that valuable and distinctive local wisdom shall be promoted, thus encouraging all staff to participate in social, educational, cultural and environmental activities, as deemed appropriate.

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, risk management, internal control system, Code of Conduct, inside information policies, conflicts of interest and shareholder relationships.

(Details of the Statement of Corporate Governance Principles are also available at [www.kasikornbankgroup.com](http://www.kasikornbankgroup.com).)

## Rights and Equitable Treatment of Shareholders

Recognizing the importance of shareholders, KASIKORNBANK treats its shareholders equally and fairly in line with the laws of regulatory agencies. Basic rights of KASIKORNBANK's shareholders include the right to participate in shareholders' meetings, the right to appoint a third party as a proxy for participating in and voting at meetings, the right to nominate candidates for the Board of Directors, and the right to participate in the election or disqualification of each individual director. Shareholders' rights also include voting on the annual audit fees and appointment of external auditors, and voting for various other businesses of KASIKORNBANK, eligibility for dividend payments, as well as the right to express an opinion and the opportunity to raise questions during shareholders' meetings and the right to receive sufficient and up-to-date information on a timely manner.

The General Meeting of Shareholders will be held within four months after the financial closing. In 2005, the 93<sup>rd</sup> General Meeting of Shareholders was held on April 8, 2005. For each shareholders' meeting, the Bank will send out a notice to all shareholders at least 14 days in advance before the scheduled meeting of shareholders. Attached to the notice will be sufficient information for voting on every agenda item, each of which shall be identified clearly as either for acknowledgement or consideration, except as the case may be, together with comments by the Board on particular issues.

In addition, the notice will clearly inform all shareholders of all required documents to maintain their legitimate rights for participating in the meeting and a Proxy Form to appoint proxies to the meeting. Proxies can be a third party, or the Chairman of the Board, or the Chief Executive Officer, or the President, or any independent director. At least one hour before the meeting commences, the Bank will facilitate its shareholders to register for the meeting.

At the meeting, the Bank will inform all shareholders of the voting and vote-counting procedures, and during the consideration of each agenda item, all shareholders will have equal rights to express comments and ask questions for an appropriate amount of time. The voting and vote-counting procedures will be conducted openly and efficiently, counting one share as one vote. Approval of a resolution is based on the majority of votes, except for special resolutions, which require approval by not less than two-thirds or three-fourths of all votes by eligible voters present at a meeting. Each participant shall cast his/her votes on ballots only in opposition, abstention or for a split vote, and the ballots will be kept for reference. In preparing the minutes of the meeting, total votes in approval, opposition or abstention on each agenda item will be recorded clearly in writing, together with questions raised on every agenda item, as well as clarification and comments by the meeting.

The Bank also places great emphasis on disclosure of information to shareholders. Accurate and complete information is provided to shareholders on a transparent and timely manner, on KASIKORNBANK's website in three languages, i.e., Thai, English and Chinese, as well as the dissemination of information through public media.

## Rights of Stakeholders

The Bank places significant emphasis on the rights of all stakeholders, for both internal stakeholders, i.e., shareholders, the Board of Directors, and employees of the Bank and its subsidiary companies, and external stakeholders, i.e., customers, counterparties, creditors, related government agencies, including its obligation to the community, society and the environment.

In order to ensure the rights of all stakeholders, the Bank has established, in a written form, the Statement of Business Conduct and Code of Conduct for all employees and disseminated them through KASIKORNBANK's website, 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 compliance, and to periodically report to the Corporate Governance Committee for acknowledgement. All departments responsible for various types of KASIKORNBANK products must strictly abide by the principles therein.

**Shareholders:** One of KASIKORNBANK's ultimate goals is to ensure favorable and sustainable growth, and maintain competitiveness with due consideration to both current and future risks in order to maximize the long-term value to its shareholders. Its primary duty is to carry on with usual business, disclose all information fairly and transparently, and use its best efforts to protect its assets and reputation.

**The Board of Directors:** The Board of Directors is fully aware of the rights of stakeholders and undertakes measures to ensure that their rights are protected, and that stakeholders will be treated equally and fairly.

**Employees:** KASIKORNBANK's employees are regarded as a valuable asset. The Bank continues to seek capable and experienced personnel in line with its growth and demand. Necessary training programs have been continuously provided to enhance



employees' capabilities, with remuneration comparable to other leading companies. A favorable culture and atmosphere have been promoted in the workplace, together with fair and equal treatment for all employees. The Bank has recognized and provided welfare and security to its employees, among which includes the establishment of a provident fund, scholarships for employees and their children, fire drills, and fire prevention systems.

Recognizing the benefits of continual development of its key personnel, the Bank has placed the need to enhance capabilities and skills necessary for business achievements and customer satisfaction as one of its priorities. Its personnel development program has been modified in accordance with business strategies, and focused on higher professional standards in sales, services, credit underwriting, risk management, leadership, and the efficient management and administration, while ensuring strict compliance with the Statement of Corporate Governance Principles and Statement of Business Conduct. A post-training testing program has been implemented to assess skill improvement. The Bank has promoted its personnel to obtain licenses to act as investor-contact persons on unit trusts and debt-instruments by the Office of the Securities and Exchange Commission (SEC), or by the Association of Investment Management Companies (AIMC), as well as other professional certifications. In 2005, the Bank organized various types of training courses as listed below:

Training Courses in 2005	Courses	Groups	Personnel
In-house training	126	390	18,163
External training	334	360	809
E-learning	4	8	1,079
<b>Total</b>	<b>464</b>	<b>758</b>	<b>20,051</b>

*\* Note: An employee may participate in more than one training course in a year.*

Besides this, the Bank has encouraged its personnel to learn and acquire new knowledge and technology through participation in specialized institutions both in Thailand and abroad. Several learning processes have been adopted in order to promote self-study and joint learning approaches for all employees to create a sustainable development process that will eventually lead to a knowledge-based organization.

**Customers:** The Bank aims to provide customer satisfaction through the offering of high-quality products and services that meet customers' needs. It recognizes the importance of customers, paying due attention to them, and more importantly, protecting their confidentiality.

**Counterparties:** The Bank conducts business with its counter-parties in accordance with trading terms and conditions as contracted in fair and acceptable competition, avoiding any actions which may result in dishonesty.

**Creditors:** The Bank has abided by lending terms and conditions, and by all legitimate duties to creditors, especially account payables, debenture holders, and depositors. It is the duty of the Bank to explain clearly to customers about all possible risks involved with non-deposit services.

**Responsibility to the community, society and the environment:** KASIKORNBANK acts as a good citizen, being non-partisan, and unaligned with any political party. It bears in mind its role and responsibility to community, environment and society, hence contributing to charitable activities and promoting a healthy environment in communities and the society at large, for better living standards. The Bank recognizes the importance of sound environmental protection, as reflected in its continuing efforts and activities, as shown in the Annual Report (Page 253).

The Bank also has other ethical and operational guidelines, as follows:

**Fairness:** The Bank believes in being fair to all parties having a business relationship with us and assiduously avoids favoritism or a conflict of interest situation.

**Integrity:** The Bank believes in strong ethical standards and carries out our business with uncompromising integrity and honesty in all respects.

**Professionalism:** The Bank is dedicated to carry out its responsibilities in a professional manner and is determined to achieve excellence by continuously seeking to perform better by embracing new methods and technologies.

**Proactiveness:** The Bank is responsive to customers need, to social, technical and economic changes and is adaptive to the requirements of our customers now and in the future.

**Discipline and compliance:** The Bank pursues business with discipline and ethical principles, and certifies that its business undertakings comply with laws, rules and regulations, the Statement of Business Conduct and Code of Conduct for employees as mentioned.

## General Meetings of Shareholders

The Board of Directors Meeting No. 3/2005, on February 24, 2005, resolved to have the 2005 General Meeting of Shareholders scheduled for April 8, 2005. Since that resolution, the meeting date has been disclosed on the website of the Stock Exchange of Thailand (SET). The Bank arranged for the delivery of Notice of the General Meeting of Shareholders, containing complete agenda in compliance with law, the SET's requirements and the Bank's Articles of Association together with proxy forms and complete set of meeting agenda documentation and information details to shareholders not less than 14 days prior to the meeting date. In addition, the Bank also placed a Notice of the Meeting in Thai daily newspapers for three consecutive days, and not less than three days prior to the meeting date. Moreover, on the meeting day, the Bank arranged for staff to register and facilitate shareholders and other proxies who wished to attend the meeting, using a barcode system for registration, and printed ballots given to each shareholder for each meeting agenda item.





In the previous General Meeting of Shareholders, the Chairman of the Board acted as the Chairman of the Meeting, which was also attended by the Chief Executive Officer, the President, the Chairmen of all Board Committees, altogether. There were 14 directors in attendance:

1. Mr. Banyong	Lamsam	Chairman of the Board
2. Pol. Gen. Pow	Sarasin	Vice Chairman
3. Mr. Banthoon	Lamsam	Director
4. Dr. Prasarn	Trairatvorakul	Director
5. Mr. Sukri	Kaocharern	Director
6. M.R. Sarisdiguna	Kitiyakara	Director
7. Mr. Somchai	Bulsook	Director
8. Professor Khunying Suchada	Kiranandana	Director
9. Professor Dr. Yongyuth	Yuthavong	Director
10. Dr. Abhijai	Chandrasen	Director
11. Mr. Charles L.	Coltman, III	Director
12. Ms. Elizabeth	Sam	Director
13. Mr. Chaisak	Saeng-Xuto	Director
14. Dr. Schwin	Dhammanungune	Director

Consideration and voting were conducted according to the agenda items of the meeting. During each meeting, apart from related meeting documents, the Bank also presented information using a video presentation system and provided English translations for foreign shareholders. The Chairman of the meeting provided the opportunity for shareholders to inquire about all matters and express opinions, which were answered and supplemented with complete information to shareholders. There were representatives of shareholders present in the meeting to serve as a neutral and independent party witnessing the vote-counting procedure. Comprehensive minutes of the meetings were recorded, along with details of the voting on each agenda item. The minutes of meetings were sent to official regulatory agencies within 14 days after the shareholders' meetings, and will be presented to shareholders for acknowledgement at the next shareholders' meeting as well as being posted on the Bank's website.

## Leadership and Vision

At KASIKORNBANK, the Board of Directors endorses the Bank's vision, missions and strategies, and also approves key issues pertaining to the business direction and Bank policies, including the annual business plan and budget. The Board is also responsible for supervising management actions to ensure that they are consistent with approved policies and business plans, as well as in compliance with laws and regulations of all relevant government agencies, and the resolutions of the General Meeting of Shareholders. The best interest to the Bank and all stakeholders is thus assured for the higher economic value of the entire Bank.

In addition to the above, the Bank assures that it has internal control and risk management systems appropriate and sufficient for current business undertakings. The Board works in close consultation with management continuously striving for excellent performance, taking into consideration current and future risks, and in a manner consistent with the vision, missions, Statement of Business Conduct, and Statement of Corporate Governance Principles of KASIKORNBANK.

## Conflict of Interest Prevention

The Bank places great importance on good corporate governance, and therefore have defined the guidelines to prevent conflict of interest with care and consideration to integrity, independence and compliance with standards of good governance, including disclosure of accountable and complete information to gain trustworthiness from customers, shareholders, investors and all concerned personnel. The Bank supervises the use of inside information and makes it a mandatory element in the Code of Conduct that directors and employees have to strictly comply with the inside information principles. Essences of which are as follows:

### 1. Policies and Regulations to Prevent Conflict of Interest

1.1 The Board of Directors has considered transactions that may involve conflict of interest, connected or related transactions, to be in compliance with standards of good governance and meet the scrutiny of the Audit Committee. The Board also oversees the Bank's operations to ensure compliance with the criteria of the Stock Exchange of Thailand (SET), the office of the Securities and Exchange Commission (SEC) and the Bank of Thailand (BOT), including disclosure of transaction that may involve conflict of interest to the public.

1.2 In any transactions in which directors, staff or related personnel could derive personal benefit from entering into the transaction with the Bank, such directors and staff are forbidden to participate in the approval of such transaction, and the price must be properly defined in a manner consistent with that offered to general customers.

1.3 To comply with the SET's regulations concerning connected transactions, required connected transactions must be submitted to the Audit Committee for consideration before further submission to the Board of Directors for approval, according to the principles of good corporate governance.

1.4 For loan or investment approvals in businesses that the Bank, its directors or the Bank's high-level executives may derive some benefits, or approvals on loans to major shareholders, the Bank's high-level executives or the Board, such transactions may proceed only upon the unanimous approval of a Board meeting, but without the attendance or vote by directors or high-level executives who are related persons from the approval of such investment or loan. The amount of loan must not exceed a reasonable amount and not be permitted special terms or conditions as prescribed by the Bank of Thailand.

1.5 Details of transactions, related transactions or connected transactions that may involve conflicts of interest according to the criteria of the SET and the SEC must be disclosed in the annual report form (56-1 Reporting Form), in the Bank's annual report or other reports declaring such activities. This also includes disclosure of information on connected transactions to the SET according to



the SET regulations, as well as disclosure of connected transactions of the Bank according to the accounting standard criteria and the rules of the Bank of Thailand. A disclosure of connected transactions is shown in the Notes to Financial Statements, under Related Party Transactions (Page 155)

1.6 Review of connected transactions must be carried out in accordance with the audit plan and be reported to the Audit Committee.

In the future, should the Bank become involved with any related transactions, directors and employees must follow the above policies. In case where there are changes in the regulatory criteria, related transactions must be carried out in accordance with the changed regulations.

## **2. Rules on Proper Use of Inside Information**

To encourage good governance and meet targets related to its implementation, the Bank has established regulations to supervise the use of inside information, regulations concerning securities trading of staff members that are in compliance with securities trading law. These regulations are reviewed constantly, and the essence can be summarized as follows:

2.1 All operational units must set up a system to maintain inside information under proper supervision.

2.2 Staff 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 significantly affect the price of securities that has not been disclosed to the public or the the SET, though they have become aware of such information in their capacity as an employee of the Bank. Such actions are prohibited whether to favor themselves or others, or to reveal such information to others to do and receive benefit thereof.

2.3 Directors, staff of equivalent to Executive Vice President level or higher, those retained or performing a function in a position equivalent to department head in any division related to finance or accounting have a duty to report their ownership of securities issued by the Bank, including those of their spouses and children who are considered minors under the law to the SET and the SEC, and report changes in their securities holdings issued by the Bank at each occasion upon the sale, purchase, or acceptance of securities as required for disclosure on related forms, and do so within the period set by the SET and the SEC, except for transactions exempted by defined criteria.

2.4 Concerning the supervision of securities trading and prevention from using inside information, the timeframe limiting securities trading of directors and staffs has been stipulated by the Bank. Regulations on prevention of the use of inside information has been regularly disseminated to directors, staff or related personnel through the internal database system, internal memoranda, e-mail, regulatory review meetings, etc.

2.5 Disclosure or use of inside information for the benefit of oneself or others is considered a violation of employees' ethics.

## **Business Ethics**

The Bank has established a Statement of Business Conduct and a Code of Conduct for directors and employees. All directors, executives and employees have responsibilities in carrying out their designated duties, and are held accountable to the Bank and its stakeholders. They have performed their duties with integrity, in compliance with governing laws and regulations of the Bank, based on professional standards. The Bank conducts business in a transparent, honest and fair manner, and adheres to the principles under the Statement of Business Conduct. In detail:

1. Strive to achieve customer satisfaction
2. Continually strive for superior performance
3. Attract and recruit people with skills and experience
4. Perform one's duties as a good citizen, contributing to social enhancement and environmental preservation
5. Be fair to all
6. Believe in strong ethical standards and carry out business with integrity
7. Protect customers and maintain the trust placed in us by ensuring that all information relating to our customers business

affairs remains confidential at all times

8. Be dedicated to carrying out responsibilities in a professional manner
9. Respect the equal rights of all stakeholders
10. Be Committed to discipline in the operation of our business

The Code of Conduct and Statement of Business Conduct are both disclosed on the KASIKORNBANK website and in its central database. Also, the Bank has established a compliance unit to monitor employees' actions as stated in the Code of Conduct. In addition, certain activities have been launched to promote ethical behavior, within a culture of good corporate governance. Best practices and actions in line with the Code of Conduct have been disseminated to all employees regularly, continuously and effectively, and these activities have been reported to the Corporate Governance Committee for acknowledgement. These actions includes:

- Certification to abide by the Code of Conduct by all employees every year
- Inclusion of corporate governance and Code of Conduct presentation in every orientation program for its newly recruited personnel
- Distribution of pocket calendar printed with the Statement of Corporate Governance Principles and Statement of Business Conduct to all employees
- Communication on the Code and the Statement of Corporate Governance Principles through email under the title "CG Knowledge"
- Communication to all employees to promote compliance with the Code of Conduct through KASIKORNBANK closed-circuit TV programs - also known as KASIKORNTV - in order to promote general understanding towards actions stipulated in the Statement of Corporate Governance Principles
- Communication via KASIKORNBANKGROUP Newsletter, which is circulated within the Bank, in the forms of articles, descriptions and a question-and-answer column on issues pertaining to the Code of Conduct
- Activities organized via the electronic networks of KASIKORNBANK, notably communication on the Statement of Business Conduct and the Statement of Corporate Government Principles on the "Welcome" Page and the "Quotes of the Week" on the Code of Conduct
- Communication to directors and employees on the criteria for the use of inside information related to securities trading
- Communication to all employees on policy and procedure relating to the acceptance of gifts in compliance with the Code of Conduct
- Self-assessments and tests of knowledge pertaining to the Code of Conduct on employees through an electronic system. The purpose is to collect useful data to improve corporate governance compliance supervision more effectively and appropriately.

## Balance of Authority by Non-Executive Directors

The election of members of the Board of Directors follows the resolutions of shareholders' meetings, as well as the rules and regulations, and Articles of Association of the Bank. As of December 31, 2005, the Board of Directors comprised 17 members, including 2 executive Directors, 6 non-executive Directors, and 9 Independent Directors that account for 53 percent of the Board members in total. This is aimed at maintaining a balance between control and management. Binding agreements of the Bank must be signed by two authorized directors and affix with the common seal of the Company. The first groups of 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 one of these will have to co-sign with any of the following Directors, i.e., Pol. Gen. Pow Sarasin, or Mr. Sukri Kaocharern, or M.R. Yongswasdi Kridakon, or Dr. Abhijai Chandrasen.

The Bank has defined the meaning of "Independent Director" in conformity with the Statement of Corporate Governance Principles of the Stock Exchange of Thailand, the provisions of the Bank of Thailand on the Structure of Directors for Promoting Good Governance at Commercial Banks, and the guidelines of the office of the Securities and Exchange Commission and the Stock Exchange of Thailand to create confidence among investors and to maintain a balance in good management. The Bank therefore has defined "Independent Director" as any director who does not take part in the management of the Bank, affiliated company or associated company; is independent from the management or controlling shareholders; and has no business relationship with the Bank in any way that may impact their independence in decision-marking. He/she must also possess the following qualifications:

1. Holding not more than 0.5 percent of the Bank's shares with voting rights in the Bank, or those of any affiliated company, or associated company.
2. Not taking part in management and not being an employee, staff member, adviser who receives a regular salary, nor being an auditor, lawyer, or other professional which would affect the giving of independent opinion to the Bank, affiliated company, associated company, nor having other such control over the Bank, affiliated company, associated company, nor being a person with a conflict of interest, except they have resigned from any such position for at least one year.
3. Having no direct or indirect business relationship which restricts the director's independence with an amount or value in significant proportion to the Bank's income, nor benefiting or interest in finance and management of the Bank, affiliated company, associated company, nor being a person with a conflict of interest that may affect the giving of independent opinions.
4. Not being a close relative of any member of senior management or majority shareholder of the Bank, affiliated company, or associated company, nor being a person with a conflict of interest. Nor shall they be a representative of a director to safeguard the interests of a Bank director or majority shareholder.

## Separation and Integration of Key Positions

The Chairman of the Board of Directors is not the same person as the Chief Executive Officer. Neither is he 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 these positions. In case where the Chairman and the Chief Executive Officer are one and the same person, or are related in anyway, then the Board shall nominate a senior director who is an independent director to perform specific functions where necessary that would be expected of an independent chairman of the Board of Directors.

## Board of Directors

The Board of Directors of KASIKORNBANK according to the certification of the Ministry of Commerce, dated October 11, 2005, comprises 17 members, consistent with the Bank of Thailand's directives concerning board structure to enhance corporate governance of commercial banks, including:

- 2 executive Directors
- 6 non-executive Directors
- 9 independent Directors, exceeding half of the Board members

The members of the Board of Directors are qualified persons who have 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 *	Director
7. M.R. Yongswasdi	Kridakon	Director
8. Mr. Somchai	Bulsook *	Director
9. Ms. Sujitpan	Lamsam	Director
10. Prof. Khunying Suchada	Kiranandana *	Director
11. Prof. Dr. Yongyuth	Yuthavong *	Director
12. Dr. Abhijai	Chandrasen	Director
13. Mr. Charles L.	Coltman, III *	Director
14. Ms. Elizabeth	Sam *	Director
15. Mr. Chaisak	Saeng-Xuto *	Director
16. Dr. Schwin	Dhammanungune *	Director
17. Dr. Tian	Suning *	Director

\* Independent Directors

### Roles and Responsibilities of the Board of Directors

The Board of Directors holds responsibilities for all the Bank's shareholders. Each director represents all shareholders and takes part in supervisory and regulatory functions of the Bank's operations in an independent and impartial manner for the benefits of all shareholders and other stakeholders.

The Board has roles and responsibilities stated in the Board of Directors' Charter, which are:

1. Supervise and manage the Bank so that it is in accordance with laws and the Bank's objectives, the Articles of Association and the resolutions of Shareholders' Meetings.
2. Approve the Vision, Mission, Value and Statement of Business Conduct.
3. Review and discuss Management's proposed strategy options and approve major discussions in respect of direction and policy. The Board also reviews and approves Management's initiated annual Business Plan and Capital Expenditure Budget, other performance goal as well as all the major initiatives central to the achievement of the goals.

4. Monitor the Bank's performance and progress in achieving set objectives as well as practices in compliance with the laws, regulations and related policies.

5. Supervise and review the balance between the Bank's short- and long-term objectives.

6. Ensure that the Bank shall vest in the Chief Executive Officer and the President the authority to initiate, commit and approve payments for all expenditures approved in the Capital Expenditure Budget, and other budgets approved by the Board for the purposes of special projects. The Board shall also review and approve credit proposals over the established limits of operational authority.

7. Review and approve the human resources policies, management development plans and remuneration policy. The Board shall nominate and select successors of the Chief Executive Officer and President as well as evaluate their performance and ensure an effective process for the Bank executive performance assessments.

8. Ensure the existence of an effective internal control system and appropriate risk management framework.

9. Ensuring an effective audit system executed by both internal and external auditors.

10. Approve quarterly and annual financial reports; ensure high quality financial reporting to shareholders.

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

### **Selection of Board Members**

The Bank has established the Human Resources and Remuneration Committee to select and review nominated persons for the positions of directors, Chief Executive Officer and President. The Committee will consider qualified persons not having prohibited characteristics to be nominated as a director of a commercial bank or security firm based on criteria of the Bank of Thailand, the office of the Securities and Exchange Commission, the Stock Exchange of Thailand and other related agencies. They must possess the qualifications, skills, knowledge and basic experience defined by the Bank, which will be considered on a case by case basis. If there is no suitable person, the selection process will be restarted and new qualified persons will be proposed. For nomination of independent Directors, the Human Resources and Remuneration Committee will consider qualified persons not having prohibited characteristics as prescribed by the regulations of the Bank of Thailand and other regulatory authorities. Nominated directors must also meet the "independent director" definition of the Bank. Qualified personnel will be proposed to the Board of Directors and the General Meetings of Shareholders for approval. Nominated directors must also meet the "Independence Director" definition of the Bank. Qualified personnel will be proposed to the Board of Directors and the General Meetings of Shareholders for approval. After the General Meeting of Shareholders has passed the resolution to appoint a director, responsible agencies will register the change of director, and/or report to relating regulatory agencies within a given deadline. The Bank also organizes orientations for newly elected directors to provide information on their roles and responsibilities, as well as information related to the Bank's regulations and its committees, the Bank's core policies and the manual for financial institution directors, as a process to aid directors to understand their roles and the Bank's business operations.

### **Appointment and Removal of Directors of the Board**

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. The director may or may not be a shareholder of the Bank. Directors shall be elected by a 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 by them.

(3) Each shareholder shall use all of his votes in the election of directors.

(4) Persons receiving the highest number of approving votes among all candidates shall 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 opening for a director, the chairman of the meeting shall have the deciding vote.

2. 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 the office longest shall retire first. In the case of 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 the end of his/her term, or is resolved to be removed by a meeting, or ordered by a Court of law to resign, shall be removed from the office immediately.

4. In the case of a vacancy in the Board of Directors for reasons other than the expiration of the director's term of office, the remaining Board of Directors shall elect a person who has the proper qualifications, without prohibited characteristics, as a substitute director at the next meeting of the Board of Directors, unless the remaining term of office of said director is less than two months. Such resolution of the Board of Directors shall consist of the votes of not less than three-fourths of the remaining directors. The substitute director shall hold office only for the remaining term of the director whom he or she replaces.

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

The Bank's Chairman and Vice Chairman approved 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 for each transaction. Either the Chief Executive Officer or President may delegate this authority to a Bank employee to act on behalf of the Bank within the limit of each employee's responsibility. In case of transactions over the said limit, the Board shall review and approve the limit of such transaction on a case-by-case basis.

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

In addition to the aforementioned empowerment of an executive authority, the Bank has also established a set of criteria and plan 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 authorities
- (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 distribution 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 its Principles.



(3) The internal executive authority shall include:

(3.1) The executive authority specified in monetary terms within the limits of the Bank's approved budget;

(3.2) Other executive authority that is non-financial related, but represents the required authority which management at various levels and positions must use to manage functions such as the authority to increase or decrease manpower, the authority to disclose sensitive information and the authority to hire outside contractors;

(4) For complete control, executive authority is divided into categories according to their operational functions, as follows:

(4.1) Executive authority shared among various entities refers to authority that is not assigned specifically to any one particular entity, but may be specified according to the work performed by those employing such authority in various departments.

This includes executive authority in 9 areas:

(4.1.1) Executive authority relating to human resources

(4.1.2) Executive authority relating to credit approval

(4.1.3) Executive authority relating to collateral

(4.1.4) Executive authority in debt restructuring and litigation

(4.1.5) Executive authority relating to expenditures

(4.1.6) Executive authority to quote exchange rates and offer fee and interest rate discounts to domestic and international businesses

(4.1.7) Executive authority to provide service to customers in export-import businesses

(4.1.8) Executive authority of the Assets and Liabilities Management Sub-committee

(4.1.9) Executive authority relating to other aspects

(4.2) Departmental executive authority is executive authority given to a specific department relative to its business activities and is being delegated to the management of that group or department, as well as to individuals in various positions in the related department(s).

(4.3) Branch executive authority is the authority given to a specific branch relative to its business activities, being delegated to Network Managers, Regional Managers and Branch Managers, as well as individuals in various positions in the branch.

(5) Executive authority principles are established and presented in tabular form to ensure that the management and staff at all operational levels will perform according to the approved authority and risk management limit.

### **Board Meetings**

The Board schedules Board Meetings on every last Thursday of the month, and, in addition, may hold special meetings as deemed appropriate. The agenda for Board Meetings shall be categorized into groups. The Secretary to the Board shall arrange a Notice of the Board Meeting, agenda and related documents to be delivered to each Director at least 7 days in advance, except in cases of urgency, to allow sufficient time for the Board to study the matters at hand. Each item of agenda and resolution is recorded in writing, and the minutes of the Board Meeting are certified by the Board and filed for examination by the Board, or others concerned.

Moreover, the Board also conducted meetings without the participation of executive Directors to evaluate the performance of the Chief Executive Officer and the President.

In 2005, the Board held a total of 15 meetings: Details of each Director's attendance are appeared under the item of Meeting Attendance of each Committee in 2005 (Page 215).

### Advisers to the Board of Directors

The Board of Directors appointed a number of qualified persons to act as Advisers to the Board of Directors, comprising:

- |    |                  |           |
|----|------------------|-----------|
| 1. | Mr. Pirote       | Lamsam    |
| 2. | Mr. Chaleo       | Yoovidhya |
| 3. | Mr. William Mark | Evans     |

### Roles and 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, or issues that require compliance with established laws and regulations, as well as on other important business that, once undertaken, may cause significant changes to, or clearly impact, the Bank's operations.

## The Board Committees

The Board of Directors has appointed directors who have knowledge and skills that are suitable to be members of Board Committees with the specific duty to study and review important matters that need close supervision prior to proposal to the Board of Directors. The Board Committees consist of the Audit Committee, Corporate Governance Committee, Human Resources and Remuneration Committee, and Risk Management Committee. The Bank also has 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 consultation as the Board deems appropriate.

Moreover, the Bank has also appointed eight Sub-committees to consider and review the scope of work designated as the responsibility of each Sub-committee.

#### 1. Audit Committee

The Board of Directors approved the establishment of the Audit Committee on June 25, 1998. Each member has a 3-year term. The Committee must have at least three independent members. At present, there are four members and at least one of them must have specific knowledge, understanding or experience in accounting and finance. Included are the following persons:

- |    |                        |                |           |
|----|------------------------|----------------|-----------|
| 1. | M.R. Sarisdiguna       | Kitiyakara     | Chairman  |
| 2. | Mr. Somchai            | Bulsook        | Member    |
| 3. | Prof. Khunying Suchada | Kiranandana    | Member    |
| 4. | Ms. Elizabeth          | Sam            | Member    |
| 5. | Mr. Vasant             | Chariyantiwate | Secretary |

The Committee holds meetings and reviews the operations regularly in accordance with its charter. In 2005, the Committee held a total of eleven meetings and reported all meeting resolutions to the Board.

### **Roles and Responsibilities of the Audit Committee**

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

1. Review the Bank's quarterly, half-year and annual financial statements with the Bank's Financial and Control Division and jointly review these with the Bank's external auditor. This is to ensure as much as possible that the financial statements exhibit the accurate and reliable financial status of the Bank, as well as complying with accounting standards, laws and standards related to the Bank.
2. Review the effectiveness and adequacy of all risk management processes and the internal control system by discussing and evaluating operational results of the Bank's internal and external auditors.
3. Review the Bank's operations to ensure that they are in compliance with the Securities and Exchange Acts, Stock Exchange of Thailand regulations, laws and regulations related to commercial banking business.
4. Review the effectiveness and adequacy of the internal audit system.
5. Evaluate operational results of the Bank's external auditors, consider and propose to the Board of Directors the appointment of the Bank's external auditors each year, as well as the audit fees.
6. Review related transactions and consider disclosures of the Bank's information on related transactions, or those that might contain a conflict of interest, to ensure transparency and fairness.
7. Prepare the Audit Committee's reports and submit to the Board of Directors its resolutions, after each meeting, as well as producing an annual report summarizing actions of the Audit Committee signed by the Chairman of the Audit Committee to be included in the Bank's annual report.
8. Consult with executives or outside experts concerning items or activities that the Board of Directors might deem related to the Bank's supervision duties.
9. Review its charter and the previous year's performance at least once a year, taking into account the assessment or opinions of the Chairman of the Board of Directors.

### **2. Corporate Governance Committee**

The Board of Directors approved the establishment of the Corporate Governance Committee on April 3, 2002. Each member has a 3-year term. The committee comprises at least three members. At present, there are two non-executive directors and one independent director, namely:

- |                       |            |           |
|-----------------------|------------|-----------|
| 1. Pol. Gen. Pow      | Sarasin    | Chairman  |
| 2. Mr. Sukri          | Kaocharern | Member    |
| 3. Prof. Dr. Yongyuth | Yuthavong  | Member    |
| 4. Ms. Sumontip       | Otrakul    | Secretary |

In 2005, the Corporate Governance Committee held five meetings and has reported all meeting resolutions to the Board of Directors.

### **Roles and Responsibilities of the Corporate Governance Committee**

The Corporate Governance Committee has duties and responsibilities as stated in the Corporate Governance Committee Charter approved by the Board of Directors, as follows:

1. Establish principles and key rules for an effective governance supervision process that suits the Bank.
2. Develop and disseminate the principles and best practices in Corporate Governance.
3. Formulate the Statement of Business Conduct and the Code of Conduct for the Bank's employees, and disseminate or communicate to all concerned as practice guidelines, and for public information.
4. Develop and set up a plan for overseeing the Corporate Governance's compliance.
5. Review announcements concerning good corporate governance to prepare and present in the Bank's reports.
6. Recommend the best practices for the Board of Directors and propose guidelines for the Board of Directors Charter, as well as other Board Committee Charters.
7. Recommend the Statement of Business Conduct for the Bank's business practices and the Code of Conduct for the Bank's management and personnel.
8. Review operational guidelines and Corporate Governance to ensure consistency and compatibility with the Bank's business.
9. Review and propose public announcements related to Corporate Governance issues.
10. Review and report to the Board of Directors matters related to Corporate Governance and give opinions on practical guidelines and suggest improvements, as deemed appropriate.
11. Oversee Good Corporate Governance at the Bank to ensure good corporate governance practice

### **3. Human Resources and Remuneration Committee**

The Board approved the establishment of the Human Resources and Remuneration Committee on April 3, 2002. Each member has a 3-year term. The committee comprises at least three non-executive Directors. At present, there are three members; 2 of them are independent directors, including the Chairman of the Human Resources and Remuneration Committee, and a non-executive director, namely:

- |    |                 |                 |           |
|----|-----------------|-----------------|-----------|
| 1. | Dr. Schwin      | Dhammanungune * | Chairman  |
| 2. | M.R. Yongswasdi | Kridakon        | Member    |
| 3. | Mr. Chaisak     | Saeng-Xuto      | Member    |
| 4. | Mr. Somkiat     | Sirichatchai    | Secretary |

*\* Dr. Schwin Dhammanangune superseded Mr. Charles L. Coltman, III as Chairman of the Human Resources and Remuneration Committee on April 8, 2005.*

In 2005, the Human Resources and Remuneration Committee held seven meetings and has reported all meeting resolutions to the Board of Directors.

### **Roles and Responsibilities of Human Resources and Remuneration Committee**

The Human Resources and Remuneration Committee has duties and responsibilities as stated in the Human Resources and Remuneration Committee Charter approved by the Board of Directors, as follows:

1. Review and propose to the Board of Directors for approval issues relating to the human resources vision and strategies that are aligned with the Bank's business strategies.

2. Ensure that a succession plan for senior management in specific positions and a list of candidates entitled for consideration are reviewed from time to time.

3. Review the remuneration strategy and propose for the Board's endorsement, as well as review the salaries and benefits of senior management.

4. Establish the terms and conditions for the President and Chief Executive Officer's employment contracts, their remuneration, as well as seek and recommend qualified successors to the President and the Chief Executive Officer when considered necessary.

5. Review the composition, size, experience and remuneration of the Board of Directors, as well as select and recommend candidates with proper qualifications to the Board prior to further submittal for appointment at a General Meeting of Shareholders.

#### **4. Risk Management Committee**

The Board of Directors approved to change the status of the Internal Risk Management Sub-committee to that of the Risk Management Committee on April 29, 2004. Each member has a 2-year term and the Committee must comprise at least 7 directors and executives. At present, the committee comprises eleven members, two of which are Executive Directors, plus one Non-executive Director and eight 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. Boontuck	Wungcharoen	Member
6.	Mr. Krisada	Lamsam	Member
7.	Mr. Teeranun	Srihong	Member
8.	Mr. Sasawat	Virapriya	Member
9.	Mr. Surasak	Dudsdeemaytha	Member
10.	Mr. Chartchai	Sundharagiati *	Member
11.	Mr. Prasopsuk	Damrongchietanon	Member and Secretary

*\* Appointed on February 1, 2006. Memberships of Mr. David L. Hendrix, Ms. Patcharin Vongsiridej, and Ms. Kattiya Indaravijaya have ended.*

In 2005, the Risk Management Committee held 14 meetings and reported to the Board of Directors per their assigned duties. The committee ensures that the Bank has established an effective risk management system for early warning and sets measures to prevent and manage risks, including risks that affect operations, supervision to follow practices according to policies, and preparation of risk management reports.

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

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

1. Have the authority to make decisions on related operations within the scope of responsibility defined in the Risk Management Committee Charter, with authority to access all pertinent information.

2. Define risk management policies of the Bank and present to the Board of Directors for their consideration of such matters. These policies must cover various types of risks associated with strategies, liquidity, credit, market, operational or other significant risks to the Bank.

3. Formulate strategies on the organization and resources used in the Bank's risk management to conform to the risk management policy of the Bank. These strategies must enable the effective analysis, assessment, evaluations, and monitoring of the Bank's risk management.

4. Define maximum credit lines according to the risk appetites and propose these to the Board of Directors for consideration.

5. Monitor, review and propose to the Board of Directors risk management policy, standard practices, strategies and an overall risk management system that will ensure that risk management procedures are effectively implemented.

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

The Board of Directors and the 88<sup>th</sup> General Meeting of Shareholders on April 4, 2000, approved the establishment of the Advisory Directors to the Management Committee, comprising five members, namely:

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

## **Roles and 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 of the Bank's management and operations.

## **6. Management Committee**

The Board of Directors and the 88<sup>th</sup> General Meeting of Shareholders, on April 4, 2000, approved the establishment of the Management Committee, comprising eight members, namely:

- |                  |                |          |
|------------------|----------------|----------|
| 1. Mr. Banthoon  | Lamsam         | Chairman |
| 2. Dr. Prasarn   | Trairatvorakul | Member   |
| 3. Dr. Piengchai | Pookakupt      | Member   |
| 4. Mr. Boontuck  | Wungcharoen    | Member   |
| 5. Mr. Somkiat   | Sirichatchai   | Member   |
| 6. Mr. Krisada   | Lamsam*        | Member   |
| 7. Mr. Teeranun  | Srihong*       | Member   |
| 8. Mr. Sasawat   | Virapriya*     | Member   |

*\*Appointed on January 1, 2006. Memberships of Mr. Apichai Bunyakiat, Mr. David L. Hendrix, and Mr. Richard A. Clarke have ended.*

In 2005, the Management Committee held a total of 51 meetings and has reported all meeting resolutions to the Board of Directors.



### **Roles and Responsibilities of the Management Committee**

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

1. The Management Committee shall have the responsibility of managing and undertaking the Bank's business as assigned by the Board of Directors, or by specific resolutions of the Board of Directors.
2. The Management Committee shall have the authority to manage the Bank's business according to given policies and plans.
3. The Management Committee shall have the authority delegated by the Board of Directors, and per their established management jurisdiction over the Bank.
4. Management Committee Chairman shall submit the Minutes of 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 Memorandum of Association must be pre-approved by the Board of Directors. This also includes issues that the Management Committee considers appropriate for approval by the Board of Directors to be presented on a case-by-case basis, or under the criteria designated by the Board of Directors.
5. The Management Committee shall have the responsibility and authority to undertake activities in order to achieve the Bank's targets, including:
  - 5.1 Preparation and review of strategic objectives, financial plans and key policies of the Bank, to be submitted to the Board of Directors for approval.
  - 5.2 Consideration of 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.
  - 5.3 Consideration and approval of other issues placed under their legitimate authority, or as delegated by the Board of Directors.
  - 5.4 Review of management authority in various aspects stipulated in the approval authority hierarchy, to be submitted for approval by the Board of Directors.
  - 5.5 Management and creation of a balance between short-and-long term objectives.
  - 5.6 Developing and ensuring that the human resources implementation is in line with the human resources strategies approved by the Human Resources and Remuneration Committee.
  - 5.7 Selecting and recommending suitable candidates to be appointed in senior management level of First Senior Vice President and above, to the Human Resources and Remuneration Committee, and submit to the Board for approval, as well as appointing, monitoring and evaluating performances of employees from the level of Department Head down to Middle Management, including the recruitment of successors.
  - 5.8 Monitoring and reporting to the Board of Directors the Bank's operating results and other work in progress for achieving the Bank's objectives.
  - 5.9 Monitoring performances of employees at all levels with regard to risk management under the Bank's policies, including the effectiveness of the internal control system, and operations in compliance with related laws, rules and regulations.
  - 5.10 Reviewing newly initiated major activities or products, to be submitted to the Board of Directors for consideration and approval.
  - 5.11 Communicating with stakeholders as deemed appropriate per their delegated authority alignment.

### **Selection of Management**

The Management Committee has the duty is to select qualified candidates to be appointed as management at the position of First Senior Vice President and above, to be submitted to the Human Resources and Remuneration Committee for further submission to the Board of Directors for approval. As for the appointment of management positions of lower ranking, Division Heads shall select qualified candidates to be nominated and approved by the Management Committee, or the Chief Executive Officer.

### **The Sub-committees**

The Sub-committees' roles are to review and manage various matters within the Bank to ensure fairness, appropriateness, effectiveness and the highest efficiency of the Bank. There are eight Sub-committees, effective on March 1, 2006, namely:

1. Information Technology Sub-committee
2. Assets and Liabilities Management Sub-committee
3. Corporate Business Debt Recovering and Restructuring Sub-committee
4. Retail and SME Debt Recovery and Restructure Sub-committee
5. Foreclosed Property Management Sub-committee
6. Information Infrastructure Sub-committee
7. Product Pricing Sub-committee
8. Credit Policy Sub-committee

## Meeting attendance of each committee in 2005

Unit : Time

Board Members	Board of Directors  (Total 15 meetings)	Corporate Governance Committee  (Total 5 meetings)	Risk Management Committee  (Total 14 meetings)	Audit Committee  (Total 11 meetings)	Human Resources and Remuneration Committee  (Total 7 meetings)
Mr. Banyong Lamsam	14				
Pol. Gen. Pow Sarasin	11	5			
Mr. Banthoon Lamsam	14		4		
Dr. Prasarn Trairatvorakul	13		14		
Mr. Sukri Kaocharern	14	5			
M.R. Sarisdiguna Kitiyakara	15			11	
M.R. Yongswasdi Kridakon	11				7
Mr. Somchai Bulsook	15			9	
Ms. Sujitpan Lamsam	15		11		
Prof. Khunying Suchada Kiranandana	14			9	
Prof. Dr. Yongyuth Yuthavong	11	5			
Dr. Abhijai Chandrasen	15				
Mr. Charles L. Coltman, III	14				
Ms. Elizabeth Sam	13			8	
Mr. Chaisak Saeng-Xuto	14				7
Dr. Schwin Dhammanungune	14				7
Dr. Tian Suning (Appointed as Board of Director on April 8, 2005)	7				

### Remarks:

- The number of members in each committee

The Board of Directors 17 members  
Corporate Governance Committee 3 members  
Risk Management Committee 11 members  
(Comprising 3 Board members)  
Audit Committee 4 members  
Human Resources and Remuneration Committee 3 members

- Details of meeting attendance through Teleconferencing system of each Committee --

The Board of Directors

Ms. Sujitpan Lamsam 9 Meetings  
Mr. Charles L. Coltman, III 11 Meetings  
Ms. Elizabeth Sam 1 Meeting  
Dr. Tian Suning 7 Meetings

Risk Management Committee

Ms. Sujitpan Lamsam 10 Meetings

Audit Committee

Ms. Elizabeth Sam 6 Meetings

Four committee members; Mr. Charles L. Coltman, III, Mrs. Elizabeth Sam, Dr. Tian Suning and Ms. Sujitpan Lamsam do not reside in Thailand

## 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 director's remuneration, to be submitted for consideration by the Board of Directors for further submission for approval by the General Meeting of Shareholders, 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 remuneration is comparable to other commercial banks. A member of a committee who is also a member of other committees shall receive additional remuneration according to their increased responsibilities. The Directors remuneration policies have been approved by the Annual General Meeting of Shareholders No. 93 on April 8, 2005.

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

Details of remuneration to directors and executives are as follows:

### 1. Financial Remuneration

1.1 Directors' remuneration: In 2005, 17 directors received remuneration for directors, for the Advisory Directors to the Management Committee, Members of the Audit Committee, the Corporate Governance Committee, the Human Resources and Remuneration Committee, and as the Legal Adviser together with a bonus at the rate of 0.5 percent of the dividend, totaling Baht 47,193,000.

### Remuneration for Directors in 2005

<b>Mr. Banyong Lamsam</b>	Received remuneration for Chairman and Advisory Director to the Management Committee, totaling Baht 6,960,000, and a bonus of Baht 1,354,000.
<b>Pol. Gen. Pow Sarasin</b>	Received remuneration as Vice Chairman and the Advisory Director to the Management Committee, totaling Baht 5,196,000; as Chairman of the Corporate Governance Committee amounting to Baht 360,000, and a bonus of Baht 1,015,000.
<b>Mr. Banthoon Lamsam</b>	Received remuneration totaling Baht 840,000, and a bonus of Baht 677,000
<b>Dr. Prasarn Trairatvorakul</b>	Received remuneration totaling Baht 840,000, and a bonus of Baht 677,000.
<b>Mr. Sukri Kaocharern</b>	Received remuneration as a Director and Advisory Director to the Management Committee, totaling Baht 2,040,000; and as a Member of the Corporate Governance Committee, amounting to Baht 240,000, and a bonus of Baht 677,000.
<b>M.R. Sarisdiguna Kitiyakara</b>	Received remuneration as a Director totaling Baht 840,000; as Chairman of the Audit Committee, amounting to Baht 720,000, and a bonus of Baht 677,000.
<b>M.R. Yongswasdi Kridakon</b>	Received remuneration as a Director and the Advisory Director to the Management Committee, totaling Baht 2,640,000; as a Member of the Human Resources and Remuneration Committee, amounting to Baht 240,000, and a bonus of Baht 677,000.
<b>Mr. Somchai Bulsook</b>	Received remuneration as a Director, totaling Baht 840,000; and as a Member of the Audit Committee, amounting to Baht 600,000, and a bonus of Baht 677,000.
<b>Ms. Sujitpan Lamsam</b>	Received remuneration as a Director totaling Baht 840,000, and a bonus of Baht 677,000.

<b>Prof. Khunying Suchada Kiranandana</b>	Received remuneration as a Director totaling Baht 840,000 as a Member of the Audit Committee, amounting to Baht 600,000, and a bonus of Baht 677,000.
<b>Prof. Dr. Yongyuth Yuthavong</b>	Received remuneration as a Director totaling Baht 840,000; and as a Member of the Corporate Governance Committee, amounting to Baht 240,000, and a bonus of Baht 677,000.
<b>Dr. Abhijai Chandrasen</b>	Received remuneration as a Director and Legal Adviser totaling Baht 4,440,000, and a bonus of Baht 677,000.
<b>Mr. Charles L. Coltman, III</b>	Received remuneration as a Director totaling Baht 840,000 as Chairman of the Human Resources and Remuneration Committee amounting to Baht 30,000, and a bonus of Baht 677,000.
<b>Ms. Elizabeth Sam</b>	Received remuneration as a Director totaling Baht 840,000; as a Member of the Audit Committee amounting to Baht 600,000, and a bonus of Baht 677,000.
<b>Mr. Chaisak Saeng-Xuto</b>	Received remuneration as a Director totaling Baht 840,000 and as a Member of the Human Resources and Remuneration Committee amounting to Baht 240,000, and a bonus of Baht 677,000.
<b>Dr. Schwin Dhammanungune</b>	Received remuneration as a Director totaling Baht 840,000 and as a Member of the Human Resources and Remuneration Committee amounting to Baht 330,000, and a bonus of Baht 677,000.
<b>Dr. Tian Suning</b>	Received remuneration as a Director totaling Baht 630,000.

*Remarks: Dr. Tian Suning was appointed the position of Director on April 8, 2005.*

1.2 Remuneration for advisers to the Board of Directors totaled Baht 1,056,000.

1.3 Management remuneration: In 2005, executives from the position of Executive Vice Presidents and higher totaling 9 persons, received remuneration including salaries, living expenses, special bonuses from the Bank totaling Baht 139,411,184.57

## Other remuneration

2.1 Remuneration for directors: none

2.2 Remuneration for advisers to the Board of Directors: none

2.3 Remuneration for Executives: the Extraordinary Meeting of Shareholders No. 1/1999 approved the offering and issuance of 50 million units of warrants to Bank employees (excluding directors) in 3 phases of the ESOP program. The shareholders' delegates or other persons delegated by them shall allocate these warrants to employees by taking into consideration the competency and potential of each employee.

The warrants are irrevocable subscription certificates offered at Baht 0 (zero) per unit. Each warrant can be exercised to purchase one Baht10 (par) common share at a price of Baht 30 per share. The Bank received approval (by the Annual General Meeting of Shareholders) to offer 18.5 million units in Phase 1, of which 15,612,600 units were allocated to employees in August 2000. The first exercise date was December 28, 2001, and the final exercise date was December 30, 2005. The Bank also received approval to offer 5 million warrant units in Phase 2, of which 3,962,500 units were allocated to employees in December 2001. The first exercise date was December 30, 2002, and the final exercise date will December 29, 2006.

In Phase 3, the Bank was approved to offer 26.5 million warrants, of which 26,490,560 units were allocated to employees in December 2002. The first exercise date was December 30, 2003, and the last exercise date will be December 30, 2007. For Phase 3, the rules and conditions were revised to comply with a resolution of Annual General Meeting of Shareholders No.90 on April 3, 2002, as follows:

1. Adjustment of the exercise price from Baht 30 per share to a weighted average price from the last 5 trading days before the offering date, which was then equal to Baht 27.82 per share;
2. Adjustment of the warrant exercise dates from twice a year to four times a year. Exercise dates shall be the last working day of each March, June, September and December, until the expiration of each warrant.

Bank management-level personnel received allocations of warrants in the ratios of 7.68 percent, 11.68 percent and 11.28 percent of the total number of warrants allocated in Phase 1, Phase 2 and Phase 3, respectively. As of December 31, 2005, the total number of exercised warrants was 28,093,250 units, with 12,848,720 units from Phase 1, 2,275,820 units from Phase 2, and 12,968,710 units from Phase 3.

Furthermore, the Bank's executives at positions of Executive Vice President and higher totaling 9 persons received remuneration derived from provident funds in 2005 totaling Baht 3,690,059.10.

## Internal Control and Auditing Systems

The Board of Directors and senior management have placed significant emphasis on efficient internal control system and bound to maintain the culture which recognizes risk and internal control as important parts of the Bank's overall operational activities.

A system of effective internal controls is a critical component of Bank management and a foundation for the safe and sound operation of the bank. It helps to ensure that the goals and objectives of the Bank will be met, that the Bank will achieve long-term profitability targets, and 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, internal rules and procedures, and decrease the risk of unexpected losses or damage to the Bank's reputation.

### Internal control and auditing can be summarized, as follows:

**1. The Audit Committee** is responsible for reviewing the adequacy and effectiveness of all risk management processes and the internal control system through discussions with and an evaluation of the work performed by internal auditors and the external auditors. The discussion normally includes the auditors' scopes of work, roles and responsibilities, audit plans, and audit results regarding the adequacy and effectiveness of the internal control system. Major recommendations or material deficiencies would be immediately reported to the Board of Directors for timely and effective action.

**2. The Risk Management Committee** has been established with the duty to assist the Board of Directors in its responsibility to oversee that the Bank's overall risk management process is at appropriate level. The Committee is also responsible for setting, assessing, reducing, monitoring and reporting risk levels for acknowledgement of the Board of Directors.

**3. The Compliance and Audit Division** reports directly to the Audit Committee. Using a risk based approach, the Division is responsible for providing an objective assurance services on the diverse operations within the Bank and its subsidiaries. The scope of work includes an evaluation of the operations in accordance with laws and regulations of regulatory agencies, operational procedures and the Statement of Business Conduct of the Bank as well as an assessment of the adequacy and effectiveness of the risk management and internal control processes. Audit results are reported to the Audit Committee on a quarterly basis. Major recommendations or material deficiencies would be immediately reported to the President as well as relevant Division's head for timely and effective action.



**4. Controlled environment** is enhanced by establishing the internal control framework and the written policies and operational procedures for the different functions of the Bank. Training and orientation programs have been provided for employees to ensure a common understanding and capabilities that will lead to effective functioning. There is a manual for employees providing information on rules and regulations, a professional code of conduct and standardized disciplinary actions for serious offenses to ensure efficiency, transparency and fairness in actions for the benefit of all stakeholders. Beside this, the Bank has also carried out a regular self-assessment on operations and internal control, conducted by business functions to promote awareness of good control environment.

**5. Risk identification and assessment** covers all material risks of the Bank and its subsidiaries that could adversely affect the achievement of the Bank's goals, i.e. strategic risk, credit risk, market risk, interest rate and exchange rate risk, liquidity risk, operational risk, legal risk - including compliance risk on rules and regulations of the Bank of Thailand, and other regulatory authorities, and reputation risk, etc.

**6. Appropriate and effective internal control system** is set under the segregation of duty concept by separating operation, control and assessment, to create a proper check-and-balance working environment. Area of potential conflicts of interest are identified and subjected to careful independent monitoring. Operations of the Bank and its subsidiaries has continuously been audited and monitored.

**7. Continuous development of IT and database system is in place** to provide accurate and current information, sufficient for timely decision-making by executives and the Board of Directors. This includes financial, operational, and compliance database to monitor effectiveness of internal control system for a prompt corrective action, when significant errors occur. The Bank also provides effective communication channel to ensure that all employees understand and adhere to the policies and procedures affecting their duties and responsibilities.

## Report of the Board of Directors

It is the duty of the Board of Directors report on the Bank's operating results and major events over the past year to shareholders for their acknowledgement. Also, the Board is responsible for the risk management and internal control systems to ensure that they are appropriate and effective. Pursuant to this, the Board has appointed the Audit Committee to oversee the quality of the Bank's Financial Statements and the internal control system, as well as other related processes in compliance with generally accepted accounting standards. The Audit Committee tasks are also to ensure that the Bank's financial data has been disclosed publicly and transparently. The Board of Directors has provided its report on the Bank's operations, and the Audit Committee report has been included in this Annual Report (Page 67).

## Investor Relations

Realizing the importance of information disclosures, the Bank has supervised and set clear policies, approved by the Board of Directors, concerning communications with external parties. The objective of this policy is to ensure that disclosures of the Bank's financial and general information to its shareholders, investors and the general public will be accurate, complete timely, equally accessible to all, and in accordance with related laws and regulations. The Bank's information is disseminated via various channels:

1. The Stock Exchange of Thailand, -
  - 1.1 The Annual Report Form
  - 1.2 The Bank's Financial Statements
  - 1.3 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
6. Television Stations
7. KASIKORNBANK PR News
8. KASIKORNBANK website (www.kasikornbankgroup.com)
9. Company Visits/One-on-One Meetings
10. Non-deal Roadshows
11. Analysts' Meetings
12. Press Conferences
13. Written communication to KASIKORNBANK shareholders by mail

The Bank has granted the Chairman, the Chief Executive Officer, the President and the Executive assigned to be the Chief Investor Relations Officer of the Corporate Secretariat Division, and/or the officers assigned to be the Head of Investor Relations Officers in the Corporate Communications and Administration Department with the authority to reveal the Bank's information, as well as reply to questions of investors who are the Bank's shareholders or those interested in purchasing the Bank's stock. The Investor Relations Unit was also established as part of the Corporate Communications and Administration Department, with the objective and responsibility of handling investor relations-related activities. It serves as the focal point to provide information and services to shareholders, investors, analysts and credit rating agencies, both local and foreign. Accurate and timely information enhances the good image and reliability of the Bank to investors, as well as helping to provide service to shareholders more efficiently.

The Bank established the Investor Relations Unit on May 18, 1998, being initially called 'Investor Relations and Shareholders' Services', under the Executive Office of the Corporate Secretariat Division. Then, on December 20, 2001, the Investor Relations and Shareholders' Services Unit was transferred to the Corporate Communications Department (CN) of the Corporate Secretariat Division. It was restructured on September 29, 2003, and the Corporate Communications Department was renamed the Corporate Communications and Administration Department, which directly supervises the Investor Relations Unit.

In 2005, the Bank's executives and the Investor Relations Unit met with related persons to provide information. Their activities are, as follow:

Meeting	No of Meetings	No of Companies	No of Persons
One-on-one Meetings	207	347	442
Conference Calls	16	18	18
Group Analyst Meetings	17	185	207
Investor Conferences	1	21	23
Roadshows	1	39	48
Total	242	610	738



Of the above figures, seven meetings were with 59 persons from 47 companies who met with the Bank's Chief Executive Officer.

In 2005, KASIKORNBANK Investor Relations received recognition from many institutions and investor polls conducted by international magazines, i.e. -

**1. IR Magazine presented** the "Best IR in the Singapore Market by a Thai Company" Award to KASIKORNBANK, for the third consecutive year, at IR Magazine Awards 2005 fair, which was arranged by IR Magazine, in collaboration with the Stock Exchange of Singapore on November 8, 2005.

**2. The Stock Exchange of Thailand** selected KASIKORNBANK as "1 of 3 listed companies on the Stock Exchange nominated for the Best Investor Relations of Thailand 2005" at the SET Award 2005 Fair on July 18, 2005. The Bank has also received this award in 2004.

**Contact Investor Relations:** Investor Relations Unit, Corporate Communications and Administration Department.

E-mail	:	IR@kasikornbank.com
Thai Investors, registrar	:	Tel: 0 2470 2663 to 7
		Fax: 0 2470 2747
Foreign Investors	:	Tel: 0 2470 2659 to 62
		Fax: 0 2470 2680

## Corporate Secretary

The Bank has assigned a Secretary to the Board who has the knowledge and experience to handle the Corporate Secretariat function, with the Corporate Communications and Administration Department (CN) as a support unit, consistent with the Statement of Corporate Governance Principles, for efficient management of the Bank.

The main duties and responsibilities of the corporate secretary include:

- Providing primary advice pertaining to laws and regulations governing commercial bank business and the Bank's Articles of Association, monitoring compliance of actions on a regular basis, and reporting on any significant changes to the Board.
- Arranging meetings for shareholders and meetings of the Board of Directors in accordance with laws and regulations, and the Bank's Articles of Association and procedures.
- Preparing meeting minutes for shareholder and Board of Directors meetings, and monitoring subsequent actions for compliance with the resolutions of shareholder and Board meetings.
- Ensuring that corporate information disclosures to regulatory agencies are in accordance with laws and regulations.
- Informing general shareholders of their legitimate rights and disseminating the Bank's information.
- Assisting in Board activities.

## Self-Assessment by the KASIKORNBANK Board of Directors

The Bank has established a self-assessment process for the KASIKORNBANK Board of Directors. It serves as a tool for reviewing performance, issues and obstacles that have faced each director over the past year. Meanwhile, it also helps to strengthen working efficiency, providing a clearly designated scope of work and responsibility, and complies with the Statement of Corporate Governance Principles. Assessments of the Board of Directors are conducted in two ways, i.e.,

- Performance assessments of the Board of Directors
- Self-assessments

In conducting the two assessments, an assessment form is prepared in line with the Statement of Corporate Governance Principles, as well as the roles and responsibilities of the Board of Directors. The Board of Directors of KASIKORNBANK conducts self-assessments once a year that are concluded to achieve the objectives established by the Bank.

In 2004, the Corporate Governance Committee endorsed Self-Assessment Forms for four Board Committees, i.e., the Audit, Corporate Governance, Human Resources and Remuneration, and Risk Management Committees. These Forms are to be used for annual self-assessments to be presented to the Chairman of the Board for consideration.

The Bank has also created Self-Assessment Forms for the Chief Executive Officer and President, which are in line with the Bank's goals and annual Business Plan. The Human Resources and Remuneration Committee submits the assessment results to Board of Directors meetings for consideration. This is a part of the roles and responsibilities of the Board of Directors designated in the Board of Directors' Charter.

## Appointment of External Auditors and Consideration of Audit Fees

The Audit Committee considers the qualifications and operations of external auditors for recommendation to the Board of Directors on the appointment of the Bank's auditors, each year, including the audit fees to propose for approval at the Shareholders Meeting. The list of external auditors to be proposed as the Bank's auditors must also be approved by the Bank of Thailand.

In 2005, the remuneration for external auditors comprised:

### 1. Audit Fees

The Bank and its subsidiary companies have paid audit fees to:

- Auditors of the Bank totaling Baht 8,710,000 in the past accounting year.
- The respective audit company or its independent, contracted auditors, including individuals of business entities

related to the auditors and the respective audit company, totaling Baht 7,595,000 in the past accounting year.

### 2. Non-Audit Fees

The Bank and its subsidiary companies have paid non-auditing fees, i.e., special purpose audit engagement fees, asset valuations, consulting services irrelevant to auditing and engagements to perform agreed upon procedures, to:

- Auditors of the Bank totaling Baht 6,490,000\* over the past accounting year, together with future payments of Baht -0-, due to incomplete work in the past accounting year.
- The respective audit company of external, contracted auditors, including individuals or business entities related to the auditors and their respective audit company, totaling Baht -0- over the past accounting year, together with future payments of Baht -0-, due to the incomplete work in the past accounting year.

\* Excluding VAT

## Factors Affecting Investment Decisions

### Legal Disputes

Other than the lawsuit incurred pursuant to an ordinary banking-business operation, KASIKORNBANK has no controversy against any other entities where KASIKORNBANK is a litigant or a concerning party and such controversy is still pending or may cause any negative impact to KASIKORNBANK's assets causing by the litigation with its litigated sum (excluding interest and expenses) greater than 5% of shareholders' equity according to the balance sheets as of the latest fiscal year-end.

However, there have been pending trials that arose from normal banking business operations with litigated sum totaling to Baht 9,198 million. The executive of KASIKORNBANK has an opinion that all the aforementioned lawsuits will not fundamentally impair banking business operation of KASIKORNBANK.