



KRUNGTHAI BANK

Report of the Audit Committee 2016

The Audit Committee of Krung Thai Bank Pcl. comprises of 4 qualified Independent members as follows:

- | | |
|--|---------------------------------|
| 1. Mr. Kittipong Kittayarak | Chairman of the Audit Committee |
| 2. Lieutenant General Tienchai Rubporn | Member of the Audit Committee |
| 3. Mr. Somchai Boonnamsiri | Member of the Audit Committee |
| 4. Mr. Thanwa Laohasiriwong | Member of the Audit Committee |

Mr. Santi Parivisutt, First Executive Vice President - Managing Director of Internal Audit Group, is the secretary of the Audit Committee.

The Audit Committee performed the duties in accordance with the scope of work and responsibilities defined in the Audit Committee Charter and assigned by the Board of Directors which comply with the regulations of the Stock Exchange of Thailand and the Ministry of Finance. The emphasis has been placed on stipulating systematic working procedures in terms of good corporate governance, risk management system and the adequate internal control. Additionally, the Audit Committee focused on efficient and effective internal audit process in an attempt to promote value added creation and prevent any damage that may occur to the Bank. The details are summarized as follows:

- The Audit Committee emphasized on systematic internal control management, promoted accurate working procedure from the initial and integrated corporation between the regulatory agency and the risk management department in complying with the practice of Governance, Risk and Compliance in order to establish good corporate governance to the Bank and monitored business operation in accordance with law and regulation of the regulator. In addition, the Audit Committee with Compliance Committee and the Nominating and Remuneration Committee had encouraged all employees to perform their duty accurately and in accordance with Code of Conduct to support the compliance of good corporate governance.

- The Audit Committee implemented the proactive audit policy focusing on the audit that satisfied the stakeholder's expectation and primarily took into account the Bank's benefit. Moreover, the Committee highlighted on preventive audit and providing value-added suggestion through the complete, explicit and straight summary of the audit results as well as encouraging the IT implementation in the audit process.

- The Audit Committee improved the internal audit group staff's on knowledge of IT competence and complicated business transaction. The Committee also encouraged the staff to acquire special qualifications related to internal audit and risk management and supported their continuous development of audit profession to be ready for the Bank's business operation and achieve the department objectives as supporter and advisor for other departments.

In 2017, the Audit Committee held 26 meetings with the Management, Senior Executives and external auditor to consider related issues. The Audit Committee reported the operation results of each meeting to the Board of Directors on a monthly basis. Highlights were as follows:

Review of the Financial Statement

The Committee with the support from the external auditor, reviewed the monthly operation performances and the quarterly, half-yearly and annually financial statement of the Bank and the consolidated financial statement of the Bank and consolidated group. The external auditor and executives of the Financial Management Group regularly discussed with the external auditors without the participation of Management for the accuracy of the financial statements and the adjustment of significant accounts which had impacts on the financial statement. This is to ensure that the financial statement process and the financial reports were conducted as specified by related law and general accepted accounting principles, and the disclosures of information were adequate, complete, timely and reliable.

Review of the Related-Party Transactions and Conflicts of Interest

The Audit Committee reviewed related-party transactions between the Bank and its subsidiaries, the interconnected transactions or the transactions that may involve a conflict of interest to ensure that such transactions were reasonable, followed the normal business conditions and provided the utmost benefit to the Bank. The Committee adequately disclosed information with transparency and without transactions that caused negative impact on the Bank significantly.

Review of the Risk Management

The Audit Committee reviewed the risk management processes of the Bank and consolidated group. Additionally, the Committee with the executives of the Risk Management Group followed up the results of risk management at least once a month to ensure that the Bank's risk management was appropriate and efficient, and the Bank's risks were at the acceptable risk levels.



Review of the Effectiveness of Internal Control System

According to the requirements of Office of the Auditor General of Thailand, the report of internal control assessment was reviewed. The Committee followed up the establishment of internal control system and self-assessment of the internal controls to ensure that the Bank's internal control system was adequate and appropriate.

Review of Compliance Operations

The Audit Committee with the Management regularly reviewed the compliance operations to ensure that the Bank complied with legal and requirements of the regulators and the Bank's regulations.

Monitoring of the Internal Audit Operations

The Audit Committee approved the review of the Internal Audit Charter to consider the appropriateness of duty, responsibility, scope of work, including the rights and independence of the operations; the Internal Audit Group's strategic plan, 3-year audit plan and annual audit plan. In addition, the Committee considered approving the annual budget of Internal Audit Group, the human resources management, the adequacy assessment of resources, the revision of work manual of the Internal Audit Group, the audit result of Internal Audit Group, the monitoring of the revised crucial points and the performance progress to be in line with the approved audit plans. For more efficient operations, the Committee shall provide advices in operation.

Maintaining Audit Committee Quality

The Audit Committee Charter was reviewed and revised. The assessment of individual performance (self-assessment and cross evaluation) and the Board evaluation were conducted in accordance with the best practice guidance of State Enterprise Policy Office, Ministry of Finance to ensure that the operations of the Audit Committee were efficient and achieved the objectives as defined in the Audit Committee Charter.

External Auditor

The Audit Committee assigned the Office of the Auditor General of Thailand as the Bank's auditor in 2016 and considered the appropriate audit remuneration before proposing to the Board of Director for approval at the shareholders' meeting.



The Audit Committee performed its duty with prudence and independence. All the opinions expressed were straightforward, transparent, verifiable and in accordance with good corporate governance. In this regard, the Audit Committee is of the opinion that the Bank's financial statements and disclosure of information are complete, reliable and consistent with generally accepted accounting principles. Overall risk management and internal control system have been implemented effectively and appropriately. Internal audits have been independently conducted covering high-risk operations and complying with internal audit standards. Furthermore, the adequate system of control in place was ensured to follow the applicable laws and regulations concerning with the current business environment.



(Mr. Kittipong Kittayarak)

Chairman of the Audit Committee

January 25, 2017