

Corporate Governance

KASIKORNBANK PUBLIC COMPANY LIMITED (KBANK) recognizes the importance of good corporate governance principles for transparency at all levels of operations, including employees, management and directors. The principle serves as a central element for improving efficiency and effectiveness of its banking operations, building confidence which allows the Bank to compete transparently and fairly, and enhancing operating performance for sustainable profitability—a key to maximization of value to shareholders, customers, investors and the general public. The Bank focuses on applying principles that are of international standard and corresponding with the regulators' policies. Therefore, the Bank has set up a standard of good governance, which covers 15 principles of the Corporate Governance principle of the Stock Exchange of Thailand (SET).

KBANK's Board of Directors comprises members of profound knowledge, competence and experience in business. The board's main function is to set policies, visions, strategies, goals, mission and business direction. The board must ensure that the management implement policies efficiently and effectively and maintain risk at appropriate level. All these must be conducted within the legal framework, objectives, regulations and shareholder resolutions with accountability, integrity and prudence, and in compliance with the good governance principles while considering the rights and maximum benefits of the Bank and stakeholders in order to increase the Bank's economic value. The board's performance is to be evaluated for its efficiency, effectiveness and transparency, and should be verifiable.

The Board of Directors pays attention to good governance by continuously improving and developing operational processes relating to the corporate governance and administration. It also strives to enhance efficiency and effectiveness to ensure alignment with international standard. The board also focuses on internal controls and audits as well as risk management to protect the Bank from potential losses. It has set up other four committees, being the Audit Committee, the Corporate Governance Committee, the Human Resources and Remuneration Committee and the Risk Management Committee, to assist the board in overseeing various business operations and promoting the good governance principles within the Bank. All board committees are composed of members with qualifications and responsibilities in accordance with the SET regulations, which have been set clearly in writing.

The Bank also set up nine sub-committees to assist the board in monitoring various operations to ensure that goals are met, and to establish rules and a code of ethics that employees must comply with.

Code of Business Conduct

The Bank embraces the main characteristics of good governance, namely transparency, integrity and fairness. Executive management and all employees are to perform duties in their areas of responsibility for the Bank and stakeholders with integrity and in compliance with the laws and the Bank regulations on the basis of professional ethics.

The Bank believes strongly that the code of Business Conduct enhances the strength of organization, builds trust, and supports sustainable growth of performance. The Bank requires all employees to adopt the Code of Conduct and the Code of Business Conduct and assigns the Compliance Department (CO) to monitor compliance of the code. The Bank also continuously organizes activities to promote ethics and good governance principle through various training program and transfer of knowledge and provide publications for employees and management.

Internal Control and Internal Audit System

The Bank greatly recognizes the importance of internal control system by emphasizing appropriateness and adequacy of the system to prevent potential damage to the Bank and to cover areas of financial, operations and risk management. Moreover, the Bank has built an organizational structure that enhances efficiency of management and allows the establishment of goals, strategies and clear and measurable guidelines. The Bank also sets policies and rules in writing to minimize potential loss to the assets of the Bank and its subsidiaries and prevent conflicts of interest. The Bank recognizes the importance of internal audits, and thus has set up the Compliance and Audit Group to monitor and audit work operations and perform internal control. The group reports the results directly to the Audit Committee on a regular basis. In addition, the Bank recognizes the importance of recommendations and the opinions of independent auditors and Bank of Thailand auditors, that are useful for the development of effective and efficient internal control and risk management systems.

The internal control and internal audit systems are summarized as follows:

1. The Audit Committee reviews the adequacy of the Bank's internal controls by continuously evaluating performance of the Compliance and Audit Group and the independent auditors. The focus is on sufficiency and appropriateness of the internal control system used in supervision of operations to ensure compliance with laws and government regulations. Moreover, the Bank also encourages the group to participate in discussions and exchange of views and to report on these results quarterly for the committee to consider the appropriateness, scope and adequacy of operational plans.
2. The Bank has set up the Risk Management Committee to monitor and maintain overall risk at appropriate levels. The committee also makes recommendations to the board concerning policies, standard practices, strategies and measurements for effectiveness and efficiency of risk management.
3. The Bank has designated the work functions and authority of officers and management clearly in writing. The duties of officers, supervisors and evaluators are segregated for check and balance purposes. The Bank's subsidiaries are also being monitored on a regular basis.
4. In addition to setting clearly policies and procedures for practices in writing, the Bank also organizes programs to enhance knowledge and develop skills for employees for better understanding and efficiency. The Bank has published manuals outlining rules and regulations for employees, including guidelines for the code of conduct, to create transparency and fairness for stakeholders.

5. The Compliance and Audit Group is responsible for supervising and examining the operations of the Bank and its subsidiaries by using risk levels, laws and government regulations and the Bank's policies and code of ethics as criteria. The group also evaluates the adequacy of internal controls and appropriateness of risk management, and reports on audits to the Audit Committee on a quarterly basis. Any issues or recommendation are presented to the heads of each business group. For important issues, the head of the Compliance and Audit Group will report them to the President for action and report to the Audit Committee. Moreover, the Bank also requires all business units to perform self-assessments of operations and internal controls on a regular basis to increase the level of caution when performing duties.

6. The Bank recognizes the importance of the continuous development of Information Technology (IT) and information systems for accuracy, completeness, timeliness and adequacy of information used by management and the board. These include the database system, documents relating to accounting records, and accounting records themselves that are categorized according to accounting policies and accounting standards as well as the directives of the Bank of Thailand.

7. In terms of reporting and evaluation, the Bank has monitored performance by comparing it to set goals on a monthly basis. If actual performance deviates from goals, appropriate action is taken.

Rules for Proper Use of Inside Information

The Bank has established policies to prevent management from misuse of information for personal benefit by preventing management, including their spouses and children under legal age from using inside information for trading and transfer of securities issued by the Bank before the information is released to the public. This practice is in accordance with the provisions concerning securities business. Transactions resulting from the purchase, sale or transfer of securities issued by the Bank must be reported to the Office of Securities and Exchange Commission (SEC) within three business days after the date of change in ownership.

Prevention of Conflicts of Interest

The Board of Directors places great importance on reviewing conflicts of interest and all related transactions by setting policies, rules of practice and underwriting procedures clearly and in compliance with the law, Bank of Thailand regulations, and the good governance principles to avoid conflicts of interest. Parties connected to the related transactions must disclose to the Bank their relationship or connection in the transaction. They are not permitted to take part in the decision making and will not have the authority to approve the transaction. Further, the approval of such transactions must be done without special favorable terms and conditions.

Shareholders' Rights

The Bank normally holds the Annual General Meeting of Shareholders once a year within four months from the end of the fiscal year. In 2003, the Bank held the 91st Annual General Meeting of Shareholders on April 3, 2003. The Bank must send out its Notice of Meeting and all related documents to shareholders not less than 14 days prior to the Meeting date. In addition, the Bank publishes a Notice of Annual General Meeting of Shareholders in Thai newspapers for three consecutive days not less than three days before the Meeting. The notice was published by the middle of March, last year.

The screening process for items of agenda for the Annual General Meeting of Shareholders usually takes place starting at the end of January, each year. The preliminary agenda will be submitted to the President and Chairman of the Board of Directors, and then to the Board of Directors Meeting for approval, including the Notice and related documents. The Meeting will review whether those documents constitute sufficient information for voting during the session. A proxy form is also attached to the Notice allowing shareholders who wish to assign a proxy to vote on their behalf during the Meeting. The assigned proxy may be any person, including the Chairman of the Board, the President, or an independent director.

Issues to be included in the agenda of an Annual General Meeting of Shareholders are generally classified into two categories, i.e.

1. Normal business in Annual General Meetings of Shareholders:
 - 1.1 Reports on Bank business in the past year
 - 1.2 Approval of the Balance Sheet and the Statement of Income
 - 1.3 Consultations on dividends and provisioning requirements
 - 1.4 Election of directors to replace those retiring by rotation
 - 1.5 Appointment of independent auditors and setting of annual audit fees
 - 1.6 Consultations on other business, as deemed appropriate by the Chairman of the Meeting
2. Issues to be submitted to Annual General Meeting of Shareholders per the Public Company Limited Act, or requirements of the Securities and Exchange Commission, or the Bank of Thailand, such as:
 - 2.1 Capital Increase
 - 2.2 Issuance of Bonds/Debentures
 - 2.3 Amendments of the Bank's Articles of Association

If there is an urgent need for any special item of agenda to be proposed for approval by the shareholders that may affect or relate to shareholder benefits, or may relate to the conditions or regulations of the authorities, the Bank shall arrange an Extraordinary Meeting of Shareholders on a case-by-case basis.

Rights of Stakeholders

The Bank recognizes the legitimate rights of all stakeholders, both inside and outside the Bank, whether they be customers, shareholders, or employees, as well as its social responsibility to the public and the Bank itself. The written Code of Business Conduct is publicized on the Bank's website, and is strictly adhered to by the directors and employees at all levels. The Code of Business Conduct and Code of Conduct have been distributed to all employees for their acknowledgement and compliance. Common understanding of the Code is greatly essential, so the Bank disseminates related information through the KASIKORN Newsletter and the internal closed-circuit TV system - KASIKORN TV. In order to monitor subsequent actions toward compliance with good governance principles, the Bank assigns the Compliance Department (CO) to closely monitor operations and report results to the Corporate Governance Committee for their acknowledgement. All departments must strictly adhere to these rules.

Investor Relations

The Bank's information has been disseminated to investors and the general public via various channels:

1. The Stock Exchange of Thailand
 - 1.1 The Annual Report Form (56-1 Reporting Form)
 - 1.2 The Bank's Financial Statements (C.B. 1-1 Reporting Form, the Quarterly Financial Statement, and the Annual Financial Statement)
 - 1.3 Notification of the Board of Directors' resolutions and others
2. The Office of the Securities and Exchange Commission
3. The Ministry of Commerce
4. Newspapers
5. Magazines
6. Television
7. KBANK PR News
8. KBANK website
9. Company visits / One-on-one Meetings
10. Non-dealing roadshows
11. Analyst Meetings
12. Press Conferences
13. Notices to KBANK shareholders

The Investor Relations Unit was established on May 18, 1998, being initially called the Investor Relations and Shareholders' Services Unit, under the Executive Office of the Corporate Secretariat Group. Then, on December 20, 2001, the Investor Relations and Shareholders' Services Unit was transferred to the Corporate Communications Department (CN), of the Corporate Secretariat Group. It was restructured on September 29, 2003, and the CN was renamed the Corporate Communications and Executive Services Department, which directly supervises the Investor Relations Unit. It serves as the focal point for information services to investors, analysts, shareholders, and credit rating agencies, both local and foreign. Accurate and timely information enhances the good image and reliability of the Bank to investors, as well as helping to provide service to shareholders more efficiently.

In 2003, KBANK Investor Relations Unit won citation awards and praise from many investor polls conducted by magazines distributed globally, i.e.

1. ***Institutional Investor Magazine***, June 2003, presented to KBANK with the "Best Company Investor Relations in Thailand: Buy-side view".

2. ***IR Magazine*** presented the "Best IR by a Thai Company" Award to KBANK on November 20, 2003.

3. ***Asiamoney Magazine*** presented the "Best Investor Relations 2003 for Thailand" Award to KBANK, in first place for three consecutive years.

Related Transactions

The Bank has set the policies on related transactions based on the directives of the Stock Exchange of Thailand (SET) concerning related transactions of listed companies and transfers of assets by listed companies. These policies also conform with Bank of Thailand regulations on disclosing related transactions in the notes to financial statements under the section, "Related Transactions."

Factors Affecting Investment Decisions**Legal Disputes**

With the exception of lawsuits which ordinarily occur in general commercial bank operations, KBANK at present has no conflicts with business counterparts, nor pending lawsuits or any litigation involving loan principal (excluding interest and expenses) exceeding 5 percent of the Total Shareholders' Equity as stated in the latest year-end balance sheet.