



Corporate Governance

The Thai Farmers Bank's Board of Directors is composed of members with sound knowledge, capability and experience in business undertakings. Its main functions and responsibilities are to delineate policies, vision, strategies, targets, the mission and future business direction of Bank, and to oversee policy implementation to reach the highest level of efficiency and effectiveness. The utmost respect is given to the laws, objectives and regulations of the company, together with resolutions of the general shareholders' meeting. Also, the Board of Directors performs its duties with integrity, care, under good corporate governance, in the interest of all shareholders and higher economic value of the Bank.

Significant emphasis is given to an efficient and effective internal control system, together with sound risk assessment to keep business risks under control. Both systems are reviewed regularly, and are amenable to laws and good corporate governance practice. Code of Conduct for all relevant parties have been designated for those officials in professional fields.

"Good corporate governance" enhances the Bank's operations and services, thereby maximizing value to all shareholders. The core values of the Bank comprise:

- Customer satisfaction
- Belief in teamwork
- Dedication to professional and ethical conduct
- Commitment to discipline
- Proactiveness

The Board of Directors recognizes the importance of good corporate governance and services that meet international standards, including amenability to the policies prescribed by the Stock Exchange of Thailand and the Bank of Thailand. Through this means, the Audit Committee, the Nomination Committee and the Remuneration Committee have been established in order to oversee the Bank's operations, and to

enhance organization cultures and professional Code of Conduct. The Audit Committee, as a main engine for promoting good corporate governance, comprises four independent directors, holding proper qualifications as prescribed by the SET, so as to perform their duties as stated in the Audit Committee Charter, undertake any special assignments by the Board of Directors, and reviews the sufficiency, accuracy and disclosure of financial statements of the Bank.

The Board of Directors has also established 13 sub-committees to supervise various operations as planned. These include the establishing of disciplinary measures, regulations and a Code of Conduct for all employees.

Rules for Proper Use of Internal Data

The Bank has laid down supervisory policies to prevent misuse of internal information for personal, and other related persons' benefits. The Bank, in this regard, prohibits the director(s) and high-ranking executives, including spouses and children under legal age of the persons thereof from using any non-public material information for selling, transferring or acknowledging the transfers of securities to be issued by the Bank. Such practice is in accordance with the provisions on securities business, under the Securities and Exchange Commission (SEC). Transactions as a result of purchases, sales, transfers of securities issued by the Bank, must be reported to the SEC within three business days after the date of change in securities holding. In addition, the Bank has assigned the Compliance Department (CO) to make sure that any such operations are in accordance with the Bank's regulations.

Internal Control

Sound internal control has also been paramount in the Bank's policies, aimed chiefly at forestalling any damage to the overall operations. In so doing, the Bank has clearly and properly set targets, action plans, strategic guidelines and tasks for further action that show quantifiable results. The internal organizational structure has been arranged in order to effectively facilitate strategic operations, by dividing its core businesses into eight business groups, supervised by Executive Vice Presidents reporting direct to the President. Written policies and operational procedures have been put in place, together with in-house training courses to create common and consistent understanding among key personnel. There is also an operational manual to assist relevant employees to effectively carry out their tasks. These include a guide for employee discipline, a professional Code of Conduct, together with penalties and punishments for disciplinary actions and severe offences. These are aimed at maximizing the working efficiency of all employees, transparency of work and ultimate quality of services, with top priority given to fairness to all customers, shareholders, employees and the society at large. The main points of the internal control system can be summarized, as:

1. The Audit Committee shall have the responsibility of maintaining the adequacy of the internal control system, by continuously reviewing the operations of the Compliance and Audit Group and independent auditors. Emphasis will be given to the adequacy of the internal control system and sound control of work, in accordance with laws and regulations of relevant government agencies. Also, in every aspect, executive officers of the Compliance and Audit Group are required to participate in discussion, exchange views, and report on compliance and audit results to the Audit Committee. If the Audit Committee subsequently offers suggestions, or finds any significant irregularities, it will immediately report to the Board of Directors for further action.
2. Regarding risk management, the Bank gives importance to proper risk management by setting up various sub-committees to supervise efficiency and effectiveness of risk management. These are, for instance, the Internal Risk Management Sub-committee, the Assets and Liabilities Management Sub-committee, the Credit Policy Sub-committee, the Information Technology Sub-committee, and the Human Resource Sub-committee.
3. The Bank has provided clear written documents stating duties and authorities of operational and executive officers, together with the clear-cut duties among operating units, supervisors and evaluators in order to ensure a satisfactory and proper check-and-balance system. Transparency in operations has been given the highest priority in order to minimize dishonest behaviors. Also, it has set clear operational procedures for each of the banking transaction, together with precise standards for operational control, notably the transactions executed under the authority of the President, Executive Vice Presidents, First Senior Vice Presidents and all related persons as deemed appropriate according to their designated authorizations.
4. The Compliance and Audit Group will be responsible for supervising and examining operations of the Bank and its subsidiary companies, based on risk levels, and conformity to government regulations and laws, the Bank's policies, and professional Code of Conduct. Strict attention is also paid to the adequacy of the internal control system, minimization of risk, and the reporting of significant suggestions and observations to responsible parties. Moreover, the Bank has encouraged all business units to conduct self-assessments regarding regular operations and internal control system, in addition to the supervision of the Internal Audit Department and the Compliance Department, for the sake of prudence in operations.
5. The Bank recognizes the importance of information technology in the modern business era, so it has continuously developed its IT system.

Accurate and adequate information will be of great importance and necessity for effective decision making of senior management of the Bank. In particular, the Bank has adopted information recording system, in compliance with Thailand Accounting Standards, as designated by the Bank of Thailand.

6. On a monthly basis, the Bank will evaluate its operations relative to the targets. Immediate and effective action will be taken if actual operations deviate from targets.

The Board of Directors has laid down policies to ensure the adequacy and appropriateness of the internal control system in line with present business undertakings, which will help protect assets of the Bank and its subsidiary companies in order to forestall any damage and misuse. Attention has been given to the recommendations of independent

auditors, and commercial bank examiners from the Bank of Thailand, seen as useful elements for the more effective risk management of the Bank as a whole.

Related Transactions

Details are shown in the Notes to Financial Statement Section, concerning related transactions.

Factors Affecting Investment Decisions

Legal Disputes

With the exception of lawsuits which ordinarily occur in general commercial bank operations, TFB at present has no conflicts with business counterparts, no pending lawsuits or any litigation involving loan principal (excluding interest and expenses) exceeding 5 percent of the Total Shareholder's Equity as stated in the latest year-end balance sheet.