

## Report of the Corporate Governance and Social Responsibility Committee

Krungthai Bank has been a financial institution operating its banking operation on the basis of integrity, transparency and ethics with continued awareness of the importance of good corporate governance by taking into consideration the stakeholder and all the related parties so as to create confidence and reliability in the operation for sustainable growth. The Bank has conducted the business in concrete, tangible and continuous manner by encouraging the executives and employees at all levels to comply with the principles of good corporate governance thus creating organizational culture. In 2011, the Bank expanded the effect from its signing of a memorandum of understanding (MOU) on exchange of knowledge and experience in conducting the corporate governance and social responsibility activities jointly with its network including the six government banks and subsidiaries in which the Bank holds 100% stake.

The Bank has seriously and continuously conducted the good corporate governance through time as well as the banking business operation with corporate social responsibility (CSR) through promotion and support of respective projects and activities for social benefits in order to instill the awareness of its human resources at all levels to pay their attention to and realize the importance of sharing in continuously creating the organizational culture under the guideline practice of “Intellectual Capital Building”. The main purpose is to offer intellectual capital to the society particularly the Thai youth so as to enable the youngsters to grow up to be quality citizens with vital parts in the national development. In 2011, the Bank signed a cooperation pact with four agencies namely the Office of the Royal Development Project Board, the Board of Trade of Thailand, the Federation of Thai Industries and the Office of the Basic, Education Commission in implementing the Project on Planting the Seedlings of Virtue in accordance with the sufficiency economy philosophy. The Project aims for enhancing the quality of life and education of schoolchildren and teachers in the Krungthai Weaving Dream Schools Project as well as developing and urging the communities nearby to have knowledge, awareness and consciousness of participating in social development in balanced and sustainable manner. As a result of the Bank’s attentive and serious operation, the Bank in 2011 was presented with awards in relation to its activities carried out on good corporate governance and social responsibility as follows:

- SOE Award for Outstanding Enterprise Management awarded by the State Enterprise Policy Office, Ministry of Finance.
- SOE Award for Distinctive State Enterprise Board of Directors awarded by the State Enterprise Policy Office, Ministry of Finance.
- SET Award of Honor for distinctive corporate governance report awarded by the Stock Exchange of Thailand.
- Award Five-Star Corporate Governance Report of Thai Listed Companies 2011 awarded by the Thai Institute of Directors (IOD).
- “Excellent” assessment for quality of ordinary annual general meeting awarded by the Office of Securities and Exchange Commission in conjunction with the Thai Investor Promotion Association and the Thai Listed Companies Association.

All the awards presented to the Bank has reflected its management and operation by adhering to the good corporate governance principles including social and environmental responsibility to which the Bank is ready to comply on continuous basis.



(Mr. Prasert Bunsumpun)  
Chairman of the Corporate Governance  
And Social Responsibility Committee

## Corporate Governance

The Bank has firmly adhered and attached the importance to good corporate governance in supervising the Bank business so as to maintain corporate governance culture to prevail across-the-Board encompassing the Board of Directors, executive officers and Bank employees. During the past several years, the Bank has seriously and continuously campaigned for this culture through policy formulation and supervision by the Corporate Governance and Social Responsibility Committee. Key on-going CG activities in 2011 included the following.

- Operating performance assessment under the principles of good corporate governance of all business units in the Bank used as a requirement for granting the CG Awards.
- CG & CSR Day activities on the Bank's founding anniversary day (March 14) to publicize CG & CSR activities all over the Bank. The Board of Directors and senior executive officers gave priority to participation in such activities.
- Lectures on Creation of Corporate Governance Culture for Bank employees in various courses as well as requiring that Corporate Governance (CG) is one of the 10 core courses to be passed successfully by Bank employees in Self-Learning test.
- Dissemination and publicity of articles and news of corporate governance on the Bank's website and through Intranet including direct sending via E-mail of each employee.
- Off-site meetings of the Corporate Governance and Social Responsibility Committee as fieldwork in various regions once every quarter to convey CG policy and monitor CG & CSR operation.
- Meeting held to exchange guideline practices of CG operation with other six government banks namely Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Cooperatives, Export-Import Bank of Thailand, Government Savings Bank, Government Housing Bank and Islamic Bank of Thailand.

Additionally, the Bank has promoted and monitored the implementation of CG activities of subsidiaries in which the Bank has 100% shareholding so as to gain power of building a concrete CG society to the extent that the Bank has been recognized by respective institutions and agencies. This was reflected by awards of honor granted to the Bank continuously through time such as SOE Award as an Honorable Achievement for distinctive state enterprise Board of Directors, SET Award of Honor for Top Corporate Governance Report and Five-Star Corporate Governance Report of Thai Listed Company Award 2011.

### Corporate Governance Policy

The Board of Directors has entrusted the Corporate Governance and Social Responsibility Committee to formulate the action plan and monitoring measures for the implementation of the business supervision or corporate governance policy and appropriate and regular policy revision.

The Committee also monitors and revises CG guideline practices to be in line with the good corporate governance guidance, both local and international, aiming for world standards.

The Bank prepared the written CG policy and practices in line with the principles of good corporate governance of the Stock Exchange of Thailand started from 2002 in a total of seven principles:

- 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.

Apart from the above mentioned seven Principles of Good Corporate Governance, the Bank in 2011 enhanced its Core Values from the existing organization values that had been practiced to be complete, recognizable and able to be put into practice more easily as "KTB First" comprising 5 values and 15 behaviors as follows:

F - Firm: firm from risk management, good corporate governance and sustainable growth.

I - Innovative: innovative thinking, innovative products and services and innovative processes.

R - Responsible: being responsible for own duty, customers and society as well as environment.

S - Service: being service-minded, providing quick service and service par excellence.

T - Teamwork: working together as a team with positive attitude, teaming up to work for the benefits of customers and organization.

The Bank has communicated this new Core Values to staff members at all levels through its diverse media to enable everybody acknowledge, understand and adhere to such Core Values as guidance for working together. All this would bring success to the Bank in being "The Convenience Bank" and the First Bank in Customers' Mind for always. (Details of the Bank's corporate governance can be viewed at website: [www.ktb.co.th](http://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 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 attend the shareholders meeting, the right to propose agenda in the shareholders meeting, the right to vote for the appointment of auditor and fixing of auditor fee

and 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.

Besides these basic rights, the Bank has established best practices to its shareholders. Included are shareholders' right to receive information on operating performance, management policy and other key information through the easy access of the Bank's website. Additionally, the Bank organized trips for shareholders to visit its business.

### **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. In 2011, all relevant information is posted on the Bank website: [www.ktb.co.th/Investor Relations/Shareholders Information/Invitation letter to the Shareholders Annual General Meeting on March 21, 2011](http://www.ktb.co.th/InvestorRelations/ShareholdersInformation/InvitationlettertotheShareholdersAnnualGeneralMeetingonMarch21,2011) or about 30 days before the meeting date for shareholders to have adequate time to study the relevant information. The Bank will not add any important agenda unnotified in advance. 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.

In 2011, the Bank held the Annual Ordinary General Meeting on April 22, 2011 attended by all the Directors and 15 Group Executives including CFO. Representatives from related organizations and institutions also attended as observers such as the Office of the Auditor General and the Thai Institute of Directors Association. The Chairman of the Meeting gave equitable opportunities and times to all shareholders in exercising their rights to check the Bank's operation, raise questions, or make recommendations. Those important questions and recommendations were recorded in minutes of the meeting and disclosed to shareholders on the Bank's website within 30 days after the meeting date. Besides, the Bank prepared questionnaire to survey and inquire about shareholders' satisfaction toward the ordinary annual general meeting so that the Bank would use the results of such survey in making improvement of the following AGM for greater efficiency.

## **2. Equitable Treatment to Shareholders**

### **2.1 Treatment of Minority Shareholders**

The Bank provides equitable and fair treatment to all shareholders whether they are minority, institutional investors or foreign investors 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 through the Nominating & Remuneration Committee 3 months before ending account period on December 31. In 2011, four directors have completed their terms of office. Hence, during October 1 - December 31, 2010 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.

## **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 two Independent Directors were attached with the notice of meeting. Shareholders or proxies are urged to use voting ballots on every agenda items.

## **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 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 verification, the Bank has shown information on Bank Securities Holdings by Directors and Top Executives, information on Director's shareholding in financial business group and information on Directorship of Directors and Executives in the Bank, subsidiaries, associated companies and affiliated companies on pages 82-85 in accordance with the requirement of regulator such as the Bank of Thailand, the Office of Securities and Exchange Commission, and the Stock Exchange of Thailand.

## **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 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 has the policy to treat creditors of all groups including depositors, debenture holders and other creditors with equitability and fairness on the basis of fair returns to both parties strictly under the agreements of covenants agreed upon. In case of non-compliance with any one of covenants, the Bank will promptly notify the creditor to jointly consider the issue. In conducting business negotiation, the Bank shall refrain from demanding or employing any dishonest benefits in trading. Moreover, the Bank regularly prepares financial reports that are accurate, complete and timely for submission to the creditors.

**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 accusation or render special assistance in return of 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 of business plans that may have negative impact on the Bank' business competition.

**Social and Environmental Responsibility,** Relating to corporate social responsibility (CSR), the Bank focuses on creating intellectual capital in four dimensions : education, society and environment, art and culture, and sports. CSR 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 organization concerned.

**Employees,** Realizing the significance of human resources management and development, the Bank gives employees of all levels opportunities to advance in their career under fair merit system coupled with oversight their salary, remuneration, welfare and other benefits to be comparable to general leading companies. As the severe massive floods in over the past 50 years occurred in 2011, the Bank launched measures for assisting the flood-affected employees to relieve the adverse impact and restore their morale so that they would return to be the key forces in propelling the Bank's business operation to achieve the set targets. The measures included cash aid for home repair, cash aid for temporary accommodation, arrangement for lodging for Bank employees and family, 6-month moratorium on welfare loan repayment and interest-free welfare loan.

Additionally, the Bank has promoted and enhanced the employees' competence further so that they would be ready for higher business competition through systematic and continuous training courses as classroom and non-classroom training. In 2011, the employees were trained and developed in over 250 key courses such as credit analysis officers' skills development using skill assessment format of the Omega Performance Institute, a reputable institution of high standards recognized by leading financial institutions, professional sale skills development to be total solution providers and further development toward being value advisors for customers, credit expert development by industrial type for credit officers, site visits both within and outside the Bank as well as Self-Learning program through E-Training system. The Bank's continuous attachment of importance to employees' skills development and upgrade of Knowledge Management process in the organization enabled the Bank to be granted an Honorable Mention Award in the category of Knowledge

Management Project from the contest under Thailand ICT Excellence Awards 2010. On working ambiance, the Bank has provided an environment favorable to job performance with occupational safety complying with legal standards and those prescribed by the Bank. Each business unit is required to prepare a business continuity plan both for normal and critical situations. Additionally, the Bank urged employees to respect and honor one another along the guidelines stipulated in the personnel code of conduct.

**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 activities in honor of His majesty the King's Birthday, merit-making on the anniversary of Bank's Foundation day 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 responsibility (CSR) activities of the Bank such as Krung Thai Dream Schools Near Home project through giving financial support to respective schools across the country for development of IT and science studies. Krung Thai Young Enterprise project through competition of high school students' business plans for supplementing their skills and paving the way for future careers. Krung Thai White Seedlings project encouraging university students nationwide to compete in implementing business schemes with ethical conduct under sufficiency economy philosophy. Included various activities organized continuously throughout the year at Krung Thai Art Gallery, Yaowaraj Branch Building which is opened to general public Monday through Friday at 9.00–16.00 hrs. and Saturday at 10.00–17.00 hrs.

### **3.3 Whistle Blowing & Complaints**

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

- KTB Call Center 1551
- <http://www.ktb.co.th> or <http://www.contactcenter.ktb.co.th>
- E-mail: [call@contactcenter.ktb.co.th](mailto:call@contactcenter.ktb.co.th)
- Fax: +662 255-9391 to 3
- Survey of Customer Satisfaction
- Customer Complaints Function, Customer Strategy & Management Department, Tel. +662 208-8989
- Corporate Secretary, Office of the Board of Directors & Shareholders 35 Nana Nua Bldg, 8<sup>th</sup> Fl., Sukhumvit Rd., Klong Toey Nua Subdistrict, Wattana District, Bangkok 10110

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 and those of the Stock Exchange of Thailand. Apart from annual disclosure (Form 56-1) and The Annual Reports (Form 56-2), most of the information is posted on the Bank' 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 senior executives that reflect their roles and responsibilities, shareholding structure, business operation and targets, operating performance, business ethics and corporate governance & 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](http://www.ktb.co.th) to webpage e-Procurement to provide interested public with news and information on procurement. The Bank in 2011 continued to disseminate information on the Bank's procurement on such website comprising procurement notice by price inquiry and bidding, notice of change/cancellation of price inquiry and bidding, announcement of winners list on price inquiry, bidding and auction. Information was gathered and compiled from February 2006 to date and respective form of agreements and contracts were available for downloading online.

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 of 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, Office of the National Counter Corruption Commission (NCCC), Anti-Money Laundering Office (AMLO), Office of the Narcotics control Board, Office of the Auditor General, 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) Agencies and individuals with no legal authority in requesting information verification comprise government agencies and private work units including general individuals such as the Royal Forest Department, the Department of Lands, municipalities, the Provincial Electricity Authority, Subdistrict Administration Organization, Bangkok Metropolitan Administration and Office of the Statutory Advocate. 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 21-25 and scope of authority and list of members on various committees is shown in shareholding and Management Structure on pages 61-76.

#### **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. At the 18<sup>th</sup> Ordinary Annual General Meeting on April 22, 2011, the meeting resolved to give an approval of the Directors' remunerations and gratuity as proposed by the Nominating and Remuneration Committee. As for the 2011 Directors' remunerations, the General Meeting decided to retain the criteria and rates for payment of Directors' remunerations as equal to the previous year which were the existing rates used throughout seven years since 2004. Details are as follows:

#### **Remuneration for the Board of Directors in 2011**

In 2011 the Bank paid remunerations in cash to the Board of Directors, ex-officio remuneration and meeting honorarium totaling Baht 29,859,247.32 broken down into:

- 1) Remuneration for the Board of Directors a total of Baht 16,866,827.97
- 2) Remuneration for the Board of Executive Directors Baht 7,485,000.00 the Audit Committee Baht 1,680,000.00 the Nominating and Remuneration Committee Baht 1,500,000.00 the Corporate Governance & Social Responsibility Committee Baht 1,307,419.35 and the Risk Management Committee Baht 1,020,000.00
- 3) Grand Total Baht 29,859,247.32 with details are as follows:

Name of Director	Remuneration in Cash					
	Board of Directors	Board of Executive Directors	Audit Committee	Nominating & Remuneration Committee	CG & CSR Committee	Risk Management Committee
1) Dr. Sathit Limpongpan	2,850,000.00	-	-	-	-	-
2) Ms. Benja Louichareon	1,620,000.00	351,580.65	-	-	-	-
3) Mr. Payungsak Chartsuthipol	249,032.26	377,419.35	-	-	-	-
4) Mr. Chulasingh Vasantasingh	1,230,000.00	-	708,387.10	240,000.00	-	-
5) Mr. Nontigorn Kanchanachitra	1,290,000.00	-	150,000.00	750,000.00	270,000.00	-
6) Mr. Prasert Bunsumpun	249,032.26	-	120,000.00	-	137,419.35	-
7) Dr. Jamlong Atikul	1,320,000.00	1,530,000.00	-	-	-	750,000.00
8) Mr. Krisada Chinavicharana	1,020,645.16	-	-	240,000.00	180,000.00	-
9) Mr. Veerapat Srichaiya	249,032.26	-	-	-	-	60,000.00
10) Mr. Jrrat Pingclasai	249,032.26	-	-	-	60,000.00	-
11) Ms. Arunporn Limskul	249,032.26	300,000.00	-	-	-	-
12) Mr. Apisak Tantivorawong	1,290,000.00	1,440,000.00	-	-	-	-

#### Directors resigned during the year

1) Mr. Visut Montrivat <sup>(1)</sup>	269,354.84	-	161,612.90	-	-	-
2) Mr. Supachai Jongsiri <sup>(2)</sup>	396,666.67	-	-	120,000.00	120,000.00	-
3) Mr. Dusit Nontanakom <sup>(3)</sup>	830,000.00	1,206,000.00	-	-	-	-
4) Mr. Santi Vilassakdanont <sup>(4)</sup>	990,000.00	-	330,000.00	150,000.00	540,000.00	-
5) Mr. Pongtep Polanun <sup>(4)</sup>	990,000.00	1,140,000.00	-	-	-	-
6) Mr. Naruenart Ratanakanok <sup>(4)</sup>	930,000.00	1,140,000.00	-	-	-	-
7) Mr. Yamsak Manomaiphiboon <sup>(4)</sup>	595,000.00	-	210,000.00	-	-	210,000.00
Total remuneration according to 1 )	16,866,827.97					
Total remuneration according to 2 )		7,485,000.00	1,680,000.00	1,500,000.00	1,307,419.35	1,020,000.00
Grand total according to 2)						12,992,419.35
<b>Grand total 1) and 2)</b>						<b>29,859,247.32</b>

- Notes: (1) Retired at the age of 65 on March 12, 2011  
(2) Completed his term of office on April 22, 2011  
(3) Passed away on September 6, 2011  
(4) Resigned on October 1, 2011

### Gratuity payment to directors in 2010

The Board of Directors allocated a total of Baht 27,960,000 as gratuity for Directors in 2010 as follows:

Name of Director		Gratuity
1)	Dr. Sathit Limpongpan	3,049,928.61
2)	Ms. Benja Louichareon	695,402.29
3)	Mr. Dusit Nontanakorn	2,529,073.22
4)	Mr. Santi Vilassakdanont	2,372,166.69
5)	Dr. Jamlong Atikul	2,372,166.69
6)	Mr. Visut Monrivat	2,281,179.48
7)	Mr. Supachai Jongsiri	2,033,285.75
8)	Mr. Nontigorn Kanchanachitra	2,359,168.52
9)	Mr. Pongtep Polanun	2,032,357.30
10)	Mr. Chulasingh Vasantasingh	1,487,362.44
11)	Mr. Naruenart Ratanakanok	1,586,705.63
12)	Mr. Apisak Tantivorawong	2,372,166.69
13)	Dr. Chaiyawat Wibulswasdi	735,325.25
14)	Mr. Pachara Yutidhammadamrong	643,409.60
15)	Mr. Aswin Kongsiri	1,410,301.84
<b>Total</b>		<b>27,960,000.00</b>

Moreover, the Bank in 2011 paid remuneration classified as salary business unit allowance and extra gratuity to the Bank's executive officers (as defined by SEC) comprising President, First Senior Executive Vice President, Senior Executive Vice President and First Executive Vice President totaling 21 persons in the amount of Baht 167,498,925 (including extra gratuity to the two Group Managing Directors who retired in 2010 namely Ms. Sumana vonggapan and Mr. Assanee Subvanich). In making such payment, the Bank did not pay its matching fund into the provident fund for them. As for remunerations for 49 sector Directors (as defined by BOT), the Bank paid a total of Baht 160,987,491.53 as salary, business unit allowance, extra gratuity, child allowance, child education allowance, housing allowance and its matching fund into the provident fund.

#### 4.3.3 Performance of the Board of Directors in 2011

The Board of Directors' full devotion and efforts to job performance to the best of their ability together with collaborative forces of all the executives and employees enabled the Bank to accomplish the mission set forth. Besides, the Board's performance was clearly witnessed by the general public attributable to the Bank's being granted the SOE Award as an Honorable Achievement for distinctive state enterprise Board of Directors and the SET Award of Honor in the category of Top Corporate Governance Report.

Performance of each committee is shown in details in the Report of the Corporate Governance and Social Responsibility Committee, page 105, Report of the Nominating and Remuneration Committee page 106 and Report of the Audit Committee, page 124.

#### 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 of 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 2011, 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	72
Analyst Meeting & Fund Meeting	6
Road Show	5
<b>Total</b>	<b>83</b>

#### Contact with Financial Institutions & Investor Relations Department

Telephone : +662 208-3668 -9

Fax. : +662 256-8800

E-mail : [ir@ktb.co.th](mailto:ir@ktb.co.th)

Address : Krung Thai Bank Pcl.

35 Nana Nua Bldg., 6<sup>th</sup> Fl., Sukhumvit Rd.,

Klong Toey Nua Subdistrict, Wattana District, Bangkok 10110

Website : <http://www.ktb.co.th> (select Investor Relations / Contact IR)

Moreover, the Bank has provided the press and media with a Press Room on the 2<sup>nd</sup> Floor, Nana Nua Building equipped with computer and accessories for convenience of the mass media in publicizing the Bank's news and activities. The Corporate Branding & Communications Department is responsible for coordination with the press for interviews with Bank executives and other public relations task. For 2011 details as follows:

Type of Communication	Number of Time
Press Release	103
Press Conference	50
Press Interview	46
<b>Total</b>	<b>199</b>

## 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. 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, business strategy, oversee that operations transparent and proceed lawfully and ethically under the respective policies, communication and relevant information was disclosed appropriately. Moreover, for proper check-and-balance, the Chairman of the Board of Directors, and the President are 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 term of office of directors is under the charter of each committee. Article 22 has prescribed that one-third or 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. Moreover, the Bank has stipulated additional provisions concerning appropriateness of Director's term of office that it should not be over three consecutive terms except that any Director is considered appropriate to take director office longer than such term. The Board of Directors would consider the efficiency in job performance of such Director and explain the supportive reasons together with his or her job performance to the shareholders. During 2011, four Directors completed their term of office and the Bank arranged for including on the AGM agenda an election of

Directors to replace retiring Directors who completed term of office at the 18<sup>th</sup> Ordinary Annual General Meeting on April 22, 2011. In order to comply with the principles of good corporate governance, the Chairman of the meeting requested the retiring Directors to leave the meeting room during discussion on the issue and approval by voting. The meeting passed a resolution by majority votes to re-elect the subsisting three Directors for another term of office and elect one new Director as nominated by the nominating and Remuneration Committee and the Board of Directors excluding those with interest on the issue.

All the 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 pages 21-25) including full devotion to their performance reflecting by the many awards received. Besides, the Independent Directors with qualifications as defined by the Bank, comprise as many as 5 from the total of 12 Directors, being regarded as larger percentage share than the requirement of at least one-third or not less than 3 persons as prescribed by the Office of the Securities and Exchange Commission.

### **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 pages 76-77.

### **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 (KPI) determined at the beginning of the year. Operating performance is monitored on a monthly and quarterly basis so as 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 KPI 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.

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 guidelines prescribed by the Standard Qualifications for State Enterprise Directors and Employees Act, the Financial Institution Act, the Securities and Stock Exchange Act and other related law. Under such practice guidelines, Directors are entitled in no more than three state enterprise companies and Directors are entitled to hold the post of Chairman, Executive Director or authorized signatory director in no more than three other business groups. The Bank disclosed information on directorship in other companies of each Director on pages 84–85.

#### **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 Structures" pages 64–76.

#### **5.4.3 Board of Directors Meeting**

The Bank sets the schedules for the Board of Directors meeting in advance and regularly throughout the year. Meeting schedules are shown on the Bank's intranet website. Each Director is informed of such schedules to facilitate arrangement for attendance as per details in "Board of Directors Meeting" pages 80–81. In this regard, the subcommittee related to the agenda on such particular issue will scrutinize the relevant information; make comments and recommendation prior to submission to the Chairman of the Board of Directors for approval and inclusion of that issue on the agenda for prudence and management of risks in all respects that may arise. Besides, the Board of Directors has the policy to provide the Independent Directors with opportunities to call meeting among themselves as deemed necessary to discuss issues of common interest without attendance of the Management. The President will be informed of the meeting results. The Independent Directors Committee in 2011 called four meetings.

#### **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 "Self Assessment of the Board of Directors" page 79.

#### **5.4.5 Development of Directors and Executives**

The Bank promotes the competence development of the Directors and the executives through continuous and regular training courses to enhance their knowledge. Details in "Brief Biography of the Board of Directors and Executive Officers" pages 21–29. Moreover, for each new Director appointment, the Bank organizes Orientation to provide the newly appointed Directors with key information on the Bank as well as making arrangement for them to visit and observe the Bank business operation. In 2011, the Bank organized orientation for seven new Directors namely Mr. Krisda Chinavicharana, Mr. Yarnsak Manomaiphiboon, Mr. Payungsak Chartsuthipol, Mr. Prasert Bunsumpun, Mr. Veeraphat Srichaiya, Mr. Jjarat Pingclasai and Ms. Arunporn Limskul as shown in details under section: Directors Orientation on page 78.

The Bank, in December, made an arrangement for the Directors and executives nationwide including overseas branches to attend the Bank's business strategy seminar for brainstorming and spurring the Bank to achieve the targets set in the business strategic plan.

### 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 applicable Securities and Stock Exchange (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 82.

Besides, the Bank insists that the Corporate Secretary is trained in appropriate courses such as Financial Institutions Governance Program (FGP) to enable him to perform the duty more efficiently.

### 5.6 Succession Plan

The Bank has its system of succession for executives at each level and each job family that can be implemented effectively through the succession Plan for crucial posts especially the chief executive officer of the Bank. Preparedness of the persons that will become executive officer or manager has been in place together with the Individual Development Plan to enable the successor to manage and carry on the task instantly, smoothly and efficiently. Work plan and requirements for selecting successor at different levels are summarized below:

1. **The President level**, the Bank complies with the Standard Qualifications for State Enterprise Directors and Employees Act B.E.2518 (1975) and also has transparent nominating and selecting process by recruiting from the executive officers within the Bank and giving opportunities to external applicants who are visionary with knowledge, competence and experience in corporate management to apply for the President. From then the applicants will be selected through appropriate nominating process by the Nominating and Remuneration Committee.

2. **Group, sector and department level**, the Bank makes relevant assessment seeking opinions from existing group executive and requesting such group executive to nominate qualified person as successor of each business group.

3. **Regional office and business center**, the Bank utilizes the Assessment Center for selection. The candidate's appropriateness will be assessed by two levels of supervisors. The highly competent executives will be listed in preparation for replacement and business expansion.

4. **Branch manager and deputy branch manager**, selection will be done through testing and the Assessment Center. High-potential executives within the Bank will be considered.

Moreover, the Bank selects and builds competent employees groups, that is, the Bank scholars and Talent groups to be further developed for the new generation executive posts. They will serve as foundation for business expansion and help prevent any problem of understaffing or shortage of manpower for future executive posts in the organization.

## Internal Control

The Board of Directors has attached the importance to internal control through close monitoring to ensure efficient implementation of operation plans to meet the set targets at acceptable risk levels appropriate for the occurring business environment. In this regard, the Audit Committee which oversees the Internal Audit Group is responsible for monitoring and assessing the Bank's internal



control for further enhancement and development. Such process will enable the Bank to prevent risk and perform the task prudently so as to avoid loss or damage. The Audit Committee submits the report regularly to the Board of Directors every month.

The Audit Committee in 2011 made an assessment that risk management and internal control systems were effective, appropriate and adequate. The internal audit is independent encompassing high risk operating processes and up to the standards and appropriate audit performance monitoring to ensure accuracy under the applicable laws or requirements and in consonance with the current business environment. Details in “Report of the Audit Committee” page 124.

## Related-Party Transactions

To prevent conflict of interest that may arise from conducting related-party transactions, the Bank has prescribed that market price or fair price shall be used in conducting transactions of all types except any transactions under requirement prescribed otherwise by the regulators, then the Bank will adhere to the practices under such requirement.

### • Necessity and Justifications of Related-Party Transactions

Inter-party or related-party transactions conducted in 2011 were normal business transactions 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.

### • 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. Moreover, the Bank formulate related transactions procedure and regulations to the responsible unit. 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 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.

• **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 between the bank and subsidiaries, associated and related companies in 2011 is shown in 56-1 Report Part 1 No.10 Related-Party Transactions and the Notes to the Financial Statements No. 6.24 Related-Party Transactions.