

Report of the Corporate Governance and Social and Environmental Responsibility Committee

Good corporate governance has been Krung Thai Bank's prime concern since 2006. The Bank has prescribed clear practice guidelines for corporate governance to be strictly observed by all directors, executives and staff members at all levels. As such the Corporate Governance and Social and Environmental Responsibility Committee has been assigned to supervise and monitor the Bank's operation stringently based on ethics and auditable transparency, as well as corporate social and environmental responsibility (CSER). In addition, as a listed company the Bank is fully aware that good corporate governance is essential in depicting efficient and transparent management which will create confidence and trust to shareholders, investors, stakeholders and all parties concerned.

The attention and the continuous implementation of good corporate governance over the past three years (2006 – 2008) has assimilated into the organization culture, and could be considered successful considering the satisfactory feedback from the bi-annual customer's survey and the many awards received. However, this does not stop the Bank from initiating more such work and 2009 have been designated as the Year for Corporate Governance Network Building, inducing all fully owned subsidiaries to adopt good corporate governance in their management as well. With such meticulous work, the Bank has claimed the following awards of good corporate governance in 2008.

1. SOE Award for Distinctive State Enterprise Board of Directors awarded by the State Enterprise Policy Office, Ministry of Finance.
2. CSER Award for distinctive performance in corporate social and environmental responsibility awarded by the State Enterprise Policy Office, Ministry of Finance.
3. Shareholders Award as distinctive listed company for shareholders caring awarded by the Thailand Securities Depository Co., Ltd. in conjunction with the Stock Exchange of Thailand, the Thai Investors Association, the Thai Listed Companies Association and the Thai Investor Relation Club.
4. Designation as "Excellent" from the report on supervision of listed companies of the Thai Institute of Directors Association in conjunction with the Stock Exchange of Thailand and the Securities and Exchange Commission.

The awards received clearly reflected the Bank's management adhering to corporate governance principles and social and environmental responsibility. It could be said further that the Bank will continue on with such guidance.



(Mr. Santi Vilassakdanont)

**Chairman of the Corporate Governance and
Social and Environmental Responsibility Committee**

January 12, 2009



Good oversight is increasingly more crucial to business operation particularly banking business that involves so many groups of stakeholders. Without good corporate governance losses could incur to the business and spread at negative impact on stakeholders and the overall economy as it happened with the 1997 economic crisis in Asia, as well as the current one that is occurring in the US and spreading rapidly worldwide. Krung Thai Bank as the largest state-owned commercial bank deems it a key mission to strictly adhere to good corporate governance and with strong determination to promulgate this into its organization culture. The Bank started to campaign CG seriously since 2002 with the establishment of the Corporate Governance Committee and the issuance of the Corporate Governance Policy and guidelines. Into the year 2006 the Bank proclaimed it as “The Year of Corporate Governance” and kicked off a three-year plan for building up corporate governance culture designating 2006 as “The Year of Learning”, 2007 “Year of Adopting” and 2008 “The Number One”.

In implementing the work plan in each phase, the Bank organized activities continuously to stimulate staffs at all levels to be aware of corporate governance. Such activities included exhibition on CG projects, inclusion of CG course as a prerequisite for job promotion and for new entrants’ orientation, rewarding CG Awards to distinctive business units for their excellent compliance with corporate governance policy and inclusion of CG as KPI for all business units. Besides promoting CG within the organization, the Bank in 2008 expanded the scope to cover its subsidiaries as well. On December 2, 2008, Krung Thai Bank signed MOU with its subsidiaries for the project entitled KTB CG Group “Honest, Transparent and Ethical”. Its purpose is to encourage subsidiaries to adopt CG in their management which could help them to enjoy a strong sustainable growth, a sound guarantee for the shareholders, investors and all stakeholders.

Such continued learning and doing resulted in the Bank’s ultimate success in 2008, achieving several prestigious awards. Among them were the SOE Award for distinctive state enterprise Board of Directors and the CSER Award from the State Enterprise Policy Office for outstanding work in corporate social and environmental responsibility and the Award on Corporate Governance Report of Thai listed Companies from the Thai Institute of Directors Association (IOD). All these awards, not only brought great pride to the Bank but also inspire it to further adhere to such principles of good corporate governance.

Corporate Governance Policy

The Board of Directors has designated the Corporate Governance and Social and Environmental Responsibility Committee to set forth action plan and measures, ensuring that the CG Policy is complied. In addition to assess performance outcome and to review such policy regularly as well as to update the guidelines in consonance with domestic and international practices gearing towards global standards.

The Bank’s policy and guidelines was written since 2002 in accordance with the Stock Exchange of Thailand’s corporate governance practices. It comprises seven principles as follows:

1. Creation of long term value added: create sustainable value added.
2. Accountability: responsible for one’s commitment, action and decision.
3. Responsibility: perform assigned duties with utmost competence.
4. Promotion of best practices: provide services with good corporate governance and moral ethics.
5. Equitable treatment: give equitable and fair treatment to all stakeholders.
6. Transparency: show transparency in business operation.
7. Social and environmental awareness: aware of social and environmental responsibility issues.



The above seven CG principles have been communicated to staffs at all levels through respective media. They are also well blended within the tasks that all business units must carry out to ensure that the Bank has managed its business in accordance with corporate governance framework. All the Directors are fully aware of their duties to conduct business for the Bank's optimum benefit, oversee public disclosure of information while ensuring operational transparency, giving fair and equitable treatment to stakeholders, and adhering to social and environmental responsibility. All staff members perform their duties to the best of their ability and as what good citizens should do. Furthermore, the Bank has initiated projects to boost the education of Thai youth, to support local heritage, develop local communities and strengthen the economy continuously for the benefits of society (details can be seen at: www.ktb.co.th).

Corporate Governance Principles set by the Stock Exchange of Thailand

The Bank has fully complied with the principles of good corporate governance in line with sufficiency economy philosophy and all the five categories set forth by the Stock Exchange of Thailand. The five categories are:

1. Shareholders' Rights

1.1 Policy and Shareholders' Rights Protection

The Bank attaches importance to protection of shareholders' rights and promotion of exercising such rights. The basic legal rights comprise the right to buy, sell or transfer securities held, the right to receive dividend, the right to take part in decision-making of the Bank's material issues such as approval of key activities affecting business direction, amendment to the Memorandum and the Articles of Association, the right to vote for the appointment of auditor and fixing of auditor fee, the right to propose agenda in the shareholders meeting, the right

to vote for the election of director (details are shown on page 78) and the right to attend the shareholders meeting.

Besides these basic rights, the Bank has established best practices to its shareholders. Included are shareholders' right to receive news and information on operating performance, performance analysis, credit ratings from respective institutions, research work and social activities through the easy access of the Bank's website. Additionally, the Bank organized shareholders' visit to Krung Thai Bank Training Center at Khao Yai, Nakhon Ratchasima Province which is an energy saving building receiving national and ASEAN awards.

1.2 Shareholders Meeting

The Bank gives great importance to the Ordinary General Meeting held once a year within four months after the end of the accounting period. In this regard, the Bank has fully observed the principles of CG and the prescribed legal provisions allowing shareholders to propose the agenda prior to the Annual Ordinary General Meeting. All relevant information is posted on the Bank website: www.ktb.co.th/InvestorRelations/Shareholders/Invitation to the Shareholders Meeting about 30 days before the meeting date. In addition, the Bank has designated Thailand Securities Depository Co., Ltd. as Registrar, to send out notices of meeting, detailed agenda and attachments to shareholders in advance to assist them before casting their votes on each agenda. In case of doubt, shareholders can still submit queries to the Directors prior to the meeting via the website or mail directly to the Board of Directors. The Chairman of the Meeting will inform the shareholders of the rules of the meeting and the procedures of voting, allowing fair opportunities to present their opinions and inquire about any Bank's matter. Chairman of the Board of Directors, President and all the relevant chairmen of the respective committees will attend to explain the operating

performance and management policies and to answer any queries raised.

The Bank held the Annual Ordinary General Meeting on April 25, 2008 attended by all the Directors and 12 Group Executives including CFO. Representatives from related organizations and institutions also attended as observers such as the Office of the Auditor General Thailand and the Office of the Securities and Exchange Commission of Thailand. The Bank invited two shareholders to witness the vote counting of each agenda. The Chairman of the Meeting gave equitable opportunities and time to all shareholders in exercising their rights to check the Bank's operation, raise questions, or make recommendations. Vote counting was conducted in an open, transparent and instant manner. One share was counted as one vote and a majority made the decision except for special resolution where at least three-fourths of the total votes are needed. Minutes of the meeting were recorded and the votes on each agenda were separated into favoring, against and abstentions and disclosed to shareholders on the website: [www.ktb.co.th/Investor Relations/Shareholders /Minutes of the Meeting](http://www.ktb.co.th/Investor%20Relations/Shareholders%20Minutes%20of%20the%20Meeting) within 30 days after the meeting date.

2. Equitable Treatment to Shareholders

2.1 Treatment of Minority Shareholders

The Bank provides equitable and fair treatment to all shareholders whether they are institutional investors, foreign investors or minority, enabling them to enjoy equitable treatment in exercising their rights. In addition, the Bank allows them to nominate appropriate person to be elected as Director. In 2008, four directors have completed their terms of office. Hence, during October 1 – December 31, 2008 the Bank requested minority shareholders and other groups of shareholders to submit in names of nominees with related qualifications. However, no eligible person was nominated (details are shown at [www.ktb.co.th/Investor Relations/Shareholders /Minutes of the Meeting](http://www.ktb.co.th/Investor%20Relations/Shareholders%20Minutes%20of%20the%20Meeting)).

2.2 Attendance of General Meeting by Shareholder's Proxy

When shareholders cannot attend the general meeting, they can assign proxies and vote on their behalves. Proxy form and the proposed three Independent Directors were attached with the notice of meeting. Shareholders or proxies are urged to use voting ballots on every agenda item. At the 2008 Annual Ordinary General Meeting, 915 shareholders and 584 proxies attended totaling 1,499 shareholders, accounting for 74.85 percent or 8,372,413,322 shares, constituting a quorum in accordance with the Bank's Articles of Association.

2.3 Preventive Measures for Misuse of Inside Information by Directors and Executives

To eliminate conflict of interest and oversee that inside information is not misused for personal interest or that of others; the Bank has clearly stipulated respective measures written in the Code of Business Ethics, as summarized below:

Measures for Overseeing Usage of Inside Information

1) Each Director, executive officer and employee must refrain from buying, selling, transferring or accepting transfer of securities whereby prices still undisclosed to the public or Stock Exchange, and such person has come to know it via his/her position or status enabling him/her to know the facts for his/her own interest or others whether by own action or disclosure to others to act.

2) The President, Group Executive and Department Manager or equivalent up in the Financial Management Group have to report their holding of securities issued by the Bank and those of spouse and child not coming of age to the Office of Securities and Exchange Commission of Thailand and report such holding as well as changes of shareholding to the Board of Directors regularly every month.

3) Responsible business unit must specify durations for limiting the trading of securities issued by the Bank and inform



the rules and procedures on prevention of misusing inside information to the Directors, employees and related persons for acknowledgement through various Bank channels on regular basis.

For transparency and verifiable, the Bank has shown information on Bank Securities Holdings by Directors and Top Executives and information of Directorship of Directors and Executives in the Bank, subsidiaries, associated companies and related companies on page 81–83

2.4 Practices for Related-Party Transactions

For prevention of conflict of interest that may arise from conducting related-party transactions, the Bank has prescribed that market price shall be used in conducting transactions of all types. If market price is not available, the Bank stipulated that fair price is used in conducting such transaction, except transaction under requirement prescribed otherwise by the regulator the Bank will adhere to the practices under such requirement.

2.4.1 Necessity and Justifications of Related-Party Transactions

Inter-party or related-party transactions conducted in 2008 were normal business transaction or normal business support transactions of the Bank. Such transactions are conducted under the same general trading conditions as those done with outsiders. Moreover, such conducts of inter-party or related-party transactions were necessary for business operation and/or supporting business operation with justifications of conducting for optimum interest of the Bank and its shareholders. The Bank's Audit Committee had already considered inter-party transactions between the Bank or subsidiaries and related persons or persons who might have conflict of interest with the Bank or subsidiaries during the past period up to present, and was of the opinion that such transactions were conducted in accordance with general nature of business.

In addition, the Bank received and paid remunerations at market prices or fair prices, and also complied with the requirements of the regulators concerned with such transactions while relevant information was disclosed accurately and completely.

2.4.2 Measures for Related-Party Transactions Approval

The Bank gives importance to prevention of conflict of interest from conducting inter-party or related transactions. In approving such transactions, the Bank has carefully considered the issues with integrity, good faith, justification and independence within moral ethical framework while adhering to the Code of Business Ethics and good corporate governance principles of the Bank. The Bank has assigned the Compliance Department to oversee and re-check the approval procedures of such transaction to be in compliance with the requirements prescribed by the regulators in addition to complying with the Bank procedures.

As for any related-party transactions or related transactions prescribed by the regulators or by the Bank procedures requiring that such transaction must be approved by the Board of Directors, the Bank has prescribed the best practices of the Directors in relation to approval of related-party transactions or related transactions so as to prevent conflict of interest. Details are summarized as follows:

- 1) Each Director is required to disclose information on transactions that might bear conflict of interest, related-party transactions or related transactions as prescribed in the requirements of the Office of Securities and Exchange Commission of Thailand and the Stock Exchange of Thailand.

- 2) Director having conflict of interest is prohibited from approving such transaction. In conducting the related-party transaction, the Audit Committee shall participate and give opinion under the principles of good corporate governance and the requirements prescribed by the

Stock Exchange of Thailand.

3) Lending or investing in business in which the Director has interest must be unanimously approved by the Board of Directors without attendance of such Director. To prevent conflict of interest, pricing and terms and conditions must be determined in accordance with the Bank's normal trading and with the same treatment given to general clients.

2.4.3 Policy on Conducting Future Related-Party Transactions

In general business operation, if the Bank realizes that conducting related-party transactions in the future will benefit the Bank and its shareholders, the possibility will be that the Bank or subsidiaries will do so in compliance with the regulators' requirements and the Bank's measures for approval of related-party transactions as earlier described.

Moreover, in conducting related-party transactions or related transactions in the future, the Bank will adhere to the same practices as those of conducting transactions with general clients on trading terms and conditions that are not different from those of general business or business of the same type. Remuneration paid or received from such transactions shall be in accordance with market price or fair price. Relevant information concerning related-party transactions or related transactions must be disclosed to the public in an accurate and complete manner in accordance with the regulatory requirements and criteria for considering justifications of related-party transactions as well as opinions of the Board of Directors and the Audit Committee.

Information on related-party transactions conducted by Directors and top executives is shown in the Notes to the Financial Statements No. 3.21 Related-Party Transactions.

3. Consideration for Stakeholders

3.1 Treatment of Stakeholders

The Bank recognized the rights and roles of various groups of stakeholders,

internally or externally, and has included it as an integral part in the Code of Conduct disclosed through respective media, such as the Bank intranet and website. It is also published as manuals distributed to all business units for strict compliance which could enable the Bank to have a sustainable growth. The practice guidelines are summarized below:

Shareholders

The Bank is determined to conduct business with prudence and transparency, making profits grow continuously and steadily, boosting its competitiveness and enhance value to the shareholders in the long run.

Customers

It is the Bank's determination to serve all customers willingly and eagerly and with equality and fairness. All staffs are ready to assist customers with their problems, finding them appropriate solutions and keeping the confidentiality of their information except when it is stipulated by law or with customer's written consent.

Creditors

The Bank honors the terms and conditions of borrowings made with respective creditors such as depositors, debenture holders and other creditors so as to retain its reputation and credibility.

Trading Partners

The Bank required its employees to strictly adhere to the Bank's optimum interest regardless of self-interest or interest of related kin. Employees must provide accurate and complete information that will not impede the buyers' or sellers' decisions. Importantly, employees should avoid accepting gifts or rewards from buyers or sellers as well as attending private functions hosted by them so as to avoid any accusations or render special assistance in return on later occasion.

Business Alliances

The Bank is firmly determined to comply with the agreements made with its business partners and to provide assistance for mutual business benefits.

Competitors

The Bank has no policy to falsify or



distort competitors' facts. At the same time, the Bank avoids making deals or discussion with employees of other agencies or financial institutions on the issues concerning geographical locations, marketing, customer segmentation, interest rates, fees and commissions including products, services or business plans that may have negative impact on the Bank's business competition.

Social and Environmental Responsibility

Relating to corporate social and environmental responsibility (CSER), the Bank focuses on creating intellectual capital in four dimensions: education, society and environment, art and culture and sports. CSER implementation has been under four principles namely 1) continuous operation 2) inter-project linking 3) Bank-wide staff participation and 4) networking of governmental and private organizations concerned.

Employees

The Bank is well aware that human resources are valuable to its progress and success. Hence, the Bank attaches importance to employees' salary and benefits, a key factor in retaining competent staffs. Such benefits are based on individual's performance, i.e. individual knowledge, work performance and the Bank's operating performance comparing with business group of the same level. Moreover, the Bank provides opportunities to employees at all levels a clear and fair career advancement. Employees' problems are taken into considerations for enhancing their welfare with the hope that better life quality will help boost working efficiency. During 2008 many improvements were done such as allowing employees to obtain housing loan whereby the property is joint ownership, increasing resident doctors in the Bank's Medical Department and granting travel allowance to employees that work on weekends in 7-day branches.

Additionally, the Bank attaches significance to enhance employees' competency through self-learning courses that have been made more appropriate and

in line with the work in respective business groups. Diverse training courses have been set up continuously covering basic courses for employees at all levels and courses for specific positions such as Cross selling Presentation, KTB Product & Sale Champion and Cash Management. Also included were human resources development plans for highly competent staff in preparation for becoming future executives such as branch manager level up, KTB Talent Group, receivers of Bank scholarships, Management Trainee for Credit Analysis and Management Trainee, and granting of scholarships at postgraduate level. Besides, the Bank has given the importance to occupational safety and working condition through providing safe and favorable working ambiance and environment with security measures as prescribed by laws and stipulated by the Bank itself. Fire drills are held regularly every year while all business units and branches nationwide are required to prepare their emergency plans as practice guidelines for safety and for protecting the Bank's property. Particularly in 2008 where severe political conflicts prevailed and insurgencies in the deep South still persisted, the Bank constantly monitored the situation and kept exploring the best measures for employees safety.

Government Sector

The Bank supported government's operations and complied with the regulator's requirements and policies in conjunction with promotion of collaboration in respective activities of governmental agencies so as to build national stability and growth.

3.2 Stakeholders' Participation

The Bank provides stakeholders with opportunities to participate in various activities through their own rights such as shareholders' rights to express opinions independently in the Annual Ordinary General Meeting or propose agenda items or nominate appropriate persons for Directors. Other activities included merit-making on the anniversary of

Bank's Foundation day, activities in honor of His Majesty the King's Birthday and Songkran Day activities. Furthermore, the Bank fully supported stakeholders, as well as executives, employees, subsidiaries, customers, students, teachers, instructors and interested public, to participate in respective corporate social and environmental responsibility (CSER) activities of the Bank such as

- Krung Thai Dream School project through giving financial support to respective schools across the country for development of IT and science studies.

- Krung Thai Young Enterprise Awards project through competition of students' business plans for supplementing their skills and paving the way for future careers.

- KTB Business Ethics Initiative project encouraging students nationwide to compete in implementing business schemes with ethical conduct under sufficiency economy philosophy.

- KTB Lecture Series project providing knowledge to customers, employees and interested public through discussions on topics of interest including economics, finance, innovation, art and culture.

3.3 Whistle Blowing & Complaints

It is the Bank's policy to enable stakeholders such as customers and general public to lodge their complaints directly to the Bank or express opinions through various channels as follows:

- Call Center or Krung Thai Phone 1551
- <http://www.ktb.co.th> or <http://www.contactcenter.ktb.co.th>
- E-mail: call@contactcenter.ktb.co.th
- Fax: +662 255-9391 -3
- Customer Satisfaction questionnaire under Service Quality Assurance project
- Corporate Secretary, Krung Thai Bank Pcl. Office of the Board of Directors & Shareholders 8th Floor, Nana Nua Bldg. 35 Sukhumvit Rd., Klong Toey Nua Subdistrict, Wattana District, Bangkok 10110

Complaints will be compiled and reported to the Audit Committee every month

Bank employees are able to lodge complaints or opinions directly to the Board of Directors and the Management via e-mail in the intranet system.

4. Disclosure of Information and Transparency

4.1 Disclosure of Information as prescribed in Listed Company Requirements

The Bank oversees that key information, financial and performance related data are disclosed accurately, completely, transparently, comprehensively and timely as prescribed in the requirements of the Office of Securities and Exchange Commission of Thailand and those of the Stock Exchange of Thailand. Apart from annual disclosure (Form 56-1) and the Annual Report (Form 56-2), most of the information is posted on the Bank's website in Thai and English with regular updates, thus helping shareholders, customers and interested persons to access the information with ease, equality and reliability.

Key information disclosed by the Bank included performance of the Directors over the year, Directors' training records, roles of the Boards and sub-committees, number of meetings called, number of attendance of each Director and opinions from performing their duty as well as remuneration policy and remunerations of Directors and top executives that reflect their roles and responsibilities, shareholding structure, business operation and targets, operating performance, business ethics and corporate governance and social and environmental responsibility policy.

4.2 Disclosure of Information under Official Information Act, B.E.2540 (1997)

As a state enterprise under the Ministry of Finance and a state agency under the Official Information Act, B.E.2540 (1997), the Bank has disclosed information to the general public in compliance with the Act completely and continuously for the people's benefit. Implementation of this matter is summarized below:



4.2.1 Information Dissemination through the IT System

The Bank set a Quick Link from the website www.ktb.co.th to webpage e-Procurement to provide interested public with news and information on procurement. In the webpage, all the information on procurements with individuals and external agencies from February 2003 onwards is depicted. In 2008, the Bank still publicized procurement notices on this website including price inquiry, bidding, cancellations, announcements of winners and auction.

In addition to viewing information on procurement, interested persons are able to offer sale of goods or services through such system after having registered and complied with terms and conditions as stipulated by the Bank.

4.2.2 Disclosure of Bank and Customers' Information to Requesting Agencies and Outsiders

Government agencies and private enterprises are able to request for verification of information under the following terms and conditions:

1) Agencies with legal authority to request information, documentary evidences for verification or requesting Bank employees to testify in respective courts include court of law, Legal Execution Department, Revenue Department, Special Investigation Department, Royal Thai Police, Office of the Consumer Protection Board, Social Security Office, Office of the Securities and Exchange Commission of Thailand, Office of the National Counter Corruption Commission (NCCC), Anti-Money Laundering Office (AMLO), Office of the Narcotics Control Board, Office of the Auditor General Thailand, Ministry of Finance Inspector-General, the Office of the Ombudsman Inspector-General and the Bank of Thailand. Such agencies could request information and documentary evidences concerning application for account opening, transaction records of the account, deposit and withdrawal information and deposit account balances.

2) As for government agencies, private bodies and general public with no

legal authority of information verification most of which request personal information verification, the Bank is unable to disclose requested information. As stipulated in the Official Information Act, B.E. 2540 (1997), Section 24 government agencies are unable to disclose personal information under their supervision to other government agencies or others without prior written consent from the owner of such information.

4.3 Performance of the Board of Directors and Respective Committees

4.3.1 Name, Biography, Responsibility and Term of Office of Directors on Board

Brief biography of the Directors and Executive officers on board is shown on pages 25-35, scope of authority and list of members on various committees is shown in Shareholding and Management Structure on pages 69-77 and appropriateness of the Board of Directors is shown on page 118.

4.3.2 Remunerations for the Board of Directors and Executive Officers

The Bank structures its policy on remunerations fairly and reasonably with the reviewing of the Nominating and Remuneration Committee. The appropriateness and the consonance of the Directors' responsibilities and financial standing of the Bank comparable to those of the same level of business are taken into consideration and must be in accordance with the resolution passed by the shareholders meeting. Remunerations are classified into four parts as follows:

1) Remuneration in capacity as Director at the rate of Baht 50,000 per month.

2) Ex-officio remuneration:

(1) Chairman of the Board of Directors at the rate of Baht 130,000 per month.

(2) Vice Chairman at the rate of Baht 30,000 per month.

(3) Chairman of the Board of Executive Directors, Chairman of the Audit Committee, Chairman of the Nominating and Remuneration Committee and Chairman of the Corporate Governance and Social and Environmental Responsibility at the rate of

Baht 30,000 per month.

3) Meeting honorarium paid in accordance with number of attendance at the rate of Baht 30,000 per meeting.

4) Gratuity payment to Directors is paid on the following conditions:

(1) the Bank makes a profit from the business and

(2) the Bank pays dividend to shareholders.

At the 15th Annual Ordinary General Meeting on April 25, 2008, the following remunerations were approved for the Board of Directors comprising remunerations for attending the Board meetings in 2008 and gratuity for Directors in 2007.

Remunerations for the Board of Directors in 2008

In 2008 the Bank paid remunerations in cash to the Board of Directors, ex-officio remuneration and meeting honorarium totaling Baht 28,072,666.67 broken down into:

1) Remuneration for the Board of Directors a total of Baht 17,581,666.67.

2) Remuneration for the Board of Executive Directors Baht 6,300,000, the Audit Committee Baht 1,281,000, the Nominating and Remuneration Committee Baht 1,260,000 and the Corporate Governance and Social and Environmental Responsibility Committee Baht 1,650,000 totaling Baht 10,491,000 with details are as follows:

Baht

Name of Director	Remuneration in Cash				
	Board of Directors	Board of Executive Directors	Audit Committee	Nominating and Remuneration Committee*	Corporate Governance and Social and Environmental Responsibility Committee
1. Mr. Suparut Kawatkul	2,790,000.00				
2. Dr. Chaiyawat Wibulswasdi	1,710,000.00	1,920,000.00			
3. Mr. Aswin Kongsiri	1,290,000.00	1,380,000.00			
4. Mr. Santi Vilassakdanont	1,260,000.00			300,000.00	690,000.00
5. Mr. Suri Buakhom	1,350,000.00			300,000.00	330,000.00
6. Mr. Pachara Yutidhammadamrong	1,290,000.00		506,000.00		
7. Mr. Sima Simananta	1,320,000.00			660,000.00	330,000.00
8. Dr. Jamlong Atikul	1,350,000.00	1,560,000.00			
9. Mr. Visut Montrivat	1,320,000.00		330,000.00		
10. Mr. Dusit Nontanakorn	1,290,000.00		210,000.00		120,000.00
11. Dr. Pichit Likitkijksomboon	920,000.00				180,000.00
12. Mr. Apisak Tantivorawong	1,320,000.00	1,440,000.00			
Director resigned during the year					
1. Ms. Tanya Sirivedhin	371,666.67		235,000.00		
Total remuneration according to 1)	17,581,666.67				
Total remuneration according to 2)		6,300,000.00	1,281,000.00	1,260,000.00	1,650,000.00
Grand total according to 2)					10,491,000.00
Grand total 1) and 2)					28,072,666.67

Note: * Ex-officio remuneration of the Nominating and Remuneration Committee has not been reimbursed one more time which will be done in 2009.



Gratuity for Directors in 2007

The Board of Directors allocated a total of Baht 16,449,999.97 as gratuity for Directors in 2007 as follows:

Name of Director		Baht
		Gratuity
1. Mr. Suparut	Kawatkul	1,824,876.74
2. Dr. Chaiyawat	Wibulswasdi	1,622,112.66
3. Mr. Aswin	Kongsiri	1,419,348.57
4. Mr. Santi	Vilassakdanont	1,419,348.57
5. Mr. Suri	Buakhom	1,216,584.49
6. Mr. Pachara	Yutidhammadamrong	1,216,584.49
7. Mr. Sima	Simananta	1,419,348.57
8. Dr. Jamlong	Atikul	1,419,348.57
9. Mr. Visut	Montrivat	1,216,584.49
10. Mr. Dusit	Nontanakorn	584,404.97
11. Mr. Apisak	Tantivorawong	1,419,348.57
12. Ms. Tanya	Sirivedhin	1,419,348.57
13. Dr. Uttama	Savanayana	252,760.71
Total		16,449,999.97

As for executives who have power to manage the bank, namely President, Group Executives and Sector Executives, totaling 52 persons, during 2008, the Bank paid a total of Baht 231,336,887.00. Such remunerations classified as salary, business unit allowance, special incentives and provident fund (only to Sector Executives).

4.3.3 Performance of the Board of Directors

The SOE Award as distinctive state enterprise from the State Enterprise Policy Office and the Award on Corporate Governance Report of Thai Listed Companies Five-Star from the Thai Institute of Directors Association (IOD) as well as survey results and CSR ratings of over 700 Asian Companies listed on stock exchanges in Hong Kong, Malaysia, Singapore and Thailand which showed that Krung Thai Bank was ranked 41st, the best of the five Thai financial institutions passing the assessment, have reflected the full dedication and

devotion of the Board of Directors. Not only that executives and staff members have strongly collaborated in performing the mission set forth especially in creating corporate governance excellence thus enabling the Bank to enjoy steady and sustainable growth.

Details of the performance of each board or committee are shown in the report of the Corporate Governance and Social and Environmental Responsibility Committee page 105, report of the Nominating and Remuneration Committee page 106 and report of the Audit Committee page 121.

4.4 Quality of Financial Statements

The Board of Directors attaches the importance to and takes responsibility for the consolidated financial statements of the Bank and subsidiaries including financial information in the Annual Report. Such financial statements are prepared in accordance with the accounting standards and generally accepted accounting principles

through the use of appropriate accounting policy with prudence, accuracy and completeness so as to reflect the real operating performance of the Bank. Operating performance and key information are disclosed transparently and adequately through continuous and timely reports to the Stock Exchange of Thailand for the benefit of shareholders and general investors. Apart from this, the Board has appointed the Audit Committee comprising independent directors with expertise and experience in this field to oversee and review the reliability and accuracy of financial statements as well as the adequacy and appropriateness of the internal control systems thus ensuring that the Bank's financial statement are reliable.

4.5 Investor Relations

The Financial Institutions & Investor Relations Department has been assigned to take the responsibility of providing and disseminating information and activities of the Bank for the benefits of all concerned such as investors of all types, stock analysts, fund managers both local and foreign as well as government agencies concerned on equal and fair basis through diverse organized activities. During 2008, the Bank's executives and investor relations officers met with respective analysts and investors on various occasions and provided them with useful information as follows:

Type of Call	Number of Call
One-on-One Meeting & Conference Call	99
Analyst Meeting	4
Roadshow	-
Total	103

Contact with Financial Institutions & Investor Relations Department

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 (select "Investor Relations")

Moreover, the Bank has provided the press and media with a Press Room on the 2nd Floor, Nana Nua Building equipped with computer and accessories for convenience of the mass media in publicizing the Bank's news and activities. The Marketing and Corporate Communications Department is responsible for coordination with the press for interviews with Bank executives and other public relations task. For 2008 details as follows:

Type of Communications	Number of Time
Press Release	184
Press Conference	19
Press Interview	59
Total	262



5. Responsibility of the Board of Directors

5.1 Independence from the Management

The Board of Directors assumes responsibility for performing its duty and is truly independent from the Management for the optimum benefits of the Bank and shareholders. There exists clear segregation of duty and responsibility between the Board of Directors and the Management. In this respect, the Board of Directors will formulate policies and oversee that work systems proceed lawfully and ethically under the respective policies. Moreover, for proper check-and-balance, the Chairman of the Board of Directors, the Chairman of the Board of Executive Directors and the President are all different persons.

5.2 Appropriateness of the Board of Directors

The number of Directors is in accordance with the Articles of Association, Article 19 which stipulates that “There shall be no less than 7 directors and no more than 15 directors as determined by the general meeting from time to time and no less than half of the total number of directors must reside in the Kingdom”. The total number of directors remains at 12 in accordance with the resolution of the Annual Ordinary General Meeting in 2007 with term of office under the charter of each committee. Article 22 has prescribed that one-third of the directors must retire at each annual general meeting. If the number cannot be divided exactly into one-third, such number must be closest to one-third. Unless otherwise agreed among themselves, the directors to retire during the first and the second times shall be drawn by lots and subsequently the director that has been longest in the office shall retire. A retiring director is eligible for re-election. In 2008, four Directors had to leave, the Bank thus included the election of directors to replace

the retiring ones on the agenda of the 15th Annual Ordinary General Meeting on April 25, 2008 at which the Board of Directors approved the nomination of Directors as submitted by the Nominating and Remuneration Committee. The General Meeting resolved by majority votes to elect the existing three Directors to take up their office for another term and appointed one new Director to replace the retiring Director who did not wish to be re-nominated.

All the 12 Directors have diverse qualifications with respect to skills, experience and specialization beneficial to the Bank (details are shown in Brief Biography of the Board of Directors and Executives page 25-35) including full devotion to their performance. Besides, the Independent Directors with qualifications as defined by the Bank with details on page 74-76, comprise as many as 7 Directors, more than the requirement of at least one-third of the Directors but not less than 3 as prescribed by the Office of the Securities and Exchange Commission of Thailand.

5.3 Transparency in Nominating Directors

In screening and nominating the Directors, the Bank has clearly and transparently prescribed the criteria and conditions as disclosed in “Nominating Directors and Executives” on page 77-80 .

5.4 Efficiency of the Board of Directors

5.4.1 Formulating Policies and Overseeing Management

The Board of Directors has performed its duty honestly and prudently safeguarding the shareholders’ interest particularly in giving its consent on the vision, mission, strategy and approving key issues relating to operating direction and policy, as well as business plan and annual budget. In so doing, the Board has adopted principles of

logic and justification with sound analyses of business condition and social and environmental factors. In the last quarter of each year, the Board calls a meeting to review the Bank's policies and targets before delegating to the Management to formulate into efficient operating strategy together with the business units and branches nationwide so all will move towards a unified target.

Moreover, the Board of Directors oversees the performance of the Management that it is in accordance with the key performance indicators (KPIs) determined at the beginning of the year. Operating performance is monitored on a monthly and quarterly basis so as to know the status at every stage. If the operating performance falls short of the target, the Board will conduct an analysis to find the root causes for further solutions. At year-end, the Board will compare the Management's performance with the KPIs set under the Performance Agreement (PA). In addition, the Board controls and verifies the Management work to ensure transparency and compliance with the Bank's code of conduct effective since 1998, with update and revision to suit the changing working environment. The Board also required a preparation of the Bank's code of conduct as stipulated in the constitution of the Royal Kingdom of Thailand B.E. 2550 (2007), Article 279 and in accordance with the core value as recommended by the Ombudsman, Office of the Ombudsman. Such code will serve as ethical standards and guidelines for regulatory compliance of the Management and Bank employees at all levels since they are state officers as well.

Concerning directorship of the President and top executives in other companies, the Bank has formulated clear policy as to type of directorship and number of companies in which they are entitled to hold the post, and such directorship holding must be first approved by the Board of Directors. Apart from this, the Bank has

established practices on holding posts in other companies in accordance with the Standard Qualifications for State Enterprise Board Members and Staff Act, the Financial Institutions Business Act, the Securities and Exchange Act and other relevant laws. For example, directors, are entitled to hold the post of Chairman, Executive Director or authorized signatory director in no more than three other business sectors. The Bank disclosed information on directorship in other companies of each Director on page 82-83.

5.4.2 Relevant Committees

The Board of Directors has appointed respective committees to help study and scrutinize the task as deemed necessary to ensure the Board's greater efficiency and effectiveness in performing its duty as described in "Shareholding and Management Structure" page 76-77.

5.4.3 Board of Directors Meeting

The Bank sets schedules for the Board meeting regularly in advance throughout the year. In 2008, the meetings were scheduled for the first and third Thursdays of each month. Special Board sessions may be called as deemed appropriate. In this regard, the Bank would send meeting notice in advance to each Director directly and via the Bank's intranet to enable the Directors to manage their time for attending the Board meetings. For each meeting, the Secretary to the Board of Directors will send invitation with agenda and attachments to all Directors no less than seven days prior to the meeting date and will record written minutes of each meeting.

The Board of Directors attaches significance to presentation of agenda assigning the Management to clearly specify criteria and steps of agenda presentation into various groups. Such agenda item groups include Chairman's statement for information, adoption of previous meeting's minutes, on-going issues, policies, credit, debt restructuring, investment, property trading and procurement, human resources, issues for



information and other businesses. The Board also assigns respective committees related to each particular agenda item to scrutinize information, giving opinions and recommendations prior to submission to the Chairman for approval of inclusion in the agenda for prudence through risk management in all aspects. Besides, the Board has policy to allow the Independent Directors to call meetings among themselves without the Management's attendance to discuss various issues of interest concerning management and result of the meeting will be reported to the President. During 2008, three meetings of Independent Directors were called.

Details of attendance of committees' meetings are shown in "Shareholding and Management Structures" page 80.

5.4.4 Self-Assessment of Individual Performance

The Bank requires the Board of Directors to conduct self-assessment twice a year so as to reflect operational efficiency under principles of good corporate governance, details of which are shown in "Shareholding and Management Structures" page 79-80.

5.4.5 Development of Directors and Executives

The Bank urges Directors and executives to undergo training to enhance their knowledge on a continuous and regular basis. Details are shown in "Brief Biography of Board of Directors and Executive Officers" page 25-35. Moreover, upon changing Director, the Bank organizes orientation to present key information for the newly appointed Director. In 2008, such program was arranged for Dr. Pichit Likitkijsomboon with details in "Directors Orientation" page 78-79.

5.5 Corporate Secretary

It is the Bank's policy to appoint the Secretary to the Board of Directors and the Corporate Secretary to be in compliance with the Securities and Exchange Act (No 4), B.E. 2551 (2008) and principles of good corporate governance of the Bank. Core duties and responsibilities are detailed in "Shareholding and Management Structures" page 80-81.

Besides, the Bank insists that the Corporate Secretary is trained in a specifically organized course entitled Company Secretary Program (CSP) by the Thai Institute of Directors Association (IOD) to enable him/her to perform the duty more efficiently.