
CORPORATE GOVERNANCE

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7 Customer Segments

To best serve each customer segment with the highest effectiveness

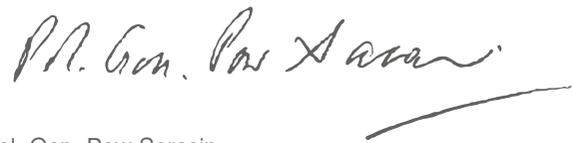
CORPORATE GOVERNANCE COMMITTEE REPORT

The Corporate Governance Committee, as assigned by the Board of Directors, is responsible for overseeing corporate governance activities of the KASIKORNBANK in compliance with the Statement of Corporate Governance Principles and international best practices. The principles have been strictly adhered to, and activities have been promoted continuously as an organizational culture. In 2007, the Corporate Governance Committee organized five meetings to perform the following:

- Ensuring that the whole organization has undertaken its business operations and actions in line with the Statement of Corporate Governance Principles, as specified.
- Endorsing an action plan and activities to enhance good corporate governance, to ensure that all parties have acted in accordance with the Statement of Corporate Governance Principles, and to promote it as an organizational culture.
- Overseeing the implementation of activities under the Corporate Social Responsibility (CSR) policy and plan.
- Providing information on the Statement of Corporate Governance Principles to all staff and publishing the Corporate Governance Manual for distribution among KGroup officers, customers, investors, shareholders and the general public.
- Reviewing the Statement of Corporate Governance Principles, Board Committee Charters, Statement of Business Conduct and Code of Conduct, in line with the best practices, as prescribed by the Stock Exchange of Thailand and all regulatory agencies.

The continuing efforts of KASIKORNBANK in promoting and developing corporate governance practices have been recognized and commended publicly, as represented by the recent quality assessment of Annual General Meeting arrangement among listed companies in 2007, organized by the Office of the Securities and Exchange Commission in which the Bank has achieved an excellent assessment result. The Bank has been regarded as among those firms having the best practices in Annual General Meeting arrangement for two consecutive years. It also won an honorary award for best shareholder treatment at the Shareholders Awards 2007, organized by Thailand Securities Depository Co., Ltd., in cooperation with Thai Investors Association, Thai Listed Companies Association and Thai Investor Relations Club.

The Bank strongly believes that good corporate governance and its ongoing development is an important part of stability and will enhance solid foundation of the organization in the long run.



Pol. Gen. Pow Sarasin
Chairman of the Corporate Governance Committee
January 31, 2008



HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

KASIKORNBANK's Board of Directors has appointed the Human Resources and Remuneration Committee comprising three directors. Dr. Schwin Dhammanungune, Independent Director, is Chairman of the Human Resources and Remuneration Committee, and the other two members are M.R. Yongswasdi Kridakon, Non-Executive Director, and Mr. Chaisak Saeng-Xuto, Independent Director. Five meetings were held in 2007.

The Human Resources and Remuneration Committee has, per the Committee Charter, the duties and responsibilities of recruiting new directors, reviewing human resource and remuneration policy, and reviewing 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 resources strategies, in line with the business direction of the Bank.

In regarding to the recruitment of directors and senior executives, the Committee shall recruit and propose qualified candidates based on the criteria specified by the Bank, and take into consideration the succession plan for qualified candidates for the positions of Chief Executive Officer or President. Attention will be duly paid to maintaining an appropriate proportion, size and composition of the Board in line with regulatory requirements, the Bank's Articles of Association, and good Corporate Governance Principles.

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, 2008



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.

Apart from the above basic rights, the Bank 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 2007, the Board of Directors undertook the following tasks to facilitate and promote the rights of shareholders:

1. The Board of Directors' Meeting No. 2/2007 on February 22, 2007 resolved to have the 2007 Annual General Meeting of Shareholders scheduled for April 5, 2007. The resolution was published on the website of the Stock Exchange of Thailand beginning the day the resolution was passed.

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 a detailed agenda in accordance with 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's agenda, together with the Bank's articles 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 was identified clearly as either 'for acknowledgment' or 'consideration', together with sufficient and concrete comments by the Board of Directors to help shareholders in their voting

decision. All of the information sent in documentation form was also posted on the Bank's website 30 days prior to the meeting date in order 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.

In advising about the Annual General Meeting of Shareholders, the Bank detailed 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 as 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 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 at least one hour before the meeting. Preparation of the venue, greeters and an appropriate number of registration staff were arranged to assist shareholders before the meeting. 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.

4. Before the meeting commenced, the Chairman of the Board clearly informed all shareholders of voting and vote-counting procedures. The counting of votes was carried out in a transparent manner with one share being equal to one vote. 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 95th General Meetings 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, and the Chairmen of all Board Committees. Altogether, there were 14 directors in attendance:





Annual General Meeting of Shareholders at KBank's Head Office



The atmosphere of the Annual General Meeting of Shareholders

1. Mr. Banyong Lamsam
Chairman
 2. Pol. Gen. Pow Sarasin
Vice Chairman and Chairman of the
Corporate Governance Committee
 3. Mr. Banthoon Lamsam
Director, Chief Executive Officer and
Chairman of the Risk Management Committee
 4. Dr. Prasarn Trairatvorakul
Director and President
 5. Mr. Sukri Kaocharern
Director
 6. M.R. Sarisdiguna Kitiyakara
Director and Chairman of the Audit Committee
 7. Mr. Somchai Bulsook
Director
 8. Ms. Sujitpan Lamsam
Director
 9. Professor Khunying Suchada Kiranandana
Director
 10. Mr. Charles L. Coltman, III
Director
 11. Dr. Abhijai Chandrasen
Director
 12. Ms. Elizabeth Sam
Director
 13. Mr. Chaisak Saeng-Xuto
Director
 14. Dr. Schwin Dhammanungune
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, since the day they were notified of the meeting until one week before the Shareholders' Meeting day. These criteria were presented 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.

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 before the Shareholders' Meeting, the Bank provided shareholders the opportunity to propose matters of importance for the Bank to consider including as agenda items, as per specified criteria. Shareholders were also allowed the opportunity to propose qualified candidates for director under the prescribed process for election in 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 the Bank's website, including the Bank's decisions and reasoning relating to the proposed matters or candidates. In 2007, the Bank posted this notification 4 months in advance of the meeting but did not receive any responses regarding new issues for the agenda or candidates for 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. The consideration of items and voting were conducted in accordance with the announced agenda. This included consideration of the election of each director and his/her remuneration, together with consideration on the annual appointment of independent auditors, the audit fee setting and other agenda items as specified in the meeting notice. During the meeting, apart from related meeting documents, the Bank has also prepared video presentation and provided English translation 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 instructed to participate in the vote 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. 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 individual 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 votes and confirm the correctness of voting, 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 meeting were sent to official regulatory agencies within 14 days after the shareholders' 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. The regulations are reviewed regularly, the essence of which is summarized as follows:

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

- 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, or as 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 benefit thereof.

- The Bank has regulated that directors, officers in the position of Executive Vice President, and those in the position of Department Head or equivalent in the Financial Accounting Division or Finance and Control Division, 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 submit such reports to the Board of Directors. Furthermore, the Bank also 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 staff, prohibiting trading of securities issued by the Bank starting one month prior the Bank's disclosure of financial statements or quarterly performance, until the second day after the information has been disclosed. Regulations on the prevention of the use of inside information have been regularly disseminated to directors, staff and related personnel 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 (shareholders, the Board of Directors, and employees of the Bank and subsidiary companies) and external stakeholders (customers, business allies, creditors, competitors and related government agencies) as well as the community, the society and the environment.





KBank's Corporate Governance Manual



KBank's booth display at the Shareholders' Day event, held at The Esplanade, Ratchadaphisek Road

The Bank has established procedural guidelines that are regarded as the joint responsibility of all directors and employees to adhere to and to practice towards all stakeholders. The guidelines are summarized 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 of society, as well as to changes in the economy and technology, both at present and in 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.

In order to ensure the rights of stakeholders, the Bank has established a Statement of Business Conduct and a Code of Conduct for all employees in writing, which has been disseminated through the Bank's website and internal communication medias 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 compliance, and to periodically report to the Corporate Governance Committee for their consideration and acknowledgement. Later on Jan 1, 2008, the Corporate Governance Unit under the Office of Corporate Secretary, Corporate Secretariat Division, was set up to oversee all governance issues of the Bank. All departments and all product

managers of the Bank are also required to strictly abide by the Bank's Corporate Governance guidelines.

Shareholders: The Bank is determined to achieve good operating performance, sustainable growth, and competitiveness, with due consideration to 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 is offered comparable to other leading companies. 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 assure 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 on 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.

Counter-parties: 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 Society and the Environment: The Bank operates as a good financial institution and conducts business according to the Statement of Corporate Governance Principles. The Bank believes that social responsibility is a part of sustainable development and has established the Corporate Social Responsibilities (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 credit grants to any projects not in compliance with the national environmental protection laws.

The Bank acts as a good citizen, is non-partisan and not aligned with any political party. The Bank bears in mind its role as part of the greater society and its responsibility to give assistance to 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 Responsibility Activities** in this annual report.

Realizing the importance of the involvement of stakeholders, 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 and complaints in writing, with specific management procedures 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 receiving damages from the disregard of their lawful rights, the Bank has also installed measures to give fair treatment to the stakeholder.

4. Disclosure and Transparency

Realizing the importance of transparent disclosures, 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 addition, the Bank has evaluated the effectiveness of disclosure procedures.

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 to reply to shareholders' questions and to those interested in investing in the Bank's securities. On May 18, 1998, the Bank established the Investor Relations and Shareholders' Services Unit under the Executive Services Department, Corporate Secretariat Division for the first time. Later in 2007, there was a change in the organizational structure and the unit name was changed to Investor Relations Unit, Office of Corporate Secretary, with the objective and responsibility of handling investor relations-related activities.





Analyst meeting at KBank's Head Office



Presenting information at a meeting with fund managers

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 highly efficient service to the Bank's shareholders.

In 2007, 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 Thai accounting standards, and were disseminated via the SET Community Portal and the Bank's website. The financial statements were checked by and received qualified opinion of certified public accountants, and were approved by the Audit Committee before being disclosed 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/reviewed and unaudited/audited, quarterly 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. Information accuracy has been maintained through regular evaluations.

The Investor Relations Unit undergoes a silent period of 7 days 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. During this period there are no company visits allowed and no participation in one-on-one meetings, group analyst meetings, and no replies to questions related to the Bank's operating

results. This practice is regarded as one of the key policies of the Investor Relations Unit, which always works to ensure that operations of investor relations are consistent with the Bank's operations under the Statement of Corporate Governance Principles. By doing so, the Bank can assure 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 also communicates regularly through the public media in order for the Bank's shareholders and stakeholders to get good 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
6. Televisions
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



In 2007, 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	194	412	518
Conference Calls	24	25	29
Group Analyst Meetings	13	162	187
Investor Conferences	1	28	34
Roadshows	3	68	92
Total	235	695	860

Of the above figures, 18 meetings were with 193 persons from 146 companies who met with the Bank's Chief Executive Officer or President. Some companies also met with the Bank more than once and on more than one occasion.

In 2007, KBank Investor Relations was widely recognized by investors and received the Best Investor Relations award and the Best Investor Relations Officer award from surveys

conducted by various magazines, details of which may be found in this annual report under the topic of **Awards and Commendations**.

All investors can contact the Investor Relations Unit at:

Investor Relations Unit : KASIKORNBANK PCL Head Office, 33rd floor
Investor Relations Unit, Office of Corporate Secretary
Corporate Secretariat Division
1 Soi Kasikornthai, Ratburana Road, Bangkok 10140
E-mail: IR@kasikornbank.com

Chief Investor Relations Office : Tel 0 2470 2673 - 0 2470 2674 Fax 0 2470 2680
For Thai Investors and Registrar Service : Tel 0 2470 2663 - 0 2470 2667 Fax 0 2470 2747
For International Investors : Tel 0 2470 6900 - 0 2470 6901 Fax 0 2470 2690
0 2470 2659 - 0 2470 2662



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 is comprised of qualified persons who possess knowledge, abilities and experience which are beneficial to the Bank. According to the company registration in the latest update from the Ministry of Commerce, dated October 10, 2007, 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 to the Bank's business operations and the structure is with the Bank of Thailand's notification on the "Structure of Directors for Promoting Corporate Governance at Commercial Banks". KBank's Board of Directors includes:

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

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

Qualifications of Independent Directors

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 requirements of the Bank of Thailand on the 'Structure of Directors for Promoting Corporate Governance at Commercial Banks', and the guidelines of the Office of the Securities and Exchange Commission, in order to create confidence in investors and maintain a balance in good governance. The Bank's "Independent Director" is defined

as any director who does not take part in the management of the Bank or an affiliated company or associated company. The Independent Director is independent from management and from controlling shareholders, and has no business relationship with the Bank in a way that might impact his/her independence in decision-making. The qualifications of the Bank's "Independent Directors", which have been defined more stringently than the criteria set by the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand, are as follows:

1. An Independent Director must not hold more than 0.5 percent of the Bank's shares with voting rights, or those of any affiliated or associated company.

2. An Independent Director must not take part in management and not be an employee, staff member, or adviser who receives a regular salary; nor be in a profession such as auditor, lawyer, etc., that might affect the giving of impartial opinions to the Bank, the affiliated or the associated company. Furthermore, the Independent Director must not be someone who has control over the Bank, the affiliated or the associated company, nor be a person with a conflict of interest, except in cases where he/she has resigned from any such position at least one year previously.

3. An Independent Director must have no direct or indirect business relationship that would restrict the Director's independence and impartiality, in an amount or value significant to the Bank's income, nor benefit, either directly or indirectly from the finances or management of the Bank, the affiliated or the associated company, nor be a person with a conflict of interest that could affect him/her from giving an unbiased opinion.

4. An Independent Director must not be a close relative of any senior executives or a major shareholder of the Bank, the affiliated or the associated company. Neither shall he be a person with a conflict of interest, nor be a representative acting to safeguard the interests of any



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

In compliance with the Statement of Corporate Governance Principles, the Board of Directors Meeting No. 11/2006 on November 30, 2006, 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 business groups at other companies, 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 KASIKORNBANK 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 business groups at other companies.

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 of the Board of Directors.

Corporate Secretary

The Bank has appointed Ms. Tida Samalapa as Corporate Secretary. She has suitable knowledge and experience to perform this function and assumes the role of the Secretary to the Board of Directors. 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 laws and regulations governing commercial banking business and the Bank's Articles of Association, monitoring compliance on a regular basis, and reporting on 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.



5.2 Board of Directors

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

* Independent Directors

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 complies 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 the Management's proposed strategic options and approve major proposals with respect to 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 in the Chief Executive Officer and the President the authority 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.

Selection of Board Members

The Bank has established the Human Resources and Remuneration Committee to select and review persons 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 regulations and the Bank's 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 commercial bank 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 a commercial bank director in accordance with related laws.

3. Each Board member must 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 of Shareholders (AGM), according to specified criteria and procedures. The Human Resources and Remuneration Committee may propose to the Board of Directors to set up a special committee comprising the Bank's Directors or external personnel to undertake the duty of making nominations. If there is no suitable person available, the recruitment process will be restarted and new qualified candidates will be proposed.

For the nomination of Independent Directors, the Human Resources and Remuneration Committee will consider qualified persons who do not have characteristics prohibiting them from holding such positions as prescribed by the regulations of the Bank of Thailand and other official agencies that regulate the Bank. Qualified candidates will be recommended to the Board of Directors for consideration and proposed to the Annual General Meeting of Shareholders to elect them individually.

After the Shareholders' Meeting has passed a resolution to appoint a director, responsible agencies 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 not fewer than half of all directors shall reside in the Kingdom of Thailand and not less 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 opening for a director, 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 the end of his/her term, or is resolved to be removed by a meeting, or ordered by a court of law to resign, or whose qualifications fall short of criteria and prerequisites specified, shall be removed from office immediately.

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 characteristic, 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 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 replaces.

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 as follows:

- (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 to provide service to customers in export-import businesses
 - (5) Executive authority of the Assets and Liabilities Management Sub-Committee
 - (6) Executive authority relating to credit approval and authority in debt restructuring
- 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, district 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 limits.

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 Secretary to the Board 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 is free to propose an issue as a meeting



agenda item. The agenda for board meetings shall be categorized clearly into groups and include agenda items to monitor the operations 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. 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 outcomes of such meetings shall be reported to the Chief Executive Officer and the President.

In 2007, the Board held a total of 13 board meetings and 1 meeting of non-executive directors. Details of each director's attendance appears under the item of **Meeting Attendance of Each Committee in 2007**.

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. Pirote 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 on 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 knowledge and skills suitable for membership on the Board Committees whose specific duties are to pre-screen matters that need detailed attention prior to proposal 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 also has 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 consultations as deemed appropriate by the Board.

Moreover, the Bank has appointed nine Sub-Committees 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. At present, there are four members and at least one member has the specific knowledge, understanding and experience in accounting and finance.

The Audit Committee members are:

- | | |
|---------------------------------------|----------|
| 1. M.R. Sarisdiguna Kitiyakara | Chairman |
| 2. Mr. Somchai Bulsook | Member |
| 3. Prof. 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 2007, 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 the Bank's quarterly, semi-annual and annual financial statements with the Bank's Financial and Control Division, as well as jointly review the findings with the Bank's external auditor. This ensures that the financial statements accurately and reliably reflect the financial status of the Bank, and comply with accounting standards, laws and standards related to the Bank.

2. Review the effectiveness and adequacy of all risk management processes with the Bank's Risk Management Unit, in consultation with the Bank's internal and external auditors.

3. Oversee the review of the risk assets function to ensure efficiency and independence.

4. Review the Bank's operations to ensure that they are in compliance with the Securities and Exchange Act, the Stock Exchange of Thailand regulations, as well as the standards, or laws and regulations pertaining to the banking business.

5. Review the effectiveness and adequacy of the internal audit function and the internal control system through discussions and evaluations of operational results with the Bank's internal and external auditors.

6. Review the performance of the Bank's external auditors, consider and make recommendations to the Board of Directors each year regarding the appointment of the external auditors including the audit fees.

7. Review connected transactions or any transaction that might imply a conflict of interest to ensure transparency and accuracy.

8. Consider disclosures of information on connected transactions, or any transaction that might imply or seem to have a conflict of interest, or bears a significant impact on the Bank's other operations, to ensure transparency and accuracy.

9. Oversee and handle complaints or information sent by stakeholders to the Board of Directors.

10. Perform other duties assigned by the Board of Directors, and as deemed appropriate by the Audit Committee.

11. Prepare the Audit Committee's report for proposal to the Board of Directors after each meeting, and submit a yearly report signed by the Committee Chairman, summarizing the activities of the Audit Committee, for inclusion in the Bank's Annual Report.

12. Consult with executives or outside experts concerning matters or activities that the Board of Directors deems related to the Bank's supervisory duties.

13. Review its charter and the previous year's performance at least once a year, taking into account the assessments and opinions of 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. Mr. Chaisak Saeng-Xuto | Member |

The Corporate Governance Committee holds at least four meetings each year. In 2007, 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 for 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 'best practices' to the Board of Directors and propose guidelines for inclusion in the Board of Directors Charter, as well as other Board Committee Charters.

7. Recommend a Statement of Business Conduct to set the tone of the Bank's business practices, and a Code of Conduct for the Bank's management and personnel to follow.

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. Review and report to the Board of Directors matters related to corporate governance, 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 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 three members; two 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 |

The Human Resources and Remuneration Committee holds at least three meetings each year. In 2007, 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 employments contracts, their remuneration, as well as to seek and recommend qualified successors to the Chief Executive Officer and the President, when necessary.

5. Review the composition, size, experience and remuneration of the Board of Directors, as well as provide recommendations on the selection of candidates with proper qualifications to the Board prior to further submittal to the General Meeting of Shareholders for appointment.

4. Risk Management Committee

The Board of Directors approved a change in the status of the former Internal Risk Management Sub-Committee to the Risk Management Committee on April 29, 2004. Each member has a 2-year term and the Committee must be comprised of at least 7 members. In 2007, the committee was comprised of 11 members, two of whom were executive directors, one was a non-executive director and eight were 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. Sasawat Virapriya | Member |
| 7. Mr. Teeranun Srihong | Member |
| 8. Mr. Krisada Lamsam | Member |
| 9. Mr. Surasak Dudsdeemaytha | Member |
| 10. Mr. Chartchai Sundharagiati | Member |
| 11. Mr. Prasopsuk Damrongchietanon | Member |

* Mr. Boontuck Wungcharoen resigned from the Bank, effective January 1, 2008



The Risk Management Committee meets at least once each month. In 2007, the Risk Management Committee held 13 meetings and reported to the Board of Directors according to the assigned duties. The committee ensures that the Bank has an effective risk management system for early warning, and sets 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 a risk management report.

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 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, markets, operations 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 KASIKORNBANK 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 an 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 88th Annual General Meeting of Shareholders on April 4, 2000, approved the

appointment of the Advisory Directors to the Management Committee. At present, the committee is comprised of 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 88th Annual General Meeting of Shareholders, on April 4, 2000, approved the appointment of the Management Committee. In 2007, the committee was comprised of 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 |

* Mr. Boontuck Wungcharoen resigned from the Bank, effective January 1, 2008

The Management Committee meets weekly. In 2007, 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 first be approved by the Board of Directors. This also includes issues that the Management Committee considers 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) Preparation and review of strategic objectives, financial plans and key policies of the Bank, to be submitted to the Board of Directors for approval.
- 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.
- 3) Consideration and approval of various issues under their legitimate authority, or as delegated by the Board of Directors.
- 4) Review of 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 the 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, as per designated authority, and as deemed appropriate.

Selection of Management

The Management Committee is responsible for reviewing qualified candidates to be appointed to the Bank's management at the level of First Senior Vice President and above, to submit chosen candidates to the Human Resources and Remuneration Committee, followed by presentation to the Board of Directors for approval. 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.

7. The Sub-Committees

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

The Bank has reviewed and approved the establishment of nine Sub-Committees, namely:

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



Meeting Attendance of Each Committee in 2007

Board Members	Board of Directors (Total 13 meetings)	Non-Executive Directors (Total 1 meeting)	Corporate Governance Committee (Total 5 meetings)	Risk Management Committee (Total 13 meetings)	Audit Committee (Total 11 meetings)	Human Resources and Remuneration Committee (Total 5 meetings)
Mr. Banyong Lamsam	13	1				
Pol. Gen. Pow Sarasin	12	1	5			
Mr. Banthoon Lamsam	13			8		
Dr. Prasarn Trairatvorakul	13			12		
Mr. Sukri Kaocharern	13	1	5			
M.R. Sarisdiguna Kitiyakara	13	1			11	
M.R. Yongswasdi Kridakon	11	1				4
Mr. Somchai Bulsook	13	1			11	
Ms. Sujitpan Lamsam	13	1		10		
Prof. Khunying Suchada Kiranandana	10	1			9	
Mr. Charles L. Coltman, III	13	1				
Dr. Abhijai Chandrasen	13	1				
Ms. Elizabeth Sam	12	1			10	
Mr. Chaisak Saeng-Xuto	13	1	5			5
Dr. Schwin Dhammanungune	13	1				5
Prof. Dr. Pairash Thajchayapong*	6	1				

Remarks: * Appointed on June 28, 2007

- The number of members of each committee (As of December 31, 2007)

	The Board of Directors	16 members
	Corporate Governance Committee	3 members
	Risk Management Committee (includes 3 Board members)	11 members
	Audit Committee	4 members
	Human Resources and Remuneration Committee	3 members
- Details of meeting attendance through teleconferencing systems of each committee

The Board of Directors	Mr. Banthoon Lamsam	1 meeting
	Ms. Sujitpan Lamsam	6 meetings
	Mr. Charles L. Coltman, III	10 meetings
	Ms. Elizabeth Sam	4 meetings
Non-Executive Directors	Ms. Sujitpan Lamsam	1 meeting
	Mr. Charles L. Coltman, III	1 meeting
Risk Management Committee	Ms. Sujitpan Lamsam	8 meetings
Audit Committee	Ms. Elizabeth Sam	9 meetings
	Prof. Khunying Suchada Kiranandana	1 meeting
- Three Board members: Mr. Charles L. Coltman, III, Ms. Elizabeth Sam and Ms. Sujitpan Lamsam do not reside in Thailand.



The Board of Directors is comprised of 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 economic value of the Bank.

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 undertakings. The Statement of Corporate Governance Principles has been revised and approved by the Board of Directors of the Bank. 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
- 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).

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 assure that the Bank has adequately followed the best practices in corporate governance. In 2007, the Bank assessed and reviewed the results from operations, according to the Corporate Governance Policy. Moreover, the Bank published a booklet of KGroup Corporate Governance that compiles important content and operational guidelines for enhancing corporate governance, and disseminated it to all groups of 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 social development and environmental protection. 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, as well as to benefit all stakeholders.

In 2007, 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 personnel.
- Actions in compliance with the Code and the Statement of Corporate Governance Principles were disseminated to employees by e-mail.
- Actions in compliance with the Bank's Corporate Governance principles were disseminated to directors, employees and customers via the KConnect magazine.
- 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 Bank's newsletter (KASIKORN Newsletter) circulated within the Bank, in the form of articles and descriptions.
- Activities were organized through the electronic networks of KBank on the "Welcome Page", to disseminate information on the Statement of Business Conduct and the Statement of Corporate Government Principles, and a weekly column concerning the Bank's Codes, including the "Quotes of the Week" article concerning the Code of Conduct.
- Criteria for the use of inside information related to securities trading were disseminated to directors and employees.
- 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 an electronic system. 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 in the Code of Conduct includes:

- 1) the key principles and core values of the Bank;
- 2) the observance of laws and the Bank's regulations;
- 3) the maintenance of good relations with customers;
- 4) the maintenance of good relations with society;
- 5) the maintenance of good relations with employees;
- 6) an advertising and public relations policy;
- 7) the confidentiality of information;
- 8) the completeness and accuracy of the Bank's information;
- 9) the avoidance of the use of inside information in securities trading;
- 10) the prevention of conflicts of interest;
- 11) the abstention from bribes and inappropriate incentives;
- 12) the non-involvement in political activities;
- 13) the avoidance of accepting or offering inappropriate gifts and/or benefits; and,
- 14) the report on employees' 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 a compliance unit to monitor and evaluate the effectiveness of 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 are regularly and efficiently disseminated to all employees. These activities have also been reported to the Corporate Governance Committee for acknowledgement.

Conflict 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 followings are the essence of these principles:

- The Board of Directors has established policies and regulations to prevent conflicts of interest as well as guidelines to consider appropriateness in the execution of transactions that must undergo the scrutiny of the Audit Committee, and ensure compliance with the criteria of the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission and the Bank of Thailand.

- To prevent conflict of interest, directors, staff and related personnel who directly or indirectly receive benefits from transactions made with the Bank, are forbidden to take part in the approval of such transactions. The pricing of the transaction must be properly defined in a manner consistent with the normal course of business transaction offered to general customers.

- Connected transactions required in the course of business 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 Stock Exchange of Thailand.

- For investment in or loan approvals to businesses that the Bank, the directors, or the Bank's senior management hold shares or have interest in, such transactions may proceed only upon the unanimous approval of a Board meeting, but without the attendance or vote of the involved directors, high-level executives or any related persons who may be affected by such approvals. The amount of the loan must not exceed a reasonable amount and special terms or conditions may not be permitted, as prescribed by the Bank of Thailand.

- Directors, executives 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, executives or related persons must be reported to the Board of Directors when the transaction between the Bank and the person related to the Bank's director and executives is brought into consideration, for at least 7 days before the Board of Director's Meeting.

- The Bank has disclosed details of any related or connected transactions that may involve a conflict of interest according to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission 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 disclosures of information on related transactions according to the Stock Exchange of Thailand regulations, as well as disclosures of connected 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 related 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. The Audit Committee deemed the consideration of related transactions by the Bank in 2007 as just and rational. Details of related transactions were disclosed via various channels according to the Stock Exchange of Thailand regulations.

- 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 transactions, 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 practice 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 the 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 internal control system, 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.

Written policies and operational procedures, training and orientation programs, an operational manual providing information on rules and regulations, a professional Code of Conduct, and standardized disciplinary actions for serious offenses have been established to ensure a common understanding as well as capabilities that will lead to efficient, transparent and fair operations for the benefit of all stakeholders. A regular self-assessment program is conducted within all business divisions to promote a good control environment.



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 subjected to careful independent monitoring, in accordance with regulatory requirements and the Bank's regulations.

IT database systems have continuously been 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, 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 audit function and monitoring of the operation of KASIKORNBANK FINANCIAL CONGLOMERATE are carried out by the Compliance and Audit Division, which is independent in its operation and reports directly to the Audit Committee. The risk criteria used is in conformity with the objectives of the Bank and the audited units and also covers compliance to regulatory agencies, the Bank's operational procedures and the Statement of Business Conduct, as well as an assessment on 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 advisory services to the audited units being monitored, according to the scope of their work and characteristics, with the objective of increasing value and improving the operation of 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, 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.

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, of which key steps 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 performances 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 approved by the Bank of Thailand.

In 2007, 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 13,350,000 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 5,935,000 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 fees, asset



valuations and consulting services which are under the Engagement to Perform Agreed-Upon Procedures, but irrelevant to auditing and other work performed per agreement to:

- Auditors of the Bank totaling Baht 760,000 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 1,200,000 over the past accounting year, together with future payments of Baht -0-, due on the 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 Chairman of the Board, for consideration.

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-assessment of the Chief Executive Officer and the President is 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 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. 95, on April 5, 2007, 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 at the same rate as the 2006 compensation. Details of remuneration to directors and executives are shown in the following:

1. Remuneration

- 1) Remuneration for directors: In 2007, 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, totaling Baht 57,396,310.
- 2) Remuneration for Advisers to the Board of Directors totaled Baht 1,689,600.
- 3) Remuneration for executives: In 2007, executives in the position of Executive Vice Presidents and higher, totaling 9 persons, received remuneration including salaries, living expenses and bonuses from the Bank totaling Baht 128,711,900.



Remuneration for Directors in 2007

Mr. Banyong Lamsam	Received remuneration as Chairman and an advisory director to the Management Committee, totaling Baht 7,128,000, plus a bonus of Baht 2,480,730.
Pol. Gen. Pow Sarasin	Received remuneration as Vice Chairman and an 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 1,860,545.
Mr. Banthoon Lamsam	Received remuneration as a director, totaling Baht 924,000, and a bonus of Baht 1,240,360.
Dr. Prasarn Trairatvorakul	Received remuneration as a director, totaling Baht 924,000, and a bonus of Baht 1,240,360.
Mr. Sukri Kaocharern	Received remuneration as a director and an advisory director to the Management Committee, totaling Baht 2,124,000; and as a member of the Corporate Governance Committee amounting to Baht 264,000, and a bonus of Baht 1,240,360.
M.R. Sarisdiguna Kitiyakara	Received remuneration as a director, totaling Baht 924,000; and as Chairman of the Audit Committee, amounting to Baht 792,000, plus a bonus of Baht 1,240,360.
M.R. Yongswasdi Kridakon	Received remuneration as a director and an advisory director to the Management Committee, totaling Baht 2,724,000; and as a member of the Human Resources and Remuneration Committee amounting to Baht 264,000, plus a bonus of Baht 1,240,360.
Mr. Somchai Bulsook	Received remuneration as a director, totaling Baht 924,000; and as a member of the Audit Committee amounting to Baht 660,000, plus a bonus of Baht 1,240,360.
Ms. Sujitpan Lamsam	Received remuneration as a director, totaling Baht 924,000, plus a bonus of Baht 1,240,360.



Prof. Khunying Suchada Kiranandana	Received remuneration as a director, totaling Baht 924,000 and as a member of the Audit Committee amounting to Baht 660,000, plus a bonus of Baht 1,240,360.
Prof. Dr. Yongyuth Yuthavong ⁽¹⁾	Received a bonus of Baht 426,355.
Mr. Charles L. Coltman, III	Received remuneration as a director, totaling Baht 924,000, plus a bonus of Baht 1,240,360.
Dr. Abhijai Chandrasen	Received remuneration as a director and legal adviser totaling Baht 4,884,000, plus a bonus of Baht 1,240,360.
Ms. Elizabeth Sam	Received remuneration as a director, totaling Baht 924,000; and as a member of the Audit Committee amounting to Baht 660,000, plus a bonus of Baht 1,240,360.
Mr. Chaisak Saeng-Xuto	Received remuneration as a director, totaling Baht 924,000; as a member of the Human Resources and Remuneration Committee of Baht 264,000, and as a member of the Corporate Governance Committee amounting to Baht 264,000, plus a bonus of Baht 1,240,360.
Dr. Schwin Dhammanungune	Received remuneration as a director, totaling Baht 924,000 and as Chairman of the Human Resources and Remuneration Committee amounting to Baht 396,000, plus a bonus of Baht 1,240,360.
Prof. Dr. Pairash Thajchayapong ⁽²⁾	Received remuneration as a director, totaling Baht 462,000.

Remarks : ⁽¹⁾ Prof. Dr. Yongyuth Yuthavong resigned from the position of director on October 8, 2006 and received a bonus from dividend payment for the 2H06 operating results during his term in office.

⁽²⁾ Prof. Dr. Pairash Thajchayapong was appointed as director on June 28, 2007.



2. Other remuneration

- 1) Remuneration for directors: none
- 2) Remuneration for advisers to the Board of Directors: none
- 3) Remuneration for executives: the Extraordinary Meeting of Shareholders No. 1/1999 approved the offering and issuance of 50 million units of warrants to the Bank's employees (excluding directors) in 3 phases of the Employee Stock Option program (ESOP). 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 non-transferable subscription certificates offered at Baht 0 (zero) per unit. Each warrant can be exercised to purchase one common share (Baht 10 par) at a price of Baht 30. The Bank received approval by the Annual General Meeting of Shareholders to offer 18.5 million units in Phase 1, 5 million warrant units in Phase 2, of which a total of 12,848,720 units and 2,911,580 units of warrants were exercised, respectively.

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 was December 30, 2007. For Phase 3, the terms and conditions were revised to comply with a resolution of the 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 business day of March, June, September and December, until the expiration of each warrant.

The Bank's executives received allocations of warrants in the ratio of 11.28 percent of the total number of warrants allocated in Phase 3. As of December 31, 2007, the total number of exercised warrants was 40,165,476 units, with 24,405,176 units for Phase 3.

Furthermore, the Bank contributed Baht 3,402,000 to the provident funds for the Bank's executives in the positions of Executive Vice President and higher, totaling 9 persons in 2007.

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 financial institution directors, as an overall process to promote understanding among directors about their roles and the Bank's business operations.

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.



DIVIDEND POLICY

- **The Bank's Dividend Policy**

The Bank will take into account operating results and long-term returns for shareholders in paying dividend. Dividend payments will be in accordance with Article 32 of KBank's Articles of Association, stating that no dividend shall be paid out of any money, other than profits. In the event that the Bank still has an accumulated loss, no dividend shall be paid.

Dividend is divided equally according to number of outstanding shares, and dividend payments must be approved by a shareholders' meeting. The Board may approve interim dividend payments to shareholders if the Bank has sustained a profit. For interim dividend payments, the Board will inform the next shareholders' meeting of any actions taken.

Dividend payments must also be in compliance with the statutory requirements, i.e., payments of dividend or other benefits shall not be made to any direct or indirect shareholders of the Bank where the shares held are in excess of the statutory limits. The Bank of Thailand (BOT) Notification, Re: 'Worthless or Irrecoverable Assets and Doubtful Assets which may be Worthless or Irrecoverable Assets of Commercial Banks' states that if worthless or irrecoverable assets are not written off, or full provisioning on doubtful assets that may be worthless or irrecoverable has not yet been set aside, banks cannot pay dividend or other benefits to shareholders. Payments of dividend must also be in accordance with the BOT Directive, BOT. FPG. (31)c 1729/2546, Re: 'Dividend Policy of Commercial Banks, dated July 28, 2003'; regulating that banks may not use unrealized profits or unrealized cashflow receivables for dividend payments. Gains derived from non-material liquidation of assets that cause banks to post higher profits or lower losses than usual should also not be used for dividend payments.

- **The Dividend Policies of Subsidiaries**

The Bank has not fixed a dividend payment ratio for our subsidiaries. Their dividend payments shall depend on the operating results of each company.

Dividend payments of subsidiaries to the Bank must be made in accordance with each company's regulations on dividend payments that must be approved by a resolution of their general meetings of shareholders. Interim dividend payments are allowed. In paying dividend, subsidiary companies must record some profit. If there is an operating loss, dividend payments are barred until such losses are recovered. In addition, at least one-twentieth (1/20) of all profits must be set aside as provisioning reserves until provisioning reserves reach one-tenth (1/10) of a company's total capital.

