



TMB

Make **THE** Difference

Independent Financial Advisor Opinion regarding
The Acquisition of Shares of Thanachart Bank Public Company Limited

to the Shareholders of
TMB Bank Public Company Limited

15 August 2019

Prepared by
Asia Plus Advisory Company Limited

Disclaimer

This report is prepared in Thai and this English version is a translation of the Thai report. While every effort was made to ensure the accuracy of the translation, there could be some inconsistency between the Thai report and the English translation. In any case, the Thai report shall take precedence and be considered the official Independent Financial Advisor report over its English translation.

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15 August 2019

Subject: Opinion of Independent Financial Advisor regarding the Acquisition of Shares of Thanachart Bank Public Company Limited

To: Audit Committee and Shareholders of
TMB BANK PUBLIC COMPANY LIMITED

Reference is made to the Special Meeting of the Board of Directors of TMB Bank Public Company Limited (“TMB”) no. 4/2019 held on 7 August 2019 which approved the Merger Plan between TMB and Thanachart Bank Public Company Limited (“TBANK”), and the acquisition of entire shares of TBANK and other related matters as follows:

1. The acquisition of 6,062,438,397 shares, representing 99.96 percent of total paid-up shares of TBANK post business restructuring, from Thanachart Capital Public Company Limited (“TCAP”) and Scotia Netherlands Holdings B.V. (“BNS”), and the acquisition of the remaining 2,423,773 shares, representing 0.04 percent of TBANK total paid-up shares from other TBANK minority shareholders, for a per share consideration determined in accordance with the following formula:

TBANK book value according to the consolidated financial statements, which is derived from the audited consolidated financial statements of TBANK at the end date of the latest month immediately preceding the Transaction Date, adjusted with additional reserve required under Thai Financial Reporting Standard No. 9: Financial Instruments (“TFRS9”) (if any), and average daily profits of TBANK, TBROKE, and TFUND calculated from 1 January 2019 to the end date of the latest month immediately preceding the Transaction Date, multiplied by number of days from the first date of the month to the Transaction Date;

Plus Gain on business restructuring;

Plus Fixed premium of Baht 9,245 million

Less TBROKE book value according to TBANK consolidated financial statements

Less TFUND book value according to TBANK consolidated financial statements

Divided by number of all issued and paid-up shares of TBANK

The Purchase Price formulated above shall be in accordance with the basis of pricing TBANK shares as stipulated in the Share Purchase Agreement. Under the assumption that the Transaction Date was 31 December 2018, the Purchase Price of entire shares of TBANK is estimated to be Baht 158,411 million, based on financial information prepared by TMB and assured as to the preparation standard by KPMG Phoomchai Audit Limited (“The Transaction”).

2. The issuance of not exceeding 31,481,481,482 units of Transferable Subscription Rights (“TSR”) to the existing shareholders of TMB in proportion to their respective shareholdings without charge, at the allocation ratio of at least 1.39 existing ordinary share to 1 unit of TSR with the exercise price between Baht 1.35 – 1.60 per share, and the allocation of not exceeding 31,481,481,482 newly issued ordinary shares to accommodate the exercise of TSR, to be used to finance the Transaction. TMB will notify the shareholders about the final allocation ratio and the exercise price of TSR within 2 business days prior to the posting date of the XT sign (Please see more details in *Indicative Terms of the Transferable Subscription Rights issued by TMB*).
3. The issuance of not exceeding 3,067,340,365 new ordinary shares on the Private Placement basis to a specific investor who is not a Connected Person of TMB, to be used to finance the Transaction, at the offering price of not less than:

- (a) 1.1 times of TMB book value per share after fundraising through TSR, which is determined in accordance with the following formula:

1.1 times of TMB book value, which is derived from the latest audited consolidated financial statements of TMB and the operating results of the following month after the end date of the latest consolidated financial statements, which is prepared by TMB management

Plus The amount of funds raised from the issuance of newly issued shares to accommodate the exercise of TSR allocated to TMB existing shareholders in accordance with the predetermined procedures

Less Additional reserve required under Thai Financial Reporting Standards No. 9 Re: Financial Instruments (TFRS9) (if any)

Divided by number of all issued and paid-up ordinary shares of TMB after fundraising through TSR;
and

- (b) 7 – 15 trading days weighted average market price of TMB shares (“**Market Price**”) prior to the price determination date, which may include a discount of not greater than 10 percent on the Market Price.

The Private Placement shall be incurred after completion of fundraising through TSR (Please see more details in *Information Memorandum on Issuance and Offering of Newly Issued Ordinary Shares by TMB*)

4. The issuance of not exceeding 27,622,837,416 new ordinary shares to all TBANK shareholders, on the same date or the nearest date to the Transaction, at the offering price of **1.1 times of TMB book value per share after fundraising through TSR**, (determined in accordance with 3 (a) above). The issuance of new ordinary shares to TBANK shareholders shall be incurred after completion of fundraising through TSR and the Private

Placement in described in No.2 – 3 (Please see more details in *Information Memorandum on Issuance and Offering of Newly Issued Ordinary Shares by TMB*).

5. The issuance of not exceeding 200,000,000 new ordinary shares to executives and employees of TMB and TBANK (Please see more details on *Indicative Terms of the Issuance and Offering of Newly Issued Ordinary Shares to Executives and Employees of TMB and TBANK (which will be a subsidiary of TMB upon the share acquisition by TMB) under the TMB Stock Retention Program*).

The above agendas which include the acquisition of entire shares of TBANK, the allocation of TSR to the existing shareholders, the allocation of newly issued ordinary shares to accommodate the exercise of TSR, the offering of newly issued ordinary shares to a specific investor and all TBANK shareholders, are deemed to be related agendas and conditional upon each other. Therefore, If any of those agendas are not approved by the Shareholders Meeting, the other related agendas will not be proposed to the Shareholders Meeting for further consideration and approval, and the previously approved agenda shall be deemed to be cancelled. Additionally, if the Merger fails to complete for whatever reason, TMB will not allocate newly issued ordinary shares to the relevant executives and employees under the TMB Stock Retention Program.

The acquisition of entire shares of TBANK is considered a material transaction pursuant to the Notification of the Capital Market Supervisory Board No. TorJor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets, and the Notification of the Stock Exchange of Thailand (“SET”) Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B.E. 2547 (“the Acquisition and Disposition Notification”).

Nevertheless, the Transaction does not constitute a Connected Transaction pursuant to the Notification of the Capital Market Supervisory Board No. TorJor. 21/2551 Re: Rules on Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B. E. 2546 including any subsequent amendments (“the Notification of Connected Transaction”), because all the sellers under the Transaction have no relationship with TMB according to the definition of the Connected Person.

In entering into the Transaction, TMB is required to disclose Information Memorandum regarding the Transaction to the SET and to seek prior approval from the Shareholders Meeting with affirmative votes of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and are entitled to vote, excluding the shareholders with vested interest. Moreover, the Company is required to circulate the meeting invitation letter to the shareholders at least 14 days prior to the date of the Shareholders Meeting. TMB must also appoint the Independent Financial Advisor to provide an opinion regarding the Transaction to the Audit Committee and the shareholders.

In this regard, TMB has appointed Asia Plus Advisory Company Limited (“**Independent Financial Advisor**” or “**ASPA**”), who is certified by the Securities and Exchange Commission (“**the SEC**”) and has no relationship with TMB or any of the related companies in this Transaction, as an Independent Financial Advisor to provide an opinion on the reasonableness of the Transaction, and the fairness of Transaction Price and Transaction Conditions to the Audit Committee and the shareholders for consideration and approval.

In preparing this report, the Independent Financial Advisor has studied the information relevant to the Transaction as publicly disclosed in TMB’s Information Memorandum, and other information provided by TMB and TBANK, including financial projection and key assumptions used in determining share price, Share Purchase Agreement, Share Subscription Agreement, Capital Increase Form, as well as other documents relating to the Transaction and other public information such as annual reports, Annual Registration Statement (56-1), the consolidated financial statements audited or reviewed by a certified auditor, and the interview on the results of financial, tax, and legal due diligence of TBANK. The Independent Financial Advisor also relied upon the information gathered from the interview of TMB and TBANK management and relevant persons and other public information.

This report is prepared exclusively for the shareholders based on the information and assumptions provided and/or the management and other external sources which are assumed to be complete, accurate and reliable with no reason to doubt that the said information is inaccurate and/or untrue in material aspect which could significantly impact the completeness of the received information. The Independent Financial Advisor has used information available and considered the economic environment at the time of this study. If there is any significant change in this information, the opinion of Independent Financial Advisor could be altered.

Asia Plus Advisory hereby certify that we have studied, analyzed and prudently performed our duties as an Independent Financial Advisor, complying with the generally accepted professional standard and rendered our opinion based on the unbiased analysis by considering the best interest of the shareholders.

EXECUTIVE SUMMARY

The Special Meeting of the Board of Directors of TMB Bank Public Company (“TMB”) no. 4/2019, held on 7 August 2019, approved the Merger Plan between TMB and Thanachart Bank Public Company Limited (“TBANK”), and the acquisition of all issued and paid-up shares of TBANK from all TBANK shareholders, for the purpose of subsequent merger with TBANK to enhance its long-term competitiveness. The Merger between TMB and TBANK also aligns with the Financial Sector Master Plan announced by the Bank of Thailand (“BOT”), which encourages voluntary mergers of financial institutions to enlarge the asset size, reduce duplication, and increase economies of scale, to gain competitive edge and promote stability of Thai Banking System. In the event that all TBANK shareholders accept the purchase offer made by TMB, TMB will be able to acquire entire shares of TBANK, and will proceed to integrate with TBANK through the Entire Business Transfer (EBT), in order to form a single legal entity in accordance with the One Presence Policy of the Bank of Thailand.

On 8 August 2019, TMB entered into an Agreement for the Sale and Purchase of the Share Capital of Thanachart Bank Public Company Limited (“Share Purchase Agreement”) with Thanachart Capital Public Company Limited (“TCAP”) and Scotia Netherlands Holdings B.V. (“BNS”), a company in a group of The Bank of Nova Scotia (Collectively referred to as “the Sellers”), to acquire a total of 6,062,438,397 shares of TBANK, which represents 99.96 percent of TBANK total paid-up shares (“the Transaction”). The share acquisition transaction requires key conditions precedent as follows:

1. The Parties and TBANK shall have obtained permissions from relevant authorities to proceed with the business merger and any other related arrangements as required by laws, including but not limited to, such permissions from the Bank of Thailand, Ministry of Finance, and the Securities and Exchange Commission (“the SEC”);
2. The Parties and TBANK shall have obtained approval for the relevant matters from their respective Shareholders’ Meetings as required by laws;
3. The relevant licenses material to operate TBANK and TMB businesses are still effective as at the Transaction Date;
4. TMB shall have successfully secured necessary financing for the Transaction;
5. TBANK shall have completed business restructuring by way of divesting its interests in 12 subsidiaries and other entities, to all TBANK shareholders in proportion to their respective shareholdings.

(Please see a complete list of conditions precedent in 1.9 *Key Terms and Conditions of the Transaction*)

The completion date of TBANK business restructuring will be determined as the date of TBANK share acquisition (“**Transaction Date**”). In the event that conditions precedent no. 1 – 2 outlined above are not satisfied or waived on or before 31 October 2019 (Initial Long Stop Date), or any further conditions precedent are not satisfied or waived on or before 31 December 2019 (Long Stop Date), the Share Purchase Agreement shall be lapsed and ceased to have effect.

On the same date as the acquisition of 6,062,438,397 shares, or 99.96 percent of TBANK total paid-up shares, TMB will make an offer to purchase the remaining 2,423,773 shares, or 0.04 percent of total paid-up shares from other TBANK minority shareholders, at the same price as prescribed in the Share Purchase Agreement with TCAP and BNS.

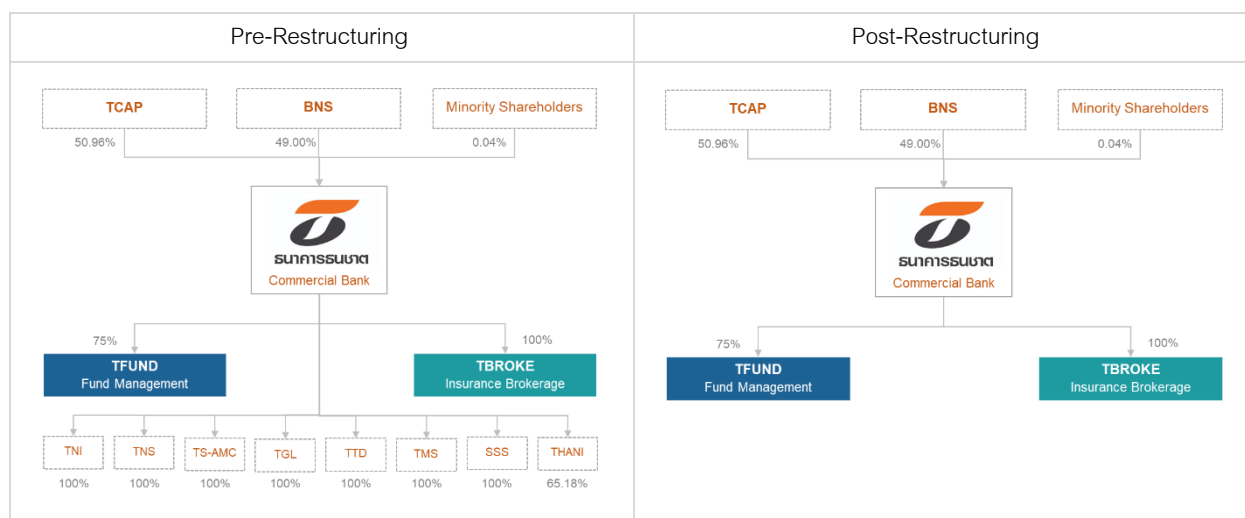
Acquired Assets

In the event that all TBANK shareholders accept TMB purchase offer, TMB will be able to acquire 100 percent of TBANK total paid-up shares, together with its 2 remaining subsidiaries after business restructuring. As of 30 June 2019, TBANK holds stakes in 11 subsidiaries and associate, and has investments in a number of local and foreign entities. According to the Share Purchase Agreement, prior to the Transaction, TBANK is required to undertake business restructuring, by way of divesting 12 investments in certain subsidiaries and other entities to TBANK shareholders in proportion to their respective shareholdings. The divested entities comprise of:

- 1) Investment in 8 subsidiaries: Thanachart Securities Public Company Limited (“TNS”), Thanachart Insurance Public Company Limited (“TNI”), TS AMC Company Limited (“TS-AMC”), Ratchthani Leasing Public Company Limited (“THANI”), Thanachart Training and Development Company Limited (“TTD”), Thanachart Group Leasing Company Limited (“TGL”), Thanachart Management and Service Company Limited (“TMS”), and Security Scib Service Company Limited (“SSV”)
- 2) Investment in 1 associate: MBK Public Company Limited (“MBK”)
- 3) Investment in 3 entities: Seacon Development Public Company Limited (“SEACON”) Patum Rice Mill & Granary Public Company Limited (“PRG”), and Ajinomoto (Thailand) Company Limited (“AJNMT”)

At the Transaction Date, TBANK will remain a shareholder of 2 subsidiaries namely Thanachart Fund Management Company Limited (“TFUND”), which operates mutual fund, private fund, and provident fund management business, and Thanachart Broker Company Limited (“TBROKE”), which operates life and non-life insurance brokerage business, and provides supporting service to TBANK auto hire purchase business.

TBANK Group structure pre and post business restructuring are illustrated as follows:



Details of each entity can be summarized as follows:

Entities	Abbreviation	Nature of Business	Percent held by TBANK
Thanachart Bank Pcl.	TBANK	<ul style="list-style-type: none"> Commercial Bank 	-
Thanachart Fund Company Limited	TFUND	<ul style="list-style-type: none"> Fund Management 	75%
Thanachart Broker Company Limited	TBROKE	<ul style="list-style-type: none"> Life and Non-life insurance brokerage, and provide supporting service to TBANK auto hire purchase business 	100%

According to the Share Purchase Agreement, TMB and the Sellers has agreed that prior to the Transaction, TBANK will engage in the sale of TFUND, which is held 75 percent by TBANK, to the third party, with the aim of completing the sale process on or immediately after the Transaction. In the event that the sale of TFUND cannot be completed on the same date as the Transaction, TBANK will continue to pursue the sale process after TMB become a shareholder of TBANK. As of the date of this report, the Parties do not have an intention to divest TBROKE shares to a third party.

The acquisition of TBANK shares has a per share consideration as prescribed in the Share Purchase Agreement as follows:

$$\begin{aligned}
 \text{Purchase Price per share} &= \text{TBANK book value according to the consolidated financial statements}^{/1} \\
 &\quad \text{Plus Gain on business restructuring}^{/2} \\
 &\quad \text{Plus Fixed premium of Baht 9,245 million} \\
 &\quad \text{Less TBROKE book value}^{/3} \\
 &\quad \text{Less TFUND book value}^{/3} \\
 &\quad \text{Divided by number of all issued and paid-up shares of TBANK}
 \end{aligned}$$

^{/1} TBANK book value according to the consolidated financial statements refers to TBANK net asset value according to the audited consolidated financial statements of TBANK at the end date of the latest month immediately preceding the Transaction Date, adjusted with additional reserve required under Thai Financial Reporting Standard No. 9: Financial Instruments (TFRS9) (if any), and average daily profits of TBANK, TBROKE, and TFUND calculated from 1 January 2019 to the end date of the latest month immediately preceding the Transaction Date, multiplied by number of days from the first date of the month to the Transaction Date.

^{/2} Net of relevant tax cost.

^{/3} Based on net asset value of TBROKE and TFUND as included in TBANK audited consolidated financial statements.

The acquisition price has been based on TBANK book value at the Transaction Date. Therefore, the Final Purchase Price to be paid to TBANK shareholders will depend on the date of the Transaction, which is the date at which all conditions precedent pursuant to the Share Purchase Agreement have been completed or waived by the Parties. At the date of this report, the Transaction to acquire entire shares of TBANK is expected to complete in December 2019.

By assuming that the Transaction Date was 31 December 2018, the acquisition price of entire shares of TBANK is estimated to be Baht 158,411 million which includes net proceeds from divestment of certain subsidiaries and other entities according to the business restructuring of Baht 25,912 million. If excluded such proceeds, the acquisition price of entire shares of TBANK would be Baht 132,499 million, as shown below:

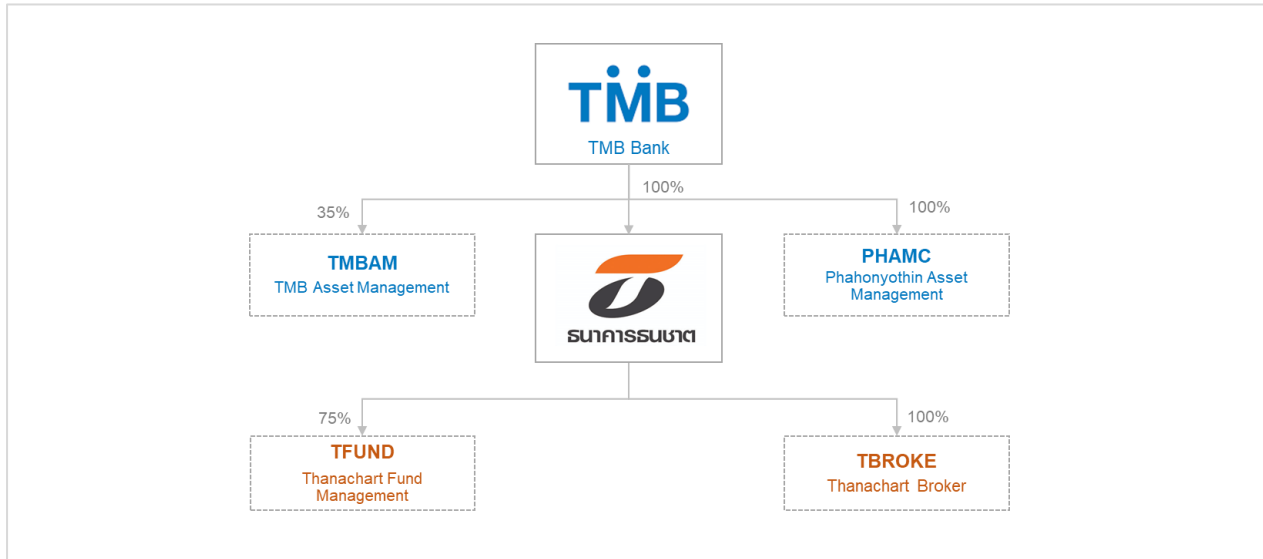
Assumed Transaction Date: 31 December 2018	THB million
TBANK book value per the consolidated financial statements as of 31 December 2018	144,269 ^{/1}
<u>Plus</u> Gain on business restructuring (net tax)	5,371
<u>Plus</u> Fixed premium	9,245 ^{/2}
<u>Less</u> Book value of TFUND and TBROKE	(474)
Purchase Price – Including Proceeds from Business Restructuring	158,411
<u>Less:</u> Net proceeds from business restructuring	(25,912)
Purchase Price – Excluding Proceeds from Business Restructuring	132,499

Remark: The figures illustrated above is based on the financial information as of 31 December 2018, which is prepared by TMB and assured as to the preparation standard by KPMG Phoomchai Audit Limited.

^{/1} Comprising of TBANK book value according to the audited consolidated financial statements as of 31 December 2018 of Baht 141,699 million, adjusted with surplus on asset revaluation in April 2019 of Baht 2,570 million, which has been recorded in TBANK's financial statements Quarter 2 2019.

^{/2} Represents price premium on TBANK and consideration for TFUND and TBROKE.

*TMB Group Structure upon Completion of Share Acquisition Transaction
under the assumption that all TBANK shareholders accept TMB purchase offer*



Remark: Other shareholder of TMB Asset Management Company Limited (TMBAM) is Prudential Corporation Asia Limited holding 65 percent of TMBAM. While, other shareholder of TFUND is Government Saving Bank (GSB), holding 25 percent of TFUND.

Settlement Method

TMB will settle the acquisition price of TBANK shares to all sellers in cash or cash equivalent on the Transaction Date, which will occur after completion of all conditions precedent. The payment will be made by 2 steps as follows:

1. Payment on the Transaction Date

On the Transaction Date, TMB will settle to TBANK shareholders the “Initial Price” of TBANK shares which is determined based on the following formula:

$$\begin{aligned}
 \text{Initial Price per share} &= \text{TBANK book value according to the consolidated financial statements}^{/1} \\
 &\quad \text{Plus Gain on business restructuring}^{/2} \\
 &\quad \text{Plus Fixed premium of Baht 9,245 million} \\
 &\quad \text{Less TBROKE book value}^{/3} \\
 &\quad \text{Less TFUND book value}^{/3} \\
 &\quad \text{Divided by number of all issued and paid-up shares of TBANK}
 \end{aligned}$$

Remark ^{/1} Based on the latest audited consolidated financial statements of TBANK and the operating results of the following month after the end date of such latest consolidated financial statements which is prepared by TBANK management, adjusted with additional reserve required under TFRS9 (if any).

^{/2} Net of relevant tax cost.

^{/3} Based on net asset value of TBROKE and TFUND as included in TBANK audited consolidated financial statements.

If the Transaction Date is taken place on December 2019, TBANK book value will be based on TBANK audited consolidated financial statements as of 30 September 2019, and the operating result of TBANK for October 2019, which is prepared by TBANK management, for determining the Initial Price.

In the event that the Initial Price increases or decreases from the purchase price calculated based on TBANK audited consolidated financial statements as of 31 December 2018 by 15 percent or higher, the Parties to the agreement shall further negotiate and agree. If the Parties fail to mutually agree within 31 December 2019 (Long Stop Date), the Share Purchase Agreement shall be terminated.

2. Payment for the Surplus (Deficit) from the Final Price

Subsequent to the Transaction Date, the purchase price of TBANK shares shall be adjusted to the **Final Price**, whereby TBANK certified auditor will audit the financial information of such audited consolidated financial statements of TBANK after the end date of the latest audited financial statements to the end date of the latest month immediately preceding the Transaction Date, adjusted with additional reserve required under TFRS9 (if any), and average daily profits of TBANK, TBROKE, and TFUND calculated from 1 January 2019 to the end date of the latest month immediately preceding the Transaction Date, multiplied by number of days from the first date of the month to the Transaction Date.

TMB and the major shareholders of TBANK (TCAP and BNS) agree to make a payment for the difference by considering (1) the difference between the Initial Price and the Final Price of TBANK shares; and (2) the difference between the subscription price of TMB newly issued ordinary shares and the price determined in accordance with the basis of pricing TMB ordinary shares based on TMB audited consolidated financial statements at the end date of the latest month immediately preceding the Transaction Date, plus TMB average daily profits calculated from 1 January 2019 to the end date of the latest month immediately preceding the Transaction Date, multiplied by number of days from the first date of the month to the Transaction Date. The Parties are agreed to settle for the difference within 7 business days following the day on which the Final Price have been determined and agreed. The settlement for Final Price is expected to take place in February 2020.

Source of Fund

TMB has considered to arrange funding for the Transaction by (1) Issuance of new ordinary shares to accommodate the exercise of Transferable Subscription Rights or "TSR" which will be allocated to the existing shareholders in proportion to their respective shareholdings, (2) Issuance of new ordinary shares on the Private Placement basis to a specific investor who is not a Connected Person of TMB, (3) Issuance of new ordinary shares to all TBANK shareholders, (4) Issuance of subordinated debts, and (5) TMB internal cash flows and other debt instruments.

Summary of Source of Fund for the Transaction

Source of Fund	Debt Financing (THB million)	Equity Financing (THB million)
▪ Issuance of new shares to accommodate the exercise of TSR	-	42,500 ¹
▪ Issuance of new shares to a specific investor	-	6,400
▪ Issuance of new shares to TBANK shareholders	-	57,635
▪ Additional Tier 1 instrument	9,600 – 16,000	-
▪ Subordinated debts	15,000	-
Total	24,600 – 31,000	106,535
▪ Net proceeds from TBANK business restructuring	20,000 – 30,000	
▪ Internal cash flows and other debt instruments ²	20,000	

¹ Under the assumption that all TMB shareholders exercise their rights to purchase newly issued shares of TMB

² Considered as funding reserve in case of funding shortage from other sources

According to the Share Purchase Agreement and Share Subscription Agreement (“SSA”), TMB will offer newly issued ordinary shares to all TBANK shareholders on the same date or the nearest date to the Transaction. TBANK shareholders will use partial proceeds from selling its stake in TBANK to subscribe for the newly issued ordinary shares of TMB, at the subscription price per share determined by the following formula:

1.1 times of TMB book value, which is derived from the latest audited consolidated financial statements of TMB and the operating results of the following month after the end date of such latest consolidated financial statements which is prepared by TMB management;

Plus The amount of funds raised from the issuance of newly issued ordinary shares to accommodate the exercise of TSR allocated to TMB existing shareholders in accordance with the predetermined procedures;

Less Additional reserve required under Thai Financial Reporting Standards No. 9 Re: Financial Instruments (TFRS9) (if any);

Divided by number of all issued and paid-up ordinary shares of TMB after fundraising through TSR.

If the Transaction Date is taken place on December 2019, TMB book value will be based on TMB audited consolidated financial statements as of 30 September 2019, and the operating result of TMB from 1 October 2019 to 31 October 2019, which is prepared by TMB management. Pursuant to the SSA, TMB will allocate the newly issued ordinary shares to TBANK shareholders as follows:

TBANK Shareholders	Percentage of shareholding in TMB (after fundraising) ¹	Maximum allotted shares	Amount (THB million)
TCAP	▪ 20.1% - 23.3%	21,663,091,024 shares	45,200 ²
BNS	▪ 5.6% - 6.3%	5,926,197,357 shares	12,365
Minority Shareholders ³	▪ 0.03% - 0.04%	33,549,035 shares ⁴	70
Total		27,622,837,416 shares	57,635

Source: Share Subscription Agreement and Information Memorandum on the Allocation of Newly-issued Ordinary Shares of TMB

¹ After the allocation of newly issued ordinary shares to (1) TSR Holders (2) Specific Investor (3) All TBANK shareholders, but before the issuance of new ordinary shares to executives and employees of TMB and TBANK under TMB Stock Retention Program.

² The amount may increase if TCAP holds shares in TMB less than 20.1 percent.

³ As of 4 April 2019, TBANK has 743 minority shareholders

⁴ For the new shares issued to TBANK minority shareholders, TCAP will represent all minority shareholders to subscribe for the newly issued ordinary shares of TMB, which will be later transferred to the minority shareholders. If there are shares remaining unsubscribed, TCAP will further reallocate the remaining TMB shares to minority shareholders who express their intentions to subscribe for those remaining shares on a pro rata basis. If there are TMB shares remaining from such allocation, TCAP may necessarily continue to hold such shares on its own account.

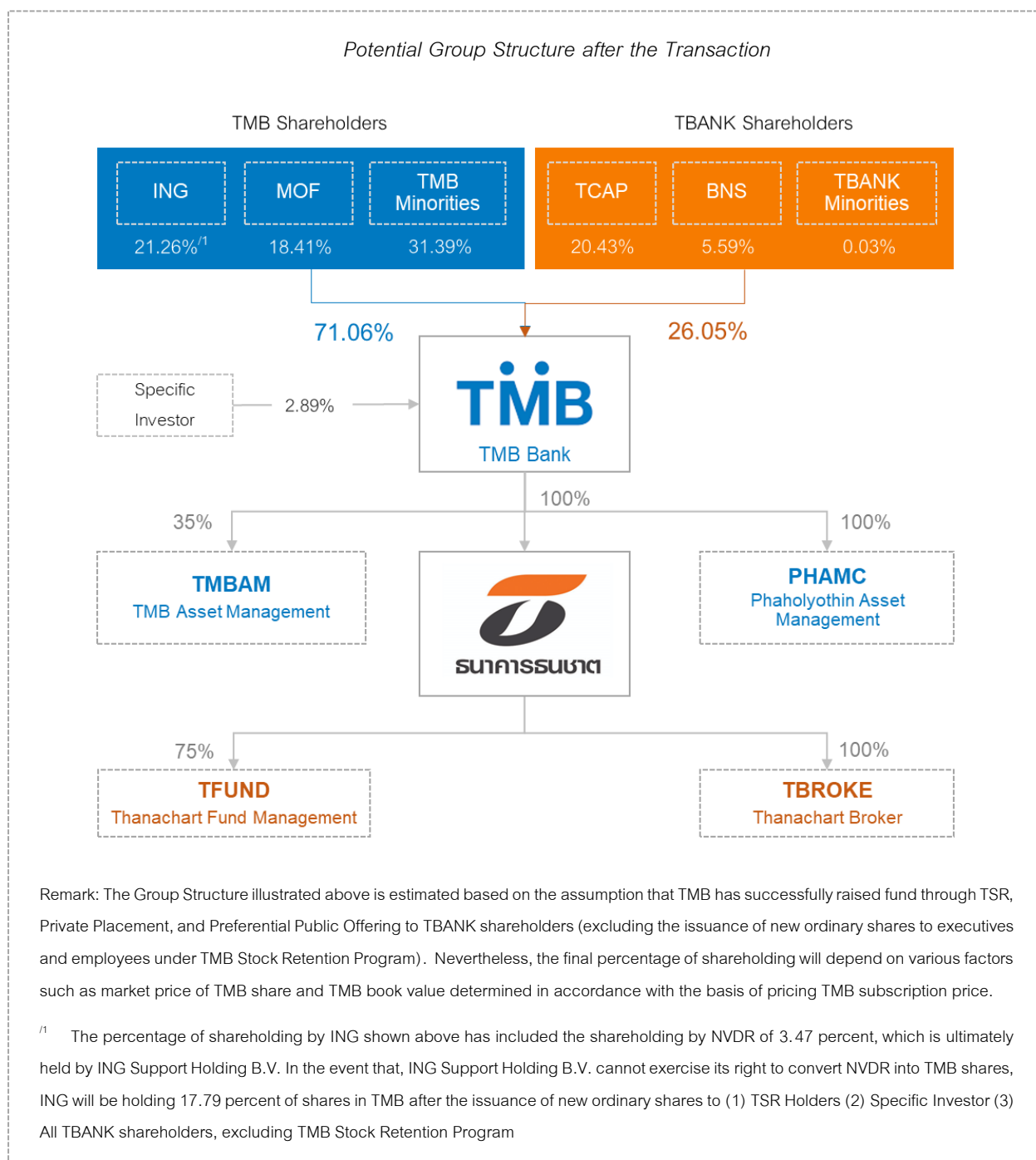
In the event that TMB book value after the issuance of new ordinary shares to accommodate the exercise of TSR and the Private Placement based on the audited consolidated financial statements of TMB as of 30 September 2019 and financial information prepared by TMB management for the operating results after the end date of such latest consolidated financial statements up to 31 October 2019 increases or decreases from TMB book value which includes the issuance of new ordinary shares to accommodate the exercise of TSR and the Private Placement calculated based on the audited consolidated financial statements as of 31 December 2018, by 15 percent or higher, the Parties to the agreement shall further negotiate and agree. If the Parties fail to mutually agree within 31 December 2019 (Long Stop Date), the Share Purchase Agreement shall be terminated.

Upon completion of new share issuance to all TBANK shareholders, TCAP will become a major shareholder of TMB, alongside Ministry of Finance (“MOF”) and ING Bank N.V. (“ING”).

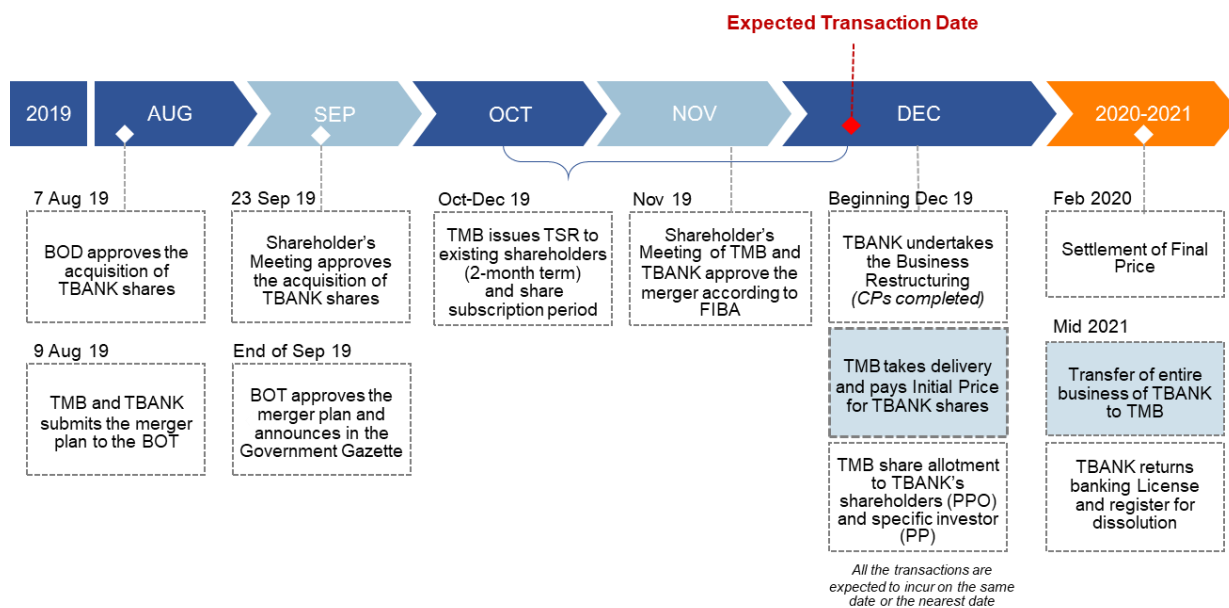
Upon completion of the Transaction, there will be no shareholders holding TMB shares exceeding the trigger point at which the Mandatory Tender Offer is required pursuant to the Notification of the Capital Market Supervisory Board Tor Jor. 12/2554 Re: Rules, Conditions and Procedures for the Acquisition of Securities for Business Takeovers.

Subsequent to the acquisition of TBANK shares and the announcement of approval from the Bank of Thailand on the Proposed Merger Plan which has been filed for the Bank of Thailand’s review on 9 August 2019 pursuant to Section 73 of the Financial Institution Business Act B.E. 2551 (“the Financial Institution Act”), TMB will convene a second round of Shareholders Meeting in accordance with Section 74 of the Financial Institution Act, for the shareholders to approve the merger, transfer, and taking transfer of the business, with affirmative votes of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and are entitled to vote.

Upon receiving shareholders approval, TMB will take transfer of TBANK business through the Entire Business Transfer (EBT), by way of taking the transfer of all assets, liabilities, rights, obligations, and responsibilities of TBANK at the date of business transfer, in order to merge with TBANK to comply with the One Presence Policy of the Bank of Thailand. Upon completion of the Entire Business Transfer, TBANK will return banking license to the Bank of Thailand and register for the dissolution.



Summary of Major Events



At the date of this report, TMB management anticipates that the share acquisition transaction will be completed by December 2019 and the Merger between TMB and TBANK will be completed by 2021. The timeline indicated above may be changed subsequently to accommodate a change in Transaction Structure to be in accordance with the requirement of the relevant laws and regulations, and the terms and conditions stipulated in the Share Purchase Agreement.

The acquisition of entire shares of TBANK has the maximum transaction size of 135.1 calculated based on Net Tangible Assets (NTA) basis, by comparing TBANK Net Tangible Assets according to the pro-forma consolidated financial statements as if the business restructuring were taken place on 31 December 2018, and TMB Net Tangible Assets according to the consolidated financial statements as of 31 December 2018.

The Transaction is the acquisition of asset between a listed company and another listed company with a value of 50 percent or higher. Therefore, the Transaction constitutes the Acquisition Transaction Type 1 according to the Acquisition and Disposal Notification. Nevertheless, the Transaction is not regarded as a Connected Transaction pursuant to the Connected Transaction Notification because all TBANK shareholders are not connected persons of TMB.

Prior to entering into the Transaction, TMB is required to disclose Information Memorandum regarding the Transaction to the SET and to seek prior approval from the Shareholders Meeting with affirmative votes of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and are entitled to vote, excluding shareholders with vested interest.

Opinion of the Independent Financial Advisor Regarding Reasonableness of the Transaction

In assessing the reasonableness of the Transaction, the Independent Financial Advisor considers the transaction to acquire entire shares of TBANK, the Proposed Merger Plan between TMB and TBANK, and the issuance of new ordinary shares to TBANK shareholders, as they are all related matters and conditional upon each other. The Independent Financial Advisor considers advantages, disadvantages, and risks of entering into the Transaction, which can be summarized as follows:

Benefits and Advantages of the Transaction

- 1) The acquisition of entire shares of TBANK is congruent with TMB business plan to expand its lending business and to enhance its long-term competitiveness. The merged bank will become the sixth largest commercial bank in Thailand in terms of total assets and loans, and will have an opportunity to further upgrade to be a large commercial banks in Thailand, which will strengthen TMB competitive position against the larger banks in the country and in the region.
- 2) Subsequent to the acquisition of TBANK shares and the completion of Entire Business Transfer, the portion of TMB retail loan will be shifted from 32 percent to 53 percent of total loans portfolio, and make TMB loan portfolio to be more diversified to a wider range of loans i.e. corporate loan, home loan, and auto loan, which will create better balance of loan portfolio for sustainable growth of TMB in the long term.
- 3) Upon completion of the Transaction, TMB is expected to receive benefit from complementary strengths of two banks which will create various business synergies such as improving interest spread and quality of loan through a new mix of loan portfolio after combining hire purchase loan portfolio of TBANK which has higher yield and lower proportion of non-performing loan (NPL) than the TMB loan portfolio.
- 4) TMB will benefit from cross selling opportunity to a larger customer base of both loan and deposit customers. Additionally, TMB will benefit from cost synergies arising from operational efficiency from increased scale of operation provided that TMB can manage redundancies effectively. Moreover, TMB and TBANK will be able to leverage knowledge to develop new financial products to the market, which will enable the merged bank to maintain its ability to generate revenue and profits in order to create favourable long-term return to the shareholders.
- 5) The primary sources of fund for the Transaction by way of issuance of Transferable Subscription Rights to TMB existing shareholders, the issuance of new ordinary shares to a specific investor, the issuance of debt instrument, and the issuance of new ordinary shares to all TBANK shareholders pursuant to the Share Purchase Agreement will help strengthen TMB capital position as all those debt and equity instruments are qualified for inclusion within regulatory capital. Additionally, TBANK is considered one of the commercial

banks in Thailand with a high capital adequacy ratio. Therefore, upon completion of the issuance of debt and equity instruments and the subsequent merger between TMB and TBANK, capital adequacy ratio of the merged bank is expected to improve from 17.3 percent as of 31 December 2018 to around 17.4 – 18.0 percent, which will enhance the merged bank’s capabilities to further expand its lending business in the future.

Disadvantages and Risks of Transactions

1) TMB shareholders will face dilution effect in terms of Control Dilution, Earnings per Share (EPS) Dilution, and Price Dilution from the issuance of new ordinary shares to finance the Transaction as follows:

Scenario 1 : All existing shareholders of TMB exercise their rights to purchase new ordinary shares according to TSR, and the specific investor fully subscribe for all allotted shares.

Scenario 2 : All existing shareholders of TMB exercise their rights to purchase new ordinary shares according to TSR, but the specific investor does not subscribe for the allotted shares.

Scenario 3 : Other TSR holders who are not existing shareholders of TMB exercise the rights to purchase new shares of TMB (TSR were traded and exchanged in the stock market). Under this scenario, major shareholders of TMB which are Ministry of Finance and ING exercise TSR according to their rights, but the specific investor does not subscribe for the allotted shares.

Scenario 4 : Except for major shareholders of TMB which are Ministry of Finance and ING, all other existing retail shareholders of TMB do not exercise their rights according to TSR. While, the specific investor does not subscribe for the allotted shares.

Under those 4 scenarios, TMB will be able to fully allocate newly issued shares to all TBANK shareholders.

Dilution Effects to TMB shareholders	Retail shareholders exercise TSR		Retail shareholders do not exercise TSR	
	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Control Dilution ^{/1}	28.9%	26.8%	57.4%	49.8%
EPS Dilution ^{/2}	16.8%	14.4%	14.4%	-
Price Dilution ^{/3}	4.8%	5.3%	5.3%	-

^{/1} Excluding the effect of new shares issued to executives and employees of TMB and TBANK under TMB Stock Retention Program

^{/2} Calculated based on the pro-forma consolidated net profits of TMB and TBANK as of 31 December 2018, which include TBANK operating results

^{/3} Excluding estimated market capitalization of TBANK

The dilution effects calculated above are only an estimation. The actual dilution effects to TMB shareholders will depend on market price of TMB shares and total amount of newly issued ordinary shares. Nevertheless, the control dilution effect calculated above will not result in a change of control.

- 2) TMB may face a risk of business integration in many aspects such as difference in business practice, management style, cultural difference, and the compatibility of Information Technology (IT) system. Additionally, after the merger, TMB may incur additional expense during the initial stage of business integration, such as extra expense for closure of duplicate branches in order to manage redundancies, and extra training cost to maximize efficiency of operation. Moreover, the operating staffs of both TMB and TBANK may require additional time to adapt themselves and learn how to work together. All those risks may cause the delay of business synergies and may result in unexpected outcomes.
- 3) TMB may expose to the risk of revenue and earnings of TBANK lower than expectation which may arise from a change in hire purchase business environment which is a core lending business of TBANK. Such risk may subsequently result in TMB to reassess the impairment of Goodwill arising from the acquisition of TBANK, which could affect TMB profitability and dividend payment after business integration.

Nevertheless, TMB and TBANK has begun planning the integration process in advance by jointly developing the integration framework to set a clear priorities for integration. TMB and TBANK also prepared the Proposed Merger Plan to submit for permission from the Bank of Thailand. As of the date of this report, the Bank of Thailand is in process of reviewing for granting approval of such merger plan. In the event that the Bank of Thailand cannot grant approval on the Proposed Merger Plan by 31 December 2019 and the integration between TMB and TBANK cannot be completed by 31 December 2021, the merged bank will not receive tax benefits in accordance with the conditions in the Royal Decree (No. 677) B.E. 2019. Nevertheless, TMB management expects the Proposed Merger Plan to be approved by the Bank of Thailand by September 2019, and the merger between two banks will be duly completed by 2021.

The Independent Financial Advisor has an opinion that although the Transaction expose TMB to the risks mentioned above, TMB has plans to manage and mitigate such risks to ensure a smooth integration between TMB and TBANK. Therefore, the Transaction to acquire entire shares and the subsequent merger with TBANK are reasonable and expected to strengthen TMB competitive position and will bring sustainable growth to TMB in long term.

Opinion of the Independent Financial Advisor Regarding Fairness of Transaction Price

The Independent Financial Advisor evaluates the fair value of TBANK shares using 5 valuation methodologies by considering the pro-forma consolidated financial statements of TBANK after business restructuring which is prepared by TBANK management, together with the analysis of historical financial data based on TBANK audited and reviewed financial statements, financial projection, information gathered from the interview with TMB and TBANK management, and other related information including the study of current economic and industry conditions, and financial information of other comparable peers which are derived from public information.

The valuation of TBANK shares (after business restructuring) as of 31 December 2018, including net proceeds from TBANK business restructuring of Baht 25,912 million, which will remain in TBANK at the date of share acquisition, is as outlined below:

Valuation Approach	Fair value by IFA (THB million)	% Premium (discount) to Purchase Price	Appropriateness
1. Book value approach	146,639	(7.4)	Not appropriate
2. Adjusted book value approach	148,554	(6.2)	Not appropriate
3. Market comparable approach			
1) Price to book value	155,031 – 161,428	(2.1) – 1.9	Appropriate
2) Price to earnings	143,989 – 148,137	(9.1) – (6.5)	Not appropriate
4. Precedent transaction comparable approach	161,988 – 182,132	2.3 – 15.0	Not appropriate
5. Sum-of-the-Parts			
1) Base case	158,927	0.3	Appropriate
2) Sensitization	156,187 – 161,179	(1.4) – 1.7	Appropriate

The Independent Financial Advisor is of the opinion that the appropriate approach for valuing TBANK share is Sum of the Parts Approach which evaluates the value of TBANK share using Dividend Discount Model (DDM), and the value of TFUND and TBROKE using Discounted Cash Flows (DCF) approach, as it reflects profitability and ability to generate future earnings of each entity to be acquired under the Transaction, by taking into account several factors affecting each entity's operation such as business plan and policies, competitive position, relevant industry trend, cost management, and future investment in core operating assets. The fair value of TBANK share determined under Sum of the Parts approach as of 31 December 2018 including net proceeds from business restructuring is between Baht 156,187 – 161,179 million which derived from the aggregate value of each entity as follows:

Unit: THB million	Valuation Approach	Base case value	Sensitivity Analysis	
			Min	Max
TBANK	DDM	151,038	148,803	153,278
TFUND	DCF	6,801	6,296	6,801
TBROKE	DCF	1,088	1,088	1,100
Total		158,927	156,187	161,179

Remark: DDM: Dividend Discount Model DCF: Discounted Cash Flows Approach

Based on the above table, the appropriate fair value of TBANK share after business restructuring under the assumption that the Transaction Date was 31 December 2018 determined by Sum of the Part Approach is in a range between Baht 156,187 – 161,179 million. Therefore, the acquisition price of TBANK shares of Baht 158,411 million is in a fair value range determined by the Independent Financial Advisor. The fair value determined by Sum of the Part Approach also aligns with the value derived from Price to Book Value (P/BV) Multiple Approach of Baht 155,031 – 161,428 million. The fair value indicated above has included net proceeds from TBANK business restructuring of Baht 25,912 million, which will be remained in TBANK on the date of share acquisition.

Nevertheless, the Final Price to be paid to TBANK shareholders is subject to the determination of Transaction Date, which is the date at which all conditions precedent pursuant to the Share Purchase Agreement have been satisfied or waived by the Parties.

Opinion of Independent Financial Advisor Regarding the Fairness of Transaction Conditions

Key terms and conditions stipulated in the Share and Purchase Agreement are fair and appropriate, and of usual business practice for share sale and purchase transaction. Those terms and conditions help ensure that the merger between TMB and TBANK will be properly executed pursuant to the intended purpose. For example, the conditions precedent are set forth to ensure that the merger activities are undertaken in accordance with relevant laws and regulations, the maximum number of new ordinary shares to be issued to TBANK shareholders are clearly defined which will not result in a change of control, the provisions relating to non-competition of TCAP, and retention of TBANK key employees after the Transaction deem to be fair and protect the benefits of TMB. Additionally, TMB has managed potential risks which may arise from certain clauses of the Share Purchase Agreement by conducting an in-depth due diligence of TBANK business, finance, tax, and legal aspects, and have not found significant issues which would prevent or materially affect the Merger Plan. Therefore, the terms and conditions of the Transaction are deemed to be appropriate and fairly protect the benefits of TMB.

(Please see more details in Part 4: *The Opinion of Independent Financial Advisor regarding the Fairness of the Transaction Conditions*)

Conclusion of the Opinion of the Independent Financial Advisor

Based on the above assessment, the Independent Financial Advisor is of the opinion that the Transaction is appropriate and will provide long-term benefits to TMB and its shareholders as follows:

- 1) The acquisition of shares and subsequent merger with TBANK are reasonable as they are congruent with TMB business plan and it allows TMB to merge with a commercial bank with potential to grow loan, revenue, and profits. Subsequent to the merger with TBANK, TMB will be able to enhance its asset size and competitiveness. And, in the event that TMB can effectively manage redundancies after the completion of integration, TMB will receive benefits from various business synergies, which will subsequently improve TMB profitability and long-term return to the shareholders.
- 2) Under the assumption that the Transaction Date was 31 December 2018, the acquisition price of entire shares of TBANK is estimated to be Baht 158,411 million (including net proceeds from TBANK business restructuring of Baht 25,912 million, which will remain in TBANK on the date of share acquisition). The acquisition price is in the range of appropriate fair value of TBANK shares determined by the Independent Financial Advisor under Sum of the Parts Approach of Baht 156,187 – 161,179 million. The share value determined by Sum of the Part Approach also aligns with the value derived from Price to Book Value (P/BV) Multiple Approach of Baht 155,031 – 161,428 million. Therefore, the acquisition price of TBANK shares is deemed to be fair and appropriate.
- 3) Key terms and conditions of the Transaction are fair and of normal business practice for share sale and purchase transaction and do not cause TMB to unfairly lose benefits from entering into the Transaction. Such terms and conditions also allow the merger activities to be properly executed as planned.

Therefore, the Independent Financial Advisor recommend the shareholders to **approve** the Transaction which is an integral part of the merger plan between TMB and TBANK.

Nevertheless, the final decision whether to approve the Transaction rest primarily with the individual shareholders. The shareholders should study the information contained in this report along with other related information provided and use his/her own discretionary judgement in making the final decision.

1. Transaction Background

1.1 Objective and Background of the Transaction

TMB Bank Public Company Limited (“TMB”) proposed the merger plan with Thanachart Bank Public Company Limited (“TBANK”), the sixth largest commercial banks in Thailand. The planned merger was congruent with TMB business plan to expand its lending business and enhance its competitiveness by integrating with another commercial bank with growth potential, owning quality of assets and having strong capital base, in order to enhance TMB competitiveness in long term.

The merger between TMB and TBANK also aligns with the Financial Sector Master Plan announced by the Bank of Thailand (“BOT”), which encourages voluntary mergers of financial institutions to enlarge the asset size, reduce duplication, and increase economies of scale, to gain competitive edge against other commercial banks in the region. The Thai Cabinet on 17 April 2018 approved a draft Royal Decree to provide tax exemptions and deductions for mergers of commercial banks in order to strengthen competitiveness and improve operational efficiency of Thai commercial banks. The merged bank will be able to deduct corporate income tax and receive a waiver from value-added tax, specific business tax, and stamp duties. Actual expenses incurred by the merged bank are also tax deductible in compliance with the prescribed conditions.

The Special Meeting of the Board of Directors of TMB no. 4/2019, held on 7 August 2019, therefore, approved TMB to acquire entire shares of TBANK from all TBANK shareholders (“the Transaction”), and subsequently take transfer of TBANK business through the Entire Business Transfer (EBT) in order to merge with TBANK in compliance with the One Presence Policy announced by the Bank of Thailand.

On 8 August 2019, TMB entered into an Agreement for the Sale and Purchase of the Share Capital of Thanachart Bank Public Company Limited (“Share Purchase Agreement”) with Thanachart Capital Public Company Limited (“TCAP”) and Scotia Netherlands Holdings B.V. (“BNS”), a company in a group of The Bank of Nova Scotia (Collectively referred to as “Sellers”), to acquire 6,062,438,397 shares which represent 99.96 percent of TBANK total paid-up shares, and TMB will proceed to acquire the remaining 2,423,773 shares or 0.04 percent of total paid-up shares from other TBANK minority shareholders, at the acquisition price determined in accordance with the basis of pricing stipulated in the Share Purchase Agreement. Under the assumption that the Transaction Date was 31 December 2018, the Purchase Price is estimated to be Baht 158,411 million, which is determined based on financial information prepared by TMB and assured as to the preparation standard by KPMG Phoomchai Audit Limited (“The Transaction”).

Such share acquisition transaction requires conditions precedent as follows:

1. The Parties and TBANK shall have obtained permissions from the relevant authorities to proceed with the business merger and any other related arrangements as required by laws, including but not limited to, such permissions from the Bank of Thailand, Ministry of Finance, and the Securities and Exchange Commission (“the SEC”);
2. The Parties and TBANK shall have obtained approval for the relevant matters from their respective Shareholders Meetings as required by laws;
3. The relevant licenses material to operate TBANK and TMB businesses are still effective as at the Transaction Date;
4. TBANK has been exempted or waived the right to terminate agreement, damages from breach of agreement, termination fees, or any other expenses from termination of agreement, any damages which are higher than 5 percent of the Initial Price from third parties who are a party to the relevant agreements as a direct result of the Transaction for the period of not less than 12 months from the Transaction Date;
5. The Prospectus prepared for the offering of TMB newly issued ordinary shares to TBANK shareholders shall have come into effect;
6. TMB shall have successfully secured necessary financing for the Merger of at least Baht 57,500 million through the issuance of new ordinary shares to accommodate the exercise of Transferable Subscription Right (“TSR”), the issuance of new ordinary shares to a specific investor via the Private Placement, and the issuance of Additional Tier 1 instrument;
7. TCAP and BNS shall have signed the agreement for the sale and purchase of shares in certain companies in which BNS holds shares, after the completion of the business restructuring;
8. TBANK shall have completed business restructuring by way of divesting its interest in 12 subsidiaries and other entities, to all TBANK shareholders in proportion to their respective shareholdings; and
9. The European Central Bank and The Dutch Central Bank shall have issued a letter of non-objection to the entry to any transactions or arrangements arising from the prescribed transaction in an appropriate form.

The completion date of TBANK business restructuring will be determined as the date of TBANK share acquisition (“**Transaction Date**”). In the event that conditions precedent no. 1 – 2 above are not satisfied or waived on or before 31 October 2019 (Initial Long Stop Date), and any conditions precedent are not satisfied

or waived on or before 31 December 2019 (Long Stop Date), the Share Purchase Agreement shall be lapsed and ceased to have effect.

1.2 Date of the Transaction

TMB will acquire 6,062,438,397 shares, representing 99.96 percent of TBANK total paid-up shares from 2 sellers comprising TCAP and BNS, and will proceed to make a purchase offer to acquire the remaining 2,423,773 shares, or 0.04 percent of TBANK total paid-up shares from other minority shareholders, after obtaining approval from Extraordinary Meeting of Shareholders no. 1/2019, which will convene on 23 September 2019, and satisfactory completion of all conditions precedent stipulated in the Share Purchase Agreement, which include but not limited to, TMB having completed fundraising through TSR, TBANK having completed business restructuring, and the receipt of approval from the Bank of Thailand on the matters relating to the merger between TMB and TBANK.

TMB management anticipates the Transaction to acquire TBANK shares to be incurred in December 2019, and the completion of the merger by 2021. (Please see more details of Transaction structure in No. 1.4 *Characteristics and Details of the Transaction*).

1.3 Parties involved and Relationship with the Company

Buyer : TMB Bank Public Company Limited (“TMB”)

Sellers : 1) Thanachart Capital Public Company Limited (“TCAP”)
2) Scotia Netherlands Holdings B.V. (“BNS”)
3) Other TBANK minority shareholders

As of 4 April 2019, the percentages of shareholding are as follows:

No.	Name	Abbreviation	No. of shares	Percentage
1.	Thanachart Capital Pcl.	TCAP	3,090,699,234	50.96
2.	Scotia Netherlands Holding B.V.	BNS	2,971,739,163	49.00
	743 Minority shareholders of TBANK		2,423,773	0.04
	Total		6,064,862,170	100.00

Relationship with TMB

All sellers have no relationship with TMB according to the definition of the Notification of the Capital Market Supervisory Board No. TorJor. 21/2551 Re: Rules on Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 including any subsequent amendments.

1.4 Characteristics and Details of the Transaction

The acquisition of entire shares of TBANK which is an integral part of the merger plan between TMB and TBANK has a primary objective and procedures to be taken as follows:

Objective of the Merger

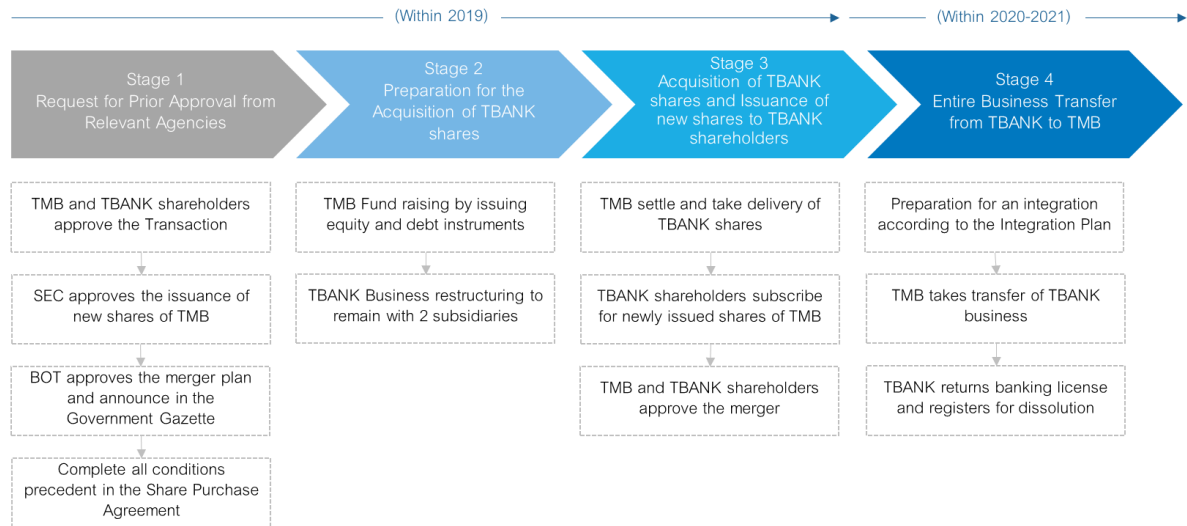
TMB has announced the Merger Plan with TBANK in order to enlarge its asset size and enhance its competitiveness by integrating complementary strengths of two banks. TMB has its strength in acquiring deposit, while, TBANK is a leading provider of auto hire-purchase loan. The merger will allow TMB to improve its competitiveness by enhancing capabilities to acquire more deposits from larger customer base which will help reduce TMB funding cost. TMB will receive better return on assets following the combination of TBANK loan portfolio which provide higher yield, leading to an increase in interest spread and competitiveness against the larger banks in the country. The merger also provide TMB with flexibility to accommodate economic change and regulatory change in the future.

Upon completion of business integration, the merged bank will be the sixth largest commercial banks in Thailand in term of assets following substantial increase in asset size, which which will keep it position closer to the fifth ranked commercial bank in Thailand, and will be further upgraded to be a large commercial bank in Thailand. The merged bank will also benefit from economies of scale which will enhance its operational efficiency leading to improved profitability in long term.

TMB and TBANK, therefore, propose the merger plan by which TMB will acquire entire shares of TBANK from all TBANK shareholders and will proceed to integrate with TBANK through the Entire Business Transfer (EBT) to comply with the One Presence Policy of the Bank of Thailand.

Procedures for Merger

The merger between TMB and TBANK is divided into 4 stages as follows:



Stage 1 The Request for Approval, Consent, or Waiver from the Relevant Agencies for the Matters relating to the Transaction.

which include but not limited to:

- Receipt of approval from the Bank of Thailand for the Transaction to acquire entire shares of TBANK;
- Receipt of approval from the Bank of Thailand for the merger transaction with TBANK;
- Receipt of approval from the Securities and Exchange Commission (“the SEC”) for the issuance of new ordinary shares through Private Placement and to all TBANK shareholders in connection with the Transaction;
- Receipt of approval from the Shareholders Meeting for the Transaction and relevant matters, with affirmative votes of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and are entitled to vote, excluding the shareholders with vested interest;
- Completion of conditions precedent pursuant to the Share Purchase Agreement

Stage 2 Preparation for the Acquisition of TBANK which mainly consists of TMB Fundraising and TBANK Business Restructuring

TMB Fundraising

TMB will finance the Transaction initially by the issuance of new ordinary shares to accommodate the exercise of TSR which will be allocated to TMB existing shareholders in proportion to their respective shareholdings, the issuance of new ordinary shares to a specific investor, and other debt instruments.

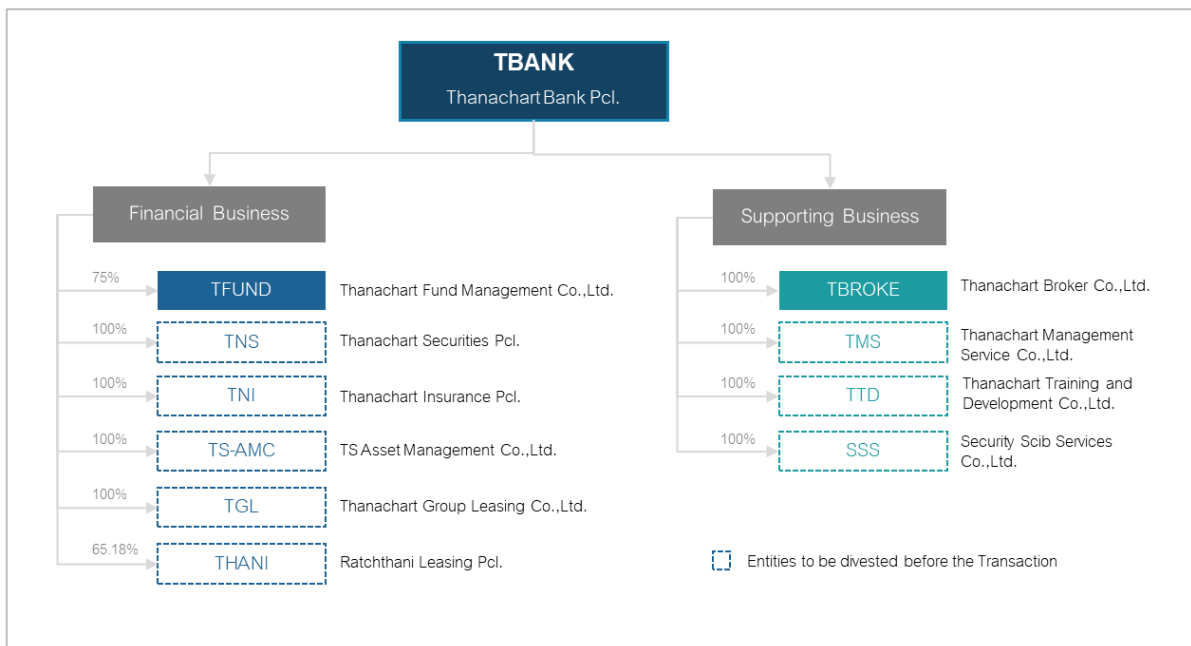
TBANK Business Restructuring

As of 30 June 2019, TBANK holds stakes in 11 subsidiaries and associate, and has investment in a number of local and foreign entities. Prior to entering into the Transaction, TBANK will undertake business restructuring to downsize TBANK business to be comparable to TMB, by divesting 12 investments in subsidiaries and other entities to all TBANK shareholders in proportion to their respective shareholdings. The divested entities comprise of:

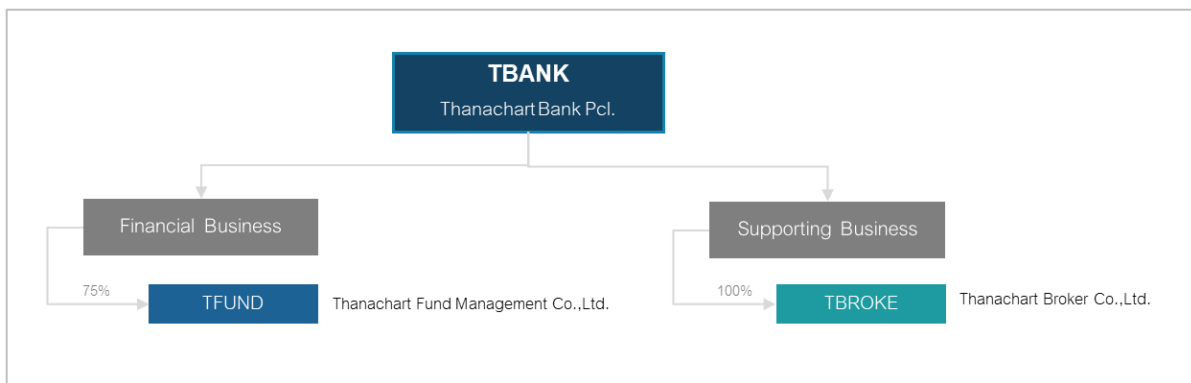
- 1) Investment in 8 subsidiaries: Thanachart Securities Public Company Limited (“TNS”), Thanachart Insurance Public Company Limited (“TNI”), TS AMC Company Limited (“TS-AMC”), Ratchthani Leasing Public Company Limited (“THANI”), Thanachart Training and Development Company Limited (“TTD”), Thanachart Group Leasing Company Limited (“TGL”), Thanachart Management and Service Company Limited (“TMS”), and Security Scib Service Company Limited (“SSV”)
- 2) Investment in 1 associate: MBK Public Company Limited (“MBK”)
- 3) Investment in 3 entities: Seacon Development Public Company Limited (“SEACON”) Patum Rice Mill & Granary Public Company Limited (“PRG”), and Ajinomoto (Thailand) Company Limited (“AJNMT”)

Upon completion of business restructuring, TBANK will remain a shareholder of 2 subsidiaries namely Thanachart Fund Management Company Limited (“TFUND”), which operates fund management business, and Thanachart Broker Company Limited (“TBROKE”), which operates insurance brokerage business, and provides supporting service to TBANK auto hire purchase business, which are held 75.0 and 100.0 percent by TBANK, respectively.

TBANK Group Structure before Business Restructuring



TBANK Group Structure after Business Restructuring



Remark : Other shareholder of TFUND is Government Saving Bank, holding 25.0 percent of shares in TFUND.

According to the Share Purchase Agreement, TMB and the Sellers has agreed that prior to the Transaction, TBANK will engage in the sale of TFUND, which is held 75 percent by TBANK, to the third party, with the aim of completing the sale process on or immediately after the Transaction. In the event that the sale of TFUND cannot be completed on the Transaction Date, TBANK will continue to pursue the sale process after TMB become a shareholder of TBANK. As of the date of this report, the Parties do not have an intention to divest TBROKE shares to a third party.

Stage 3 The Acquisition of Entire Shares of TBANK and the Issuance of New Shares to TBANK Shareholders

TMB will enter into the Transaction to acquire entire shares of TBANK from all TBANK shareholders after the conditions precedent pursuant to the Share Purchase Agreement having completed, which include but not limited to, the receipt of approval from Shareholders Meeting and the Bank of Thailand, the completion of TMB fundraising through TSR, and the completion of TBANK business restructuring. TCAP and BNS will sell their entire shares of TBANK of 3,090,699,234 shares, and 2,971,739,163 shares, representing 50.96 percent and 49.00 percent of TBANK total paid-up shares, respectively. TMB will proceed to make a purchase offer to acquire the remaining 2,423,773 shares, representing 0.04 percent of TBANK total paid-up shares from other minority shareholders, at the same price as prescribed in the Share Purchase Agreement with TCAP and BNS, which is determined in accordance with the following formula:

Basis for Determining the Purchase Price of TBANK Shares

TBANK book value according to the consolidated financial statements, which is derived from the audited consolidated financial statements of TBANK at the end date of the latest month immediately preceding the Transaction Date, adjusted with additional reserve required under Thai Financial Reporting Standard No. 9: Financial Instruments (TFRS9) (if any), plus average daily profits of TBANK, TFUND, and TBROKE calculated from 1 January 2019 to the end date of the latest month immediately preceding the Transaction Date, multiplied by number of days from the first date of the month to the Transaction Date;

Plus Gain on business restructuring

Plus Fixed premium of Baht 9,245 million

Less TBROKE book value according to TBANK consolidated financial statements

Less TFUND book value according to TBANK consolidated financial statements

Divided by number of all issued and paid-up shares of TBANK

(Please see more details in 1.6 *Consideration and Basis of Consideration*)

The Transaction will be settled fully in cash or cash equivalent on the date of the Transaction.

On the same date or the nearest date to the Transaction, TMB will issue new ordinary shares to all TBANK shareholders regardless of whether such shareholders sell their shares held in TBANK to TMB or not. TBANK shareholders will use partial proceeds from selling their stakes in TBANK to subscribe for TMB newly issued ordinary shares, at the subscription price determined in accordance with the following formula:

Basis for Determining the Subscription Price of TMB Shares

1.1 times of TMB book value, which is derived from the latest audited consolidated financial statements of TMB and the operating results of the following month after the end date of such latest consolidated financial statements which is prepared by TMB management;

Plus The amount of funds raised from the issuance of newly issued ordinary shares to accommodate the exercise of TSR allocated to TMB existing shareholders in accordance with the predetermined procedures;

Less Additional reserve required under TFRS9;

Divided by number of all issued and paid-up ordinary shares of TMB after fundraising through TSR.

If the Transaction Date is taken place on December 2019, TMB book value will be based on TMB audited consolidated financial statements as of 30 September 2019, and the operating result of TMB from 1 October 2019 to 31 October 2019, which is prepared by TMB management.

Pursuant to the Share Subscription Agreement (“SSA”), TMB will allocate the newly issued ordinary shares to TBANK shareholders as follows:

TBANK Shareholders	Percentage of shareholding in TMB (after fundraising) ¹	Maximum allotted shares	Amount (THB million)
TCAP	▪ 20.1% - 23.3%	21,663,091,024 shares	45,200 ²
BNS	▪ 5.6% - 6.3%	5,926,197,357 shares	12,365
Minority Shareholders ³	▪ 0.03% - 0.04%	33,549,035 shares ⁴	70
Total		27,622,837,416 shares	57,635

Source: Share Subscription Agreement and Information Memorandum on the Allocation of Newly-issued Ordinary Shares of TMB

¹ After the allocation of newly issued ordinary shares to (1) TSR Holders (2) Specific Investor (3) All TBANK shareholders, but before the issuance of new ordinary shares to executives and employees of TMB and TBANK under TMB Stock Retention Program.

² The amount may increase if TCAP holds shares in TMB less than 20.1 percent.

³ As of 4 April 2019, TBANK has 743 minority shareholders

⁴ For the new ordinary shares issued to TBANK minority shareholders, TCAP will represent all minority shareholders to subscribe for the newly issued shares of TMB, which will be later transferred to the minority shareholders. If there are shares remaining unsubscribed, TCAP will further reallocate the remaining TMB shares to minority shareholders who express their intentions to subscribe for those remaining shares on a pro rata basis. If there are TMB shares remaining from such allocation, TCAP may necessarily continue to hold such shares on its own account.

In the event that, TBANK groups of existing shareholders (TCAP, BNS, and TCAP for Minority Shareholders) have not exercised their right to subscribe for the newly issued ordinary shares of TMB in full, or none of the shareholders has exercised such right at all, resulting in unsubscribed amount of newly issued ordinary shares offered to TBANK existing shareholders, TMB will not allocate such unsubscribed amount of shares to other existing shareholders of TBANK.

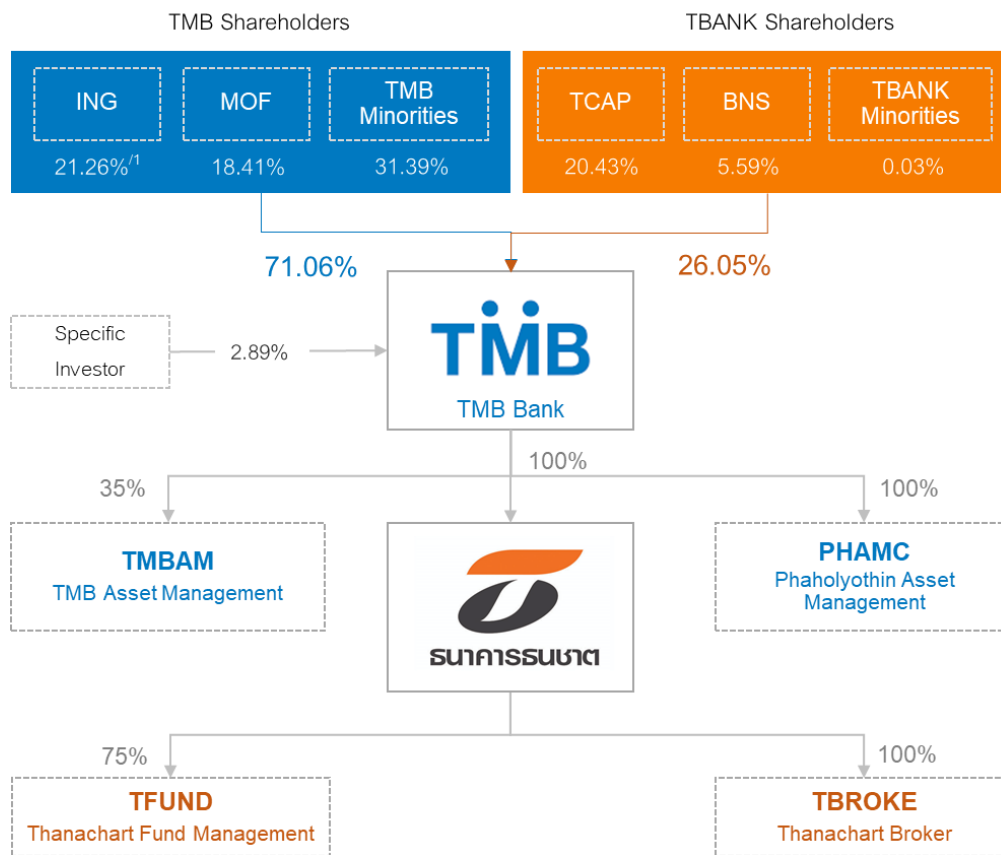
Nevertheless, in the event that (1) Initial Price of TBANK shares based on TBANK's audited consolidated financial statements as of 30 September 2019 and the operating results for October 2019 prepared by TBANK management, increases or decreases from the purchase price calculated based on TBANK audited consolidated financial statements as of 31 December 2018 by 15 percent or higher, or (2) TMB Book value after the issuance of newly issued ordinary shares to accommodate the exercise of TSR and through the Private Placement based on the audited consolidated financial statements of TMB as of 30 September 2019 and the operating results for October 2019 prepared by TMB management increases or decreases from TMB book value which includes the issuance of new ordinary shares to accommodate the exercise of TSR and through the Private Placement calculated based on the audited consolidated financial statements as of 31 December 2018, by 15 percent or higher, the Parties to the agreement shall further negotiate and agree. If the Parties fail to mutually agree within 31 December 2019 (Long Stop Date), the Share Purchase Agreement shall be terminated.

The issuance of new ordinary shares to all 745 TBANK shareholders (as of 24 April 2019), is considered Preferential Public Offering (PPO), for which the approval from the SEC is required, and may constitute the offering of newly issued ordinary shares lower than 90 percent of the Market Price, since the offering price will be based on TMB book value determined in accordance with the basis of pricing TMB subscription price as described above. TMB is, therefore, required prior approval for the issuance of new ordinary shares from the SEC and prepare the offering documents (Form 69-1) including the prospectus in accordance with TorJor. 39/2559 Re: Application for Approval and Granting Approval for Offering of Newly Issued Shares including any subsequent amendments. TMB will submit an application for the SEC approval in September 2019, and expects to receive the SEC approval in November 2019.

Additionally, TMB is required to seek prior approval from the Shareholders Meeting, with affirmative votes of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and are entitled to vote, without 10 percent or more of veto rights.

Upon completion of the acquisition of TBANK shares and the issuance of new ordinary shares to TBANK shareholders, no shareholders will be holding TMB shares exceeding the trigger point at which the Mandatory Tender Offer is required pursuant to the Notification of the Capital Market Supervisory Board Tor Jor. 12/2554 Re: Rules, Conditions and Procedures for the Acquisition of Securities for Business Takeovers.

Potential Shareholding Structure Following the Issuance of New Shares to TBANK Shareholders



Remark: The Group Structure illustrated above is estimated based on the assumption that TMB has successfully raised fund through TSR, Private Placement, and Preferential Public Offering to TBANK shareholders (excluding the issuance of new ordinary shares to executives and employees under TMB Stock Retention Program). Nevertheless, the final percentage of shareholding will depend on various factors such as market price of TMB share and TMB book value determined in accordance with the basis of pricing TMB subscription price.

^{/1} The percentage of shareholding by ING shown above has included the shareholding by NVDR of 3.47 percent, which is ultimately held by ING Support Holding B.V. In the event that, ING Support Holding B.V. cannot exercise its right to convert NVDR into TMB shares, ING will be holding 17.79 percent of shares in TMB after the issuance of new ordinary shares to (1) TSR Holders (2) Specific Investor (3) All TBANK shareholders, which excludes TMB Stock Retention Program

Stage 4 The Merger between TMB and TBANK through the Entire Business Transfer

Subsequent to the completion of the acquisition of entire shares of TBANK and the issuance of new ordinary shares to all TBANK shareholders according to stage 1 – 3 above, TMB will proceed to merge with TBANK which comprises of key activities as follows:

- Preparation for an intergration according the Integration Plan.
- Arrangement of Shareholders Meeting of TMB and TBANK to approve the merge, transfer, and taking transfer of entire business in accordance with Section 74 of the Financial Institution Act, with affirmative votes of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and are entitled to vote.
- Entire Business Transfer from TBANK to TMB.
- TBANK to return banking license to the Bank of Thailand and register for the dissolution.

The indicative timeline is set out below:

DATE	PROCEDURES	
	TMB/TMB SHAREHOLDERS	TBANK/TBANK SHAREHOLDERS
First Phase of the Merger Plan (2019)		
June 2019	▪ TMB and TBANK request for approval and/or waiver from relevant authorities	
7 August 2019	▪ Board of Directors approve the acquisition of TBANK shares	▪ Board of Directors approve the disposition of TBANK shares
8 August 2019	▪ Enter into Share Purchase Agreement, and other material agreement necessary to complete the share purchase transaction	
9 August 2019	▪ TMB and TBANK submit the Proposed Merger Plan for the Bank of Thailand's approval	
22 August 2019	▪ Record date of Extraordinary General Meeting of Shareholders (EGM) no. 1/2019	▪ Record date of Extraordinary General Meeting of Shareholders (EGM) no. 1/2019
At least 14 days before EGM	▪ Dissemination of the invitation letter to the EGM, together with the report of Independent Financial Advisor opinion	▪ Dissemination of the invitation letter to the EGM, together with the report of Independent Financial Advisor opinion
23 September 2019	▪ Extraordinary General Meeting of Shareholders no. 1/2019	▪ Extraordinary General Meeting of Shareholders no. 1/2019
After EGM	▪ Complete conditions precedent pursuant to the Share Purchase Agreement	▪ Complete conditions precedent pursuant to the Share Purchase Agreement
October 2019	▪ Issue and allocate TSR to the existing shareholders in proportion to their respective shareholdings	
November 2019	▪ Arrange EGM no. 2/2019 to approve the merger and take transfer of TBANK business	▪ Arrange EGM no. 2/2019 to approve the merger and transfer of TBANK business
November – December 2019	▪ Exercise period of TSR	▪
After TMB Capital Increase		▪ Undertake business restructuring by divesting 12 subsidiaries and other entities to TBANK shareholders

DATE	PROCEDURES	
	TMB/TMB SHAREHOLDERS	TBANK/TBANK SHAREHOLDERS
December 2019	<ul style="list-style-type: none"> ▪ Issue new shares to a specific investor ▪ Take deliver and settle Initial Price for TBANK shares ▪ Issue new shares to TBANK shareholders 	<ul style="list-style-type: none"> ▪ Transfer TBANK shares and receive payment of Initial Price of TBANK shares ▪ Subscribe for new shares of TMB
December 2019	<ul style="list-style-type: none"> ▪ Arrange EGM no. 2/2019 to approve the merger and take transfer of TBANK business 	<ul style="list-style-type: none"> ▪ Arrange EGM no. 2/2019 to approve the merger and transfer of TBANK business
Second Stage of the Merger Plan (2020 – 2021)		
January 2020	<ul style="list-style-type: none"> ▪ Execution of the Merger Plan 	<ul style="list-style-type: none"> ▪ Execution of the Merger Plan
February 2020	<ul style="list-style-type: none"> ▪ Settle for the difference of Final Price 	
Within 2021	<ul style="list-style-type: none"> ▪ Take transfer of TBANK business 	<ul style="list-style-type: none"> ▪ Transfer of TBANK business
Within 2021		<ul style="list-style-type: none"> ▪ Return banking license and register for dissolution

The timeline indicated above may be changed subsequently to accommodate a change in Transaction Structure to comply with the requirement of the relevant laws and regulations, and the terms and conditions in the Share Purchase Agreement.

1.5 Detail of Acquired Assets

In the event that all TBANK shareholders accept the purchase offer made by TMB, TMB will be able to acquire entire shares of TBANK, together with its remaining 2 subsidiaries after business restructuring, which comprise of Thanachart Fund Management Company Limited (“TFUND”) and Thanachart Broker Company Limited (“TBROKE”).

Details of each entity can be summarized as follows:

Entities	Abbrev.	Nature of Business	Percent held by TBANK
Thanachart Bank Pcl.	TBANK	<ul style="list-style-type: none"> ▪ Commercial Bank 	-
Thanachart Fund Company Limited	TFUND	<ul style="list-style-type: none"> ▪ Fund Management 	75%
Thanachart Broker Company Limited	TBROKE	<ul style="list-style-type: none"> ▪ Life and Non-life insurance brokerage, and provide supporting service to TBANK auto hire purchase business 	100%

1.5.1 Summary Information of TBANK

Company name	:	Thanachart Bank Public Company Limited (“TBANK”)
Incorporation date	:	19 November 1993
Address	:	444 MBK Tower, Phayathai Road, Wangmai, Pathumwan District, Bangkok
Registered capital	:	Baht 99,136,649,030, divided into 9,913,664,903 shares, at the par value of Baht 10 per share
Paid-up capital	:	Baht 60,648,621,700, divided into 6,064,862,170 shares, at the par value of Baht 10 per share
Nature of business	:	Commercial bank under the Financial Institution Business Act B.E. 2551, which provides 5 core products as follows: <ol style="list-style-type: none"> 1) Deposit service 2) Lending service 3) Electronic banking service 4) Payment gateway service 5) Other service such as foreign currency exchange

Financial Information of TBANK

Financial Position as of 31 December 2017 – 2018 and 31 March 2019 (before business restructuring)

TBANK Separated Financial Statements (Unit: THB million)	2560	2561	31 Mar 19
	(Audited)	(Audited)	(Reviewed)
Interbank and money market items	94,577	95,257	105,248
Investment-net	157,447	152,430	133,398
Loans to customers and accrued interest receivable ¹	666,094	700,246	708,679
Less: Allowance for doubtful accounts	(19,877)	(19,662)	(20,413)
Net loans to customers and accrued interest receivable	646,217	680,584	688,266
Other assets	56,218	58,852	59,976
Total Assets	954,459	984,123	986,888
Deposits	717,807	753,945	746,306
Interbank and money market items	69,809	55,964	59,952
Debt issued and borrowings	20,005	20,005	20,005
Other liabilities	22,453	23,068	21,560
Total Liabilities	830,074	852,982	847,823
Share capital	60,649	60,649	60,649
Retained earnings	55,776	62,786	70,256

TBANK Separated Financial Statements (Unit: THB million)	2560	2561	31 Mar 19
	(Audited)	(Audited)	(Reviewed)
Other components of equity	7,960	7,706	8,160
Total Equity	124,385	131,141	139,065

¹ Presented net of deferred revenue

Financial Performance for the year 2017 – 2018 and the 3-month period ended 31 March 2019

Unit: TMB million	2560	2561	Quarter 1 (Reviewed)	
	(Audited)	(Audited)	2018	2019
Net interest income	27,138	28,365	6,896	7,275
Net fee and service income	3,943	4,465	1,042	949
Other income	5,702	4,786	969	1,097
Total Operating Income	36,783	37,616	8,907	9,321
Operating expenses	17,702	17,785	4,629	4,202
Impairment losses of loans and debt securities	5,935	4,465	1,336	1,443
Profits before income tax	13,146	15,366	2,942	3,676
Income tax	(11)	(1,455)	102	(628)
Net profits (Before extraordinary item)	13,135	13,911	3,044	3,048
Extraordinary item ¹	-	-	-	4,422
Net profits for the period	13,135	13,911	3,044	7,470

¹ Extraordinary item is the dividend income of Baht 4,422 million received from Thanachart Insurance Public Company Limited (“TNI”), which is a wholly-owned subsidiary of TBANK, which is later used for capital increase in TNI. By ignoring such capitalized dividend, TBANK net profits for the 3-month period ended 31 March 2019 would be Baht 3,048 million

Key Financial Ratio for 2017 – 2018 and Quarter 1 2019 (Before business restructuring)

Unit: Percent	2560	2561	Quarter 1 2019
	(Audited)	(Audited)	(Reviewed)
Loan growth	2.1	5.1	4.9 ¹
Non-performing loan (NPL)	2.2	2.3	2.3
NPL coverage ratio	137.9	123.6	122.9
Loan to deposit ratio	92.7	92.8	94.9
Interest spread	3.0	3.0	3.0
Cost to income	48.1	47.3	45.1 ²
Net profit margin	35.7	37.0	32.7
Capital adequacy ratio (CAR)	18.9	19.5	19.2
Common Equity Tier 1	14.8	15.4	15.2

¹ Annualized figure

² Calculated by excluding extraordinary item in Total Operating Income

TBANK Shareholders

As of 24 April 2019, TBANK had an issued and paid-up capital of Baht 60,648,621,700, divided into 6,064,862,170 ordinary shares at a par value of Baht 10 per share. Details of shareholders are as follows:

Rank	Shareholders	Number of ordinary shares	%
1	Thanachart Capital Public Company Limited ¹	3,090,699,234	50.961
2	Scotia Netherlands Holdings B.V.	2,971,739,163	48.999
3	Mr. Thung-ngern Pum-ngern	460,309	0.008
4	Ms. Kittima Tolieng	173,278	0.003
5	Mr. Sathit Majurintangkurg	121,360	0.002
6	Ms. Piengjai Hanphanit	96,665	0.002
7	Mr. Kobchai Chirathivat	84,809	0.001
8	Mr. Thanawat Chareonthassanont	70,000	0.001
9	Mr. Pinit Laosoontorn	69,926	0.001
10	Mr. Somyos Jittipralungsri ²	60,000	0.001
	Top 10 shareholders	6,063,574,744	99.979
	Other shareholders	1,287,426	0.021
	Total	6,064,862,170	100.000

¹ Major shareholders of Thanachart Capital Public Company Limited or "TCAP", consisting of Thai NVDR Company Limited, holding 16.49 percent and MBK Public Company Limited holding 11.15 percent in TCAP, respectively.

² By official receiver of Thai Finance and Securities Pcl.

TBANK Board of Directors

As of 24 April 2019, TBANK's Board of Directors consisted of 12 members composing of 4 non-executive directors, 4 independent directors and 4 executive directors, as detailed below:

No.	Name	Position
1	Mr. Banterng Tantivit	Chairman
2	Mr. Suphadej Poonpipat	Vice Chairman / Chairman of the Executive Committee
3	Ms. Suvampha Suvamprathip	Vice Chairman of the Executive Committee
4	Mr. Praphan Anupongongarch	Chief Executive Officer / President/Executive committee
5	Mr. William George Said	Executive Committee
6	Mr. Walter Tas	Director
7	Mr. Alexander Kwai Lap Choi	Chairman of Risk Oversight Committee
8	Mr. Narong Chivangkur	Chairman of Nomination and Remuneration Committee / Independent Director

No.	Name	Position
9	Mr. Rod Michael Reynolds	Nomination and Remuneration Committee Member
10	Dr. Thanachart Numnonda	Chairman of Audit Committee / Independent Director
11	Assoc. Prof. Dr. Somjai Phagaphasvivat	Audit Committee Member / Independent Director
12	Ms. Mookda Pairatchavet	Audit Committee Member / Independent Director / Nomination and Remuneration Committee Member

For more details, please see Appendix 1 *Summary Information of Thanachart Bank Public Company Limited*

1.5.2 Summary Information of TFUND

Company name	: Thanachart Fund Management Company Limited (“TFUND”)
Incorporation date	: 19 March 1992
Address	: 231 MBK Life Building, 5 th –7 th Floor, Ratchadamri Road, Lumpini, Pathumwan, Bangkok 10330
Registered capital	: Baht 100,000,000, divided into 10,000,000 shares, at the par value of Baht 10 per share
Paid-up capital	: Baht 100,000,000, divided into 10,000,000 shares, at the par value of Baht 10 per share
Nature of business	: Fund management including mutual fund, provident fund, and private fund

Financial Information of TFUND

Financial Position as of 31 December 2016 – 2018

Unit: THB million	2016	2017	2018
	(Audited)	(Audited)	(Audited)
Cash and cash equivalent	41	86	28
Accrued fees and service income	95	145	161
Investments	281	261	409
Other assets	40	50	60
Total Assets	457	542	658
Accrued fees and service expenses	32	53	50
Income tax payable	29	36	53
Provision for liabilities	25	30	34
Other liabilities	83	95	98
Total Liabilities	169	214	235
Issued and paid-up capital	100	100	100

Unit: THB million	2016	2017	2018
	(Audited)	(Audited)	(Audited)
Retained earnings - legal reserve	10	10	10
Retained earnings - unappropriated	178	218	313
Total Equity	288	328	423

Financial Performance for the year 2016 – 2018

Unit: THB million	2016	2017	2018
	(Audited)	(Audited)	(Audited)
Fees and service income	1,058	1,333	1,859
Other income	12	9	9
Total Income	1,070	1,342	1,868
Employee benefits expenses	174	186	182
Fees and service expenses	328	486	696
Other expenses	124	137	172
Profit before income tax	444	533	818
Income tax	(89)	(107)	(164)
Net Profits	355	426	654

TFUND Shareholders

As of 15 March 2019 (the latest Shareholders Meeting date), TFUND had issued and paid-up capital of Baht 100,000,000, divided into 10,000,000 ordinary shares at a par value of Baht 10 per share. Details of shareholders are as follows:

Rank	Shareholders	Number of ordinary shares	%
1	Thanachart Bank Public Company Limited	7,499,993	75.00
2	The Government Savings Bank	2,500,000	25.00
	Other 7 minority shareholders	7	0.00
	Total	10,000,000	100.00

TFUND Board of Directors

As of 2 July 2019, TFUND's Board of Directors consisted of 8 members as follows:

No.	Name	Position
1	Mr. Somjate Moosirilert	Director
2	Mr. Amornrit Chanprasit	Director
3	Miss Paphakorn Rattanaset	Director
4	Mr. Boonchai Kiatthanawit	Director
5	Mr. Piyaphong Artmangkorn	Director
6	Mr. Kriangkrai Phurivitvattana	Director
7	Mr. Paul Alan Diwolf	Director
8	Mr. Songwut Chaowalit	Director

For more details, please see Appendix 2 *Summary Information of Thanachart Fund Management Company Limited*

1.5.3 Summary Information of TBROKE

Company name	: Thanachart Broker Company Limited ("TBROKE")
Incorporation date	: 21 August 1997
Address	: 999/3, 999/4 the Nine Tower, Rama 9 Road, Phatthanakan, Suanluang, Bangkok 10250
Registered capital	: Baht 100,000,000, divided into 10,000,000 shares, at the par value of Baht 10 per share
Paid-up capital	: Baht 100,000,000, divided into 10,000,000 shares, at the par value of Baht 10 per share
Nature of business	: Non-life and life insurance brokerage and supporting service to TBANK auto hire purchase business

Financial Information of TBROKE

Financial Position as of 31 December 2016 – 2018

Unit: THB million	2016	2017	2018
	(Audited)	(Audited)	(Audited)
Cash and cash equivalent	210	226	220
Insurance premium and other receivables	62	68	71
Other assets	45	54	49
Total Assets	317	348	340
Insurance premium payables	84	108	128
Other payables	44	54	44
Provision for long-term employee benefits	12	18	22
Other liabilities	12	9	7
Total Liabilities	152	189	201
Issued and paid-up capital	100	100	100
Retained earnings - legal reserve	10	10	10
Retained earnings - unappropriated	55	49	29
Total Equity	165	159	139

Financial Performance for the year 2016-2018

Unit: THB million	2016	2017	2018
	(Audited)	(Audited)	(Audited)
Insurance brokerage commission income	363	368	383
Advisory fee income	53	66	52
Other income	8	10	33
Total Revenue	424	444	468
Cost of service	85	89	105
Operating expenses	215	252	266
Profit before income tax	124	103	97
Income tax	(22)	(20)	(18)
Net Profits	101	84	79

TBROKE Shareholders

As of 30 April 2019 (the latest Shareholders Meeting date), TBROKE had issued and paid-up capital of Baht 100,000,000, divided into 10,000,000 ordinary shares at a par value of Baht 10 per share. Details of shareholders are as follows:

Rank	Shareholders	Number of ordinary shares	%
1	Thanachart Bank Public Company Limited	9,999,000	99.99
2	Miss Nonglak Techamahalap	800	0.01
3	Miss Warunee Namsao	100	0.00
4	Miss Alongkot Premkamonnet	100	0.00
	Total	10,000,000	100.00

TBROKE Board of Directors

As of 19 June 2019, TBROKE's Board of Directors consisted of 5 members as follows:

No.	Name	Position
1	Mr. Eakasit Sakthanakhon	Director
2	Mr. Bancha Cheerasarn	Director
3	Miss Temduan Kesawatthana	Director
4	Miss Suchai Supapitiporn	Director
5	Mrs. Wanruedee Phitpreecha	Director

For more details, please see Appendix 3: *Summary Information of Thanachart Broker Company Limited*

1.6 Consideration and Basis of Consideration

The Transaction to acquire entire shares of TBANK, together with its 2 remaining subsidiaries, TFUND and TBROKE, has a consideration pursuant to the Share Purchase Agreement as follows:

Purchase Price per share	=	TBANK book value according to the consolidated financial statements
		Plus Gain on business restructuring
		Plus Fixed premium of Baht 9,245 million
		Less TBROKE book value
		Less TFUND book value
		Divided by number of all issued and paid-up shares of TBANK

Where :

TBANK book Value according to the consolidated financial statements refers to TBANK net asset value according to the consolidated financial statements of TBANK at the end date of the latest month immediately preceding the Transaction Date, adjusted with additional reserves required under Thai Financial Reporting Standard No. 9: Financial Instruments (TFRS9) (if any), added with average daily profits of TBANK, TBROKE, and TFUND calculated from 1 January 2019 to the end date of the latest month immediately preceding the Transaction Date, multiplied by number of days from the first date of the month to the Transaction Date.

TBROKE and TFUND book value refer to net asset value of TBROKE and TFUND as included in the consolidated financial statements of TBANK.

The value of consideration above has included the value of TBANK, TFUND, and TBROKE, which is determined based on the agreed upon price between TMB and the Sellers. TMB management and its financial advisor evaluates the proposed purchase price of TBANK shares using various valuation methodologies such as Market Multiple, and Dividend Discount Model (DDM) which are common approach for valuing shares of a financial institution.

Since the acquisition price of TBANK shares may be adjusted according to a change in net asset value of TBANK as of the Transaction Date. In order to provide information to the shareholders, the following table indicates the purchase price of TBANK shares under the assumption that the Transaction Date was 31 December 2018.

Assumed Transaction Date: 31 December 2018	THB million
TBANK book value per consolidated financial statements as of 31 December 2018	144,269 ^{/1}
<u>Plus</u> : Gain on business restructuring (net tax)	5,371
<u>Plus</u> : Fixed premium	9,245 ^{/2}
<u>Less</u> : Book value of TFUND and TBROKE as of 31 December 2018	(474)
Purchase Price – Including Proceeds from Business Restructuring	158,411
<u>Less</u> : Net proceeds from business restructuring	(25,912)
Purchase Price – Excluding Proceeds from Business Restructuring	132,499

Remark: The information illustrated above is based on the financial information as of 31 December 2018, which is prepared by TMB and assured as to the preparation standard by KPMG Phoomchai Audit Limited.

^{/1} Comprising of TBANK book value per consolidated financial statements as of 31 December 2018 of Baht 141,699 million, added with the surplus on asset revaluation in April 2019 of Baht 2,570 million, which has been recorded in TBANK's financial statements Quarter 2 2019.

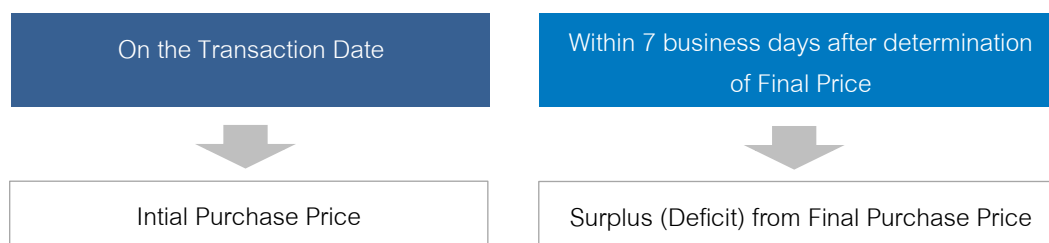
^{/2} Represents price premium on TBANK and consideration for TFUND and TBROKE.

Based on the above table, under the assumption that the Transaction Date was 31 December 2018, the acquisition price of entire shares of TBANK is estimated to be Baht 158,411 million which includes Baht 25,912 million net proceeds from divestment of certain subsidiaries and other entities pursuant to TBANK business restructuring. If excluding such proceeds, the acquisition price of TBANK share would be Baht 132,499 million.

Total consideration for TBANK shares demonstrated above is based on the assumption that the Transaction Date was 31 December 2018. Such consideration may be adjusted accordingly by net profits and dividend payment of TBANK during the date between 1 January 2019 to the Transaction Date. Therefore, the Final Purchase Price to be paid to TBANK shareholders will depend on the determination of the Transaction Date which is the date at which all conditions precedent pursuant to the Share Purchase Agreement have been satisfied or waived by the Parties.

Settlement of Share Price

TMB will take delivery and settle for the shares acquired upon completion of the conditions precedent stipulated in the Share Purchase Agreement. The payment for TBANK shares shall be made in 2 steps as follows:



1) Payment on the Transaction Date

On the Transaction Date, the Initial Price of TBANK shares will be determined as follows:

Initial Price per share	=	TBANK book value according to the consolidated financial statements ^{/1}
	Plus	Gain on business restructuring ^{/2}
	Plus	Fixed premium of Baht 9,245 million
	Less	TBROKE book value ^{/3}
	Less	TFUND book value ^{/3}
		Divided by number of all issued and paid-up shares of TBANK

Remark:

- ^{/1} Based on the latest audited consolidated financial statements of TBANK and the operating results of the following month after the end date of such latest consolidated financial statements which is prepared by TBANK management, adjusted with additional reserve required under TFRS9 (if any)
- ^{/2} Net of relevant tax cost
- ^{/3} Based on net asset value of TBROKE and TFUND as included in TBANK audited consolidated financial statements

If the Transaction Date is taken place on December 2019, TBANK book value will be based on TBANK audited consolidated financial statements as of 30 September 2019, and the operating result of TBANK for October 2019, which is prepared by TBANK management, for determining the Initial Price.

In the event that the Initial Price increases or decreases from the purchase price calculated based on TBANK audited consolidated financial statements as of 31 December 2018 by 15 percent or higher, the Parties to the agreement shall further negotiate and agree. If the Parties fail to mutually agree within 31 December 2019 (Long Stop Date), the Share Purchase Agreement shall be terminated.

2) Payment for the Surplus (Deficit) from the Final Price

Subsequent to the Transaction Date, the purchase price of TBANK shares shall be adjusted to the **Final Price**, whereby TBANK certified auditor will audit the financial information of such audited consolidated financial statements of TBANK after the end date of the latest audited financial statements to the end date of the latest month immediately preceding the Transaction Date, and adjusted by average daily profits of TBANK, TBROKE, and TFUND calculated from 1 January 2019 to the end date of the latest month immediately preceding the Transaction Date, multiplied by number of days from the first date of the month to the Transaction Date.

If the Transaction Date is taken place on December 2019, TBANK book value to determine Final Price will be based on TBANK audited consolidated financial statements as of 30 November 2019 adjusted with additional reserve required under TFRS9 (if any), and average daily profits of TBANK, TBROKE, and TFUND calculated from 1 January 2019 to 30 November 2019 multiplied by number of days from 1 December 2019 to the Transaction Date.

If the Final Price is different from the Initial Price, the Parties shall settle for the difference as follows:

2.1) Final Price adjustment and settlement on part of TBANK major shareholders (TCAP and BNS)

Final Price adjustment for the ordinary shares of TBANK on part of the major shareholders, namely, TCAP and BNS, will be considered from the difference between the Initial Price and the Final Price of TBANK shares and the difference between the subscription price of TMB newly issued ordinary shares and the price determined in accordance with the basis for pricing of TMB ordinary shares based on the latest audited consolidated financial statements of TMB plus average daily profits of TMB calculated from 1 January 2019 to 30 November 2019, multiplied by number of days from 1 December 2019 to the Transaction Date.

The Parties agree to settle for the difference within 7 business days following the day on which the Final Price have been determined and agreed.

2.2) Final Price adjustment and settlement on part of TBANK minority shareholders

- ▶ If the Initial Price is lower than the Final Price, TMB will settle for the difference to all TBANK minority shareholders who sold TBANK shares in cash;
- ▶ If the Initial Price is greater than the Final Price, TMB will give the benefit to all TBANK minority shareholders who sold TBANK shares.

1.7 Sources of Fund

The Special Meeting of the Board of Directors no. 4/2019, held on 7 August 2019 has considered to arrange funding for the Transaction as follows:

- 1) The issuance of not exceeding 31,481,481,482 new shares to accommodate the exercise of Transferable Subscription Rights (TSR) which will be allocated to the existing shareholders of TMB in proportion to their respective shareholdings without cost, at the allocation ratio of at least 1.39 existing ordinary share to 1 unit of TSR with the exercise price between Baht 1.35 – 1.60 per share. TMB will notify the shareholders about the final allocation ratio and the exercise price of TSR within 2 business days prior to the posting date of the XT sign.

In case there are remaining shares after the exercise of TSR, such remaining shares will be allocated to existing shareholders whose names appear on the Record Date who wish to subscribe in excess of their entitlements in proportion to their shareholdings (excluding the TSR holders who are not the shareholders of TMB on the Record Date).

In the event that TSRs are fully exercised, TMB expects to receive total funding of Baht 42,500 million which are qualified as regulatory Tier 1 Capital. (Please find more detail of TSR in *the Indicative Terms of the Transferable Subscription Rights issued by TMB* which is enclosed together with this report).

- 2) The offering of not exceeding 3,067,340,365 newly issued ordinary shares on the Private Placement basis to a specific foreign investor, who is not a Connected Person of TMB, at the offering price of not less than:

- (a) 1.1 times of TMB book value per share after fundraising through TSR, which is determined from the following formula:

1.1 times of TMB book value, which is derived from the latest audited consolidated financial statements of TMB and the operating results of the following month after the end date of such latest consolidated financial statements which is prepared by TMB management;

Plus The amount of funds raised from the issuance of newly issued ordinary shares to accommodate the exercise of TSR allocated to TMB existing shareholders in accordance with the predetermined procedures;

Less Additional reserve required under TFRS9;

Divided by number of all issued and paid-up ordinary shares of TMB after fundraising through TSR; and

- (b) 7 – 15 trading days weighted average market price of TMB shares (“**Market Price**”) prior to the price determination date, which may include a discount of not exceeding 10 percent on the Market Price.

The Private Placement shall be incurred after completion of fundraising through TSR according to No.1 above. Therefore, the specific investor shall not be entitled to receive the allocation of TSR.

- 3) The offering of not exceeding 27,622,837,416 newly issued ordinary shares to all TBANK shareholders, on the same date or the nearest date to the Transaction, at the offering price of 1.1 times of TMB book value per share after fundraising through TSR, which is determined from the following formula:

1.1 times of TMB book value, which is derived from the latest audited consolidated financial statements of TMB and the operating results of the following month after the end date of such latest consolidated financial statements which is prepared by TMB management;

Plus The amount of funds raised from the issuance of newly issued ordinary shares to accommodate the exercise of TSR allocated to TMB existing shareholders in accordance with the predetermined procedures;

Less Additional reserve required under TFRS9;

Divided by number of all issued and paid-up ordinary shares of TMB after fundraising through TSR.

If the Transaction Date is taken place on December 2019, TMB book value will be based on TMB audited consolidated financial statements as of 30 September 2019, and the operating result of TMB from 1 October 2019 to 31 October 2019, which is prepared by TMB management, to determine the subscription price.

TCAP will represent all minority shareholders to subscribe for the newly issued ordinary shares of TMB, which will be later transferred to those minority shareholders. The issuance of newly issued ordinary shares to TBANK shareholders will be incurred after completion of fundraising through TSR and Private Placement according to No.1 and No.2 above.

- 4) The issuance of debt instruments eligible for inclusion in Additional Tier 1 Capital (“**Additional Tier 1 Instrument**”) in the amount of Baht 9,600 – 16,000 million. The instrument is perpetual, no convertible right, with a first call date after 5 years. The interest rate will be the market rate at the time of issuance. Such Additional Tier 1 Instrument can be recognized as Tier 1 capital. TMB is in process of requesting for permission to offer the Additional Tier 1 Instrument from the Bank of Thailand.
- 5) The issuance of Subordinated Debentures to Institutional and High Net Worth Investors to raise approximately Baht 15,000 million for the Transaction. The unsecured debentures has a 10-year tenure with a coupon rate of 4.00 percent per year redeemable within 5 years after the issuance date. TMB has already completed the offering process of subordinated debentures in June 2019. Such debentures are eligible for inclusion within Tier 2 Capital.
- 6) Net proceeds from TBANK business restructuring of approximately Baht 20,000 – 30,000 million, which will remain in TBANK at the date of share acquisition.
- 7) TMB internal cash flows and other debt instruments in the amount of not exceeding Baht 20,000 million, to be used as funding reserve in case of funding shortage from other sources.

The offering of newly issued ordinary shares of TMB according to 1 – 3 above are conditional upon approval by shareholders in the Extraordinary Shareholders Meeting no. 1/2019 on 23 September 2019, on the acquisition of entire shares of TBANK.

Summary of Funding for the Transaction

Type of Instrument	Allotted Persons	Key Features	Expected Amount (MB)
Transferable Subscription Rights (TSR) and ordinary shares to accommodate the exercise of TSR	Existing shareholders	<ul style="list-style-type: none"> ▪ Name-specified and transferable ▪ Allocated to existing shareholders according to their respective shareholdings (Rights Offering) without cost ▪ Not exceeding 31,481,481,482 units of TSR ▪ Allocation ratio of at least 1.39 existing shares to 1 unit of TSR ▪ 1 unit of TSR is entitled to subscribe for 1 newly issued ordinary share of TMB ▪ Exercise price: Baht 1.35 – 1.60 per share ▪ Final allocation ratio and exercise price of TSR will be notified within 2 business days prior to the posting date of the XT sign ▪ Not exceeding 2-month term from the issuance date of TSR ▪ Listed on the Stock of Exchange of Thailand ▪ The remaining shares (if any) will be allocated to the existing shareholders whose names appeared on the Record Date who wish to subscribe for the newly issued shares in excess of their entitlements 	42,500 ¹
Newly issued ordinary shares	Foreign investor	<ul style="list-style-type: none"> ▪ Not exceeding 3,067,340,365 shares ▪ Allocate to a foreign investor who is not a Connected Person of TMB ▪ The offering price not lower than (a) 1.1 times of TMB book value per share after fundraising through TSR; and (b) 7 – 15 trading days Market Price of TMB shares prior to the price determination date, which may include a maximum discount of 10 percent 	6,400
Newly issued ordinary shares	All TBANK shareholders	<ul style="list-style-type: none"> ▪ Not exceeding 27,622,837,416 shares ▪ Allocate to all TBANK shareholders ▪ The offering price not lower than (a) 1.1 times of TMB book value per share after fundraising through TSR. 	57,635

Type of Instrument	Allotted Persons	Key Features	Expected Amount (MB)
Additional Tier 1 Instrument	Foreign institutional investor	<ul style="list-style-type: none"> Perpetual bond Market interest rate at the time of issuance Callable after 5 years 	9,600-16,000
Subordinated Debentures	Institutional and High Net Worth investors	<ul style="list-style-type: none"> 10-year tenor Coupon rate: 4.00 percent per annum Redeemable within 5 years 	15,000
<ul style="list-style-type: none"> Net proceed from TBANK business restructuring 			20,000 – 30,000
<ul style="list-style-type: none"> Internal cash flows and other debt instruments² 			20,000

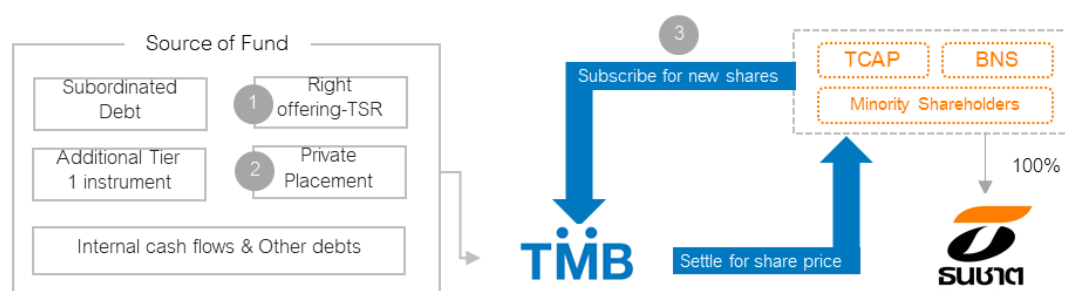
¹ Under the assumption that all TMB shareholders exercise their rights to purchase newly issued ordinary shares

² Considered as funding reserve in case of funding shortage from other sources

For the issuance of new ordinary shares according to the exercise of TSR, which are allocated to TMB existing shareholders in proportion to their respective shareholdings, two major shareholders of TMB which consist of Ministry of Finance (“MOF”) and ING Groep N.V. (“ING”), which as of 24 April 2019, held 25.92 percent and 25.02 percent in TMB, have verbally confirmed their intentions to subscribe for the newly issued shares of TMB through the exercise of TSR pursuant to their rights. The financing support from two major shareholders will result in TMB receiving fresh fund of at least Baht 23,500 million for the Transaction. Therefore, TMB expects to have sufficient funds for the Transaction.

1.8 Dilution Effects to Shareholders From the New Share Issuance

According to the financing plan for the Transaction through (1) the issuance of new ordinary shares to accommodate the exercise of TSR (2) the offering of new ordinary shares to a specific investor, and (3) the offering of new ordinary shares to all TBANK shareholders on the same date or the nearest date to the Transaction, TCAP will become one of the major shareholders of TMB, alongside the Ministry of Finance and ING, which leads to the dilution effects to TMB shareholders in terms of Control Dilution, Price Dilution, and Earnings per Share (EPS) Dilution as follows:



Calculation Assumptions

Since the exercise price of TSR, and the offering price of newly issued ordinary shares to a specific investor and TBANK shareholders have not been finalized at the date of this report, which will be varied according to the Market Price of TMB shares and TMB book value determined in accordance with the basis of pricing TMB subscription price as prescribed in Share Subscription Agreement, the calculation of dilution effects will be based on the following assumptions:

- ▶ *Exercise Price of TSR* – equal to Baht 1.35 per share, which represents the minimum exercise price of the range determined by TMB, which is equivalent to a discount of 27.9 percent from the weighted average market price of TMB shares during 7 trading days prior to the date on which the Board of Directors Meetings approved the issuance of TSR to the existing shareholders, which is between 29 July – 6 August 2019 (“**Market Price**”), of Baht 1.87 per share.
- ▶ *The Offering Price of Private Placement* – calculated based on the amount of funding which TMB expected to receive from the Private Placement of Baht 6,400 million, divided by 3,067 million shares which represents maximum amount of new shares to be issued to a specific investor, to derive the offering price of Private Placement shares of Baht 2.09 per share, equivalent to a premium of 11.6 percent from the Market Price.
- ▶ *The Offering Price to TBANK Shareholders* – Calculated based on 1.1 times of TMB book value per share according to the consolidated financial statements as of 31 March 2019 after adjusting with the effect of capital increase from the exercise of TSR, which is considered in 2 scenarios as follows:
 - 1) *Successful TSR* – TMB can issue all 31,481 million new ordinary shares to TMB shareholders.
 - 2) *Unsuccessful TSR* – Only 2 major shareholders of TMB which are the Ministry of Finance and ING exercise their rights according to TSR (No minority shareholders exercise the TSR), resulting in the issuance of 17,572 million new shares to accommodate the exercise of TSR.

Under these 2 scenarios, the offering price to TBANK shareholders will be determined as follows:

THB million	Successful TSR	Unsuccessful TSR
TMB book value as of 31 March 2019	100,394	100,394
<u>Add</u> Proceeds from the exercise of TSR	42,500	23,722
TMB book value after fundraising through TSR	142,894	124,116
Total shares after fundraising through TSR (million shares) ^{/1}	75,333	61,424
Offering Price to TBANK shareholders^{/2} (Baht per share)	2.09	2.22

^{/1} Number of TMB existing shares is equal to 43,852 million shares

^{/2} Calculated from 1.1 times of TMB book value after fundraising through TSR divided by total number of shares after TSR

Based on the above assumptions, the offering price of TMB newly issued ordinary shares to TBANK shareholders will be divided into Baht 2.09 per share under Successful TSR scenario, and Baht 2.22 per share under Unsuccessful TSR scenario, respectively.

Summary of Calculation Assumptions

Offering Price Assumptions	Successful TSR			Unsuccessful TSR		
	No. of shares (m.shares)	Offering price (Baht)	Funding amount (THB million)	No. of shares (m.shares)	Offering price (Baht)	Funding amount (THB million)
TMB shareholders	31,481	1.35	42,500	17,572	1.35	23,722
Specific investors	3,067	2.09	6,400	-	-	-
TBANK shareholders	27,623	2.09	57,635	25,930	2.22	57,635
Total	62,172		106,024	43,502		81,357

The dilution effects to TMB shareholders can be separated into 4 scenarios as follows: (Noted for all scenarios, TMB will be able to fully allocate newly issued ordinary shares to all TBANK shareholders)

Scenario 1: All existing shareholders of TMB exercise their rights according to TSR, and the specific investor fully subscribe for all allotted shares

Control Dilution

In the event that all existing shareholders of TMB exercise their rights to purchase new ordinary shares according to TSR, there will be no control dilution effect to the existing shareholders. The control dilution will arise when TMB issues new shares to a specific investor and TBANK shareholders which can be calculated as follows:

	Pre-Transaction		Post-Transaction	
	No. of shares	Percent	No. of shares	Percent
ING	13,113	29.90	22,527	21.25
Ministry of Finance	11,364	25.92	19,522	18.41
TMB existing shareholders	19,375	44.18	33,284	31.39
Specific investor	-	-	3,067	2.89
TBANK shareholders	-	-	27,623	26.05
Total	43,852	100.00	106,024	100.00

$$\text{Control Dilution} = (Q_{PP} + Q_{TBANK}) / (Q_0 + Q_{TSR} + Q_{PP} + Q_{TBANK})$$

Where:

Q_0	=	TMB existing paid-up shares, which equals to 43,852 million shares
Q_{TSR}	=	Total newly issued shares reserved for the exercise of TSR of 31,481 million shares
Q_{PP}	=	Total newly issued shares to a specific investor of 3,067 million shares
Q_{TBANK}	=	Total newly issued shares to TBANK shareholders of 27,623 million shares

Therefore;

$$\begin{aligned} \text{Control Dilution} &= (3,067 + 27,623) / (43,852 + 31,481 + 3,067 + 27,623) \\ &= 28.9 \text{ percent} \end{aligned}$$

EPS Dilution

$$\text{EPS Dilution} = (\text{EPS}_0 - \text{EPS}_1) / \text{EPS}_0$$

Where:

EPS_0	=	Pre-transaction Earnings ¹ / Total number of existing shares
	=	Baht 10,900 million / 43,852 million shares
	=	Baht 0.2486 per share
EPS_1	=	Post-transaction Earnings ² / Total number of shares after capital increase
	=	Baht 21,924 million / 106,024 million shares
	=	Baht 0.2068 per share

Remark:

¹ Pre-transaction earnings is based on last 12-month net profits ended 31 March 2019.

² Post-transaction earnings is based on the pro-forma consolidated financial statements of TMB and TBANK as of 31 December 2018, which is prepared by TMB and assured as to the preparation standard by KPMG Phoomchai Audit Limited. (Please see more detail in No. 1.11 *Pro-forma Consolidated Financial Statements*)

Therefore:

$$\begin{aligned} \text{EPS Dilution} &= (0.2486 - 0.2068) / 0.2486 \\ &= 16.8 \text{ percent} \end{aligned}$$

Price Dilution

$$\text{Price Dilution} = (P_0 - P_1) / P_0$$

Where:

$$\begin{aligned}
 P_0 &= \text{Share price before new shares issued, which equals to Baht 1.87 per share} \\
 P_1 &= \text{Share price after new shares issued, which is derived from:} \\
 &\quad (\text{Market capitalization before new shares issued} + \text{Proceeds from TSR} + \text{Proceeds} \\
 &\quad \text{from specific investor} + \text{Proceed from TBANK shareholders}) / \text{Total number of shares} \\
 &\quad \text{after capital increase} \\
 &= ((1.87 \times 43,852) + 42,500 + 6,400 + 57,635) / (106,024) \\
 &= \text{Baht 1.78 per share}
 \end{aligned}$$

Therefore:

$$\begin{aligned}
 \text{Price Dilution} &= (1.87 - 1.78) / 1.87 \\
 &= 4.8 \text{ percent}
 \end{aligned}$$

Scenario 2: All existing shareholders of TMB exercise their rights according to TSR, but the specific investor does not subscribe for the allotted shares

Control Dilution

In the event that a specific investor does not subscribe for TMB newly issued ordinary shares, while, all existing shareholders of TMB exercise their rights to purchase new shares according to TSR, and all TBANK shareholders fully subscribe for the newly issued ordinary shares of TMB, TMB will issue a total of 59,104 new ordinary shares, which will create dilution effect to TMB shareholders as follows:

	Pre-Transaction		Post-Transaction	
	No. of shares	Percent	No. of shares	Percent
ING	13,113	29.90	22,527	21.88
Ministry of Finance	11,364	25.92	19,522	18.96
TMB existing shareholders	19,375	44.18	33,284	32.33
TBANK shareholders	-	-	27,623	26.83
รวม	43,852	100.00	102,956	100.00

$$\text{Control Dilution} = (Q_{\text{TBANK}}) / (Q_0 + Q_{\text{TSR}} + Q_{\text{TBANK}})$$

Where:

$$\begin{aligned}
 Q_0 &= \text{TMB existing paid-up shares, which is 43,852 million shares} \\
 Q_{\text{TSR}} &= \text{Total newly issued shares reserved for the exercise of TSR of 31,481 million shares} \\
 Q_{\text{TBANK}} &= \text{Total newly issued shares to TBANK shareholders of 27,623 million shares}
 \end{aligned}$$

Therefore:

$$\begin{aligned} \text{Control Dilution} &= (27,623) / (43,852 + 31,481 + 27,623) \\ &= 26.8 \text{ percent} \end{aligned}$$

EPS Dilution

$$\text{EPS Dilution} = (\text{EPS}_0 - \text{EPS}_1) / \text{EPS}_0$$

Where:

$$\begin{aligned} \text{EPS}_0 &= \text{Pre-transaction Earnings} / \text{Total number of existing shares} \\ &= \text{Baht } 10,900 \text{ million} / 43,852 \text{ million shares} \\ &= \text{Baht } 0.2486 \text{ per share} \end{aligned}$$

$$\begin{aligned} \text{EPS}_1 &= \text{Post-transaction Earnings} / \text{Total number of shares after capital increase} \\ &= \text{Baht } 21,924 \text{ million} / 102,956 \text{ million shares} \\ &= \text{Baht } 0.2129 \text{ per share} \end{aligned}$$

Therefore:

$$\begin{aligned} \text{EPS Dilution} &= (0.2486 - 0.2129) / 0.2486 \\ &= 14.4 \text{ percent} \end{aligned}$$

Price Dilution

$$\text{Price Dilution} = (P_0 - P_1) / P_0$$

Where:

$$P_0 = \text{Share price before new shares issued, which equals to Baht } 1.87 \text{ per share}$$

$$\begin{aligned} P_1 &= \text{Share price after new shares issued, which is derived from:} \\ &\quad (\text{Market capitalization before new shares issued} + \text{Proceeds from TSR} + \text{Proceeds} \\ &\quad \text{from TBANK shareholders}) / \text{Total number of shares after capital increase} \\ &= ((1.87 \times 43,852) + 42,500 + 57,635) / (102,956) \\ &= \text{Baht } 1.77 \text{ per share} \end{aligned}$$

Therefore:

$$\begin{aligned} \text{Price Dilution} &= (1.87 - 1.77) / 1.87 \\ &= 5.3 \text{ percent} \end{aligned}$$

Scenario 3: Other TSR holders who are not existing minority shareholders of TMB exercise the rights to purchase new shares of TMB (TSR were traded and exchanged in the stock market). While, specific investor does not subscribe for the allotted shares

Control Dilution

In the event that TMB existing shareholders (excluding Ministry of Finance and ING) sell TSR in the stock market, and new TSR holders subscribe for the newly issued ordinary shares of TMB according to TSR. The minority shareholders of TMB will be affected by control dilution as follows:

	Pre-Transaction		Post-Transaction	
	No. of shares	Percent	No. of shares	Percent
ING	13,113	29.90	22,527	21.88
Ministry of Finance	11,364	25.92	19,522	18.96
Existing minority shareholders of TMB	19,375	44.18	19,375	18.82
New minority shareholders of TMB	-	-	13,909	13.51
TBANK shareholders	-	-	27,623	26.83
Total	43,852	100.00	102,956	100.00

$$\text{Control Dilution} = 1 - (Q_0 / (Q_0 + Q_{\text{TSR}} + Q_{\text{TBANK}}))$$

Where:

- Q_0 = TMB existing paid-up shares, which is 43,852 million shares
- Q_{TSR} = Total newly issued shares reserved for the exercise of TSR of 31,481 million shares
- Q_{TBANK} = Total newly issued shares to TBANK shareholders of 27,623 million shares

Therefore:

$$\begin{aligned} \text{Control Dilution} &= 1 - (43,852 / (43,852 + 31,481 + 27,623)) \\ &= 57.4 \text{ percent} \end{aligned}$$

EPS Dilution

$$\text{EPS Dilution} = (EPS_0 - EPS_1) / EPS_0$$

Where:

- EPS_0 = Pre-transaction Earnings / Total number of existing shares
- = Baht 10,900 million / 43,852 million shares
- = Baht 0.2486 per share

$$\begin{aligned} \text{EPS}_1 &= \text{Post-transaction Earnings} / \text{Total number of shares after capital increase} \\ &= \text{Baht 21,924 million} / 102,956 \text{ million shares} \\ &= \text{Baht 0.2129 per share} \end{aligned}$$

Therefore:

$$\begin{aligned} \text{EPS Dilution} &= (0.2486 - 0.2129) / 0.2486 \\ &= 14.4 \text{ percent} \end{aligned}$$

Price Dilution

$$\text{Price Dilution} = (P_0 - P_1) / P_0$$

Where:

$$\begin{aligned} P_0 &= \text{Share price before new shares issued, which equals to Baht 1.87 per share} \\ P_1 &= \text{Share price after new shares issued, which is derived from:} \\ &\quad (\text{Market capitalization before new shares issued} + \text{Proceed from TSR} + \text{Proceed from TBANK shareholders}) / \text{Total number of shares after capital increase} \\ &= ((1.87 \times 43,852) + 42,500 + 57,635) / (102,956) \\ &= \text{Baht 1.77 per share} \end{aligned}$$

Therefore:

$$\begin{aligned} \text{Price Dilution} &= (1.87 - 1.77) / 1.87 \\ &= 5.3 \text{ percent} \end{aligned}$$

Scenario 4: Except for major shareholders of TMB which are Ministry of Finance and ING, all other existing minority shareholders of TMB do not exercise their rights according to TSR. While, specific investor does not subscribe for the allotted shares

Control Dilution

In case of unsuccessful fundraising through TSR - only Ministry of Finance and ING exercise their rights according to TSR, existing shareholders of TMB will have control dilution as follows:

	Pre-Transaction		Post-Transaction	
	No. of shares	Percent	No. of shares	Percent
ING	13,113	29.90	22,527	25.79
Ministry of Finance	11,364	25.92	19,522	22.35
TMB minority shareholders	19,375	44.18	19,375	22.18

TBANK shareholders	-	-	25,930	29.68
รวม	43,852	100.00	87,354	100.00

$$\text{Control Dilution} = 1 - (Q_0 / (Q_0 + Q_{\text{TSR}} + Q_{\text{TBANK}}))$$

Where:

- Q_0 = TMB existing paid-up shares, which equals to 43,852 million shares
 Q_{TSR} = Total newly issued shares reserved for the exercise of TSR of 17,572 million shares
 Q_{TBANK} = Total newly issued shares to TBANK shareholders of 25,930 million shares

Therefore:

$$\begin{aligned} \text{Control Dilution} &= 1 - (43,852 / (43,852 + 17,572 + 25,930)) \\ &= 49.8 \text{ percent} \end{aligned}$$

EPS Dilution

$$\text{EPS Dilution} = (EPS_0 - EPS_1) / EPS_0$$

Where:

- EPS_0 = Pre-transaction Earnings / Total number of existing shares
 = Baht 10,900 million / 43,852 million shares
 = Baht 0.2486 per share
 EPS_1 = Post-transaction Earnings / Total number of shares after capital increase
 = Baht 21,924 million / 87,354 million shares
 = Baht 0.2510 per share

Therefore:

$$\begin{aligned} \text{EPS Dilution} &= (0.2486 - 0.2510) / 0.2486 \\ &= \text{-None-} \end{aligned}$$

Price Dilution

$$\text{Price Dilution} = (P_0 - P_1) / P_0$$

Where:

- P_0 = Share price before new shares issued, which equal to Baht 1.87 per share
 P_1 = Share price after new shares issued, which is derived from:

$$\begin{aligned} & \text{(Market capitalization before new shares issued + Proceed from TSR + Proceed from} \\ & \text{TBANK shareholders) / Total number of shares after capital increase} \\ = & \quad ((1.87 \times 43,852) + 23,722 + 57,635) / (87,354) \\ = & \quad \text{Baht 1.87 per share} \end{aligned}$$

Therefore:

$$\begin{aligned} \text{Price Dilution} & = (1.87 - 1.87) / 1.87 \\ & = \text{-None-} \end{aligned}$$

Summary of Dilution Effects to TMB Shareholders

	TMB minorities subscribe for TSR		TMB minorities not subscribe for TSR	
	Scenario 1	Scenario 2	Scenario 3	Scenario 4
TSR	✓	✓	✓ (By other TSR holders)	<i>Partial</i> (By 2 major shareholders)
Specific Investor	✓	-	-	-
TBANK shareholders	✓	✓	✓	✓
Control Dilution ^{/1}	28.9%	26.8%	57.4%	49.8%
EPS Dilution ^{/2}	16.8%	14.4%	14.4%	-
Price Dilution ^{/3}	4.8%	5.3%	5.3%	-

^{/1} Excluding new ordinary shares issued to executives and employees of TMB and TBANK under TMB Stock Retention Program

^{/2} Calculated based on the pro-forma consolidated net profits of TMB and TBANK as of 31 December 2018, which include TBANK operating results

^{/3} Excluding estimated market capitalization of TBANK

Based on the above calculation, TMB minority shareholders will encounter control dilution between 26.8 – 57.4 percent (excluding the effect of new shares issuance to executives and employees of TMB and TBANK under TMB Stock Retention Program). The most dilution effect will arise when the minority shareholders do not exercise their rights according to TSR or decide to sell TSR in the SET. While, the maximum EPS dilution effect will be 16.8 percent when TMB is able to fully allocate all newly issued ordinary shares. The issuance of new ordinary shares will have an insignificant impact on the market price of TMB shares since the offering price of newly issued ordinary shares to TBANK shareholders is higher than current market price of TMB shares.

Nevertheless, the actual dilution effects to TMB shareholders will depend on market price of TMB shares and total amount of newly issued ordinary shares.

1.9 Summary of Key Terms and Conditions

The Transaction to acquire entire shares of TBANK involved with 2 material contracts which are 1) Share Purchase Agreement, and 2) Share Subscription Agreement, which contain key terms and conditions as summarized below:

1.9.1 Share Purchase Agreement

Contract Parties	<ul style="list-style-type: none"> ▪ Thanachart Capital Public Company Limited and Scotia Netherlands Holdings B.V. (“Sellers”) ▪ TMB Bank Public Company Limited (“TMB” or “Purchaser”)
Date	<ul style="list-style-type: none"> ▪ 8 August 2019
Subject shares	<ul style="list-style-type: none"> ▪ 6,062,438,397 ordinary shares of TBANK, which represent 99.96 percent of TBANK total paid-up shares
Conditions Precedent	<ul style="list-style-type: none"> ▪ Completion of the Transaction is conditional upon the satisfaction or waiver of the following conditions: <ol style="list-style-type: none"> 1) The Parties and TBANK shall have obtained permissions from the relevant authorities to proceed with the business merger and any other related arrangements as required by laws, including but not limited to, such permissions from the Bank of Thailand, Ministry of Finance, and the SEC; 2) The Parties and TBANK shall have obtained approval for the relevant matters from their respective Shareholders Meetings as required by laws; 3) The relevant licenses material to operate TBANK and TMB businesses are still effective as at the Transaction Date . 4) TBANK has been exempted or waived the right to terminate agreement, damages from breach of agreement, termination fees, or any other expenses from termination of agreement, any damages which are higher than 5 percent of the Initial Price from third parties who are a party to the relevant agreements as a direct result of the Transaction for the period of not less than 12 months from the Transaction Date; 5) The Prospectus prepared for the offering of TMB newly issued ordinary shares to TBANK shareholders shall have come into effect; 6) TMB shall have fully and successfully secured necessary financing for the Merger through the issuance of new ordinary shares to accommodate the exercise of Transferable Subscription Right (“TSR”), the issuance of new ordinary shares to a specific investor via the Private Placement, and the issuance of Additional Tier 1 instrument, of at least Baht 57,500 million;

	<p>7) TCAP and BNS shall have signed the agreement for the sale and purchase of shares in certain companies in which BNS holds shares, after the completion of the business restructuring;</p> <p>8) TBANK shall have completed business restructuring by way of divesting its interest in 12 subsidiaries and other entities, to all TBANK shareholders according to their respective shareholdings; and</p> <p>9) The European Central Bank and The Dutch Central Bank shall have issued a letter of non-objection to the entry to any transactions or arrangements arising from the prescribed transaction in an appropriate form.</p> <ul style="list-style-type: none"> ▪ In the event that the conditions precedent in no. 1 – 2 specified above are not satisfied or waived on or before 31 October 2019 (Initial Long Stop Date), and all conditions precedent stated above are not satisfied or waived on or before 31 December 2019 (Long Stop Date), all provisions of this agreement shall lapse and cease to have effect. ▪ Conditions precedent no. 1 (Partial), 3 and 6 may be waived at the sole discretion of the Purchaser. ▪ Conditions precedent no. 1 (Partial) and 7 may be waived at the sole discretion of the Sellers. ▪ The completion date of TBANK business restructuring will be determined as the date of the Transaction.
Purchase Price	<ul style="list-style-type: none"> ▪ Purchase price per TBANK share will be determined by the following formula: TBANK book value according to the Consolidated Financial Statements <u>Plus</u> Gain on business restructuring <u>Plus</u> Fixed premium of Baht 9,245 million <u>Less</u> TBROKE book value per consolidated financial statements of TBANK <u>Less</u> TFUND book value per consolidated financial statements of TBANK <u>Divided by</u> Number of all issued and paid-up shares of TBANK <i>Remark: TBANK book value stated above will be adjusted with additional reserve required under TFRS9, and must be audited by TBANK auditor.</i> <i>(Please see more details in No. 1.6 Consideration and Basis of Consideration)</i>
Payment	<ul style="list-style-type: none"> ▪ Payment will be in Thai Baht ▪ On the Transaction Date, the Purchaser will pay to the Sellers the Initial Price, which is determined in accordance with the basis of pricing set out on page 43-44 ▪ The Initial Price must be determined and agreed on or before 31 December 2019

	<ul style="list-style-type: none"> ▪ The financial information used in determining the Initial Price shall be subsequently audited by TBANK auditor to derive the Final Price. The Parties agree to settle for difference from the Final Price (if any).
Termination	<ul style="list-style-type: none"> ▪ Conditions precedent no. 1-2 are not satisfied or waived on or before 31 October 2019 ▪ All conditions precedent are not satisfied or waived on or before 31 December 2019 ▪ The Initial Price is not determined and agreed and no signing of Settlement Agreement on or before 31 December 2019 ▪ The Initial Price of TBANK shares increases or decreases from the purchase price determined based on 31 December 2018 by 15 percent or higher ▪ TMB book value after the issuance of new ordinary shares to accommodate the exercise of TSR and through the Private Placement based on the audited consolidated financial statements of TMB as of 30 September 2019 and financial information prepared by TMB management for the operating results from 1 October to 31 October 2019 increases or decreases from TMB book value which includes the issuance of new ordinary shares to accommodate the exercise of TSR and through the Private Placement calculated based on TMB audited consolidated financial statements as of 31 December 2018, by 15 percent or higher.
Pre-completion Undertakings	<ul style="list-style-type: none"> ▪ The Sellers shall not operate to restrict or prevent: <ol style="list-style-type: none"> (1) any action taken by TBANK Group companies in the ordinary course of business; or (2) any matter reasonably undertaken by TBANK Group companies in an emergency situation with the intention of minimizing any adverse effect thereof
Sellers Representation and Warranties	<ul style="list-style-type: none"> ▪ Sellers represent and warrant that each of the warranties is true, accurate and not misleading. ▪ Sellers provides warranties regarding its right on the transferred shares, the legally binding of customer agreements, and other warranties covering accounts, compliance, litigation, and tax matters.
Taxation	<ul style="list-style-type: none"> ▪ The Sellers covenant to pay the Purchaser for tax indemnities, if in the preceding 24 months, TBANK has tax penalties, surcharge or tax disputes with Tax Authority, other than those being disclosed, in the amount greater than Baht 100 million. The liability of the Sellers in respect of Tax Warranty shall be valid for 5 years. ▪ The Sellers will be responsible for capital gain tax arising from the divestment of certain entities according to the business restructuring by deducting from the Purchase Price.

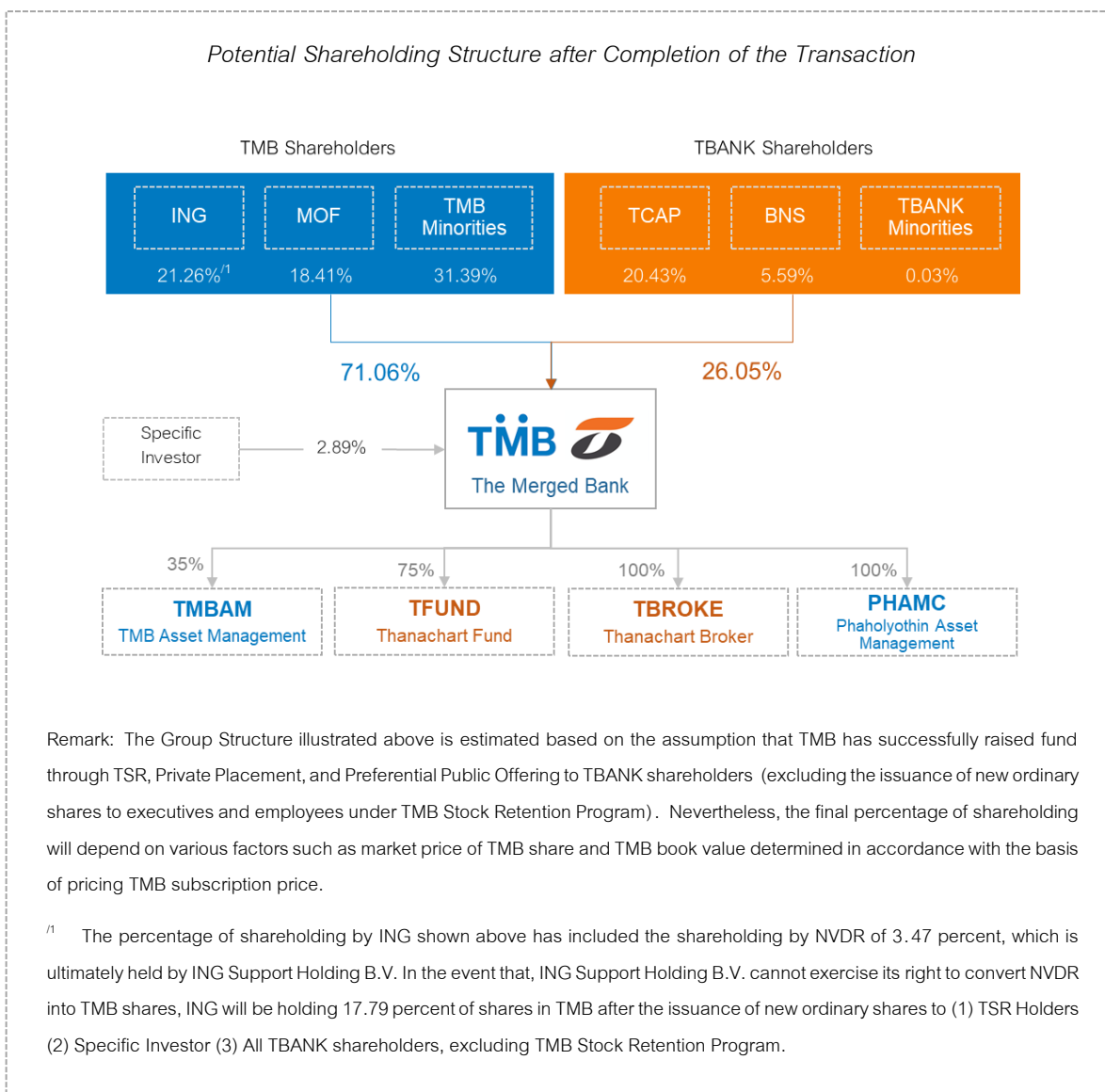
<p>Limitation on Liability</p>	<ul style="list-style-type: none"> ▪ For all claims under the Share Purchase Agreement, the Sellers shall be liable if the amount of any single claim exceeds Baht 100 million; and the aggregate amount of all claims exceed 1 percent of Final Price, subject to the following limitation: <ul style="list-style-type: none"> (a) For all claims in respect of rights over the transferred shares, the Purchaser is entitled to claim the whole amount but not exceed 100 percent of the Final Price. (b) For other claims except for (a), the Purchaser is entitled to claim for the amount exceeding 1 percent, but total claims shall not exceed 15 percent of Final Price. ▪ Nevertheless, the aggregate liability of the Sellers under the warranty claims in any event shall not exceed 100 percent of the Final Price.
<p>Additional Undertakings</p>	<ul style="list-style-type: none"> ▪ Any inter-company debts shall be fully paid. ▪ TBANK shall diligently pursue a sale of T-Fund to a third party by appointing the Purchaser as TBANK’s advisor in relation to such sale transaction. ▪ Upon completion, the directors of TMB appointe on the basis of TCAP’s nomination shall abstain from voting at any board or committee meeting, relating to any actions under this agreement on the basis that such directors have conflicts of interest in the matters being considered. ▪ For a period of three years, neither the Sellers nor its subsidiaries (excluding THANI) in which it holds more than 50 percent of shares will invest in or start a new hire purchase or leasing business for passenger cars or pickups. ▪ The Seller shall use its best effort to ensure that TBANK and the merged bank are able to retain all of the employees, managers, directors and officers that TMB deems necessary for the successful continuation and expansion of the hire purchase or leasing business.

1.9.2 Share Subscription Agreement

The Parties	<ul style="list-style-type: none"> ▪ TMB Bank Public Company Limited (“TMB” and “Sellers”) ▪ Thanachart Capital Public Company Limited and Scotia Netherlands Holdings B.V. (“Purchasers”)
Date	<ul style="list-style-type: none"> ▪ 8 August 2019
Subject Shares	<ul style="list-style-type: none"> ▪ Not exceeding 28,150,036,534 newly issued ordinary shares of TMB, equivalent to 35.2 percent of TMB total issued and paid-up shares after fundraising through TSR and Private Placement
Purchase Price	<ul style="list-style-type: none"> ▪ 1.1 times of TMB book value per share after fundraising through TSR, which is determined from the following formula: 1.1 times of TMB Book Value, which is derived from the latest audited consolidated financial statements of TMB and the operating results of the following month after the end date of such latest consolidated financial statements which is prepared by TMB management; <u>Plus</u> The amount of funds raised from the issuance of newly issued shares to accommodate the exercise of TSR allocated to TMB existing shareholders in accordance with the predetermined procedures; <u>Less</u> Additional reserve required under TFRS9 (if any); Divided by number of all issued and paid-up ordinary shares of TMB after fundraising through TSR.
Conditions precedent	<ol style="list-style-type: none"> 1) The Transaction is conditional upon the completion of the share acquisition to which TCAP, BNS and TMB are the parties. 2) If the share acquisition cannot be achieved within 31 December 2019, certain clauses of the SPA will be terminated and become unenforceable. However, the termination or unenforceability of such clauses does not prejudice the rights, obligations and liabilities of each party in connection with liability in the case of non-compliance with contractual obligations within the specified period and does not affect any preceding act performed prior to the termination or unenforceability of the Subscription Agreement.
Other conditions	<ul style="list-style-type: none"> ▪ TCAP will represent all minority shareholders to subscribe for the newly issued ordinary shares, which will be later transferred to the minority shareholders.

1.10 Post Integration Business Plan

After the merger between TMB and TBANK, the merged bank will have Ministry of Finance, ING, and TCAP as the major shareholders. The management of TMB and TBANK has committed to cooperatively manage the business of the merged bank by utilizing their experiences in each business to create value added for the maximum benefits of the merged bank in order to maintain the position as one of the leading commercial banks in Thailand.



Corporate Governance

According to the information provided by the prospective major shareholders of the merged bank, the structure of the Board of Directors is likely to be as follows:

The Board of Directors of the merged bank will consist of 14 members, increased from 12 members at present, which comprise of 2 directors nominated by Ministry of Finance, 2 directors nominated by ING, 2 directors nominated by TCAP, 1 executive directors, and 7 other directors i.e. independent directors and/or a persons nominated by Royal Thai Army, as detailed below:

Board of Directors of the Merged Bank	Directors
▪ ING nominated directors	2 persons
▪ TCAP nominated directors	2 persons
▪ Ministry of Finance nominated director	2 persons
▪ Chief Executive Officer	1 person
▪ Other directors (i.e. Independent Directors and/or a person nominated by Royal Thai Army)	7 persons
Total	14 persons

Business Strategies

Based on the interview with TMB management and the review of Merger Plan between TMB and TBANK, the major policy after the Merger is the ongoing business operation of each bank by emphasizing on potential strength of both banks, together with an utilization of combined resources from business integration, to develops banking business and tailors products that match more on customers' needs to maximizes benefits earned for the Merged Bank. At the same time, the Merged Bank will continue to maintain the corporate principal, customer-centric, which focuses on the needs and interests of the customers as follows:

1. *Better and more comprehensive offerings of products that cater customers' needs*

The Merged Bank will select existing products of both banks that could create value for customers of both banks and offer to them in a better way. For example, the offering of TBANK's auto loans to TMB's customers. In this regard, the more effective and comprehensive offering of financial products and services would allow greater accessibility to financial products to cater customers' needs.

2. *More convenience from better network coverage*

The Merger will add more channel to access the services in wider area, including through branches or electronic channels, which will be more comprehensive compared to other major banks and will allow more conveniently accessibility to customers

3. *Customer experience enhancement*

The Merged Bank will apply customer experience management approaches which have been well developed by both banks and will gather their understandings as to customers' behaviors to enhance customer experience management. Moreover, the Merged Bank will continuously conduct customer experience measurement to improve its products and services.

4. *Innovation and continuous improvement*

The Merged Bank will be more able to utilize the bigger investments and resources to continuously improves and offers innovative products to customers.

The Merger represents the integration of the strength of both banks together to maximize the benefit in business operation, which can be summarized as follows:

1. *Top-notch deposit and investment products*

The Merged Bank will focus on being the leader in selecting investment products from open architecture for its customers to have the best product and cater variety needs of different segments of customers. The Merger would allow the Merged Bank to have wider customer base and resources which will turn into the top-notch deposit and investment products.

2. *Leading in auto loan and retail lending products*

The Merged Bank will further reinforce the strength of auto loan products of which TBANK is the leader, equipped with available personnel, car dealer network, and brand's strength, as well as improve other retail lending products to cater customers' needs and keep up with changes in market conditions and competition to maintain its leadership.

3. *Enriching wholesales banking solution*

The Merger will create more opportunity to widen customer base for wholesale banking customers, such as supply chain financing and cash management, which will enrich customers' business

efficiency and network for customers in key industries in which both banks are proficient, such as car distribution industry.

4. *Distributor business model / open architecture*

The Merged Bank will focus on the development of products and services that harmonize with the key strategy and further the expertise of each bank and will focus on selecting the greatest business partner and products to offer products and services to customers through variety of sale channels, including mutual fund products or life insurance products.

5. *Advancing digital / data analytics capabilities*

The Merged Bank will further the approach for digital transformation which both banks have continuously and excellently performed, together with the utilization of the more replete resource after the Merger. Moreover, the Merged Bank will invest in the development of IT system, cyber security system, and customer data security to be the best-in-class, as well as enhance employees' knowledge, build up corporate culture, digitalize working procedure to fasten product and service development to create customer experience. In addition, the Merged Bank will gather information for an in-dept analysis to create financial products and service to cater the needs of each group of customers.

1.11 Pro-forma Consolidated Financial Statements

The pro-forma consolidated financial statements after the Merger was prepared by TMB and assured as to the preparation standard by KPMG Phoomchai Audit Limited to illustrate the expected assets, liabilities, and operating performance of TMB after the Merger. TMB has conducted pro-forma consolidated financial statements of TMB and TBANK after the Merger based on the financial statements of TMB for the year ended 31 December 2018 with the adjustments subject to the impact of fundraising process as discussed in 1.7 *sources of fund*, and pro-forma consolidated financial statements of TBANK after the business restructuring for the year ended 31 December 2018. In this regard, the pro-forma consolidated financial statements are not an indicator of the actual operating results as the financial information in the pro-forma consolidated financial statements have been prepared by assumption of the event that did not actually occur at the time. Key assumptions used in the pro-forma consolidated financial statements of TMB and TBANK after the Merger can be summarized as follows:

1. *Disposal of non-transferred entities*

TBANK will dispose of certain subsidiaries and associate companies as part of the business restructuring. The disposed investments will be adjusted with interbank and money market items as it

is a condition before the acquisition whereby TMB will acquire TBANK immediately after TBANK disposes of the non-transferred entities and receives related consideration from the disposal.

2. *Acquisition of TFUND by TMB with a view to resale*

TMB managements have the intention to accept the transfer of TFUND with a view to resale. The carrying amount will be recovered principally through a sale transaction and it is considered highly probable. Therefore, TMB presents the value of investment in TFUND at deemed fair value and classified as a single unit in other assets rather than fair value of each asset and liability items. Moreover, the pro-forma consolidated statement of comprehensive income will exclude TFUND's operating results in order to reflect the on-going performance. Any intercompany transactions with TFUND will be treated as third party transactions and have not been eliminated.

3. *Depreciation on fair value uplift of buildings for own use*

From the assumption in preparing the pro-forma consolidated statement of comprehensive income, if the Merger had been completed on 1 January 2018, TBANK's operating results also reflect additional depreciation on fair value uplift of buildings for own use by divided fair value uplift with remaining useful life as implied from the appraisal report.

4. *Financial structure established to fund the acquisition*

With reference to the assumption in preparing the pro-forma consolidated statement of financial position that the Merger had been completed on 31 December 2018, the pro-forma financial information has reflected the following financing transaction as proceeds to fund the consideration of Baht 158,411 as follows:

- issuing subordinated debentures of Baht 25,000 million;
- issuing share on the rights offering and private placement of Baht 48,900 million;
- issuing share for preferential public offering to TBANK shareholders equivalent to fair value of Baht 57,635 million;
- the rest will be funded by TMB's liquidity.

According to the assumption in preparing the pro-forma consolidated statement of comprehensive income that the Transaction had been completed on 1 January 2018, the performance of the merged bank also reflects interest expenses from subordinated debentures issued by applying expected interest rates to be incurred, net of tax. However, the above consideration and the pro-forma consolidated financial information have not yet reflected transaction costs relating to the funding.

5. *Identification of intangible assets and goodwill from the Merger*

The intangible assets and goodwill from the Merger have been computed together by using the difference between the expected consideration paid or payable to the seller and the adjusted net asset value of TBANK and deferred tax liabilities.

Given that the information regarding fair value of intangible assets identified from the Merger is not available yet, therefore, it has been shown together with goodwill. As a result, no related amortization of those identified intangible assets has been reflected in the pro-forma consolidated statement of comprehensive income.

The goodwill in the pro-forma consolidated financial information will be different, as the allocation of the purchase price has not been finalized. Accordingly, there can be no assurance that the final allocation of the purchase price will not differ from the preliminary allocation reflected in the pro-forma consolidated financial information.

Supplementary Information

- Gains on investments include gain on loss of control in TMB Asset Management Co., Ltd. of Baht 11,852 million.
- Impairment losses of loans and debt securities includes additional allowance set by TMB of approximately Baht 5,000 million in anticipation of strengthening regulatory measures.
- Income tax includes utilization of tax losses not previously recognized as deferred tax asset amounting to of Baht 4,742 million.

Key items in TMB financial statements compared to the pro-forma consolidated financial statements of TMB and TBANK after the Merger can be summarized as follows:

Consolidated financial statements 31 December 2018 (Unit: THB million)	TMB	TMB+TBANK
Cash	15,234	26,246
Interbank and money market items, net	113,522	193,744
Investment, net	73,477	220,848
Total loans to customers and accrued interest receivables, net	654,040	1,334,627
Premises and equipment, net	11,876	22,902
Goodwill and other intangible assets, net	2,592	25,285
Other assets, net	20,972	36,904
Total Assets	891,713	1,860,556
Deposits	649,568	1,403,301
Interbank and money market items	64,267	106,185
Debt issued and borrowings, net	35,124	78,490
Other liabilities	43,975	67,265
Total Liabilities	792,934	1,655,242
Issued and paid-up capital plus share premium	42,063	148,598
Retained earnings	51,905	51,905
Other reserves	4,811	4,811
Total Equity	98,779	205,314
Total Liabilities and Equity	891,713	1,860,556

Consolidated financial statements 31 December 2018 (Unit: THB million)	TMB	TMB+TBANK
Interest income	35,128	77,754
Interest expenses	10,632	26,018
Net interest income	24,497	51,737
Fees and service income	12,764	21,007
Fees and service expenses	3,426	6,795
Net fees and service income	9,338	14,212
Other operating income	14,208	16,081
Total operating income	48,042	82,029
Total other operating expenses	17,475	35,399
Impairment loss on loans and debt securities	16,100	20,565
Profit from operations before income tax	14,467	26,064
Income tax	(2,866)	(4,140)
Profit for the year	11,601	21,924
Total other comprehensive income for the year, net of income tax	(48)	(1,031)
Total comprehensive income for the year	11,554	20,893

1.12 Transaction Size

The Transaction has a total value of consideration under the assumption that the Transaction Date was 31 December 2018, of Baht 158,411 million, which include Baht 25,912 million net proceeds from the divestment of certain investments according to TBANK business restructuring. (Please see more detail in 1.6 *Consideration and Baiss of Consideration*)

The Transaction is regarded as material acquisition transaction pursuant to the Notification of the Capital Market Supervisory Board No. TorJor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets, and the Notification of the SET Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B. E. 2547 including any subsequent amendment (“**the Acquisition and Disposal Notification**”).

The Transaction size is calculated based on the pro-forma consolidated financial statements of TBANK after business restructuring as of 31 December 2018 which is the latest financial information prepared by TMB management, as if the business restructuring pursuant to the Share Purchase Agreement were taken place on 31 December 2018, compared with the audited consolidated financial statements of TMB as of 31 December 2018.

Financial information for the purchase of Transaction size calculation can be summarized as follows:

(Unit: million)	TMB	TBANK ¹
Total assets	891,713	928,191
Total intangible assets	2,592	1,365
Deferred tax assets	401	-
Total liabilities	792,934	851,416
Non-controlling interest	-	-
NTA ²	95,786	129,410
Net Profits ³	11,601	11,222

¹ Based on the pro forma consolidated financial statements of TBANK (after business restructuring), which is prepared by TMB and assured as to the preparation standard by KPMG Phoomchai Audit Limited.

² NTA (Net Tangible Assets) is equal to total assets less intangible assets, total liabilities and non-controlling interests

³ Profits during the last 12 months (only a portion attributable to the Company's shareholders)

Transaction Size Calculation Basis

Basis	Calculation	Transaction Size
1. Net Tangible Assets (NTA)	$\frac{(\text{NTA of TBANK} \times \% \text{ Acquisition})}{\text{TMB NTA}}$	135.1 percent
2. Net Profits	$\frac{(\text{Net Profits of TBANK} \times \% \text{ Acquisition})}{\text{TMB Net Profits}}$	96.7 percent
3. Total Consideration Value	$\frac{\text{Total Consideration Value}^{\text{1}}}{\text{TMB Total Assets}}$	17.8 percent
4. Value of Issued Securities	$\frac{\text{Issuing securities to settle the Teansaction}}{\text{TMB Total Paid-up Shares}}$	Not applicable, as no issuing securities

¹ Total value of consideration is Baht 158,411 million, which include net proceed from business restructuring of Baht 25,912 million

The maximum size of the Transaction is 135.1 percent calculated based on Net Tangible Assets basis. The Transaction is the acquisition of asset between a listed company and another listed company with a value of 50 percent or higher. Therefore, the Transaction constitutes the Acquisition Transaction Type 1 according to the Acquisition and Disposal Notification.

Since all the sellers have no relationship with TMB, the Transaction is not regarded as a Connected Transaction pursuant to the Notification of the Capital Market Supervisory Board No. TorJor. 21/2551 Re: Rules on Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E.2546 including any subsequent amendments.

In entering into the Transaction, TMB is required to disclose Information Memorandum regarding the Transaction to the SET and circulate the meeting invitation letter to the shareholders together with the Opinion of the Independent Financial Advisor regarding the reasonableness of the Transaction, the fairness of Transaction Price and the fairness of Transaction Conditions to the shareholders, at least 14 days prior to the date of the shareholders meeting. and to seek prior approval from the shareholders meeting with affirmative votes of not less than three-fourths of the total number of votes of the shareholders who attend the meeting and are entitled to vote, excluding the shareholders with vested interest.

2. Opinion of the Independent Financial Advisor Regarding Reasonableness of the Transaction

In assessing the reasonableness of the Transaction, the Independent Financial Advisor considers the transaction to acquire entire shares of TBANK, the proposed merger plan between TMB and TBANK, and the issuance of new shares to all TBANK shareholders, as they are all related matters and conditional upon each other. The Independent Financial Advisor takes into account the following matters:

2.1 Objective and Necessity of the Transaction

The acquisition of the entire shares of TBANK aligns with TMB business plan to expand its lending business and to enhance its long-term competitiveness through the merger with the commercial banks with high quality of loans and favourable return on assets. At present, TBANK is a leading provider of auto hire purchase loan with the majority dealt with the retail loans, the acquisition of shares and subsequent merger with TBANK, therefore, provide a shortcut for TMB to access more retail customers, which helps create better balance of loan structure for sustainable growth of TMB in the long term

Additionally, TMB will receive benefits from various business synergies including increasing revenue, decreasing funding cost from larger customer bases, economies of scale from increased size of operation under the assumption that the merged bank can manage redundancies effectively. Moreover, TMB and TBANK will be able to leverage knowledge to develop new financial products to the market, which will enable TMB to maintain its ability to generate revenue and profits in order to create favourable long-term return to the shareholders

In addition, in the event that the merger between TMB and TBANK can be completed in 2021, the merged bank will be able to deduct corporate income tax and receive a waiver from value-added tax, specific business tax, and stamp duties. Actual expenses incurred by the merged bank are also tax deductible in compliance with the predetermined conditions. TMB, therefore, proposed the merger plan with TBANK by acquiring the entire shares of TBANK and will proceed to integrate with TBANK in accordance with the One Presence Policy of the Bank of Thailand. TMB management anticipates the merger between TMB and TBANK to be completed by 2021.

2.2 Advantages, Disadvantages, and Risks of Entering into the Transaction

Based on the information from TMB and other reliable source, the advantages, disadvantages, and risks from entering into the Transaction can be summarized as follows:

2.2.1 Benefits and Advantages from Entering into the Transaction

1) *Investing in Assets with Growth Potential*

The acquisition of entire shares of TBANK is considered an investment in assets with high potential in terms of ability to grow loan, ability to generate profits, and strong capital base, which can be summarized as follows:

High Loan Growth – As of 31 March 2019, TBANK had loan to customers of Baht 740,368 million, representing 5.9 percent of total loans in the banking system, with the growth rate in 2018 of 5.1 percent, comparable to the average loan growth rate of the overall banking system which stood at 6.0 percent in 2018. Moreover, the majority of TBANK loan which is auto hire purchase loan accounted for approximately 53 percent of total loans, have a high growth rate of 12.6 percent in 2018, which exceeds market average due chiefly to the recovery of car market following the end of the first-time car buyer scheme in 2016. The acquisition of shares and subsequent merger with TBANK is, therefore, considered an investment in commercial banks with growth potential comparing with other commercial banks in Thailand.

2018	TBANK	TMB	Industry Average
Loan growth rate	5.1%	6.6%	6.0%

Low NPL Ratio – When considering the quality of TBANK loan, the Non-Performing Loan (NPL) ratio as of 31 December 2018 stood at 2.3 percent, lower than an industry average of 2.9 percent and TMB of 3.2 percent respectively. Moreover, TBANK loan structure as of 31 December 2018 comprises of 93.8 percent of loans classified as Normal, which is higher than TMB at 92.7 percent.

As of 31 December 2018	TBANK	TMB	TMB+TBANK	Industry Average
Normal	93.8%	92.7%	93.3%	94.4%
Special Mention	4.0%	4.1%	4.0%	2.5%
NPL	2.3%	3.2%	2.7%	3.1%

Moreover, if considering historical bad debt write-off in the last 2 years, TBANK had written off approximately 0.8 – 0.9 percent of total loan amount, which is considered lower than the write-off rate of TMB. Therefore, the acquisition of shares and subsequent merger with TBANK will improve overall quality of loan which will help minimize overall business risk.

High Interest Yield – Loan portfolio of TBANK comprises mainly of auto hire purchase, thereby containing a large portion of retail loan which accounted for approximately 73.9 percent of total loans of TBANK. The retail loan typically generates better interest yield when compared to the corporate loan. TBANK, therefore, has an average interest yield higher than industry average. In 2018, TBANK interest yield equals to 5.8 percent, higher than TMB at 5.0 percent. The merger with TBANK will help enhance TMB capability to earn interest income, which will lead to an improvement of interest spread and profitability, respectively.

As of 31 December 2018	TBANK	TMB	TMB+TBANK
Interest Yield on Loan	5.8%	5.0%	5.4%

Source: Separate financial statements of TMB and TBANK

Strong Capital Base – As of 31 December 2018, TBANK had Capital Adequacy Ratio (CAR) of 19.5 percent, which is higher than industry average of 17.6 percent. Moreover, Common Equity Tier 1 represents 79.2 percent of total capital fund of TBANK, which indicates that a quality of TBANK capital fund is comparable with TMB at 77.9 percent. Therefore, the merger with TBANK will strengthen TMB capital base which will help accommodate future expansion of loan business.

As of 31 December 2018	TBANK	TMB	Industry Average
Capital Adequacy Ratio	19.5%	17.5%	17.6%
Tier 1 Capital	15.4%	13.6%	14.8%

Source: Separate financial statements of TMB and TBANK

2) *Enhance Asset Size and Competitiveness*

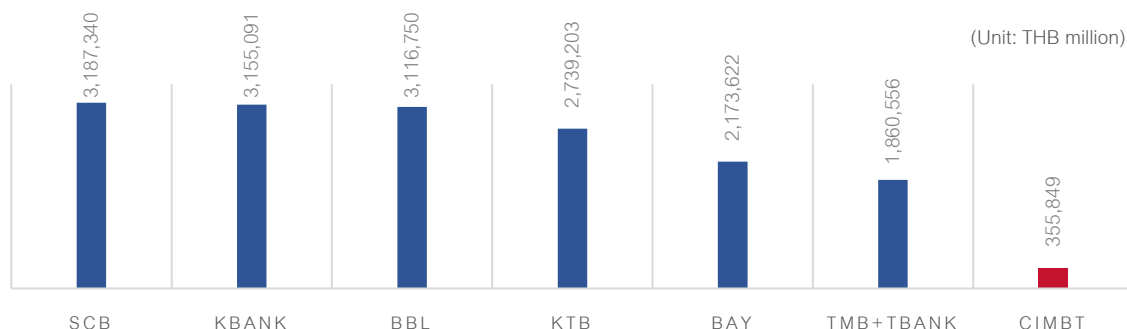
Upon completion of the merger with TBANK, the merged bank will be the sixth largest commercial bank in Thailand in terms of total assets, loans, and deposits, stepped up from the seventh rank at present, and will keep its position closer to the fifth ranked commercial bank which is the Bank of Ayudhya (BAY).

As of 31 December 2018	TMB	TMB + TBANK ¹
Loans to customers-net (THB million)	654,040	1,334,627
Total assets (THB million)	891,713	1,860,556

¹ Source: Pro-forma consolidated financial statements of TMB (Please see more detail in No. 1.11 *Pro-forma Consolidated Financial Statements*)

Based on the above table, the merged bank will own a total assets of Baht 1,860,556 million, comparable to the asset size of BAY of Baht 2,173,662 million as of 31 December 2018. The merged bank will have an opportunity to further upgrade to be a large commercial bank, which is the bank with more than 10 percent of total banking assets, in the future.

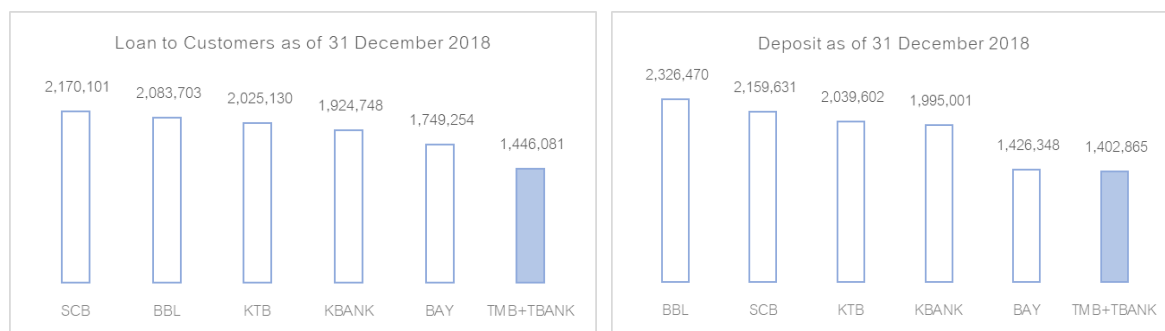
Total Assets of Commercial Banks in Thai Banking System as of 31 December 2018



Source: Consolidated Financial Statements as of 31 December 2018

The increase in asset size and the opportunity to be promoted to be one of the large commercial banks in Thailand helps improve image and credibility of the merged bank, which will strengthen its competitive position against other commercial banks, which will enable the merged bank to provide lending service to a wider range of customers, especially for the large corporations both in the country and in the region.

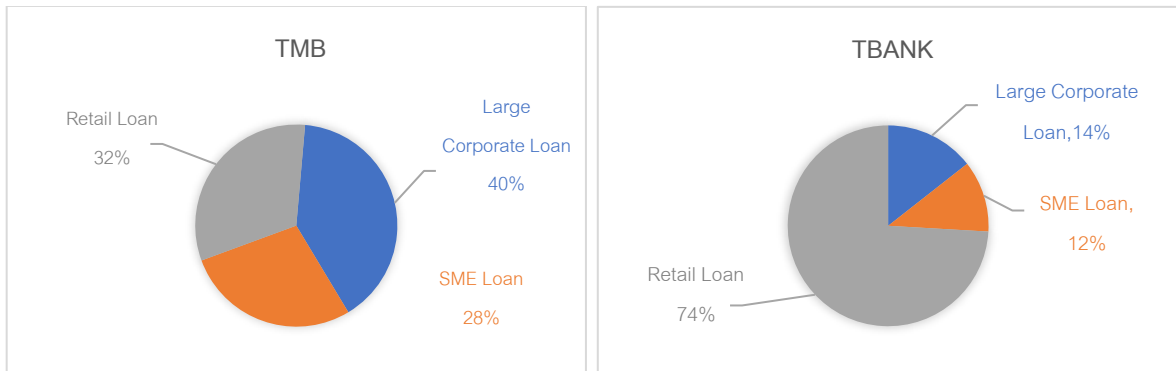
Unit: THB Million



3) Diversify Business Risk

As of 31 December 2018, TMB loan portfolio comprised of large corporate loan, SME loan, and retail loan of 40.0 percent, 28.0 percent, and 32.0 percent, respectively. While, more than 74.2 percent of TBANK portfolio was retail loan. The merger with TBANK not only enhance loan size of the merged loan, but also create better balance between corporate loan and retail loan, as well as diversity retail loan business risk, as previously concentrated in home loan, into auto loan market.

Post merger transaction, the merged bank will have the portion of retail loan of 53 percent and corporate loan of 47 percent, respectively, which helps balance and diversify its customer base to wider range of loans, being corporate loan, auto hire purchase loan, home loan, which helps strengthen TMB loan portfolio and diversify its business risk for long-term sustainable growth



Remark: Information as of 31 December 2018

As of 31 December 2018	TMB	TMB + TBANK
Corporate Loan	68%	47%
Retail Loan	32%	53%

Additionally, the acquisition of TBROKE (TBANK's wholly-owned subsidiary) also allows diversification of other income as TMB will be able to generate supplemental earnings from multiple sources including fee income from insurance brokerage activities, which will enhance a portion of non-interest income to create stability of TMB revenue stream.

4) Enhance Ability to Generate Revenue and Profits

Subsequent to the merger between TMB and TBANK, TMB will report increasing operating revenue and better performance as shown below:

2018 (THB million)	TMB	TBANK ¹	TMB + TBANK ²
Net interest income	24,497	28,365	51,737
Net fee and service income	9,337	4,874	14,212
Other income	14,208	1,873	16,081
Total Operating Income	48,042	35,112	82,029
Operating expenses	(17,475)	(17,925)	(35,399)
Impairment losses and loans and debt securities	(16,100)	(4,465)	(20,565)
Income tax	(2,866)	(1,499)	(4,140)
Net Profits for the Period	11,601	11,222	21,924

Remark:

¹ Source: Pro-forma Consolidated Financial Statements of TBANK after business restructuring, prepared by TMB management

² Source: Pro-forma Consolidated Financial Statements of TMB and TBANK, based on the assumptions described in No. 1.11 Pro-forma Consolidated Financial Statements

Key Financial Ratios

Year 2018	TMB	TBANK	TMB + TBANK
Interest spread	2.9%	3.0%	2.9%
Cost to income	48.3% ¹	51.4% ²	49.6%
Credit cost	1.5% ²	0.7%	1.1%

Source: Independent Financial Advisor Analysis

¹ Calculated by excluding gain from losing control in subsidiaries of Baht 11,852 million from the divestment of 65 percent interest in TMB Asset Management Co.,Ltd. (TMBAM) in 2018

² Calculated by excluding dividend income from divested entities according to business restructuring

³ Applied average credit cost incurred in 2016 – 2017 instead of 2018, because in 2018 TMB had set aside excessive amount of provision in preparation of TFRS9 which will effective from 2020 onwards, which results in an increase in NPL coverage ratio from 143 percent in 2017 to 152 percent in 2018.

Based on the above information, after combining TMB loan with TBANK loan portfolio with higher interest yield as having high portion of retain loan, the interest spread of the merged bank will be improved. Nevertheless, during the initial stage of integration, the merged bank will still have high operating expense to income, as a result of high employee cost of TBANK due partly to a large number of TBANK employees which as of 31 December 2018 has 13,893 employees compared to 8,373 employees of TMB. Nevertheless, in the event that the merged bank can effectively manage redundancies, the cost to income ratio is expected to gradually decrease, which will consequently improve the merged bank net profit margin.

Additionally, in term of credit cost, TMB will post a decreasing credit cost after the merger as result of better quality of loan portfolio. Thus, the merged bank is expected to have greater ability to generate income and net profits.

5) *Create Value Added from Business Synergies*

The Transaction will create various business synergies from integrating complementary strengths of two banks. TMB has its strength in acquiring deposit, having extensive branch network and corporate customer base, while, TBANK is a leading provider of auto hire-purchase loan. The merger between TMB and TBANK is expected to create synergies as follows:

Revenue Synergies

Upon completion of the merger, the merged bank will have more than 10 million customers, which helps enhance the merged bank opportunity to cross sell its financial products and services i.e. bancassurance and fund management to a larger customer base, through extensive branch network, and larger numbers of employees, which will result in the merged bank having greater ability to generate income, especially the fee based income as a result of increasing financial service activities.

Cost Synergies

The Transaction enables TMB to diversify its source of fund from larger deposit base, which provide the merged bank greater ability to fund the lending business, as a result, the merged bank will have decreasing cost of fund. Additionally, the merged bank will be able to offer a variety of deposit products, which will enable the merged bank to manage the deposit risk during interest rate fluctuation and a change in the country economic conditions.

Moreover, TMB will benefit from economies of scale if TMB can effectively manage redundancies such as duplicate branches and back-office employees, to improve operational efficiency. The merger of two banks also alleviates redundant investment over the development of new technology to improve efficiency of service, which includes the development of digital platform in preparation for the digital banking era in the future.

The Transaction, therefore, enable TMB to better manage its deposit risk from larger customer base and help enhance TMB competitiveness through the economies of scale, which helps create stability of the bank future earnings.

6) *Strengthen Capital Base and Enhance Opportunity for Business Expansion*

As of 31 December 2018, TMB Capital Adequacy Ratio or “CAR” stood at 17.3 percent, while TBANK was 19.5 percent and is expected to be 18.4 percent after business restructuring pursuant to the Share Purchase Agreement

Upon completion of business integration, the merged bank capital adequacy ratio will be improved as TBANK has capital ratio higher than TMB and industry average. Furthermore, TMB will indirectly benefit from the arrangement of funding for the Transaction will include the allocation of TSR to the existing shareholders in proportion to their respective shareholding, the offering of newly issued shares to a specific investor and TBANK shareholders including the issuance of various debt instrument to finance the Transaction, as all those debt and equity instruments are qualified for inclusion within regulatory capital. Therefore, upon

completion of the Transaction and subsequent merger between TMB and TBANK, TMB capital adequacy ratio will be improved from 17.3 percent to around 17.4 – 18.0 percent, which demonstrates stronger capital base thereby enhancing TMB capabilities to further expand its lending business in the future.

2.2.2 Disadvantages and Risk of Entering into the Transaction

1) *Dilution Effects to the Shareholders*

TMB will arrange funding for the Transaction through the allocation of not exceeding 31,481 million units of TSR to the existing shareholders in proportion to their respective shareholdings, where 1 unit of TSR is entitled to subscribe for 1 newly issued share, the offering of not exceeding 3,067 million new shares to a specific investor. Additionally, TMB will issue a total of 27,623 million new ordinary shares to all TBANK shareholders according to the Share Purchase Agreement.

The issuance and allocation of newly issued ordinary shares will result in the existing shareholders of TMB to face the control dilution effect of approximately 26.8 – 57.4 percent (Please see detailed calculation in 1.8 *Dilution Effects to Shareholders*). Nevertheless, such dilution effect will not result in a change of control

Moreover, TMB shareholders will have a maximum EPS dilution effect of approximately 16.8 percent. Although TMB will have larger earnings after combining with TBANK, TMB may have to issue new shares as high as 62,172 million shares, equivalent to 142 percent of existing shares of TMB, which results in the the dilution of earnings per share (EPS) calculated above.

Nevertheless, the issuance of new shares will have an insignificant impact to market price of TMB shares. Although the exercise price of TSR contains certain discount to the market price, TMB will be able to issue new ordinary shares to TBANK shareholders at the price of 1.1 times of TMB book value after fundraising through TSR. Under the assumption that the Transaction Date was 31 December 2018, such offering price is higher than current market price of TMB shares at the date of this report.

2) *Risk from Decreasing Liquidity and Increasing Interest Bearing Debts*

TMB has completed the offering of subordinated debentures and planned to issue Additional Tier 1 instrument (Collectively “**Debt Instruments**”) for a total amount of 24,600 - 31,000 million, to be used to finance the Transaction. Upon completion of the issuance of all debt instruments, TMB will have increasing interest bearing debts and interest burden of approximately Baht 1,125 million per year. The incremental interest bearing debts consequently affects TMB financial performance, liquidity, and the Liquidity Coverage Ratio (LCR) which has to be maintained in accordance with the BOT rules. As of 31 December 2018, TMB has LCR of 217 percent, which is much higher than the minimum requirement of BOT at 90 percent in 2019

and 100 percent in 2020 onwards. Upon completion of the Transaction, TMB LCR will be decreased but will not less than 120 percent, which is still higher than the minimum requirement of BOT.

Nevertheless, the issuance of debt instruments in respect of the Transaction will indirectly benefit TMB capital fund as mentioned above because all debt instruments are qualified for inclusion within the regulatory capital.

3) *Business Integration Risk*

Risk from difference of management style and organizational cultures

The Transaction may result in a change of certain key personnels i. e. the Board of Directors, the management, and the operating staffs. Subsequent to the merger with TBANK, TMB total employees will be increased from 8,373 to 22,266 employees, which may have overlapping functions and duties, especially for the back-office staffs. Consequently, there may be a change in work position and reporting line, pursuant to the integrated resource management plan which will impose after the integration.

Moreover, the cultural difference between two organizations may give rise to a conflict or a delay in implementation of the business integration plan, thus, lessening the expected benefits pursuant to the merger plan. Additionally, TMB will be exposed to the risk from the difference of business practice which may affect the continuity of business operation, and result in a conflict in the workplace. TMB and TBANK may also require additional time to adapt themselves and learn how to work together, which may cause the delay of business synergies and may result in unexpected outcomes.

TMB management has been aware of such risks as managing overlapping employees and cultural difference in the workplace are key success factors of business integration. The staffs of TMB and TBANK has their own experiences and specialties, therefore, the management will compromise the key strengths of both organizations in order to ensure a smooth integration between TMB and TBANK for the expected synergies and benefits from the business integration.

Risk from Difference in Database and IT System

Database and Information Technology (IT) system is one of the crucial tools to increase competitiveness of commercial banks to ensure instant and accuracy of the service to the customers. The difference in database and IT system of two organization may result in the merged bank to invest to adjust and integrate such database and IT system, which may subsequently create complexity and overlapping operation and may result in the delay in customer servicing or disruption to certain types of services at the initial stage of integration process.

4) *Risk from Incremental Expenses in the Initial Stage of Integration*

During the initial stage of integration, TMB may incur additional expense such as extra expense for closure of duplicate branches, reallocation of duplicate staffs, extra training cost, and investment to integrate IT database system. Nevertheless, in the event that TMB can manage redundancies effectively, TMB will be able to enhance operational efficiency from increased scale of operation, which will enable TMB to achieve the synergies as planned.

5) *Risk from the Delay of the Transaction and the Integration with TBANK*

In the event of the delay of the Transaction caused by incompleteness of the conditions precedent pursuant to the Share Purchase Agreement, or the merger between TMB and TBANK cannot be completed due to the delay in merger procedures such as allocation of human resources, modification of post-merger organizational structure, integration of IT database system, and adjustment of post-merger business practice. Such risks may cause the merged bank fail to receive tax benefits from the exemption of corporate income tax, value added tax, special business tax and stamp duties, and other tax deductions according to the conditions prescribed in the Royal Decree (No. 677) B.E. 2019. The merged bank will receive the tax benefits from the merger only when the Bank of Thailand announces its approval on the merger plan during the date from 17 April 2018 to 31 December 2019, and the integration pursuant to the merger plan is completed within 31 December 2021.

As of the date of the report, the Bank of Thailand is in process of reviewing the proposed merger plan. TMB management expects to receive approval from the Bank of Thailand by September 2019 and will proceed to integrate with TBANK within 2021. TMB and TBANK has begun planning the integration process in advance by jointly developing the integration framework to set a clear priorities for integration to ensure a smooth and effective integration between TMB and TBANK in timely manner.

6) *Risk from Unexpected Results of TBANK Operation and Impairment of Goodwill*

Upon completion of the Transaction, TMB may expose to the risk of revenue and earnings of TBANK lower than expectation which may arise from a change in hire purchase business environment which is a core lending business of TBANK, or the contraction of automotive market as a result of high household debt and overall economic condition.

Subsequent to the Transaction, TMB will recognize the difference between the acquisition price and the fair value of TBANK net assets as Goodwill in the consolidated financial statements in accordance with the relevant accounting standard. If the merger does not result in expected outcomes, the goodwill will be subject to the impairment test, which could affect TMB profitability and dividend payment in the future.

By assuming the Transaction Date of 31 Decemer 2018, there will be a recognition of approximately Baht 21,332 million Goodwill. Upon completion of the Transaction, TMB will have to measure the fair value of TBANK net assets both tangible and intangible assets and liabilities as of the Transaction, therefore, the amount of goodwill may differ from the above estimation.

2.3 Conclusion of the Independent Financial Advisor on the Reasonableness of the Transaction

The Transaction to acquire entire shares and subsequent merger with TBANK is congruent with TMB business plan to expand its lending business and create better balance of loan portfolio. Subsequent to the Transaction, the retail loan of TMB will be shifted from 32 percent to 53 percent of total loans portfolio. Therefore, TMB loan portfolio will comprise of more retail loan which has high interest yield and low NPL ratio, making TMB loan portfolio to be more diversified to a wider range of loans i.e. corporate loan, home loan, and auto loan, which helps diversify its business risk for sustainable growth of TMB in the long term

Moreover, following the subsequent merger with TBANK, TMB is expected to receive various business synergies such as increasing interest spread, enhancing cross selling opportunity to a larger customer base both loan and deposit customers, improving operational efficiency from economies of scale if TMB can manage redundancies effectively. Moreover, TMB and TBANK will be able to leverage knowledge to develop new financial products to the market, which will enable TMB to maintain its ability to generate revenue and profits in order to create favourable long-term return to the shareholders.

Furthermore, TBANK is considered one of the commercial banks in Thailand with strong capital fund. As of 31 December 2018, TBANK capital fund equals to 19.5 percent, and is expected to be 18.4 percent after business restructuring pursuant to the Share Puchase Agreement. The debt and equity instruments which will be issued to finance the Transaction are qualified for inclusion within the regulatory capital. Therefore, the Transaction will strengthen TMB capital base. Capital ratio of TMB is expected to improve from 17.3 percent as of 31 December 2018 to around 17.4 – 18.0 percent, which will enhance TMB capabilities to further expand its lending business in the future.

Nevertheless, the Transaction exposes TMB to certain risks, which includes the dilution effect to TMB shareholders in terms of Control Dilution, Earnings per Share (EPS) Dilution, and Price Dilution as a result of the issuance of new shares to finance the Transaction. Nevertheless, the control dilution will not result in a change of control.

TMB may also face a risk of business integration in many aspects such as difference in business practice, management style, cultural difference, and the compatability of Information Technology (IT) system. Additionally, after the merger, TMB may incur additional expense during the intial stage of business

integration, such as extra expense for closure of duplicate branches and termination benefits for duplicate staffs, in order to manage redundancies and maximize efficiency of operation. Moreover, the operating staffs of both TMB and TBANK may require additional time to adapt themselves and learn how to work together.

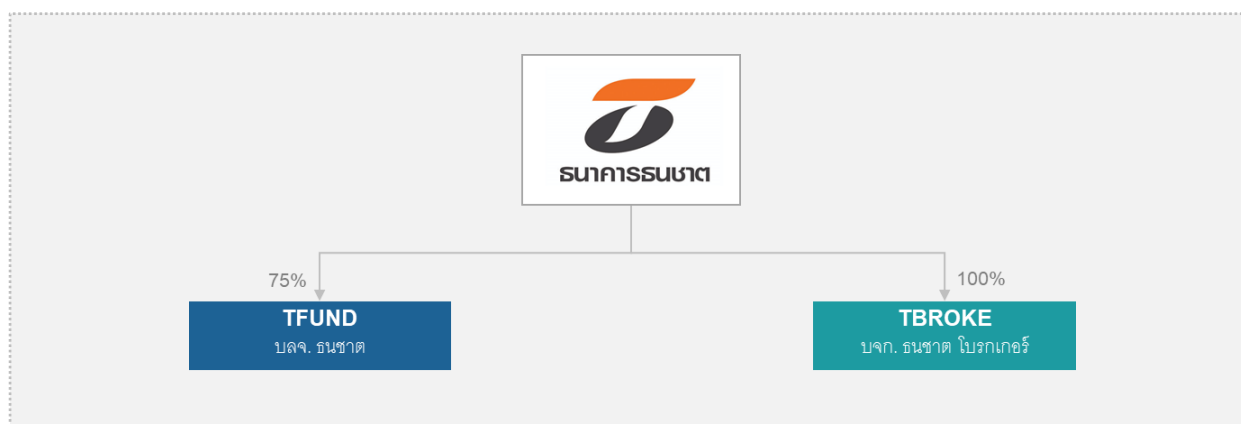
As of the date of this report, the Bank of Thailand is in process of reviewing for granting approval of the merger plan. In the event that the Bank of Thailand cannot grant approval on the Proposed Merger Plan by 31 December 2019 and the integration between TMB and TBANK cannot be completed by 31 December 2021, the merged bank will not receive tax benefits in accordance with the conditions in the Royal Decree (No. 677) B.E. 2019. Nevertheless, TMB management expects the merger between two banks to be duly completed by 2021, whereby, TMB and TBANK has planned the integration process in advance to ensure a proper execution of the merger plan.

The Independent Financial Advisor has an opinion that although the Transaction expose TMB to the risks mentioned above, TMB has plans to manage and mitigate such risks to ensure a smooth integration between TMB and TBANK. Therefore, the Transaction to acquire entire shares and the subsequent merger with TBANK are reasonable and expected to strengthen TMB competitive position and will bring sustainable growth to TMB in long term.

3. Opinion of Independent Financial Advisor Regarding the Fairness of the Transaction Price

In assessing the fairness of the Transaction Price, the Independent Financial Advisor considers TBANK audited and reviewed financial statements, financial project and business plan, as well as other information relevant to the Transaction which is prepared by TMB Advisors including financial advisor, legal advisor and accounting advisor, and information gathered from the interview with TMB and TBANK management, other related information including the study of current economic and industry conditions, and financial information of other comparable peers which are derived from public information. The Independent Financial Advisor bases the opinion on the assumptions that all of the information and document received are complete, accurate, and true. Moreover, it is analysed and considered over the present situation and information. If there are significant changes in the situation, it may materially affect the fair value of TBANK share evaluated herein as well as the shareholders decision.

TBAK Group structure and the acquisition price of TBANK shares after business restructuring are illustrated as follows:



$$\begin{aligned}
 \text{Purchase Price per share} &= \text{TBANK book value according to the consolidated financial statements} \\
 &\quad \text{Plus Gain on business restructuring} \\
 &\quad \text{Plus Fixed Premium of Baht 9,245 million} \\
 &\quad \text{Less TBROKE book value} \\
 &\quad \text{Less TFUND book value} \\
 &\quad \text{Divided by number of all issued and paid-up shares of TBANK}
 \end{aligned}$$

Remark: Please see more details in No. 1.6 Consideration and Basis of Considerion.

The acquisition price of TBANK shares has been based on TBANK book value at the Transaction Date. TMB and TBANK management has negotiated the purchase price and conditions for the Transaction by considering TBANK

financial information as of 31 December 2018, and determine the acquisition price of TBANK shares based on the net asset value of TBANK at the Transaction Date. Therefore, the Independent Financial Advisor assesses the fairness of acquisition price, using the assumption that the Transaction Date was 31 December 2018, the date at which the pro-forma financial statements of TBANK (after business restructuring) has been prepared, which is considered the best financial information available to the Independent Financial Advisor as of the date of this report.

Under the assumption that the Transaction Date was 31 December 2018, the acquisition price of entire shares of TBANK is estimated to be Baht 158,411 million which includes Baht 25,912 million net proceed from divestment of certain subsidiaries and other entities pursuant to TBANK business restructuring. If excluded such net proceed, the acquisition price will be Baht 132,499 million, as shown below:

Assumed Transaction Date: 31 December 2018	THB million
TBANK book value per consolidated financial statements as of 31 December 2018	144,269 ^{/1}
<u>Plus:</u> Gain on business restructuring (net tax)	5,371
<u>Plus:</u> Fixed premium	9,245 ^{/2}
<u>Less:</u> Book value of TFUND and TBROKE per	(474)
Purchase Price – Including Proceeds from Business Restructuring	158,411
<u>Less:</u> Net proceeds from business restructuring	(25,912) ^{/2}
Purchase Price – Excluding Proceeds from Business Restructuring	132,499

Remark: The figures illustrated above is based on the financial information as of 31 December 2018, which is prepared by TMB and assured as to the preparation standard by KPMG Phoomchai Audit Limited.

^{/1} Comprising of TBANK book value according to the audited consolidated financial statements as of 31 December 2018 of Baht 141,699 million, adjusted with surplus on asset revaluation in April 2019 of Baht 2,570 million, which has been recorded in TBANK financial statements Quarter 2 2019.

^{/2} Represents price premium on TBANK and consideration for TFUND and TBROKE.

In assessing the fairness of the Transaction price, the Independent Financial Advisor considers the Purchase Price including net proceeds from TBANK business restructuring of Baht 158,411 million. The Independent Financial Advisor determines the fairness of acquisition price by measuring the fair value of TBANK shares using the following 5 valuation approaches:

- ▶ Book value approach
- ▶ Adjusted book value approach
- ▶ Market comparable approach
- ▶ Precedent transaction comparable approach
- ▶ Sum of the Part approach, using dividend discount model and discounted cash flows approach

TBANK share price determined by each approach can be summarized as follows:

3.1 Book Value Approach

The book value approach evaluates TBANK share price based on the net book value (shareholders equity) as reported in the financial statements at a certain date. In determining the TBANK share value, the Independent Financial Advisor refers to TBANK pro-forma financial statements as of 31 December 2018, which is prepared by TBANK management and reviewed by TMB Advisor, which is the latest pro-forma financial statements of TBANK as if the business restructuring pursuant to the Share Purchase Agreement were taken place on 31 December 2018.

Under this approach, TBANK share value is calculated using the pro-forma consolidated financial statements of TBANK which has consolidated 1 wholly-owned subsidiary (TBROKE), plus 75 percent of net asset value of TFUND according to the percentage of shares held by TBANK, to derive the estimated book value of the group companies after the business restructuring, as illustrated below:

As of 31 December 2018 (after business restructuring)	THB million
Issued and paid-up capital	60,648
Retain earnings – unappropriated	52,129
Other components of equity	7,632
Total Shareholder Equity of TBANK and TBROKE¹	120,409
<u>Plus</u> Net asset value of TFUND ²	318
Share Value before Restructuring Proceed	120,727
<u>Add</u> Net proceeds from business restructuring ³	25,912
TBANK Share Value by Book Value Approach	146,639

¹ Source: Pro-forma consolidated financial statements of TBANK and TBROKE as of 31 December 2018 after business restructuring by divesting 12 subsidiaries and other entities pursuant to the Share Purchase Agreement, which is prepared by TBANK management and reviewed by TMB Advisor.

² Based on TFUND financial statements as of 31 December 2018, multiplied by 75 percent as held by TBANK

³ Source: TBANK, reviewed by TMB Advisor.

TBANK share price determined by the book value approach is Baht 146,639 million. Share price determined under the book value approach reflects TBANK share value at a given date, without considering future prospect and earnings ability.

3.2 Adjusted Book Value Approach

Under the adjusted book value approach, TBANK shares are valued by adjusting TBANK book value as of 31 December 2018 with any subsequent events, commitments and contingencies, and surplus or deficit on the revaluation of TBANK fixed assets as determined by an independent valuer, in order to reflect the most current fair market value of the equity.

Fair value of Assets

According to the pro-forma financial statements of TBANK after business restructuring as of 31 December 2018, TBAK has a total assets of Baht 974,110 million, where certain items such as cash, interbank and money market items, investment, loan to customers, and property, plant and equipment which aggregately made up Baht 943,357 million, or 96.8 percent of total assets, have their fair market values as follows:

Core Assets as of 31 December 2018	Book Value	Surplus (Deficit)	Adjusted Book Value	Remark
Cash	11,012	-	11,012	
Interbank and money market items	95,266	-	95,266	
Investments-net	148,679	-	148,679	(a)
Loan to customers-net	680,587	-	680,587	(b)
Property, plant, and equipment	7,824	3,212	11,036	(c)
Other assets	30,742	-	30,742	
Total	974,110		977,322	

Since the interbank and money market items are considered cash or cash equivalent, the Independent Financial Advisor considers adjusting the fair market value of 3 asset items, which are investments, loans to customers, and property, plant and equipment, as detailed below:

1) *Investments*

As of 31 December 2018, TBANK investments amounted to Baht 148,679 million, comprising of trading securities of Baht 13,011 million, available-for-sale securities of Baht 135,042 million, held to maturity debt securities of Baht 508 million, and general investments of Baht 118 million.

Trading securities is the investment that TBANK management intends to make profits within short period through market price movement, which comprises of government and state enterprise securities, corporate debt securities, and domestic marketable equity securities. Trading securities are stated at fair value in the financial statements. Marketable equity securities fair value was determined

at the last bid price quoted on the last working day of the Stock Exchange of Thailand of the reporting period. While debt securities fair value was based on yield to maturity published by Thai Bond Market Association (“ThaiBMA”) or government bond yield adjusted by appropriated credit spread. Changes in fair value would be recognized to profits or losses in the statement of comprehensive income. Since trading securities were stated in financial statements on fair value or mark to market basis, the Independent Financial Advisor makes no adjustment to the value of the investment.

Available for sale securities are the investment that TBANK management intends to hold and may sell to manage liquidity or when interest rates change. Available-for-sale investments are presented at fair value in financial statements. Change in fair value (unrealized gains or losses) will be recorded in other comprehensive income section under statements of comprehensive income and will be recognized as realized gains or losses through profits and losses when the investments are closed out. Since such available-for-sale securities were presented in the financial statements at their fair value, no adjustment is made to the value of such investments.

Held to maturity debt securities is presented in the financial statements at amortized cost based on the effective interest rate, while general investments consist of non-marketable equity securities which are stated in the financial statements at cost net of allowance for impairment (if any). As of 31 December 2018, held to maturity and general investments had a combined value of Baht 626 million, representing only 0.06 percent of total assets. The Independent Financial Advisor did not adjust the value of such investments, because they were insignificant when compared to total assets.

2) *Loan to customers*

As of 31 December 2018, TBANK loans to customers amounted to Baht 700,250 million. Such loans are classified by considering overdue period and repayment capacity of the borrowers. TBANK has set aside an allowance for doubtful accounts in accordance with the minimum requirement of the Bank of Thailand in the amount of Baht 11,842 million, and the excess provision of Baht 7,820 million, making the ratio of total reserve to the required reserve equivalent to 166 percent. The auditor of TBANK has determined that the reserved amount is sufficient to accommodate expected credit loss at the end of the year. Therefore, the Independent Financial Advisor leave this item unadjusted.

3) *Property, Plant and Equipment*

As of 31 December 2018, property, plant and equipment of TBANK has a total value of Baht 7,824 million, which has the carrying amounts on TBANK financial statements as follows.

- Land is carried at its fair value using revaluation method, less allowance for Impairment (if any). However, the fair value presented in TBANK financial statements is the value appraised by the independent appraiser in fiscal year 2016 which has not been updated to reflect the current market value.
- Premise and equipment are presented at cost less accumulated depreciation and allowance for impairment (if any).

The Independent Financial Advisor adjusted the fair value of property, plant and equipment by considering information provided by TMB and its advisors which is based on the latest appraisal report of TBANK prepared in April 2019 for the purpose of revaluation the assets according to the requirement of relevant accounting standards. The appraised assets accounted for 84% of total property, plant and equipment, while the non-appraised assets are vehicles and office equipment.

The valuation results of each assets are as follows:

Assets (Unit: THB million)	Book value 31 Dec 2018	Fair market value	Surplus (deficit)
Land	5,391	7,094	1,703
Building and improvement	1,185	2,694	1,509
Total Appraised Assets	6,576	9,788	3,212
Non-appraised assets	1,248	1,248	-
Total Property, Plant and Equipment	7,824	11,036	3,212

Source: TBANK, reviewed by TMB Advisor

Fair value of Liabilities

As of 31 December 2018, TBANK had total liabilities of Baht 853,277 million. Major liabilities were deposits, interbank and money market items, and debt issued and borrowings, which aggregately made up Baht 829,266 million or 97.2 percent of total liabilities, have their carrying values approximated to fair market values. The independent Financial Advisor, therefore, does not adjust the fair value of those liabilities further.

Nevertheless, other liabilities of TBANK may be affected by the following 2 items, as follows:

- 1) Increasing retirement benefit obligation as a result of new Labor Protection Act effective from 5 May 2019, which increased maximum severance pay from 300 days to 400 days for employees with more than 20 years of service, which requires TBANK to set up additional provision for employee benefits of Baht 654 million (*Source: TBANK, reviewed by TMB Advisor*)
- 2) Increasing deferred tax liabilities of Baht 642 million as a result of the surplus on asset revaluation as mentioned above

The Independent Financial Advisor takes the fair value adjustment of assets and liabilities as discussed above to adjust the net book value of TBANK as follows:

As of 31 December 2018 (after business restructuring)	THB million
TBANK Book Value	146,639
Adjustment:	
1) Surplus on asset revaluation, net tax	2,570
2) Increasing provision for employee benefits	(654)
TBANK Share Value by Adjusted Book Value Approach	148,554

TBANK share value determined based on the adjusted book value approach is Baht 148,554 million.

3.3 Market Comparable Approach

Market comparable approach determines the relative fair value of TBANK shares using market price ratios of comparable listed companies, based on an assumption that the companies whose business operation and environment are identical are supposed to have similar characteristic of market price multiples.

The Independent Financial Advisor identifies the following 10 commercial banks in Thailand as comparable listed companies with similar business environment as TBANK:

Comparable Peers	Ticker
1. Bank of Ayudhya Public Company Limited	BAY
2. Bangkok Bank Public Company Limited	BBL
3. CIMB Thai Bank Public Company Limited	CIMBT
4. Kasikornbank Public Company Limited	KBANK
5. Kiatnakin Bank Public Company Limited	KKP
6. Krung Thai Bank Public Company Limited	KTB
7. LH Financial Group holding Public Company Limited	LHFG
8. Siam Commercial Bank Public Company Limited	SCB
9. TISCO Financial Group Public Company Limited	TISCO
10. TMB Bank Public Company Limited	TMB

In determining TBANK share value under market comparable approach, the Independent Financial Advisor applies the following two ratios: Price to Book Value (P/BV ratio) and Price to Earnings Ratio (P/E Ratio). The details of which are as follows:

3.3.1 Price to Book Value (P/BV) Multiple

Price to Book Value multiple calculates TBANK share value using book value of TBANK as of 31 December 2018 (before including net proceeds from business restructuring), multiplied by average P/BV ratio of the comparable peers, as follows:

P/BV Ratio	1-month	3-month	6-month	12-month
BAY	1.10	1.09	1.11	1.17
BBL	0.86	0.89	0.92	0.95
KBANK	1.10	1.14	1.17	1.24
KTB	0.86	0.85	0.86	0.90
SCB	1.19	1.15	1.16	1.22
TMB	0.84	0.85	0.90	0.97
CIMBT	0.66	0.68	0.70	0.73
TISCO	2.19	1.94	1.89	1.85
KKP	1.45	1.36	1.37	1.42
LHFG	0,76	0.76	0.77	0.78
Average (times)	1.10	1.07	1.08	1.12
TBANK book value ¹	120,727	120,727	120,727	120,727
Share value before restructuring proceed	132,845	129,119	130,921	135,516
Add: Proceed from business restructuring	25,912	25,912	25,912	25,912
Share value by P/BV Multiple	158,757	155,031	156,833	161,428

Source: Bloomberg as of 1 August 2019 ¹ excluding net proceed from business restructuring of Baht 25,912 million

TBANK share price measured under the P/BV multiple approach lies between Baht 155,031 – 161,428 million.

3.3.2 Price to Earnings (P/E) Multiple

Price to earnings multiple calculates TBANK share price using TBANK net earnings in the last 12 months from 31 December 2018 multiplied by average P/E ratio of the comparable companies. The net earnings of TBANK after business restructure during the period from 1 January 2018 to 31 December 2018 is estimated as follows:

	THB million
TBANK Net profits according to separate financial statements 2018	13,911
<u>Less</u> Dividend income from divested entities	(2,513)
<u>Less</u> Dividend income from TFUND and TBROKE	(520)
<u>Plus</u> Net profits of TFUND (Baht 655 million) and TBROKE (Baht 79 million)	734
Estimated Net Profit of TBANK after Business Restructuring	11,612

TBANK share value calculated using P/E Multiple approach is shown below:

P/E Ratio	1-month	3-month	6-month	12-month
BAY	8.91	8.89	9.60	10.83
BBL	10.29	10.63	10.94	11.07
KBANK	11.84	11.96	12.04	12.49
KTB	9.29	9.27	9.30	9.84
SCB	12.51	12.00	11.72	11.57
TMB	7.81	7.83	8.06	8.68
CIMBT	164.02	94.05	74.42	59.43
TISCO	11.37	10.74	10.51	10.01
KKP	10.70	10.17	10.08	10.08
LHFG	10.16	10.03	10.13	10.16
Average (times) ¹	10.32	10.17	10.26	10.53
TBANK Net profits	11,612	11,612	11,612	11,612
Share value before restructuring proceed	119,834	118,077	119,176	122,225
Add: Proceed from business restructuring	25,912	25,912	25,912	25,912
Share value by P/E Multiple	145,746	143,989	145,088	148,137

Source: Bloomberg as of 1 August 2019

¹ Calculated by excluding P/E ratio of CIMBT as an outlier

TBANK share value determined under the P/E multiple approach is in a range between Baht 143,989 – 148,137 million.

3.4 Precedent Transaction Comparable Approach

Under this Approach, TBANK share is evaluated based on the selected past transactions related to the acquisition of financial institutions in Asian region. In determining the fair value of TBANK shares using this approach, the Independent Financial Advisor used the Implied P/BV Multiple and Implied P/E Multiple derived from the past transactions to calculate the share value of TBANK. The Independent Financial Advisor selected 10 M&A transactions with the target companies being commercial banks in Asian countries which announced the deals in 2013 – 2019 to benchmark against the Transaction as follows:

Announce date	Buyer	Target	Country	% Acquired	Price (MB)	Implied P/BV	Implied P/E
Jul 2013	MUFG ¹	Bank of Ayudhya	Thailand	72%	170,586	1.98	16.25
Sep 2013	Bank of Ayudhya	BTMU (Bangkok)	Thailand	100%	44,586	1.15	10.89
Feb 2014	CDF ²	KGI Bank	Taiwan	93%	23,493	1.50	8.04
Jun 2014	JB Financial Group	Kwangju Bank	Korea	57%	15,949	0.66	6.48
Jun 2014	BNK Financial Group	Kyongnam Bank	Korea	57%	39,261	1.73	10.25
Nov 2014	Kotak Mahindra Bank	ING Vysya Bank	India	100%	39,840	1.06	11.43
Aug 2015	Yuanta Financial Holding	Ta Chong Bank	Taiwan	100%	45,885	1.17	15.91
Mar 2016	CTBC Financial Holding	LHFG	Thailand	36%	16,599	1.44	11.00
Sep 2018	Bank of Baroda	Vijaya Bank	India	100%	34,462	0.72	10.54
Jan 2019	MUFG ¹	Bank Danamon	Indonesia	44%	70,275	1.44	11.00
					Minimum	0.66	6.48
					Maximum	1.98	16.39
					Average	1.29	11.72

¹ Mitsubishi UFJ Financial Group

² China Development Financial Holding Corporation

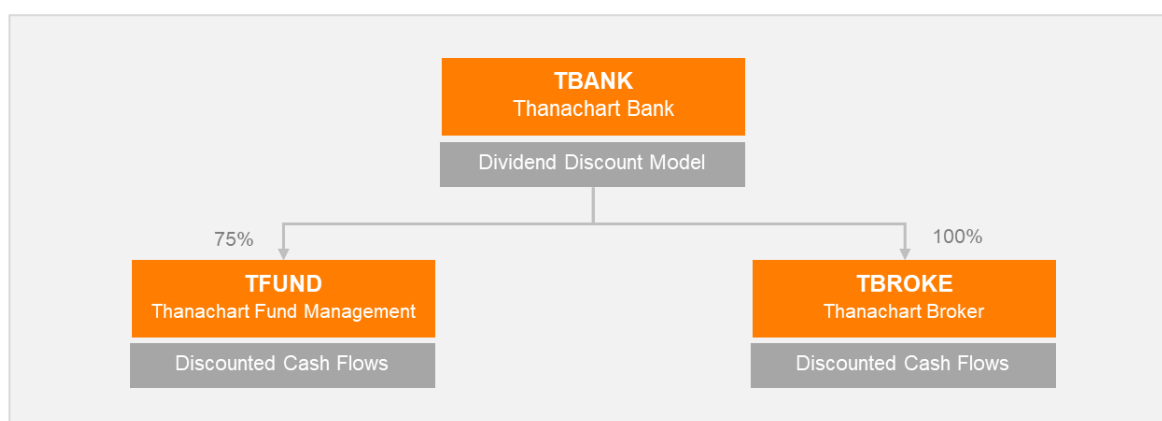
Based on the above table, the value of TBANK shares is calculated as follows:

	Implied P/BV Multiple	Implied P/E Multiple
Book value or Net profits of TBANK	120,727	11,612
Implied price multiple	1.29	11.72
Share value before restructuring proceed	156,220	136,076
Add: Net proceeds from business restructuring	25,912	25,912
Share Value by Transaction Comparable Approach	182,132	161,988

TBANK share value determined by precedent transaction comparable approach is in a range between Baht 161,988 – 182,132 million.

3.5 Sum of the Parts Approach

Sum of the Parts Approach evaluates TBANK share by combining the fair value of each entity under the Transaction, to appropriately reflect an aggregated value of all acquired entities.



Under the Sum of the Part approach, the Independent Financial Advisor aggregates the standalone value of each entity under the group structure presented above to arrive the consolidated value of TBANK shares. The valuation methodologies apply for each business entity can be summarized as follows:

Company	Abbreviation	% held by TBANK	Valuation Approach
Thanachart Bank Plc.	TBANK	-	Dividend Discount Model
Thanachart Fund management Co., Ltd.	TFUND	75%	Discounted Cash Flows
Thanachart Broker Co., Ltd.	TBROKE	100%	Discounted Cash Flows

Sum of the Parts Approach measures TBANK shares by parts, which considers profitability of each entity separately in order to reflect fundamental value of each business. The free cash flows to equity derived from each business will discounted with the cost of equity, before combining with the terminal value determined at the end of projection period. The equity values of each entity were then combined by sum of the parts principle to arrive the total equity value of TBANK.

The following financial forecast was prepared to derive the fair market value of TBANK share, for the sole purpose in rendering opinion in respect of the Transaction. The calculated share price cannot be used for

any purposes other than that stated above. In addition, if the economic condition or other external factors impacting TBANK operation changes materially from the defined assumptions, the fair value of TBANK share could be affected.

3.5.1 Valuation of TBANK

The Independent Financial Advisor adopts Dividend discount model (DDM) for valuing TBANK share which value TBANK share based on the sum of future dividend paid out of TBANK net profits. The method is commonly used for determining the value of the stock that clearly establishes dividend policy and pay consistently dividend. Since in the past TBANK regularly pays dividend to the shareholders, the Independent Financial Advisor considers the dividend discounted model as one of the methods for valuing TBANK share.

The Independent Financial Advisor calculates the present value of expected dividend based on the projected net profits in the next 10 years (2019 – 2028) which is developed by considering TBANK business plan and policies, financial projection and other information derived from the interview with TBANK management, as well as the analysis of relevant industry and historical financial performance. Certain assumptions have been adjusted to reflect overall market condition, competition, and current economic environment under the conservative basis. The projection assumed that TBANK will continue its operation on an ongoing basis without significant changes under the current economic condition throughout the projection periods. Such financial projection do not take into account any future plan or changes which may take place as a result of the merger plan following the Transaction.

Key assumptions in the financial projection of TBANK can be summarized as follows:

1) Loans to Customers

TBANK loans are divided into 2 main categories, namely (1) loans under hire purchase contracts and financial leases (Collectively "**Hire purchase loans**") which mainly comprise of hire purchase contracts for cars, trucks and motorcycles. The average tenor of the contract is approximately 3 - 7 years with a fixed interest rate as specified in the contract, and (2) General loans. During the last 5 years, TBANK reported loan growth as follows

Hire Purchase Loans

During 2014-2016, TBANK hire purchase loans were negatively affected by the Government's first-car buyer scheme, which affects the expansion of both brand new and second-hand car market. After the scheme ended in 2016, TBANK auto hire purchase loans has gradually picked up, posting 6.2 percent growth in

2017 and 12.6 percent growth in 2018, respectively, from the improvement of service operation and the recovery of automotive market.

General loan

During the past 5 years, general loans of TBANK decreased from Baht 342,468 million in 2014 to Baht 325,955 million in 2018, because TBANK mainly focused on auto hire purchase loans.

By considering the overall growth rate of TBANK loan, TBANK reported total loan growth of 2.1 percent in 2017 and 5.1 percent in 2018, respectively. In the projection, loan growth is assumed to be in range between 5.7 - 6.3 percent over the next 3 years based on TBANK management forecast and the policy of TBANK to maintain its primary focus on auto hire purchase loans amidst the favourable automotive market condition. Then, the Independent Financial Advisor assumes the loan growth rate to gradually decline to 5.0 percent per annum in year 10th to reflect the growth on a large amount of loan outstanding, which is equivalent to average loan growth of Thai banking system in the last 5 years (*Source: the Bank of Thailand*)

TBANK Loan Projection

	2017	2018	2019F	2020F	2021F	2022F	2023F	2028F
Loan growth	2.1%	5.1%	5.7%	6.1%	6.3%	6.1%	5.9%	5.0%
Hire purchase : General loan	50:50	53:47	57:43	60:40	62:38	64:36	66:34	68:32
Retail : Corporate loan		74:26	76:24	78:22	79:21	80:20	81:19	82:12

Based on the above table, TBANK retail loans will ultimately account for 80 percent, while corporate loans will be approximately 20 percent of the total loan portfolio. The projection aligns with TBANK business plan to increase the portion of retail loans to 80 percent in the next 3 years. In the previous year, TBANK has developed the Automotive Lending Digital Experience (ALDX) system to facilitate loan service to hire purchase customers which provide more convenient and faster services, which expected to be a key driver of TBANK loan growth in the future.

2) Allowance for Doubtful Accounts

The Independent Financial Advisor estimates allowance for doubtful accounts by considering NPL Coverage Ratio. In the year 2014 - 2018, TBANK NPL coverage ratio was between 123.5 - 149.6 percent, which demonstrates sufficient allowance for doubtful accounts in the past. In the projection period, allowance for doubtful accounts is assumed at 120 percent according to TBANK management policies.

Non-performing loans or NPL of TBANK as of 31 December 2018 was 2.3 percent of total loans. In the projection period, the NPL ratio will be reduced to 1.8 - 2.2 percent due to an increase in auto hire purchase loan, which had lower NPL ratio as a result of more efficient risk management and prudent lending process.

3) Interbank and Money Market Items

Interbank and money market items comprises of cash deposit of TBANK which is used to manage liquidity. As of 31 December 2017 and 2018, interbank items were Baht 94,577 million and Baht 95,257 million respectively. In the projection period, the Independent Financial Advisor assumes that in the event that TBANK has excess cash from operation after deducting dividend payment to shareholders, TBANK will prioritize the use of such excess to repay interest bearing debts in order to reduce its funding cost before investing in Interbank and Money Market Items, to enhance business value through balance sheet optimization.

4) Deposits

The Independent Financial Advisor forecasts deposits by considering Loan to Deposit Ratio ("LDR"), together with historical growth rate of TBANK deposits. In 2016 – 2018, TBANK deposits had grown at the rate of 1.1 percent, 5.9 percent, and 5.0 percent, respectively, equivalent to a compound annual growth rate (CAGR) of 4.0 percent per year.

The Independent Financial Advisor estimates TBANK deposits in 2019 to grow at 3.0 percent, slightly lower than its 3-year historical average growth rate in order to reflect declining deposits in Quarter 2 2019. The deposits growth rate is then adjusted to gradually increase to 4.0 percent in 2028, equivalent to TBANK historical growth rate in 2016 – 2018 and in line with Thai commercial banks average during the past 5 years.

	2017	2018	2019F	2020F	2021F	2022F	2023F	2028F
Deposit growth rate	5.9%	5.0%	3.0%	3.1%	3.2%	3.3%	3.4%	4.0%
Loan to Deposit Ratio	93%	93%	95%	98%	101%	104%	106%	115%

Based on the above table, TBANK is expected to effectively provide lending service to customers based on the forecasted LDR ratio which shows an improvement from 93 percent at the end of 2018 to 115 percent in 10th year of the projection, which is comparable to the average LDR of large commercial banks in Thailand which lies in a range between 89 – 113 percent over the past 3 years.

5) Interest Income

TBANK earns interest income from the following 3 assets: loans, interbank and money market items, and investments in debt securities. The assumptions used in estimating interest income for each asset are as follows:

- Interest income on loans

In 2015 - 2018, TBANK had 5.8 - 5.9 percent interest yield on net loans. Interest yield is projected to be 5.8 percent in the first year of projection, and will be slightly increase to 5.9 percent due to increasing portion of auto hire purchase loans which has higher yield than other types of loan.

- Interest income on interbank and money market items

Interest yield on interbank and money market items is assumed at 1.9 percent, equivalent to the average yield in 2017-2018.

- Interest income on debt securities

Most interest-earning debt securities of TBANK were government bonds, state enterprise bonds, and corporate debentures. Interest income on such investment is assumed to be 1.9 percent, equivalent to average yield over the past 3 years.

Interest Yield Assumptions

	2017	2018	2019F	2020F	2021F	2022F	2023F	2028F
▪ Loans	5.8%	5.8%	5.8%	5.8%	5.9%	5.9%	5.9%	5.9%
▪ Interbank items	1.9%	1.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
▪ Debt securities	1.9%	1.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%

6) Fees and service income

Fees and service income consists of two components as follows:

- Fees and service income from commercial bank business, including Aval and certification guarantees, credit card, insurance premiums, etc. In the projection period, fees and service income from commercial bank business are assumed to grow at 5.4 percent per annum, equivalent to a compound annual growth rate (CAGR) during the past 5 years.
- Fees and service income relating to hire purchase business – is projected at 0.4 percent of hire purchase loans, based on the average fee and service yield in 2015 – 2018.

Fees and service income	2017	2018	2019F	2020F	2021F	2022F	2023F	2028F
▪ Commercial bank	5,476	6,377	6,718	7,078	7,456	7,855	8,275	10,739
▪ Hire purchase	1,396	1,449	1,663	1,865	2,072	2,281	2,487	3,425
Fee and service income	6,872	7,826	8,382	8,943	9,528	10,136	10,762	14,164

7) Other operating income

Other operating income consists of gains (losses) on tradings and foreign exchange transactions, gains (losses) on investments, dividend income, and other operating income. Other operating income is projected at Baht 2,761 million, based on average figure in the past 5 years (2014 - 2018), which considers only dividend income receivable from the remaining investments after business restructuring.

8) Interest expenses

Interest expenses comprises of interest expense on deposits, interbank and money market items, and debt issued and borrowings. The Independent Financial Advisor estimates interest expense based on TBANK historical financial data as follows:

- *Interest cost on deposits* is projected to be 1.25 percent in 2019, based on the historical data in 2017 - 2018. The deposit rate is, then, adjusted to gradually increase by 15 basis points to 1.40 percent in the next 10 years. Despite an intense competition for deposits in the future, the Independent Financial Advisor determines TBANK to have less impact from such competition because TBANK has a policy to enhance the ratio of deposits in current and savings accounts to total deposits (CASA) as successfully achieved in the past. This fact will enable TBANK to maintain appropriate cost of fund in the rising interest rate or highly competitive market conditions.
- *Interest cost on interbank and money market items* – equals to 1.0 percent per annum
- *Interest cost on debt issued and borrowings* – equals to 4.8 percent per annum, equivalent to long term average cost in 2015 - 2018
- Fee for Financial Institutions Development Fund and the Deposit Protection Agency (FIDF and DPA) – equals to 0.5 percent of the deposits.

Summary of Interest Income, Interest Expense, and Interest Spread

	2017	2018	2019F	2020F	2021F	2022F	2023F	2028F
Interest yield	4.8%	4.7%	4.8%	4.9%	5.0%	5.0%	5.1%	5.2%
Interest cost ^{/1}	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.9%	2.0%
Interest spread	3.0%	3.0%	3.0%	3.1%	3.1%	3.2%	3.2%	3.3%

^{/1} Calculated from all interest bearing debts which include deposits, interbank items and debt issued and borrowings.

9) Fees and Service Expenses

Fee and service expenses is assumed to be 53 percent of fees and service income, based on the average figures in 2016 – 2018.

10) Operating Expenses

Other operating expenses consist of employee expenses, directors' remuneration, land, premises and equipment expenses, taxes and duties, and other expenses. The Independent Financial Advisor projects operating expenses by considering Cost to Income ratio, which is calculated by excluding dividend income received or receivable from the disposed entities in operating income. In 2017-2018, TBANK cost to income ratio was around 51.4 percent, decreased from 2016 at 54.3 percent of operating income.

In the first year of projection (2019), cost to income ratio is assumed to be 51 percent of operating income, equivalent to the ratio in 2018 because TBANK had just recorded additional employee benefit obligation in Quarter 2 2019. Cost to income ratio is expected to gradually decreased over the next 10 years to 46 percent as a result of economies of scale when TBANK has larger business size from the loan growth. Moreover, the projection is in line with TBANK policy to focus on increasing operational efficiency through branch reduction, improvement on work processes to be more automated to provide better service experience to customers. The forecasted cost to income ratios are still higher than the average ratio of the large commercial banks in Thailand which ranges between 43 – 45 percent over the last 3 years.

	2017	2018	2019F	2020F	2021F	2022F	2023F	2028F
Cost to income ratio	52%	51%	51%	50%	49%	48%	47%	46%

Remark: Cost to income ratio presented above is calculated by excluding dividend income from disposed entities.

11) Credit Cost

Credit cost consists mainly of an increase in allowance for doubtful accounts and bad debt write-offs, which are assumed as follows:

- Changes in allowance for doubtful accounts will be in accordance with the projection of allowance for doubtful accounts in no. 2) above;
- Bad debt write-off is divided into hire purchase and general loans write-offs. In the projection period, TBANK total write-off accounts for approximately 0.8 - 0.9 percent of total loans, which is equivalent to the historical write-off ratio in 2017 – 2018.

12) Income Tax

In the past years, TBANK had tax benefits from the merger transaction with Siam City Bank Public Company Limited (SCIB). Such tax benefits has expired in the second quarter of 2018. In the future years, TBANK has to pay income tax at the normal rate. Therefore, in the projection period, corporate income tax is assumed at 20 percent of earnings before tax.

Projected Financial Performance in 2019 - 2028

Projection Period			1	2	3	4	5	10
TBANK PROFIT&LOSS	2017	2018	2019F	2020F	2021F	2022F	2023F	2028F
(Unit: THB million)								
Interest income	41,282	42,806	45,406	47,945	50,847	53,906	57,047	73,342
Interest expense	14,144	14,440	14,839	15,941	16,863	17,875	18,936	24,590
Net Interest Income	27,138	28,365	30,567	32,004	33,984	36,032	38,112	48,753
Fee and service income	6,872	7,826	8,382	8,943	9,528	10,136	10,762	14,164
Fee and service expense	2,929	3,361	3,541	3,753	3,959	4,176	4,405	5,751
Net Fee and Service Income	3,943	4,465	4,841	5,189	5,570	5,960	6,358	8,413
Other operating income	2,980	1,753	2,775	2,775	2,775	2,775	2,775	2,775
Total Operating Income	34,061	34,583	38,183	39,968	42,329	44,767	47,244	59,941
Operating expense	17,702	17,785	19,303	19,785	20,538	21,356	22,340	27,380
Doubtful debts	5,935	4,465	5,261	5,976	6,362	6,679	6,971	9,481
Profits before tax	10,424	12,333	13,619	14,207	15,428	16,732	17,933	23,079
Income tax	(11)	(1,456)	(2,724)	(2,841)	(3,086)	(3,346)	(3,587)	(4,616)
Net Profits for the Period	10,413	10,878	10,895	11,365	12,343	13,385	14,347	18,463

Dividend income - TBROKE	90	100	79	72	74	77	80	80
Dividend income - Divested entities ¹	2,632	2,933	-	-	-	-	-	-
Net Profits per Financial Statements	13,135	13,911	10,974	11,438	12,417	13,462	14,427	18,543

PPOP	16,359	16,798	18,880	20,183	21,790	23,411	24,904	32,561
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Remark: PPOP: Pre-provision operating profit ¹ Include dividend income from TFUND and other divested entities

Projected Financial Position as of 2019 - 2028

Projection Period			1	2	3	4	5	10
TBANK Significant Items	2017	2018	2019F	2020F	2021F	2022F	2023F	2028F
(Unit: THB million)								
		(*)						
Interbank and money market items	94,577	95,257	95,257	95,257	95,257	95,257	95,257	95,257
Investment-net	157,448	148,773	148,773	148,773	148,773	148,773	148,773	148,773
Loans to customers-net	646,217	680,584	720,813	765,723	814,547	865,192	917,234	1,190,254
Other assets	56,218	51,466	52,128	52,465	53,400	54,484	55,670	60,859
Total Assets	954,460	976,080	1,016,970	1,062,218	1,111,978	1,163,706	1,216,934	1,495,143
Deposits	717,807	753,945	776,563	800,617	826,221	853,502	882,600	1,061,279
Interbank and money market items	69,809	55,964	56,997	66,549	77,470	88,581	99,318	137,303
Debts issued and borrowings	20,005	20,005	31,574	36,865	42,915	49,069	55,017	76,059
Other liabilities	22,453	23,068	22,855	23,183	23,764	24,185	24,673	27,209
Total Liabilities	830,074	852,982	887,989	927,214	970,370	1,015,338	1,061,608	1,301,850
Paid-up capital	60,649	60,649	60,649	60,649	60,649	60,649	60,649	60,649
Legal reserve	4,259	4,954	5,205	5,472	5,759	6,065	6,065	6,065
Retained earnings	55,776	52,173	57,806	63,562	69,879	76,332	83,290	121,258
Other components of equity	3,702	5,322	5,322	5,322	5,322	5,322	5,322	5,322
Total Shareholder Equity	124,385	123,098	128,981	135,005	141,608	148,368	155,326	193,293

Remark (*): After adjusting with the effect of business restructuring by divesting certain investments pursuant to the Share Purchase Agreement

Valuation of TBANK Share using Dividend Discount Model

The Independent Financial Advisor evaluates TBANK share by discounting the expected dividend in the projection period to the present value, then added with the present value of terminal value in the final year of projection which is estimated based on Price to Book Value (P/BV) ratio of the large commercial banks in Thailand. Major assumptions used in determining TBANK fair value under the Dividend Discount Model are as follows

Dividend Payout Ratio

Dividend payout ratio of TBANK is projected by assuming TBANK to pay maximum dividend to retain long-term Capital Adequacy Ratio (CAR) at 17.50 percent, which is equivalent to 3-year average CAR of the large commercial banks in Thailand, as shown below:

	KBANK	BBL	KTB	SCB	BAY	Average ¹
3-year average CAR	17.5%	18.0%	17.5%	17.1%	15.0%	17.5%

¹ Excluding CAR of the Bank of Ayudhya (BAY) as it is relatively lower than the average value of large commercial banks.

Based on the above assumption, dividend payout ratio during the projection period will be between 46 – 58 percent, equivalent to the average dividend payout over the next 10 years of 51.4 percent. Such dividend payout ratio is in line with TBANK ability to pay dividend during the past 5 years, which continuously increased from 31.3 percent in 2014 to 47.6 percent of net profits in 2018.

Excess Capital

As of 31 December 2018, TBANK had a total capital fund under Basel III of Baht 131,859, and total risk-weighted assets of Baht 677,937 million, equivalent to a capital adequacy ratio of 19.5 percent, and expected to decrease to 18.4 percent following the business restructuring, which is still higher than the minimum requirement of the Bank of Thailand of 10.375 percent. In the event that TBANK wishes to maintain CAR at 17.5 percent according to the above assumption to maintain its competitiveness against the larger banks, TBANK will be considered having an Excess Capital as of 31 December 2018, which is the capital fund in excess of 17.5 percent. Such excess capital shall be treated as special dividend to shareholders, which will not included in the interbank and money market items for the calculation of interest income.

Based on the above assumption, excess capital of TBANK as of 31 December 2018 (after business restructuring) would be Baht 6,263 million, which will be included in the present value of dividend for the calculation of TBANK share price.

During the projection period, TBANK Common Equity Tier 1 will be ranged between 13.6 – 14.6 percent remaining above the minimum requirement of the Bank of Thailand of 6.375 percent, and are comparable to the 3-year average ratio of large commercial banks in Thailand which ranges between 13.6 – 16.3 percent.

Terminal Value

The terminal value is determined to be Baht 198,283 million, calculated based on P/BV ratio of 1.06 times, which is derived from mid-point of average P/BV ratio of 5 large commercial banks: BBL, BAY, KBANK, KTB, and SCB during the past 1 month - 12 months, as if TBANK had liquidated its business in the final year of projection. The terminal value calculated above has implied P/E ratio of around 10.74 times, being comparable to average P/E ratio of the large commercial banks during the past 1 - 12 months which ranges between 10.57 – 11.16 times.

In addition, the Independent Financial Advisor justifies the appropriateness of the proposed P/BV ratio by conducting simple linear regression analysis over the relationship between P/BV Ratio and Return on Average Equity (“ROAE”) using 10-year historical data on a quarterly basis to identify commercial banks with good statistics such as R-Square, F-statistic, t-statistic. Base on the analysis, the commercial banks with ROAE ranging between 10.0 – 10.2 percent in year 10 should have the P/BV ratio between 1.06 – 1.08 times. Therefore, the adoption of P/BV ratio of 1.06 times in calculating terminal value of TBANK is considered acceptable.

Discount Rate

The Independent Financial Advisor uses cost of equity (Ke) as a discount rate to calculate the present value of dividend. Cost of equity or shareholders required rate of return is calculated from Capital Asset Pricing Model (CAPM) using the following formula:

$$\text{Cost of Equity} = R_f + \beta(R_m - R_f)$$

Whereas:

- R_f = 15-year government bond yield as of 31 July 2019, equal to 1.99 percent
- β (Beta) = Correlation coefficient of variation of return of comparable peers to the return of SET market for the last 5 years, equal to 0.94 (Source: Bloomberg)
- R_m = 15-year average rate of return from investment in the SET (Market Return), equal to 10.62 percent (Source: Independent Financial Advisor analysis)

Based on the above formula, TBANK cost of equity is equal to 10.14 percent, which is used as a discount rate for future dividend as follows:

Dividend Discount Model (THB million)	2019F	2020F	2021F	2022F	2023F	2028F
Projected net profits	10,895	11,365	12,343	13,385	14,347	18,463
Projected dividend payment	5,012	5,342	5,739	6,626	7,389	10,616
Terminal value						198,219
Discount rate					Percent	10.14
Present value of dividend						118,863
Add: Excess capital						6,263
Add: Net proceeds from business restructuring						25,912
TBANK Share Value (Base Case)						151,038

Based on the above table, TBANK share value determined by the Dividend Discount Model (DDM) approach under base case scenario is Baht 151,038 million. The dividend payment shown above is only an estimation based on the defined set of assumptions. Actual dividend payment may differ from the estimation as it is subject to TBANK profitability and business plan.

The Independent Financial Advisor conducts sensitivity analysis of TBANK share value determined under the DDM approach upon the change in minimum capital ratio from 17.5 percent under the base case assumption to between 17.0 – 18.0 percent, which is the min-max range of the average capital ratio of the large commercial banks in the past 3 years. TBANK share price will be changed as follows:

Sensitivity Analysis	Minimum Capital Adequacy Ratio		
	18.0%	17.5%	17.0%
TBANK share value (THB million)	148,803	151,038	153,278

Based on the above table, when TBANK maintains capital ratio between 17.0 – 18.0 percent, TBANK share value will be in a range of Baht 148,803 – 153,278 million.

3.5.2 Valuation of TFUND

The Independent Financial Advisor adopts the Discounted Cash Flows ("DCF") to value TFUND shares, by considering TFUND ability to generate future cash flows. The Independent Financial Advisor assessed TFUND free cash flows to equity (FCFE), which comprises of the projected operating cash flows over the next 5 years covering the period from January 2019 – December 2023, and its terminal value which

represents the value of future free cash flows beyond the terminal year of projection. The sum of total free cash flows is discounted by appropriate discount rate to derive the present value.

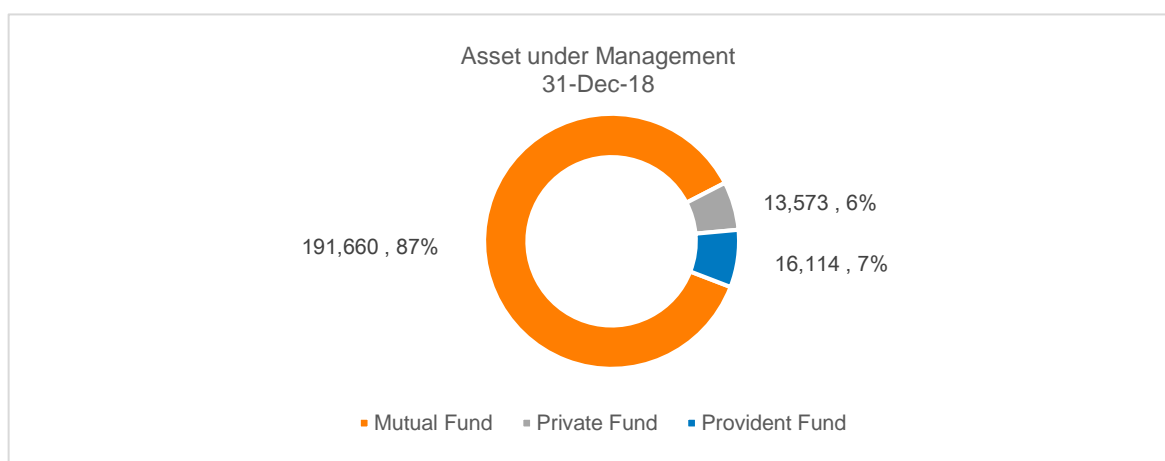
Key assumptions used in developing financial projection of TFUND are primarily based on TFUND business plan and policies, and other information derived from the interview with the management and an analysis on TFUND historical performance. Certain assumptions have been adjusted to reflect overall market condition, competition, and current economic environment under the conservative basis. The projection assumed that the Company will continue its operation on an ongoing basis without significant changes under the current economic condition throughout the projection periods. Such financial projection do not take into account any future plan or changes which may take place as a result of the merger plan following the Transaction.

The following financial forecast was prepared to derive the fair market value of TFUND shares, for the sole purpose of rendering opinion in respect of the Transaction. The calculated share price cannot be used for any purposes other than that stated above. In addition, if the economic condition or other external factors impacting TBANK operation changes materially from the defined assumptions, the fair value of TFUND could be affected.

Key assumptions in the financial projection of TFUND can be summarized as follows:

1) **Asset under management growth**

TFUND provides three types of fund management services: Mutual Fund, Provident Fund, and Private Fund. As of 31 December 2018, assets under management (“AuM”) of TFUND equal to Baht 221,347 million, divided into each fund as follows:



As of 31 December 2018, TFUND's AuM composed of 87 percent of Mutual Fund, 7 percent of Provident Fund, and 6 percent of Private Fund. During the past 5 years, the compound annual growth rate (CAGR) of AuM was equal to 10.7 percent per year, but equivalent to 8.2 percent in the most 2 recent years. The AuM at the end of 2018 declined from the previous year due to the redemption of fixed income funds. However, total AuM of all fund management companies in Thailand during the past 5 years reported an annual growth of 11.7 percent CAGR (Source: Association of Investment Management Companies)

In the base case scenario, the Independent Financial Advisor assumes growth rate of AuM of 10.0 percent per year, according to the management intention to maintain its market share by introducing new funds to attract more investors. The Independent Financial Advisor also assumes TFUND to maintain the proportion of fund type as in 31 March 2019.

Unit: THB million	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
AuM	189,021	228,601	221,347	243,456	267,774	294,521	323,939	356,296
AuM growth	13.6%	20.9%	-3.2%	10.0%	10.0%	10.0%	10.0%	10.0%

2) Fees and service income

TFUND earns fees and service income from fund management service. TFUND charges management fee as a percentage of the AuM of each fund. Therefore, in estimating the fee income, AuM of each type of fund will be multiplied by average management fee relative to each fund. Management fee rate on each fund will be based on historical data as summarized below:

	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Mutual fund	0.5%	0.5%	0.7%	0.6%	0.6%	0.5%	0.5%	0.5%
Private fund	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Provident fund	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Other services	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%

¹ Other services are calculated based on total AuM.

3) Interest and dividend income

Interest and dividend income from investments in 2019 - 2023 are estimated to be Baht 7.6 million per year, which is based on the investment amount of TFUND as of 31 December 2018 of Baht 409 million. Interest and dividend yield are assumed to equal to 1.9 percent per year, based on average yield in the past 2 years (2017 - 2018).

4) **Fees and service expenses**

Fees and service expenses is estimated to be 37 percent of fees and service income, based on historical data during the past 2 years (2017 - 2018).

5) **Operating expenses**

Operating expenses consist of employee benefits expenses, PPE expenses, and other expenses including directors' remuneration, advertising and public relations expenses, etc., which is estimated based on historical data as follows:

- *Employee benefits expenses* is projected to have a growth rate of 5 percent per year based on salary incremental rate of TFUND, and average growth rate of employee expenses over the past 5 years, which equals to 4.2 percent per year.
- *Other expenses* equals to 10.8 percent of management fee income.

6) **Corporate income tax**

Corporate income tax is set at 20 percent of earnings before tax.

7) **Capital Expenditure**

Capital expenditure consists of investment costs relating to building and equipments used in operations, and investment in computer software, which is projected to be Baht 7.6 million per year, based on average capital expenditure of TFUND over the past 5 years (2014 - 2018)

8) **Working Capital**

Working capital in the projection period is based on historical ratio of TFUND, as detailed below:

	2015	2016	2017	2018	2019F-2023F
Days sales outstanding (day)	34	33	40	32	35
Days payable outstanding (day)	108	36	40	26	34

9) **Terminal Growth Rate**

The Independent Financial Advisor determines the growth rate assumption of TFUND free cash flows beyond the terminal year, at 3.0 percent per annum according to the forecast of the economic growth of the country based on the gross domestic product (GDP) growth rate over the past 10 years. Terminal value is, therefore, equal to Baht 10,325 million, equivalent to an implied P/E ratio of 14.4 times, which is comparable to P/E

ratio in the past 6 months of MFC Asset Management Public Company Limited ("MFC"), the only fund management company listed in the stock exchange of Thailand, of 14.3 times.

10) Discount Rate

The Independent Financial Advisor uses the cost of equity as a discount rate to calculate the present value of TFUND's free cash flows to equity. Cost of equity or shareholders' required rate of return is calculated based on Capital Asset Pricing Model (CAPM), as described on page 105 – 106.

Nevertheless, in calculating the Beta or correlation coefficient of variation of the return of SET market to the return of comparable peers which have similar business characteristic to TFUND, there is only one company, MFC, which is the fund management company that has been listed in the SET. The Independent Financial Advisor, therefore, is of the opinion that reliance upon the Beta value of only one company may not be appropriate as it might be bias and does not truly reflect overall business risks of the company operating fund management business.

Therefore, Independent Financial Advisor considers using the cost of equity of TBANK which is equal to 10.14 percent calculated from the CAPM for the valuation of TBANK shares as shown on page 105 - 106, to represent the required rate of return on investment of TFUND.

Forecasted Financial Performance of TFUND in 2019 - 2023

Unit: THB million	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Fees and service income	1,058	1,333	1,859	1,627	1,694	1,765	1,947	2,141
Other incomes	12	9	9	11	11	11	11	11
Total revenue	1,070	1,342	1,868	1,638	1,705	1,775	1,957	2,152
Operating expenses	626	809	1,050	968	1,009	1,053	1,151	1,254
Income tax	89	107	164	134	139	144	161	179
Net profits	355	426	655	536	556	578	645	718

Forecasted Free Cash Flows to Equity of TFUND in 2019 – 2023

Unit: THB million	2019F	2020F	2021F	2022F	2023F
Net profits	536	556	578	645	718
Less after-tax investment income	(6)	(6)	(6)	(6)	(6)
Depreciation and amortization expenses	5	7	8	9	9
Capital expenditure	(8)	(8)	(8)	(8)	(8)
Changes in net working capital	11	3	3	2	2
Free Cash Flows to Equity (FCFE)	539	552	576	644	716
Terminal value					10,325
Present value of FCFE and Terminal value	8,622				
<u>Plus</u> cash outstanding as of 31 December 2018	28				
<u>Plus</u> investment amount as of 31 December 2018	409				
<u>Plus</u> loans to employee as at 31 December 2018	9				
TFUND total equity value	9,068				
% owned by TBANK	75%				
TFUND Equity Value (as held by TBANK)	6,801				

According to the DCF valuation approach, TFUND share value is estimated to be Baht 6,801 million (based on 75 percent owned by TBANK).

The Independent Financial Advisor further performs sensitivity analysis on TFUND share value in the case that TFUND AuM has not grown as expected. The Independent Financial Advisor, therefore, adjusts the assumption on the growth rate of AuM from 10.0 percent to 8.2 percent, equivalent to the average growth rate of TFUND over the past 2 years (2017 - 2018), which will affect the value of TFUND as follows:

Sensitivity analysis	AuM Growth Rate	
	8.2 percent	10.0 percent (Base case)
TFUND share value (THB million) ¹	6,296	6,801

¹ In proportion held by TBANK at 75 percent

Based on the above sensitivity analysis, TFUND share value attributable to TBANK will be in a range between Baht 6,296 - 6,801 million.

3.5.3 Valuation of TBROKE

The Independent Financial Advisor adopts the Discounted Cash Flows ("DCF") to value TBROKE shares, by considering TBROKE ability to generate future cash flows based on TBROKE business plan and policies, and other information derived from the interview with the management and an analysis on TBROKE historical performance. Certain assumptions have been adjusted to reflect overall market condition, competition, and current economic environment under the conservative basis. The projection assumed that the Company will continue its operation on an ongoing basis without significant changes under the current economic condition throughout the projection periods. Such financial projection do not take into account any future plan or changes which may take place as a result of the merger plan following the Transaction.

The following financial forecast was prepared to derive the fair market value of TBROKE shares, for the sole purpose in rendering opinion in respect of the Transaction. The calculated share price cannot be used for any purposes other than that stated above. In addition, if the economic condition or other external factors impacting TBROKE operation changes materially from the defined assumptions, the fair value of TBROKE could be affected.

Key assumptions in the financial projection of TBROKE can be summarized as follows:

1) Revenue

TBROKE operates insurance brokerage business for non-life and life insurance. The main revenue of TBROKE comes from providing non-life insurance brokerage services including auto insurance, fire insurance, and miscellaneous non-life insurance. Moreover, TBROKE provide registration and tax renewal services for automobile and motorcycle customers of TBANK, tax follow-ups, collection of taxes, Insurance premiums, and related service fees.

Major revenue of TBROKE is commission income received from the insurance companies who are TBROKE partners including Thanachart Insurance Public Company Limited ("TNI"), which is a subsidiary of TBANK before business restructuring. Commission income received from TNI accounts for approximately 60 percent of total commission income.

Commission income

In 2016, TBROKE had total commission income of Baht 363 million and grew to Baht 383 million in 2018, in line with the growth of auto hire purchase loans of TBANK, which is equivalent to an average growth rate of 2.8 percent per year. In the projection period, commission income is forecasted to grow by 2.8 percent per year, based on the average growth rate of commission income over the past 2 years (2017 - 2018).

Other services income

In 2016 - 2018, TBROKE had other services income ranged between Baht 52 – 66 million per year. In the projection period, other services income is assumed to be Baht 57 million, equivalent to an average income in the past 3 years (2016 - 2018).

2) Expenses

Cost of services and operating expenses of TBROKE mainly consist of employee expenses, commission and service expenses, and service fee to TBANK. Those expenses are estimated based on historical cost data as follows:

- *Commission expenses:* equals to 27.5 percent of commission income
- *Employee expenses:* equals to 37.3 percent of commission income and other services income
- *PPE expenses:* equals to 7.6 percent of commission income and other services income
- *Service fee to TBANK:* equals to Baht 42.5 million per year, based on an average data in 2016 - 2018

3) Corporate income tax

Corporate income tax is set at 20% of earnings before tax.

4) Capital Expenditure

Capital expenditure consists of investment costs relating to building and equipment used in operation, and investment in computer software, which is assumed to be Baht 15.8 million per year, based on historical average data of actual capital expenditure during the past 5 years (2014 - 2018)

5) Working Capital

Working capital in the projection period is based on historical ratio of TBROKE, as detailed below:

	2016	2017	2018	2019F-2023F
Day sales outstanding - Commission (day)	31	31	35	33
Day sales outstanding – Other services (day)	106	98	81	95
Day payable liabilities (day)	56	60	45	54

6) Terminal Growth Rate

The Independent Financial Advisor determines the growth rate assumption of TBROKE free cash flows beyond the terminal year, at 3.0 percent per annum according to the forecast of the economic growth of the country based on the gross domestic product (GDP) growth rate over the past 10 years.

7) Discount Rate

The Independent Financial Advisor uses the cost of equity as a discount rate to calculate the present value of TFUND's free cash flows to equity. Cost of equity or shareholders' required rate of return is calculated based on Capital Asset Pricing Model (CAPM) using the following formula:

$$\text{Cost of Equity} = R_f + \beta(R_m - R_f)$$

when:

- R_f = 15-year government bond yield as of 31 July 2019, equal to 1.99 percent
- β (Beta) = Correlatoion coefficient of variation of return of 2 comparable peers, which are ASN Broker Public Company Limited ("ASN") and TQM Corporation Public Company Limited ("TQM"), to the return of SET market for the last 5 years, equal to 0.94 (Source: Bloomberg)
- R_m = 15-year average rate of return from investment in the SET (Market Return), equal to 10.62 percent (Source: Independent Financial Advisor analysis)

Based on the above formula, TBROKE cost of equity is equal to 11.77 percent. Nevertheless, the Independent Financial Advisor considers TBANK cost of equity at 10.14 percent as the minimum required rate of return on investment in TBROKE, to be used to discount future free cash flows as follows.

Forecasted Financial Performance of TBROKE in 2019 - 2023

Unit: THB million	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
Commission income	363	368	383	394	405	416	427	439
Other services income	53	66	52	57	57	57	57	57
Others income	8	10	33	9	9	9	9	9
Total revenue	424	444	468	459	470	481	493	505
Operating expenses	300	341	371	368	378	385	393	404
Income tax	22	20	18	18	18	19	20	20
Net profits	101	84	79	73	73	77	80	80

Forecasted Free Cash Flows to Equity of TBROKE in 2019 - 2023

Unit: THB million	2019F	2020F	2021F	2022F	2023F
Net profits	73	73	77	80	80
Less interest income (after-tax)	(2)	(2)	(2)	(2)	(2)
Depreciation and Amortization expenses	12	15	13	13	16
Capital expenditure	(16)	(16)	(16)	(16)	(16)
Changes in net working capital	11	13	11	11	14
Free cash flows to equity	75	71	73	76	79
Terminal value					1,139
Present value of FCFE and terminal value	984				
Plus: Cash as at 31 December 2018	220				
Less: Insurance premium payable - net	(116)				
TBROKE share value	1,088				

Based on the above table, TBROKE share value determined by the Discounted Cash Flows (DCF) approach under base case scenario is Baht 1,088 million.

The Independent Financial Advisor further conducts sensitivity analysis of TBROKE share value determined under the DCF approach upon the change in annual growth rate of commission income from 2.8 percent to 3.0 percent per year, as upon completion of the Transaction, the commission rate between TBROKE and Thanachart Insurance Public Company Limited (TNI), its affiliates, is likely to be reduced to align with an arm's length principle, which will affect TBROKE share value as follows:

Sensitivity Analysis	Commission income growth	
	2.8 percent	3.0 percent
TBROKE Share Value (THB million)	1,088	1,100

Based on the above table, TBROKE share value determined by the discounted cash flows (DCF) approach could be in a range of Baht 1,088 – 1,100 million.

3.5.4 Sum of the Part Valuation

TBANK share value determined under Sum of the Parts valuation approach can be summarized as follows:

Entities	Valuation approach	Base case value	Sensitivity Analysis	
			Min	Max
TBANK	DDM	151,038	148,803	153,278
TFUND	DCF	6,801	6,296	6,801
TBROKE	DCF	1,088	1,088	1,100
Total		158,927	156,187	161,179

TBANK share price determined by Sum of the Parts approach under the base case assumption is Baht 158,927 million. When applying sensitivity analysis, the value of TBANK shares could be in a range between Baht 156,187 - 161,179 million, based on the defined set of assumption.

3.6 Summary of TBANK Share Valuation

The Independent Financial Advisor determined the fair value of the Company's share based on various valuation approaches as summarized below:

Valuation Approach	THB million	Appropriateness
1. Book value approach	146,639	Inappropriate
2. Adjusted book value approach	148,554	Inappropriate
3. Market comparable approach		
3.1 Price to Book Value	155,031 – 161,428	Appropriate
3.2 Price to Earnings	143,989 – 148,137	Inappropriate
4. Precedent transaction comparable approach		
4.1 Price to Book Value	182,132	Inappropriate
4.2 Price to Earnings	161,988	Inappropriate
5. Sum of the parts approach		
5.1 Base case	158,927	Appropriate
5.2 Sensitization	156,187 – 161,179	Appropriate

The Independent financial advisor considers the appropriateness of each valuation approach as follows:

- ▶ **Book Value Approach** is the method by which the audited financial statements at a certain date were used as a reference to the bank share value. However, this approach does not take into account the bank's ability to generate future profits and cash flows, hence, it is not an appropriate approach in determining TBANK share value.
- ▶ **Adjusted Book Value Approach** represents the bank's fair value better than the book value approach as it includes fair value adjustment of the bank's core assets to closely reflect the market value of shareholders' equity. Similar to the book value approach, the adjusted book value does not take into account the bank's future profitability and performance as well as industry trend and economic condition.
- ▶ **Market Comparable Approach** The method reflects investors' view towards the bank's net asset position and current profits. The share value derived from this approach will reflect the premium on net assets and profitability of the bank at a certain date.

In practice, Price to Book Value (P/BV) Multiple approach is considered one of the most common approaches that investors and research analysts typically employ when conducting valuation of a financial institution because this approach is suitable for determining the value of the firms with comparable capital structure and accounting policies. In determining TBANK share value using P/BV Multiple approach, TBANK book value will be multiplied by price to book value (P/BV) ratios of other financial institutions which can be considered having similar capital structure and accounting policies as TBANK because TBANK and those comparable peers are the financial institutions under the supervision and examination of the Bank of Thailand.

While, P/E Multiple approach is not an appropriate approach for valuing TBANK shares, since net profits of financial institutions seem to fluctuate along the change in the country's economic conditions. Therefore, valuing TBANK shares by comparing TBANK earnings to the Price to Earnings (P/E) ratios of comparable peers at a certain point of time may not truly reflect the fair value of the shares. Whereby, the book value typically fluctuates less than earnings in changing economic conditions, therefore, the P/BV Multiple is considered to be an appropriate approach for valuing TBANK shares.

- ▶ **Precedent Transaction Comparable Approach** Although the precedent transaction comparable approach reflects premium on the acquisition transaction, this approach is not appropriate because the selected comparable transactions are different from the Transaction in terms of acquisition size, acquisition period, and economic environment as it involves the use of precedent transactions

occurred in various countries, which may also result in different accounting standards and policies. Such difference in market condition and accounting standards adopted cause the calculated share price fail to appropriately reflect the fair market value.

- ▶ **Sum of the Parts Approach**, is appropriate, as it best reflects the value of TBANK share after business restructuring. Moreover, this method reflects the bank's ability to generate future profits and cash flows by taking into account various factors affecting business operation such as business plans and policies, competitive position, efficiency in cost control, and future investment in core assets, as well as the regulatory requirement regarding capital fund. Key financial assumptions have been established based on the bank's historical performance along with the analysis on the bank's future business plan, economic and industry conditions and the views of the management. The Independent Financial Advisor therefore determines that this approach is appropriate for valuing TBANK share. However, the share price determined by this approach can be sensitive to the change of key underlying assumptions. If the actual results differ substantially from those estimated, the share value could also be affected.

In conclusion, the Independent Financial Advisor is of the opinion that **Sum of the Parts Approach**, which determines the fair value of TBANK using Dividend Discount Model, TFUND and TBROKE using Discounted Cash Flows Approach, is the most appropriate approach for valuing an aggregate value of TBANK shares. TBANK share value derived from Sum of the Part Approach ranges between Baht 156,187 - 161,179 million, which include net proceeds from TBANK business restructuring of Baht 25,912 million, which will remain in TBANK on the date of share acquisition. In addition, the share value determined under Sum of the Parts Approach also aligns with the value derived from P/BV Multiple Approach.

Therefore, the acquisition price of entire shares of TBANK of Baht 158,411 million is in a fair value range determined by the Independent Financial Advisor.

4. Opinion of the Independent Financial Advisor Regarding the Fairness of Transaction Conditions

The Independent Financial Advisor determines the appropriateness of the Transaction Conditions by considering terms and conditions set forth in Share Purchase Agreement and Share Subscription Agreement dated 8 August 2019, as summarized in 1.9 *Summary of Key Terms and Conditions*, and has the opinion on key terms and conditions as follows:

▶ *Conditions Precedent*

The conditions precedent such as the receipt of prior approvals from relevant authorities regarding the change of shareholder and management structure, prior approval from the Shareholders Meeting, and the SEC approval on the issuance of new shares to TBANK shareholders, are set forth to ensure that the merger activities will be undertaken in accordance with relevant laws and regulations.

▶ *Transaction Period*

The Share Purchase Agreement stipulates the target date of the Transaction which requires: (1) Conditions precedent regarding the receipt of prior approval from relevant authorities such as the Bank of Thailand, the Ministry of Finance and the SEC as well as the Shareholders Meeting be satisfied on or before 31 October 2019 (Initial Long Stop Date); and (2) All further conditions precedent be completed or satisfied on or before 31 December 2019. In the event that the conditions precedent are not satisfied or waived on or before such dates, the Share Purchase Agreement will be lapsed and ceased to have effect. The Independent Financial Advisor determines these conditions to be fair and for the mutual benefits of both parties as they allow the Transaction to be executed within the longstop limitation period, which will enable the merger to receive tax benefits from the merge of financial institutions pursuant to the conditions prescribed in the Royal Decree (No. 677) B.E. 2019.

▶ *The Issuance of New Ordinary Shares to TBANK Shareholders*

The offering of newly issued ordinary shares to all TBANK shareholders upon completion of the Transaction are considered appropriate, as the offering price of 1.1 times of TMB book value per share after fundraising through TSR is an appropriate price because the offering price reflects net asset value of TMB at the Transaction Date, and when calculating using the assumption that the Transaction Date was 31 December 2018, such offering price is higher than TMB Market Price at the date of this report. Although causing certain dilution effect to TMB shareholders, the issuance of new shares to TBANK shareholders helps strengthen TMB capital fund which will enhance TMB capability to expand the lending business in the future.

The condition that clearly defines the maximum number of new shares to be issued to TBANK shareholders, which will result in TCAP holding 20.1 – 23.3 percent of TMB's total paid-up shares after the Transaction alongside the Ministry of Finance and ING, is appropriate as it helps protect the interest of TMB shareholders, because, following the new share issuance, TCAP can not have an exclusive control over TMB business operation, particularly for the decision on key agendas which require special resolution of at least three-fourths of the vote casted by the attending shareholders, as well as the general agendas which require simple majority of more than half of total votes. Moreover, such percentage of shareholdings by TCAP does not trigger the point at which the Mandatory Tender Offer is required.

▶ *Sale of TFUND*

The condition regarding the disposal of TFUND to the third party is appropriate, as TMB will be appointed as TBANK advisor for the sale transaction, and the parties also aimed to complete the sale process on or immediately after the Transaction, which will allow net proceeds from the sale transaction to be entirely recognized in TMB consolidated financial statements. Moreover, the continuance of the sale process after the Transaction (if applicable) helps eliminate overlapping non-core banking business with TMBAM, which is owned 35 percent by TMB and operates similar fund management business.

▶ *Determination of TBANK Share Price*

The condition that requires the consolidated financial statements of TBANK for the purpose of determining Initial Price and Final Price, be fully audited by a certified auditor, the book value of TBANK be adjusted in accordance with TFRS9 (which will be effective from 2020 onwards) and the condition requiring an external TFRS9 specialist to verify such adjustment are fair for both parties.

Additionally, the term that entitles TMB to terminate the Share Purchase Agreement if the Initial Price of TBANK share increases or decreases from the purchase price determined based on 31 December 2018 by 15 percent or higher, is also a fair condition and protect the benefit of TMB, because in the event that the purchase price is higher than the threshold indicated above, TMB will not have to seek further financing for the Transaction, and it will not affect its liquidity and create excessive debt burden to TMB.

▶ *Representations and Warranties*

The Sellers provided representations and warranties which included but not limited to, its ownership right over the transferred shares, the legally binding of customer agreements, and other warranties covering accounts, compliance, litigation, and tax matters. In the event of a breach of warranties, the Sellers shall be liable for the claims by TMB but subject to the limitation prescribed in the Share Purchase Agreement. The provided

warranties by the Sellers are considered to be generally in line with a transaction of this nature. Additionally, the warranties and related claims provided by the Sellers are consistent with those provided by TMB to TCAP in the Share Subscription Agreement.

To mitigate possible risks which may arise from entering into the Transaction, TMB and its advisors has conducted an in-depth due diligence process of TBANK business and reported to the SET on 8 August 2019 that there is no significant issues which would prevent or materially affect the Merger Plan.

▶ *Other Conditions*

Other terms and conditions including the provisios relating to non-competition which TCAP provides covenant not to operate the business which deems to compete with the auto hire purchase and leasing business of TBANK for the period of 3 years, and the Sellers shall use its best effort to retain TBANK key employees after the Transaction, deem to be fair and protect the benefits of TMB after the Transaction.

Key Observations

▶ *Termination Provision*

According to the Share Purchase Agreement, when all conditions precedent have been completely fulfilled, TMB has right to terminate the Transaction under the following 2 scenarios: (1) the Intial Price of TBANK shares increases or decreases from the purchase price calculated based on TBANK audited consolidated financial statements as of 31 December 2018 by 15 percent or higher; or (2) TMB book value after the issuance of new ordinary shares to accommodate the exercise of TSR and through the Private Placement based on the audited consolidated financial statements of TMB as of 30 September 2019 and financial information prepared by TMB management for the operating results from 1 October to 31 October 2019 increases or decreases from TMB book value which includes the issuance of new ordinary shares to accommodate the exercise of TSR and through the Private Placement calculated based on the audited consolidated financial statements as of 31 December 2018, by 15 percent or higher, except for the case when the Parties to the agreement is able to reach a mutual agreement within the date prescribed in the Share Purchase Agreement.

The Independent Financial Advisor determines such termination clause to be roughly limit, because the general term of share purchase agreement usually contains the condition regarding no material adverse effect to the acquired business prior to completion, or no material change of regulatory conditions which could prevent the execution of the merger plan. Nevertheless, the Share Purchase Agreement allows TMB to claim for damages, if the Sellers fail to take any reasonable actions to minimize any adverse effect to TBANK Group business in such emergency situation.

Additionally, TMB management determines that during the date from 8 August 2019 which is the date of signing the Share Purchase Agreement to the Transaction Date (tentatively on December 2019) , approximately 4 months, the material adverse event which could negatively affect TBANK business is less likely to occur. The Independent Financial Advisor, therefore, is of the opinion that a lack of such condition will not cause a significant impact to TMB from entering into the Transaction.

▶ *Governance Structure of the Merged Bank*

At the date of this report, the allocation of board of directors seats in the Merged Bank has not yet finalized as it will be included in the Shareholder Agreement which will be entered into among the major shareholders of TMB subsequent to the Transaction. Based on the information provided by the prospective major shareholders of the merged bank, the structure of the Board of Directors is likely to consist of 14 members, increased from 12 members at present, which comprise of 2 directors nominated by Ministry of Finance, 2 directors nominated by ING, 2 directors nominated by TCAP, 1 executive directors, and 7 other directors (Please see more details in No. 1.10 *Post Integration Business Plan*). TMB management shall inform the shareholders of the conclusion on the final allocation of the Board of Directors members of the merged bank accordingly.

The Independent Financial Advisor, therefore, is of the opinion that key terms and conditions of the Transaction are fair, appropriate, and help protect the benefits of TMB shareholders. Most of the terms and conditions are of general contractual terms and consistent with business practice for share sale and purchase transaction. Such terms and conditions also allow the merger activities to be executed properly as planned. Additionally, TMB has managed to mitigate possible risks from certain clauses of the Share Purchase Agreement through an in-depth due diligence of TBANK business, finance, tax, and legal aspects, to ensure that TMB will not expose to a significant risk from entering into the Transaction.

5. Conclusion of Independent Financial Advisor Opinion

Based on the analysis of appropriateness of the Transaction to acquire entire shares of TBANK, the Proposed Merger Plan between TMB and TBANK, the issuance of new ordinary shares to all TBANK shareholders, and the appropriateness of Transaction Price and Conditions, the Independent Financial Advisor is of the opinion that the Transaction is appropriate and will provide long-term benefits to TMB because:

- 1) The acquisition of shares and subsequent merger with TBANK are reasonable as they are congruent with TMB business plan and it allows TMB to merge with a commercial bank with potential to grow loan, revenue, and profits. Subsequent to the merger with TBANK, TMB will be able to enhance its asset size and competitiveness. And, in the event that TMB can manage the integration risk effectively, TMB will receive benefits from various business synergies, which will subsequently improve TMB profitability and long-term return to the shareholders.
- 2) Under the assumption that the Transaction Date was 31 December 2018, the acquisition price of entire shares of TBANK is estimated to be Baht 158,411 million (including net proceeds from TBANK business restructuring of Baht 25,912 million which will remain in TBANK on the date of share acquisition). The acquisition price is in the range of appropriate fair value of TBANK shares determined by the Independent Financial Advisor under Sum of the Parts Approach of Baht 156,187 - 161,179 million. The share value determined under Sum of the Parts Approach also aligns with the value derived from Price to Book Value (P/BV) Multiple Approach of Baht 155,031 – 161,428 million. Therefore, the acquisition price of TBANK shares is deemed to be fair and appropriate.
- 3) Key terms and conditions of the Transaction are of normal business practice for share sale and purchase transaction and do not cause TMB to unfairly lose benefits from entering into the Transaction. Such terms and conditions allow the merger activities to be executed properly as planned.

Therefore, the Independent Financial Advisor recommend the shareholders to approve the Transaction which is an integral part of the merger plan between TMB and TBANK.

Nevertheless, the final decision whether to approve the Transaction rest primarily with the individual shareholders. The shareholders should study the information contained in this report along with other related information provided and use his/her own discretionary judgement in making the final decision.

Asia Plus Advisory Company Limited, as an Independent Financial Advisor, hereby certified that the report was prepared prudently in compliance with the generally accepted professional standard and the opinion is rendered by considering the best interest of the shareholders.

Sincerely Yours,

Asia Plus Advisory Company Limited

Dr. Kongkiat Opaswongkarn

(Dr. Kongkiat Opaswongkarn)

Authorized Director

Lec Sicoravit

(Lec Sicoravit)

Authorized Director

Rachada Klewpatinond

(Rachada Klewpatinond)

Financial Advisor

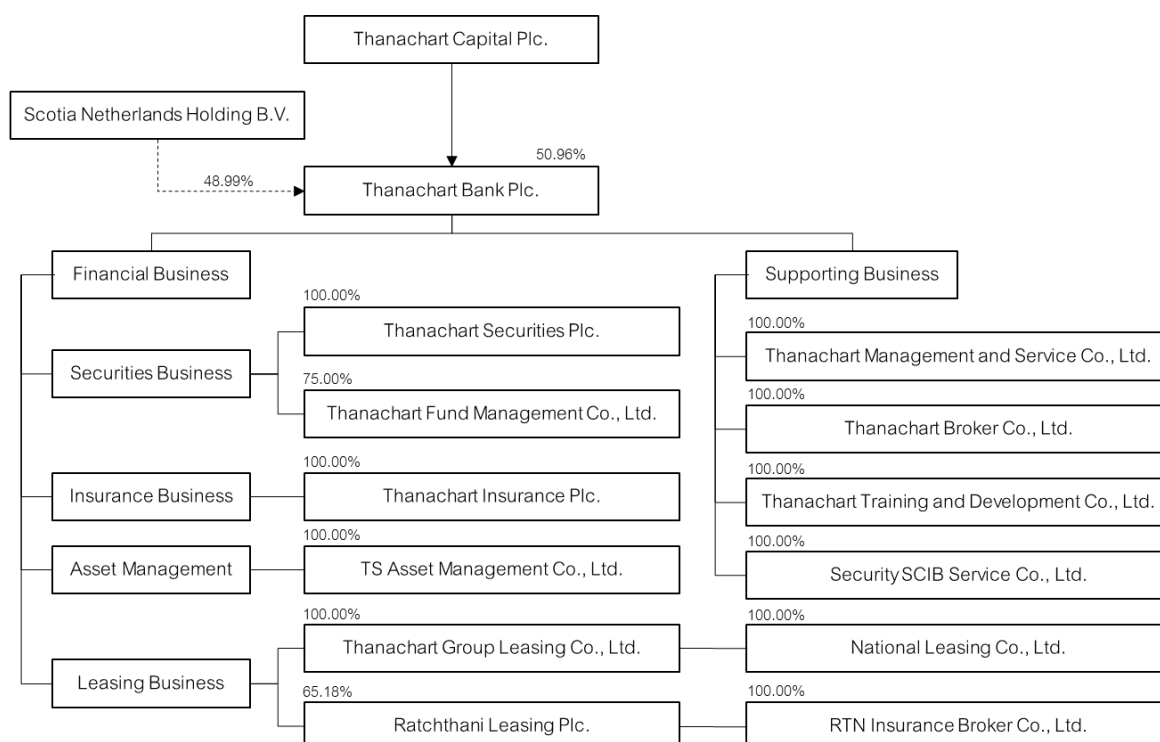
Appendix 1
Summary information of Thanachart Bank Public Company Limited

1. Business Overview

Thanachart Bank Public Company Limited (“TBANK”) commenced its operation on 22 April 2002 with Thanachart Capital Public Company Limited (“TCAP”) as the major shareholder. On 21 December 2006, the Bank of Thailand (“BOT”) granted approval for TBANK and TCAP to form financial business group in consolidation and having TCAP as a parent company.

In 2007, the Bank of Nova Scotia (“BNS”) became a strategic partner by holding 24.98% of TBANK shares, which later increased to 48.99%. The current major shareholders are TCAP and BNS, and in 2011, TBANK merged with Siam City Bank Public Company Limited. TBANK business structure, TCAP as a parent company, consists of two groups: 1) Financial Group and 2) Supporting Group.

TBANK group structure before business restructuring for this transaction are as follows



2. Nature of business

TBANK operates its businesses in compliance with the Financial Institutions Business Act and other relevant notifications issued by the BOT, includes five main products and services as follows:

- 1) Deposit products are offered to customer, both individuals and corporate. There are six major types of deposit products which are saving deposit, fixed deposit, negotiable certificate of deposit, tax free deposit, current deposit, and foreign currency deposit.
- 2) Lending products includes seven main classifications as follows:
 - 2.1) Corporate loan for wholesale banking, commercial banking, and SMEs
 - 2.2) Automobile SMEs
 - 2.3) Trade finance.
 - 2.4) Automobile hire purchase loans
 - 2.5) Secured personal loans
 - 2.6) Unsecured personal loans
- 3) Electronic products and services for both business customers and individuals through Thanachart Biz and other channels.
- 4) Payments and merchants service, the BIN (Bank Identification Number) sponsorship is cooperation between TBANK as a member of Visa/ MasterCard and payment facilitators for merchandise payments or through different payment tools, which merchants service support payments were provided through electronic data capture machines (EDC), mobile point of sale (mPos) pay and go, online payment gateway, and QR code. In addition, quick international money reception and sending to over 200 countries service was provided by Western Union's network that meets global security standards.
- 5) Other products and services including:
 - 5.1) Foreign exchange service in forms of bank notes and traveler's cheques, money changers, forward foreign exchange for international business transaction, inward and outward foreign currency transfer for goods and services, transfer for personal accounts, account opening for Foreign Currency Deposit (FCD), etc.
 - 5.2) Securities business support services consist of custodian, fund supervisor, bondholder representative, and registrar and paying agent.

3. Board of Directors

As of 24 April 2019 (The Annual General Meeting of Shareholders No. 26 for the year 2019), the Board of Directors consisted of 12 members divided into 4 non-executive directors, 4 independent directors, and 4 executive directors, as follows:

No.	Name	Position
1	Mr. Banterng Tantivit	Chairman
2	Mr. Suphadej Poonpipat	Vice chairman/Chairman of the executive committee
3	Ms. Suvarnapha Suvarnaprathip	Vice chairperson of the executive committee
4	Mr. Praphan Anupongongarch	Chief executive officer/President/Executive committee
5	Mr. William George Said	Executive committee
6	Mr. Walter Tas	Director
7	Mr. Alexander Kwai Lap Choi	Chairman of risk oversight committee
8	Mr. Narong Chivangkur	Chairman of nomination and remuneration committee /Independent director
9	Mr. Rod Michael Reynolds	Nomination and remuneration committee member
10	Dr. Thanachart Numnonda	Chairman of audit committee/Independent director
11	Assoc. Prof. Dr. Somjai Phagaphasvivat	Audit committee member/Independent director
12	Ms. Mookda Pairatchavet	Audit committee member/Independent director /Nomination and remuneration committee member

Authorized directors are Mr. Suphadej Poonpipat, Ms. Suvarnapha Suvarnaprathip, Mr. Praphan Anupongongarch, and Mr. William George Said. Any two out of the four can jointly sign and affix with the Bank's seal.

4. Shareholders

As of 4 April 2019 (The book closing date for the Annual General Meeting of shareholders for the year 2019), TBANK had a registered capital of Baht 99,136,649,030 and an issued and paid capital of Baht 60,648,621,700 divided into 6,064,862,170 ordinary shares at a par value of Baht 10 per share. Details of shareholders are as follows:

No.	Shareholders	Number of shares	%
1	Thanachart Capital Public Company Limited ¹	3,090,699,234	50.961
2	Scotia Netherlands Holdings B.V.	2,971,739,163	48.999
3	Mr. Thung-ngern Pum-ngern	460,309	0.008
4	Ms. Kittima Tolieng	173,278	0.003
5	Mr. Sathit Majurintangkurg	121,360	0.002
6	Ms. Piengjai Hanphanit	96,665	0.002
7	Mr. Kobchai Chirathivat	84,809	0.001
8	Mr. Thanawat Chareonthassanont	70,000	0.001
9	Mr. Pinit Laosoontorn	69,926	0.001
10	Mr. Somyos Jittipalungsri ²	60,000	0.001
	Top 10 shareholders	6,063,574,744	99.979
	Other shareholders	1,287,426	0.021
	Total	6,064,862,170	100.000

¹ Major shareholder of Thanachart Capital Public Company Limited or "TCAP", consisting of Thai NVDR Company Limited, holding 16.49 percent and MBK Public Company Limited, holding 11.15 percent of TCAP total paid-up shares.

² By official receiver of Thai Finance and Securities Pcl.

5. Summary of Financial Position and Performance of TBANK

Statements of financial position of TBANK (according to the separate financial statements) as at 31 December 2016 – 2018 and 31 March 2019

Separate financial statements (Unit: THB million)	31 December			31 March
	2016	2017	2018	2019
Assets				
Cash	12,072	11,445	11,012	9,368
Interbank and money market items - net	47,466	94,577	95,257	105,248
Derivative assets	3,564	2,888	2,001	2,483
Investment - net	167,275	157,448	152,430	133,398
Investment in subsidiaries and associated - net	7,359	7,170	7,156	11,506
Total loans to customers and accrued interest	632,931	646,217	680,584	688,266
Properties foreclosed - net	10	10	9	1
Land, premises and equipment - net	1,444	1,467	1,633	1,783
Goodwill and intangible assets - net	9,296	8,396	7,798	7,562
Deferred tax assets	20,534	20,069	19,637	19,533
Receivables from purchase and sale of securities	-	34	1,091	2,963
Other assets, net	4,918	4,739	5,514	4,777
Total Assets	906,868	954,460	984,124	986,888
Liabilities and Equity				
Deposits	677,807	717,807	753,945	746,306
Interbank and money market items	56,156	69,809	55,964	59,952
Liability payable on demand	1,986	1,989	1,163	2,011
Derivatives liabilities	4,912	2,865	2,093	2,090
Debt issued and borrowings	34,522	20,005	20,005	20,005
Banks' liability under acceptances	10	10	9	1
Provision	3,341	3,369	3,582	3,490
Deferred tax liabilities	799	939	1,184	1,458
Payables from purchase and sale of securities	1,000	44	759	1,224
Accrued interest payables	1,970	2,242	2,065	2,387
Accrued expenses	4,401	4,636	5,240	2,666
Other liabilities	4,379	6,360	6,973	6,233
Total Liabilities	791,283	830,074	852,982	847,823
Issued and paid-up share capital	60,649	60,649	60,649	60,649
Premium on share capital	2,101	2,101	2,101	2,101
Other components of equity	948	1,601	651	1,105
Retained earnings (Statutory reserve)	3,602	4,259	4,954	4,954
Retained earnings (Unappropriated)	48,286	55,776	62,787	70,256
Total Equity	115,585	124,385	131,141	139,065
Total Liabilities and Equity	906,868	954,460	984,124	986,888

Statements of comprehensive income of TBANK for the year ended 31 December 2016 – 2018, and for three-month period ended 31 March 2018 and 2019

Separate financial statements (Unit: THB million)	Year			First 3-month	
	2016	2017	2018	2018	2019
Interest income	41,843	41,282	42,806	10,439	11,076
Interest expenses	15,295	14,144	(4,440)	3,543	3,801
Net interest income	26,548	27,138	28,365	6,896	7,275
Fees and service income	6,424	6,872	7,826	1,880	1,882
Fees and service expenses	2,643	2,929	3,361	838	933
Net fees and service income	3,781	3,943	4,465	1,042	949
Gains on trading and foreign exchange transactions	435	435	268	110	152
Gains (losses) on investments	616	1,033	(127)	341	74
Dividend income	2,829	2,838	3,112	203	4,970
Other operating income	1,299	1,397	1,532	315	324
Total operating income	35,508	36,783	37,616	8,907	13,744
Total other operating expenses	17,843	17,702	17,785	4,629	4,202
Impairment loss on loans and debt securities	5,808	5,935	4,465	1,336	1,443
Profit before income tax	11,857	13,147	15,366	2,943	8,098
Income tax	(105)	11	1,456	(102)	628
Profit for the year	11,962	13,135	13,911	3,045	7,470
Basic earnings per share (Baht)	1.97	2.17	2.29	0.50	1.23
<i>Transactions that will be reclassified subsequently to profit or loss</i>					
Gains (losses) on changes in value of available-for-sale investments	(1,439)	875	(1,137)	(3)	567
Income tax relating to components of other comprehensive income	288	(175)	227	1	(113)
<i>Transactions that will never be reclassified subsequently to profit or loss</i>					
Surplus on revaluation of assets	1,603	-	-	-	-
Actuarial gains (losses) on defined benefit plan	(12)	(228)	2	-	-
Income tax relating to components of other comprehensive income	(318)	46	-	-	-

Separate financial statements (Unit: THB million)	Year			First 3-month	
	2016	2017	2018	2018	2019
Total other comprehensive income (loss)	122	517	(908)	(2)	454
Total comprehensive income	12,083	13,653	13,003	3,042	7,924

Summary of statements of cash flows of TBANK for the year ended 31 December 2016 – 2018, and for three-month period ended 31 March 2018 and 2019

Separate financial statements (Unit: THB million)	Year			3-month	
	2016	2017	2018	2018	2019
Net cash provided by (used in) operating	23,364	2,194	(7,795)	(20,703)	(25,747)
Net cash provided by (used in) investing	4,173	18,165	14,714	18,803	24,378
Net cash provided by (used in) financing	(28,801)	(20,986)	(7,352)	(274)	(274)
Net increase (decrease) in cash	(1,264)	(627)	(433)	(2,174)	(1,644)
Cash at beginning of period	13,336	12,072	11,445	11,445	11,012
Cash at ending of period	12,072	11,445	11,012	9,271	9,368

Key Financial Ratios

Separate financial statements (Unit: Percent)	31 December			31 March
	2016	2017	2018	2019
Profitability ratio				
Interest yield ¹	4.94	4.83	4.81	4.87 ³
Cost of fund ²	1.93	1.79	1.77	1.82 ³
Net interest margin	3.01	3.05	3.04	3.05 ³
Gross profit margin	62.84	64.55	64.84	63.47
Net profit margin	33.69	35.71	36.98	54.35
Return on equity	10.70	10.95	10.89	13.76 ⁵
Return on investment ⁴	4.11	4.08	3.46	6.97 ⁵
Financial and capital adequacy ratios				
Debt to equity ratio (times)	6.85	6.67	6.50	6.10
Loans to deposits and borrowings ratio	91.48	90.20	90.39	92.39
Loans to deposits ratio	96.14	92.71	92.79	94.87
Deposit to total liabilities ratio	85.66	86.48	88.39	88.03
Dividend payout ratio	32.83	38.03	42.48	N/A
Tier 1 ratio	13.27	14.81	15.42	15.19
Capital adequacy ratio	19.15	18.94	19.45	19.18
Asset quality ratios				
NPL ratio	1.98	2.16	2.27	2.34

Separate financial statements (Unit: Percent)	31 December			31 March
	2016	2017	2018	2019
Total allowance to total NPL ratio (Coverage ratio)	149.64	137.89	123.59	122.91
Total allowance to total loans ratio	2.96	2.98	2.81	2.88

¹ Interest yield = interest income / average earning assets (interest-bearing interbank and money market items, investment in government securities and corporate bond but not including held for trading, and loans - net)

² Cost of fund = interest expenses / average paying liabilities (deposits, interest-bearing interbank and money market items, and total borrowings)

³ Earning assets and interest-bearing liabilities are calculated according to both interest-bearing and non-interest-bearing interbank and money market items since details in note to financial statements for 3 months ended period are inadequate to distinguish non-interest-bearing interbank and money market items

⁴ Return on investment = interest income from investment, dividend receive from investment, and gain on investment / investment - net, and Investment in subsidiaries and associated - net

⁵ Adjusted for comparison purpose by trailing income or expense twelve months

6. Analysis of Financial Position and Performance of TBANK

6.1 Analysis of Financial Performance

Net interest income

Separate financial statements (Unit: THB million)	Year		First 3-month	
	2017	2018	2018	2019
Interest income	41,282	42,805	10,439	11,076
Interbank and money market items	1,378	1,739	478	463
Investments for tradings	26	108	17	43
Investments for debt securities	3,031	2,509	603	617
Loans	17,425	17,245	4,232	4,156
Hire purchase and financial leases	19,422	21,204	5,109	5,797
Interest expenses	14,144	14,440	3,543	3,801
Deposits	8,710	9,085	2,261	2,407
Interbank and money market items	593	768	147	217
Fund contributed to FIDF and DPA	3,348	3,482	862	904
Debts issued	1,493	1,105	272	273
Net interest income	27,138	28,365	6,896	7,275
Interest yield (%)	4.83	4.81	4.86 ¹	4.87 ¹
Cost of fund (%)	1.79	1.77	1.83 ¹	1.82 ¹
Net interest margin (%)	3.05	3.04	3.03¹	3.05¹

¹¹ Earning assets and interest-bearing liabilities are calculated according to both interest-bearing and non-interest-bearing interbank and money market items since details in note to financial statements for 3 months ended period are inadequate to distinguish non-interest-bearing interbank and money market items

In 2018, TBANK' net interest income totaled Baht 28,365 million, an increase of Baht 1,228 million or 4.52% from last year, due mainly to growth of hire purchase loans. Net interest margin in 2018 was at 3.04%, close to the previous year at 3.05%.

In the first quarter of 2019, TBANK' net interest income totaled Baht 7,275 million, an increase of Baht 379 million or 5.49% from the same period last year. Hire purchase and financial lease, which have high earning yield of loans, grew well compared to the same period last year, and therefore increased net interest margin to 3.05% from 3.04% in the year 2018

Non-interest income

Separate financial statements (Unit: THB million)	Year		First 3-month	
	2017	2018	2018	2019
Net fees and service income	3,943	4,465	1,042	949
Gain on tradings and foreign exchange transaction	435	268	110	152
Gain (loss) on investments	1,033	(127)	341	74
Dividend income	2,838	3,112	203	4,970
Other income	1,397	1,532	315	324
Total other operating income	5,703	4,786	969	5,519
Non-interest income	9,646	9,251	2,011	6,468

In 2018, non-interest income totaled Baht 9,251 million, a decrease of Baht 395 million or 4.10% from last year. Net fees and service income increased from Baht 3,943 million in 2017 to Baht 4,465 million in 2018, mainly from increases of fund management fee and insurance commission income. However, other operating income decreased Baht 917 million or 16.08%. This was mainly due to gain on investment which declined Baht 1,160 million as a result of investment portfolio adjustment in accordance to the market environment.

In the first quarter of 2019, non-interest income totaled Baht 6,468, an increase of Baht 4,458 million or 221.69% from the same period last year. Net fees and service income totaled Baht 949 million, a decrease of Baht 92 million or 8.87%, mainly from a raise of Baht 95 million on fees and service expenses. However, other operating income totaled Baht 5,519 million, an increase of Baht 4,550 million or 469.52% from the same period last year. This was mainly due to dividend income of Baht 4,970 million in 2019Q1, but Baht

203 million in 2018Q1 because dividend income from the subsidiaries were received in other periods last year (dividend income for the whole year in 2018 was Baht 3,112 million).

Other operating expenses

Separate financial statements (Unit: THB million)	Year		First 3-month	
	2017	2018	2018	2019
Employee's expenses	10,135	9,367	2,418	2,456
Premise and Equipment expenses	40	42	5	5
Taxes and duties	2,507	2,314	569	548
Director' remuneration	708	698	172	167
Other expenses	4,312	5,364	1,465	1,028
Total other expenses	17,702	17,785	4,629	4,202
Cost to income ratio	48.12	47.28	51.96	46.32¹

¹ Exclude dividend income from TS asset management Co., Ltd. and Thanachart insurance Plc. for comparison purpose, because dividend payment of these subsidiaries was paid in other periods in 2018. If these dividend incomes are included, cost to income ratio would be 30.58%

In 2018, other operating expenses of TBANK totaled Baht 17,785 million, an increase of Baht 83 million or 0.47% from last year. Consequently, cost to income ratio of 2018 was at 47.28%, a decrease from 48.12% in the previous year.

For the first quarter of 2019, operating expenses of TBANK totaled Baht 4,202 million, a decrease of Baht 426 million or 9.21% from the same period last year, due mainly to a decrease of Baht 437 million in other expenses.

Impairment loss of loans and debt securities

Separate financial statements (Unit: THB million)	Year		First 3-month	
	2017	2018	2018	2019
Impairment loss of loans and debts securities	5,935	4,465	1,336	1,443
<i>Credit Cost (%)</i>	<i>0.84</i>	<i>0.60</i>	<i>0.92¹</i>	<i>0.61¹</i>

¹ Credit cost are calculated by trailing impairment loss of loans and debts securities for 12 months

In 2018, impairment loss of loans and debt securities was Baht 4,465 million, a decrease of Baht 1,470 million or 24.77% from the previous year. Credit cost was at 0.60%, lower than 0.84% in the previous year.

In the first quarter of 2019, impairment loss of loans and debt securities was Baht 1,443 million, an increase of Baht 107 million or 8.03% from the same period last year. However, credit cost was at 0.61%, a decrease from 0.92% in the same period last year.

Net profits

In 2018, TBANK had a net profit of Baht 13,911 million in the separate financial statements, an increase of Baht 775 million or 5.90% from the previous year, which is the continuous growth for the 4th consecutive year, mainly due to the increase of net interest income increased in line with loan growth, and non-interest income increased from net fees and service income. Moreover, TBANK efficiently managed debt quality resulting in lower impairment loss of loans and debt securities while operating expenses only increased slightly. Consequently, TBANK pre-tax profits grew by 16.88% from the previous year. However, income tax expenses in 2018 significantly increased since the tax privileges from the merger with Siam City Bank Public Company Limited ended in May 2018.

6.2 Analysis of Financial Position

Assets

As of 31 December 2017 – 2018 and 31 March 2019, TBANK' total assets amounted to Baht 954,460 million, 984,124 million, and 986,888 million respectively. The key changes are as follows:

Loan to Customers

As of 31 December 2018, TBANK had net loans to customers in the amount of Baht 680,584 million, an increase of Baht 34,367 million or 5.32% from the end of last year, mainly due to the growth of retail loans, especially housing loans and hire purchase loans that have grown consistently from the development of working processes and improved car market. In 2018, TBANK had a portion of retail loans to business loans 74 percent to 26 percent.

As of 31 March 2019, retail loans, hire purchase loans and housing loans continuously grew from 2018, but corporate loans was shrunk, and SME loans was able to grow slowly. Consequently, net loans to customer as of 31 March 2019 decreased 0.02% from 2018 to Baht 688,256 million. The proportion of retail loans to business loans was adjusted to 75 to 25, compared with 74 to 26 in 2018, which improve the interest income because retail loans generates yield better than business loans, especially on a large corporate.

Non-performing loans and allowance for loan losses

Separate financial statements (Unit: THB million)	31 December		31 March
	2017	2018	2019
Non-performing loans	14,415	15,905	16,608
Total allowance for loan losses	20,149	19,837	20,603
NPL ratio (%)	2.16	2.27	2.34
Reserve to Required Reserve (%)	191.59	165.07	162.60
Coverage ratio (%)	137.89	123.59	122.91

Non-performing loans (NPLs) as of 31 December 2017-2018 and 31 March 2019 was Baht 14,415 million, 15,905 million, and 16,608 million respectively, increased relatively with a growth of loans to customers. NPLs to total loans (NPL ratio) increased from 2.16% in 2017 to 2.27% in 2018 and 2.34% on 31 March 2019. Total allowance to NPLs (coverage ratio) was decreasing to 122.91% but still be at the sufficient level, which total allowance for loan losses were Baht 7,932 million.

Net investments

TBANK' investments mostly were investment in debt securities of government and state-owned enterprises, represents 69.97% of total investments, followed by corporate debt securities for 13.83% of the total investments. Net investment of TBANK at the end of 2018 amounted to Baht 152,430 million, a decrease of Baht 5,018 million from the previous year due to an optimal asset allocation that seek for a better yield.

Other assets

- 1) Interbank and money market items increased due to liquidity management
- 2) Investment in subsidiaries and associated companies as of 31 March 2019 was increased from 2018 due to additional investments in Thanachart Securities Plc. and Thanachart Insurance Plc.

Liabilities

Separate financial statements (Unit: THB million)	31 December		31 March
	2017	2018	2019
Liabilities			
Deposits	717,807	753,945	746,306
Interbank and money market items	69,809	55,964	59,952
Debt issued and borrowing	20,005	20,005	20,005
Other liabilities	22,453	23,068	21,560
Total Liabilities	830,074	852,982	847,823

TBANK's total liabilities as of 31 December 2017-2018 and 31 March 2019 amounted to Baht 830,074 million, 852,982 million, and 847,823 million respectively. The key changes are as follows:

Deposits

Deposit structure by products in 2016-2018

Separate financial statements (Unit: THB million)	31 December					
	2016	%	2017	%	2018	%
Current and saving deposits (CASA)	308,888	45.57	308,520	42.98	366,156	48.57
Fixed deposits (FIXED)	368,919	54.43	409,287	57.02	387,789	51.43
Total Deposits	677,807	100.00	717,807	100.00	753,945	100.00

Deposit in a perspective of commercial bank can be classified into 2 major types, 1) Current Account and Saving Account (CASA), and 2) Fixed deposit (FD). Fixed deposit has more constraints on deposit term and transactional activities, leads to a higher cost of fund on FD compared to CASA.

As of 31 December 2018, TBANK' deposits totaled Baht 753,945 million, increased from Baht 717,807 million in 2017, due to large incremental of saving deposits even there was some redemption on fixed deposit. Consequently, CASA to total deposits ratio increased from 42.98% in 2017 to 48.57% in 2018.

As of 31 March 2019, total deposits declined to Baht 746,306 million because of the huge out flow of fixed deposits, while TBANK had continued to expand the amount of CASA. As a result, CASA to total deposit ratio increased to 49.31% on 31 March 2019 from 42.98% in 2018.

However, TBANK had a fixed deposit over a half of the total deposits. As a result, TBANK' deposit financial costs tend to be higher than other commercial banks with a lower proportion of fixed deposits. A higher deposits financial cost might lead to a higher total cost of fund even deposits dominated the funding structure.

Debt issued and borrowings

Debt issued and borrowings in 2017 – 2018 and 31 March 2019 were unchanged at outstanding of Baht 20,005 million which consists of subordinated securities (Tier 2 capital) that due for redemption in 2024 and 2025 in amount of Baht 13,000 million and 7,000 million respectively, and promissory notes at call for another Baht 5 million.

Equity

As of 31 December 2017 - 2018 and 31 March 2019, the total equity of TBANK amounted to Baht 124,385 million, 131,141 million, and 139,065 million respectively. The increases of total equity in 2018 were contributed by retained earnings, generated by net profit of Baht 13,911 million while dividend was paid out for Baht 6,247 million during a period. Other components of equity, surplus on asset revaluation and changes in fair value of available-for-sale investments, were not significantly affect the total equity.

Maintenance of capital fund

Separate financial statements (Unit: percent)	31 December		31 March
	2017	2018	2019
Common Equity Tier 1 ratio (CET1)	14.81	15.42	15.19
Tier 1 ratio	14.81	15.42	15.19
Tier 2 ratio	4.13	4.03	3.99
Capital Adequacy Ratio (CAR)	18.94	19.45	19.18

As of 31 December 2017 – 2018 and 31 March 2019, TBANK consistently ensured robust capital to maintain a higher level than the Bank of Thailand's minimum requirement on capital, required 7.0%, 8.5%, and 11.0% for CET1, Tier 1, and CAR respectively.

Appendix 2

Summary Information of Thanachart Fund Management Company Limited

1. Business Overview

Thanachart Fund Management Company Limited (“TFUND”), which is a joint venture between TBANK (holding 75% of the total shares) and the Government Saving Bank (holding 25% shares), operates a full range of investment management services in mutual fund, private fund, provident fund, and investment advisory business.

As of 31 March 2019, TFUND had assets under management of Baht 226,923 million, an increase of Baht 5,563 million or 2.51% from the end of 2018. Assets under management comprised of 89.06% of mutual funds, 3.76% of private funds, and 7.18% of provident funds. Mutual fund business of TFUND was ranked 8th with market share of 3.86%. Private fund business was ranked 13th with market share of 0.85% and provident fund business was ranked 13th with market share of 1.41%.

2. Board of Directors

As of 2 July 2019, the Board of Directors consisted of 8 members as follows:

No.	Name	Position
1	Mr. Somjate Moosirilert	Director
2	Mr. Amornrit Chanprasit	Director
3	Miss Paphakorn Rattanaset	Director
4	Mr. Boonchai Kiatthanawit	Director
5	Mr. Piyaphong Artmangkorn	Director
6	Mr. Kriangkrai Phurivitvattana	Director
7	Mr. Paul Alan DeWolfe	Director
8	Mr. Songwut Chaowalit	Director

Authorized directors are Mr. Somjate Moosirilert, Mr. Amornrit Chanprasit, Miss Paphakorn Rattanaset, and Mr. Boonchai Kiatthanawit. Any two out of the four can jointly sign and affix with the company's seal.

3. Shareholders

As of 15 March 2019 (The book closing date for the Annual General Meeting of shareholders for the year 2019), TFUND had issued and fully paid capital of Baht 100,000,000 divided into 10,000,000 ordinary shares at a par value of Baht 10 per share. Details of shareholders are as follows

No.	Shareholders	No. of shares	Percent
1	Thanachart Bank Public Company Limited	7,499,993	75.00
2	The Government Savings Bank	2,500,000	25.00
3	Mr. Boonchai Kiatthanawit	1	0.00
4	Mr. Chotchuang Theerakhajornchot	1	0.00
5	Mr. Chukiat Sathidsakul	1	0.00
6	Mr. Sombat Larbphichet	1	0.00
7	Mr. Warinthorn Kaowlaong	1	0.00
8	Miss Wipasiri Kasemsuk	1	0.00
9	Mr. Wisit Chuenratanakul	1	0.00
	Total	10,000,000	100.00

4. Summary of Financial Position and Performance of TFUND

Statements of financial position of TFUND as of 31 December 2016 – 2018

Statements of Financial Position	2016		2017		2018	
	MB	%	MB	%	MB	%
Assets						
Cash and cash equivalent	41	8.99	86	15.85	28	4.23
Accrued fees and service income	95	20.84	145	26.70	161	24.45
Investments	281	61.44	261	48.08	409	62.13
Building improvement and equipment	5	1.07	7	1.31	9	1.34
Intangible assets	9	2.02	10	1.84	12	1.88
Deferred tax assets	7	1.44	7	1.33	8	1.19
Other assets	19	4.20	27	4.89	31	4.78
Total Assets	457	100.00	543	100.00	659	100.00
Liabilities and Equity						
Accrued fees and service expenses	32	6.99	53	9.75	50	7.59
Income tax payable	29	6.39	36	6.65	53	8.05
Provisions for liabilities	25	5.54	30	5.51	34	5.14
Other liabilities	83	18.11	95	17.53	98	14.93
Total Liabilities	169	37.03	214	39.45	235	35.71
Issued and paid-up share capital	100	21.86	100	18.42	100	15.18
Retained earnings – legal reserve	10	2.19	10	1.84	10	1.52
Retained earnings - unappropriated	178	38.92	219	40.28	314	47.59
Total Equity	288	62.97	329	60.55	424	64.29
Total Liabilities and Equity	457	100.00	543	100.00	659	100.00

Statements of comprehensive income of TFUND for year ended 31 December 2016 - 2018

Statements of Comprehensive Income	2016		2017		2018	
	MB	%	MB	%	MB	%
Income						
Fees and service income	1,058	98.90	1,333	99.36	1,859	99.52
Interest and dividend income	7	0.66	6	0.41	6	0.30
Other income	5	0.44	3	0.23	3	0.18
Total income	1,070	100.00	1,342	100.00	1,868	100.00
Expenses						
Fees and service expenses	328	30.61	486	36.19	696	37.23
Employee benefits expenses	174	16.28	186	13.89	182	9.75
Other expenses	124	11.58	137	10.22	172	9.21
Total expenses	626	58.47	809	60.30	1,050	56.19
Profit before financial cost and income tax	444	41.53	533	39.70	818	43.81
Financial cost	-	-	-	-	-	-
Income tax	(89)	(8.31)	(107)	(7.98)	(164)	(8.77)
Net profit	355	33.22	426	31.72	655	35.04
Other comprehensive income						
Actuarial loss	0		(3)		(0)	
Income tax	(0)		1		0	
Total comprehensive income	356		424		654	

Summary of statements of cash flows of TFUND for year ended 31 December 2016 - 2018

Summary of Statements of Cash Flows (Unit: THB million)	2016	2017	2018
Net cash provided by (used in) operating activities	359	411	654
Net cash provided by (used in) investing activities	(13)	17	(153)
Net cash provided by (used in) financing activities	(343)	(383)	(560)
Net increase (decrease) in cash	4	45	(58)
Cash as at 1 January	37	41	86
Cash as at 31 December	41	86	28

5. Analysis of Financial Performance and Position of TFUND

Operating Performance

At the end of 2017, TFUND had assets under management of Baht 228,590 million, increased by Baht 39,582 million or 20.94% from the end of last year. Fees and service income in 2017 was Baht 1,333 million, an

increase of Baht 275 million or 25.99% compared to the previous year, equivalent to fees and service income to average assets under management (management yield) at 0.64% compared to 0.60% in the previous year. However, total expenses to total income increased from 58.47% in 2016 to 60.30% in 2017 due mainly to higher fees and service expense. Consequently, net profit in 2017 was Baht 426 million, an increase of Baht 71 million or 19.72% compared to the previous year, but net profit margin dropped to 31.72% in 2017 compared to 33.22% in 2016.

At the end of 2018, TFUND had assets under management of Baht 221,360 million, decrease by Baht 7,230 million or 3.16% from the end of the year due to fixed income fund redemption. Fees and service income was Baht 1,859 million, an increase of Baht 526 million or 39.44% compared to the previous year, or equivalent to management yield of 0.83% increase from 0.64% in the previous year. Moreover, TFUND managed expenses more efficiently reducing a proportion of total expenses to total income to 56.19% decreased from 60.30% in the previous year. Consequently, net profit in 2018 was Baht 655 million baht, an increase of Baht 229 million with net profit margin of 35.04% increased from 31.72% in the previous year.

Financial Position

As of 31 December 2016 - 2018, TFUND had total assets of Baht 457 million, 543 million, and 659 million respectively. In 2018, TFUND allocated assets from savings deposits and fixed deposits to government securities, and made additional investments in government securities and corporate debentures. As a result, the investment increased by Baht 148 million in 2018. In respect of accrued fees and service income, building improvement and equipment, Intangible assets, and other assets, they increased in size as the business grew.

As of 31 December 2016 - 2018, TFUND had total liabilities of Baht 169 million, 214 million, and 235 million respectively, an increase of 26.41% in 2017 compared to the previous year and 9.85% in 2018 compared with the previous year.

As of 31 December 2016 - 2018, the total equity of TFUND amounted to Baht 288 million, 329 million, and 424 million respectively. The increases of total equity in 2018 were contributed by retained earnings involved with net profit of Baht 655 million and dividend payment of Baht 560 million during a period.

Appendix 3
Summary Information of Thanachart Broker Company Limited

1. Business Overview

Thanachart Broker Company Limited (“TBROKE”) operates as non-life insurance and life insurance broker, provides services of registration, car and motorcycle tax renewal to clients of Thanachart financial group, introduces TBANK’ financial products, and renews motor insurance policies for TBANK’ hire purchase customers. Their services include tax follow-ups, collection of taxes, insurance premiums and related service fees, debt collection specifically annual car tax renewal for TBANK’ hire purchase customers. The company operates other businesses related to life and non-life insurance as well.

2. Board of Directors

As of 19 June 2019, the Board of Directors consisted of 5 members as follows:

No.	Name	Position
1	Mr. Eakasit Sakthanakhon	Director
2	Mr. Bancha Cheerasarn	Director
3	Miss Temduan Kesawatthana	Director
4	Miss Suchai Supapitiporn	Director
5	Mrs. Wanruedee Phitpreecha	Director

Authorized directors are one of Mr. Eakasit Sakthanakhon or Mr. Bancha Cheerasarn cosign with one of Miss Temduan Kesawatthana or Miss Suchai Supapitiporn or Mrs. Wanruedee Phitpreecha. These two representatives can jointly sign and affix with the TBROKE’s seal.

3. Shareholders

As of 30 April 2019 (The book closing date for the Annual General Meeting of shareholders for the year 2019), TBROKE had issued and fully paid capital of Baht 100,000,000 divided into 10,000,000 ordinary shares at a par value of Baht 10 per share. Details of shareholders are as follows:

No.	Shareholders	No. of shares	Percent
1	Thanachart Bank Public Company Limited	9,999,000	99.990
2	Miss Nonglak Techamahalap	800	0.008
3	Miss Alongkot Premkamornnet	100	0.001
4	Miss Warunee Namsao	100	0.001
	Total	10,000,000	100.000

4. Summary of Financial Position and Performance of TBROKE

Statements of financial position of TBROKE as of 31 December 2016 – 2018

Statements of Financial Position	2016		2017		2018	
	MB	%	MB	%	MB	%
Assets						
Cash and cash equivalent	210	66.34	226	65.05	220	64.90
Insurance premium and other receivables – net	62	19.64	68	19.58	71	20.80
Other current assets	0	0.06	0	0.09	0	0.10
Equipment – net	18	5.68	20	5.87	15	4.43
Intangible assets - net	20	6.44	25	7.23	25	7.37
Deferred tax assets	3	1.09	5	1.32	5	1.57
Other non-current assets – deposits	2	0.74	3	0.87	3	0.83
Total Assets	317	100.00	348	100.00	340	100.00
Liabilities and Equity						
Insurance premium payables	84	26.61	109	31.18	128	37.61
Other payables	45	14.05	54	15.43	44	12.99
Current portion of financial lease liabilities	0	0.03	-	-	-	-
Income tax payable	5	1.59	2	0.52	1	0.17
Other current liabilities	5	1.65	7	1.98	6	1.91
Provision for long-term employee benefits	12	3.89	18	5.18	22	6.56
Total Liabilities	152	47.82	189	54.29	201	59.24
Issued and paid-up share capital	100	31.52	100	28.73	100	29.44
Retained earnings – statutory reserve	10	3.15	10	2.87	10	2.94
Retained earnings - unappropriated	56	17.50	49	14.11	28	8.38
Total Equity	166	52.18	159	45.71	138	40.76
Total Liabilities and Equity	317	100.00	348	100.00	340	100.00

Statements of comprehensive income of TBROKE for year ended 31 December 2016 - 2018

Statements of comprehensive income	2016		2017		2018	
	MB	%	MB	%	MB	%
Revenue						
Insurance brokerage commission income	358	84.45	358	80.48	377	80.42
Advisory fee income	47	11.11	55	12.43	53	11.42
Interest income	2	0.52	2	0.42	2	0.41
Other income	17	3.91	30	6.67	36	7.75
Total revenues	424	100.00	444	100.00	468	100.00
Expenses						
Cost of services	85	20.14	89	20.12	105	22.45
Administrative expenses	215	50.79	252	56.64	264	56.37
Provision for doubtful account	-	-	-	-	2	0.34
Total expenses	300	70.93	341	76.76	371	79.16
Profit before financial cost and income tax	123	29.07	103	23.24	98	20.84
Financial cost	-	-	-	-	-	-
Income tax	(22)	(5.30)	(20)	(4.43)	(18)	(3.89)
Net profits	101	23.77	84	18.81	79	16.95

5. Analysis of Financial Position and Performance of TBROKE

Operating Performance

In 2017, TBROKE had a net profit of Baht 84 million, a decrease of Baht 17 million or 14.99% compared to the previous year due mainly to extra expenses in items such as sales and marketing promotion, and service fees for a parent company. While total revenue increased by only Baht 20 million or 4.91% compared to the previous year which could not compensate the higher expenses.

In 2018, TBROKE had a net profit of Baht 79 million, a decrease of Baht 5 million or 5.04% compared to the previous year due to higher discount TBROKE give on commission charge. As a result, the ratio of cost of services to total revenue increased to 22.45% compared to 20.12% in the previous year. Additionally, administrative expenses increased by Baht 12 million or 4.87% compared to the previous year. However, total revenue increased Baht 24 million or 5.37% compared to the previous year due to the increase in other income of Baht 6 million, which management of TBROKE commented that an additional other income will continue to occur in the future.

Financial Position

As of 31 December 2016 - 2018, TBROKE had total assets of Baht 317 million, 348 million, and 340 million respectively. Major portion of assets consist of cash and cash equivalents, insurance premium and other receivables, which accounted for 64.90% and 20.80% of total assets in 2018 respectively. In addition, TBROKE got reduction in total assets in 2018 compared to 2017 due to the depreciation of office equipment.

As of 31 December 2016 - 2018, TBROKE' total liabilities amounted to Baht 152 million, 189 million, and 201 million respectively. The liabilities were mostly driven by the insurance premium payable and provision for long-term employee benefits.

As of 31 December 2016 - 2018, the total equity of TBROKE amounted to Baht 166 million, 159 million, and 138 million respectively. The changes of total equity in 2018 were contributed by retained earnings involved with net profit of Baht 79 million and dividend payment of Baht 100 million during a period.

Appendix 4

Summary information of TMB Bank Public Company Limited

1. Business Overview

TMB Bank Public Company Limited (“the Bank” or “TMB”) was allowed to operate a commercial banking business and officially operated since 1957. At that time, the Bank operated within a limited scope of business, aiming to provide financial services exclusively for military units and their personnel. Next in 1973, the Bank became a full commercial bank with its customer base expanded to include the general public. Then in 1994, the Bank changed its status to a public limited, named TMB Bank Public Company Limited, and opened Thai Military Mutual fund Management Company Limited, which became officially operative in 1996.

After eruption of the 1997 economic crisis, TMB revised its organizational set-up to respond to the economic environment and the stricter regulations. Credit Promotion and Credit Review Departments were established to monitor and cope with the Bank’s non-performing loans in 1998. Further, the Thai Military property Management Company Limited was founded in the same year. In 2001, the Bank implemented technological development in various areas, in particular the development of core banking, credit scoring, trade finance, and retail banking systems.

TMB was merged with DBS Thai Danu Bank and the Industrial Finance Corporation of Thailand, with legal effect in September 2004, thereby forming a new bank with comprehensive banking services, having an insurance company and an asset management company under its umbrella, put the Bank in an excellent position to conduct a universal banking business. The Bank became Thailand’s fifth largest commercial bank at that time.

In December 2007, the Bank issued and offered new common shares for sale to ING Bank N.V., one of the top 10 biggest financial groups in Europe, and also privately offered to the Ministry of Finance and other existing shareholders. This offering brought in total new funds of approximately Baht 37,622 million.

In July 2018, TMB sold 65% stake in TMB Asset Management Company Limited (“TMBAM”) to Eastspring Investments Singapore Ltd., the Asian asset management business of Prudential, and maintained only 35% stake, being as an associated company of TMB

As of 31 March 2019, the Bank’s registered capital was Baht 41,903,301,555.05 which paid up of Baht 41,659,298,454.50, comprising ordinary shares 43,851,893,110 shares at par value of Baht 0.95 per share, and having subsidiaries and associate as follows.

Companies	Type of business	Percentage of ownership interest
Subsidiaries		
1. Phahonyothin Asset Management Co., Ltd.	Asset management	100.00
2. Phayathai Asset Management Co., Ltd.*	Asset management	100.00
Associated		
1. TMB Asset Management Co., Ltd.	Fund management	35.00

¹ registered the dissolution with Ministry of Commerce on 26 December 2018 and is currently in the process of liquidation.

2. Nature of Business

TMB provides various of financial products and services including, deposits, loans, international business transactions, investment, wealth management, life and non-life insurance, and investment banking. As of 30 June 2019, TMB operates 407 branches in Thailand.

Besides, TMB also operates asset management and fund management business through subsidiary and associated company as follow.

- 1) Phahonyothin Asset Management Co., Ltd. is a wholly-owned subsidiary company established to conduct the asset management business which manages non-performing assets of the Bank, included its collaterals, to gain more benefits.
- 2) TMB Asset Management Co., Ltd. is an associated company conduct fund management business. TMBAM was established by TMB as a core shareholder, but currently held only 35% stake. TMBAM provides fund management services on mutual fund, provident fund, and private fund. As of 30 June 2019, TMBAM manages 67 funds which have net asset value in total of Baht 426,709 million, or 7.95% of market shares, the 5th biggest compared within Thailand.

3. Products and Services

Since each customer segment has different financial needs, TMB business is organized into 3 key customer segments as follows:

1. Wholesale banking group
2. SME banking group
3. Retail banking group

Product and services for wholesale banking customers

- 1) Multi-corporate banking segment: annual sales turnover more than Baht 5,000 million.
- 2) Corporate banking segment: annual sales turnover of Baht 1,000 million – 5,000 million

Type	Products and services
Deposit	Business accounts (TMB One Bank)
Loan and Financing	Working capital Supply chain solutions Letter of guarantee
Payment and Collection	Payment service Collection service Liquidity management
International Trade	International trade finance service Capital market risk management
Insurance	Bancassurance and Business Protection
Others	Corporate card Agency service Investment banking

Product and service for SME banking customers

- 1) Business banking segment: annual sales turnover of Bath 100 million – 1,000 million
- 2) Small enterprise: annual sales per year up to Baht 100 million.

Type	Products and services
Deposit	Business accounts (TMB One Bank)
Loan and Financing	Working capital Supply chain solutions Special funding program for SME (TMB SME Smart Biz) Letter of guarantee
Payment and Collection	Payment service Collection service Liquidity management
International Trade	International trade finance service Capital market risk management
Insurance	Bancassurance and Business Protection
Others	Corporate card

Products and service for retail customers

- 1) Affluent for customers who have income per month from Baht 100,000 and above
- 2) Middle Income for customers who have income per month from Baht 15,000 to 100,000
- 3) Mass for customers who have income per month up to Baht 15,000

Type	Products and services
Deposit	Transactional account (All Free) Savings account (No Fixed)
Loan	Personal loan Home loan
Credit card	Credit card
Mutual fund	TMB Open Architecture
Insurance	Savings towards future securities Life and health protection Properties protection
Wealth banking	Wealth banking Superior banking

Fund management (TMB Open Architecture)

TMB is considered as a first Thai bank that offer open architecture platform for all group of customers. The Bank set a long-term strategy to distribute under an open-architecture platform and offer a wide variety of mutual fund products to match various client needs and risk-return profiles. In 2018, TMB offers fund management services from 10 fund management companies including Aberdeen, CIMB Principal, KAsset, KrungsriAM, KTAM, Manulife, One Asset, Tisco, TMBAM, and UOBAM.

Bancassurance

TMB and FWD Life Insurance are business partners who jointly create innovative insurance products that meet the needs of TMB customers to enhance the stability and prosperity of customers' savings and give customers peace of mind to be able to live fully.

For Non-life insurance business, TMB offers insurance for loan collateral in association with non-life insurance companies. TMB also provides other non-life insurance products such as personal accident, health and motor insurance.

4. Board of Directors

As of 30 May 2019, the Board of Directors consisted of 12 members, including 7 non-executive directors, 4 independent directors, and 1 executive director, as follows:

No.	Name	Position
1	Mr. Prasong Poontaneat	Chairman
2	Mr. Piti Tantakasem	Chief Executive Officer
3	Mr. Philippe G.J.E.O. Damas	Director
4	General Nattaphon Narkphanit	Director
5	Ms. Catherine Low Peck Cheng	Director
6	Mr. Chumpol Rimsakorn	Director
7	Mr. Vaughn Nigel Richtor	Director
8	Mr. Yokporn Tantisawetrat	Director
9	Mr. Singha Nikornpun	Independent Director/Chairman of the Audit Committee
10	Mr. Siripong Sombutsiri	Independent Director
11	Mr. Christopher John King	Independent Director/the Audit Committee member
12	Mr. Praisun Wongsmith	Independent Director/the Audit Committee member

Authorized directors are Mr. Piti Tantakasem, CEO, or any two directors affixed with the Bank's seal.

5. Shareholders

As of April 24, 2019 (the book closing date to determine the rights to receive the dividend for year 2019), TMB had a registered capital of Baht 41,659,298,455 and an issued and paid-capital of Baht 41,659,298,455 divided into 43,851,893,110 ordinary shares at a par value of Baht 0.95 per share. Details of shareholders are as follows.

No.	Shareholders	Number of shares	%
1	Ministry of Finance	11,364,282,005	25.92
2	ING Bank N.V.	10,970,893,359	25.02
3	Thai NVDR Co., Ltd.	4,440,084,852	10.13
4	South East Asia UK (Type C) Nominees Limited	749,436,044	1.71
5	Mrs. Somporn Jungrungrueangkit	618,000,000	1.41
6	Royal Thai Army	546,487,860	1.25
7	N.C.B. Trust Limited-Norges Bank 5	542,441,700	1.24
8	The Bank of New York Mellon	476,900,500	1.09
9	State Street Europe Limited	383,501,644	0.87
10	Bualuang Long-Term Equity Fund	233,765,400	0.53

No.	Shareholders	Number of shares	%
	Total top 10 shareholders	30,325,793,364	69.17
	Other shareholders	13,526,099,746	30.83
	Total	43,851,893,110	100.00

6. Debt instruments

As of 31 March 2019, the Bank had outstanding subordinated debenture of Baht 20,430 million, as detailed below:

Name	Face value (THB mil.)	Interest rate (per annum)	Issued date	Tenors (year)	Maturity date	Outstanding Balances
TMB248A	15,000	5.5	29/08/2014	10	29/08/2024	15,000
TMB27NA	5,430	3.5	29/05/2017	10.5	29/11/2027	5,430
Total						20,430

7. Debentures

As of 31 March 2019, the Bank had outstanding unsecured senior debentures in USD, approximated to Baht 14,315 million, as detailed below:

Name	Face value (THB mil.)	Interest rate (per annum)	Issued date	Tenors (year)	Maturity date	Outstanding Balances
Euro Medium Term Note	9,543 (\$300)	3.108%	01/04/2015	5.5	01/10/2021	9,543 (\$300)
Green Bond	1,909 (\$60)	LIBOR6M +1.05%	05/06/2018	7	05/06/2025	1,909 (\$60)
SME Bond	2,863 (\$90)	LIBOR6M +1.05%	17/12/2018	7	17/12/2025	2,863 (\$90)
Total						14,315 (\$450)

8. Summary of Financial Position and Performance of TMB

Statements of Financial Position of TMB as at 31 December 2016 – 2018 and 31 March 2019

Consolidated financial statements (Unit: THB million)	31 December			31 March
	2016	2017	2018	2019
Assets				
Cash	16,531	17,872	15,234	11,678
Interbank and money market items	113,858	112,534	113,522	104,248
Derivative assets	10,460	8,674	7,916	7,980
Investment, net	62,985	61,305	73,477	84,223
Investment in subsidiaries and associated, net	-	-	4,577	4,637
Total loans to customers and accrued interest receivables, net	569,268	619,373	654,040	656,846
Properties for sale, net	1,506	2,214	2,614	2,688
Premises and equipment, net	12,383	12,071	11,876	11,741
Goodwill and other intangible assets, net	1,704	2,132	2,592	2,608
Deferred tax assets	775	683	401	567
Other receivables, net	2,262	1,690	1,251	1,325
Other assets, net	5,584	5,325	4,212	3,683
Total Assets	797,316	843,872	891,713	892,224
Liabilities and Equity				
Liabilities				
Deposits	598,948	611,430	649,568	661,287
Interbank and money market items	45,417	60,349	64,267	51,266
Liabilities payable on demand	4,032	3,665	3,505	5,018
Financial liabilities designated at fair value through profit or loss	362	386	397	401
Derivative liabilities	10,728	8,559	7,328	7,139
Debt issued and borrowings, net	39,874	33,352	35,124	34,852
Provisions for obligations on transfers of non-performing assets	1,657	-	-	-
Provisions for employee benefits	1,453	1,301	1,221	1,584
Provisions for other liabilities	701	544	630	646
Deferred revenue	218	18,908	17,594	17,334
Other liabilities	10,078	15,523	13,302	12,302
Total Liabilities	713,468	754,016	792,934	791,830

Consolidated financial statements (Unit: THB million)	31 December			31 March
	2016	2017	2018	2019
Equity				
Issued and paid-up share capital	41,617	41,648	41,659	41,659
Premium on share capital	325	379	404	404
Other reserves	5,278	5,097	4,811	4,829
Retained earnings (Legal reserve)	2,120	2,550	3,000	3,000
Retained earnings (Unappropriated)	34,382	40,181	48,905	50,501
Equity attributable to equity holder of the Bank	83,723	89,856	98,779	100,394
Non-controlling interest	125	-	-	-
Total Equity	83,848	89,856	98,779	100,394
Total Liabilities and Equity	797,316	843,872	891,713	892,224

Statements of comprehensive income of the Bank for the year ended 31 December 2016 – 2018, and for three-month period ended 31 March 2018 and 2019

Consolidated financial statements (Unit: THB million)	Year			3-month	
	2016	2017	2018	2018	2019
Interest income	35,631	34,713	35,128	8,545	9,051
Interest expenses	10,870	9,979	10,632	2,515	2,814
Net interest income	24,761	24,734	24,497	6,030	6,236
Fees and service income	10,168	13,533	12,764	3,614	2,480
Fees and service expenses	2,171	2,947	3,426	874	758
Net fees and service income	7,997	10,586	9,338	2,741	1,722
Gains on trading and foreign exchange transactions, net	1,691	1,147	1,529	455	363
Losses on financial liabilities designated at fair value through profit or loss, net	(13)	(24)	(11)	(3)	(6)
Gains on investments, net	201	64	11,963	9	4
Share of profit from investment using equity method	-	-	64	-	60
Other operating income	585	932	663	151	137
Total operating income	35,223	37,439	48,042	9,383	8,517
Total other operating expenses	16,589	17,792	17,475	4,265	4,738
Impairment loss on loans and debt securities	8,649	8,915	16,100	2,305	1,839
Profit from operations before income tax	9,984	10,732	14,467	2,813	1,940
Income tax	1,740	2,004	2,866	534	361

Consolidated financial statements (Unit: THB million)	Year			3-month	
	2016	2017	2018	2018	2019
Profit for the year	8,244	8,728	11,601	2,280	1,579
Basic earnings per share (in Baht)	0.19	0.20	0.26	0.05	0.04
Gains (losses) on remeasuring available-for-sale investments	(173)	103	(80)	(0)	60
Losses arising from translating the financial statements of foreign operations	(0)	(51)	(10)	(10)	(10)
Income tax relating to items that will be reclassified subsequently to profit or loss	35	(10)	18	2	(10)
Total items that will be reclassified subsequently to profit or loss	(138)	42	(72)	(8)	40
Change in revaluation surplus on assets	2,079	(40)	(49)	(3)	(5)
Actuarial gains on post-employment benefit plan	89	193	79	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(434)	(31)	(6)	1	1
Total items that will not be reclassified subsequently to profit or loss	1,735	122	24	(3)	(4)
Total other comprehensive income for the year, net of income tax	1,596	164	(48)	(11)	36
Total comprehensive income for the year	9,841	8,892	11,554	2,269	1,615

Summary of statements of cash flows of the Bank for the year ended 31 December 2016 – 2018, and for three-month period ended 31 March 2018 and 2019

Consolidated financial statements (Unit: THB Million)	Year			3-month	
	2016	2017	2018	2018	2019
Net cash provided by (used in) operating activities	(36,204)	18,559	165	(11,280)	4,613
Net cash provided by (used in) investing activities	29,650	(8,398)	(688)	10,676	(7,780)
Net cash provided by (used in) financing activities	5,794	(8,770)	(2,104)	(3,291)	(379)
Change in translation adjustments of foreign operations	(0)	(51)	(10)	(10)	(10)
Net increase (decrease) in cash	(759)	1,341	(2,638)	(3,905)	(3,556)
Cash at the beginning of period	17,290	16,531	17,872	17,872	15,234
Cash at the ending of period	16,531	17,872	15,234	13,967	11,678

Key Financial Ratios

Consolidated financial statements (Unit: percent)	31 December			31 March
	2016	2017	2018	2019
Profitability ratio				
Interest yield ¹	4.76	4.59	4.34	4.40 ³
Cost of fund ²	1.56	1.44	1.46	1.53 ³
Net interest margin	3.20	3.15	2.88	2.88 ³
Gross profit margin	71.52	73.21	70.65	69.02
Net profit margin	23.41	23.31	24.15	18.54
Return on equity	10.26	10.01	12.30	11.32 ⁵
Return on investment ⁴	2.28	2.15	19.09	2.07 ⁵
Financial and capital adequacy ratios				
Debt to equity ratio (times)	8.51	8.39	8.03	7.89
Loans to deposits and borrowings ratio	92.90	99.78	100.15	98.73
Loans to deposits ratio	99.08	105.22	105.56	103.93
Deposit to total liabilities ratio	83.95	81.09	81.92	83.51
Dividend payout ratio	28.12	31.93	30.27	N/A
Tier 1 capital ratio	12.90	13.27	13.53	13.58
Capital adequacy ratio	18.25	17.44	17.31	17.37
Asset quality ratios				
NPL ratio	2.96	2.72	3.16	3.17
Total allowance to total NPL ratio (Coverage ratio)	142.51	142.51	151.82	145.39
Total allowance to total loans ratio	4.22	3.88	4.80	4.61

¹ Interest yield = interest income / average earning assets (interest-bearing interbank and money market items, investment in government securities and corporate bond but not including held for trading, and loans - net)

² Cost of fund = interest expenses / average paying liabilities (deposits, interest-bearing interbank and money market items, and total borrowings)

³ Earning assets and interest-bearing liabilities are calculated according to both interest-bearing and non-interest-bearing interbank and money market items since details in note to financial statements for 3 months ended period are inadequate to distinguish non-interest-bearing interbank and money market items

⁴ Return on investment = interest income from investment, dividend receive from investment, and gain on investment / investment - net, and Investment in subsidiaries and associated - net

⁵ Adjusted for comparison purpose by trailing income or expense twelve months

9. Analysis of Financial Performance and Position

9.1 Analysis of Financial Performance

Net interest income

Consolidated financial statements (Unit: THB million)	Year		First 3-month	
	2017	2018	2018	2019
Interest income	34,713	35,128	8,545	9,051
Interest on interbank and money market items	1,824	1,761	443	461
Investments and trading transactions	61	56	4	15
Investments in debt securities	1,213	1,219	288	388
Interest on loans	31,580	32,082	7,806	8,180
Others	35	10	3	6
Interest expenses	9,979	10,632	2,515	2,814
Interest on deposits	4,990	5,627	1,306	1,481
Interest on interbank and money market items	744	686	181	204
Contributions to the Deposit Protection Agency	2,842	2,965	721	760
Interest on debt issued and borrowings	1,378	1,278	297	365
Borrowing fee	20	15	5	4
Others	6	61	6	0
Net interest income	24,734	24,497	6,030	6,236
Interest yield (%)	4.59	4.34	4.58 ^{/1}	4.40 ^{/1}
Cost of fund (%)	1.44	1.46	1.48 ^{/1}	1.53 ^{/1}
Net interest margin (NIM, %)	3.15	2.88	3.10^{/1}	2.88^{/1}

^{/1} Earning assets and interest-bearing liabilities are calculated according to both interest-bearing and non-interest-bearing interbank and money market items since details in note to financial statements for 3 months ended period are inadequate to distinguish non-interest-bearing interbank and money market items

In 2018, the Bank reported net interest income (NII) of Baht 24,497 million which decreased by Baht 237 million or 0.96% compared to last year. In 2018, interest yield was 4.34%, decreased from 4.59% in the previous year, due to SMEs loans, which generate high interest yield, grew slowly. While cost of fund increased slightly from 1.44% in 2017 to 1.46% in 2018 as a result of growth of deposits. Consequently, net interest margin (NIM) in 2018 decreased to 2.88% from 3.15% in the previous year.

For the first quarter of 2019, the Bank reported NII of Baht 6,236 million which increased by Baht 207 million or 3.43% compared to the same period of last year, backed by growth in loans and debt security investment portfolio. Interest yield was 4.40% increased from 4.34% in 2018. While cost of fund also increased to 1.53%

due to substantial volume of non-transaction deposit. However, the Bank still maintained NIM of 2.88% in 2019Q1 compared to 2018.

Non-interest income

Consolidated financial statements (Unit: THB million)	Year		First 3-month	
	2017	2018	2018	2019
Net fees and service income	10,586	9,338	2,741	1,722
Gains (losses) on tradings and foreign exchange transactions	1,147	1,529	455	363
Gain (losses) on financial instrument designed at fair value	(24)	(11)	(3)	(6)
Gain (losses) on investments	64	11,963	9	4
Share of profit from investment using equity method	-	64	-	60
Gain on sale of assets	209	70	7	5
Dividend income	32	19	1	-
Others	691	574	142	132
Other operating income	2,119	14,208	612	558
Non-interest income	12,705	23,545	3,353	2,280

The Bank reported 2018 non-interest income (Non-NII) of Baht 23,545 million which increased by Baht 10,841 million or 85.33% compared to last year because of raises on other operating income by Baht 12,089 million or 570.46% as a result of gain on sales of TMBAM at Baht 11,852 million. While net fees and service income in 2018 was Baht 9,338 million, declined by Baht 1,248 million or 11.79% due primarily to slowdown in retail fees from mutual fund and Bancassurance sales.

For the first quarter of 2019, the Bank reported Non-NII of Baht 2,280 million which decreased by Baht 1,073 million or 32.00% compared to the same period of last year since 1) net fees and service income declined by Baht 1,019 million or 37.16% due mainly to a decrease in mutual fund and Bancassurance fees, and 2) other operating income decreased Baht 54 million or 8.88% due mainly to a drop of gain on trading and foreign exchange transactions.

Other operating expenses

Consolidated financial statements (Unit: THB million)	Year		First 3-month	
	2017	2018	2018	2019
Employee expenses	8,511	8,198	2,069	2,543
Directors' remuneration	45	44	8	8
Premises and equipment expenses	3,384	3,431	832	862
Taxes and duties	1,250	1,264	305	317
Other expenses	4,602	4,538	1,051	1,008
Total other operating expenses	17,792	17,475	4,265	4,738
Cost to income ratio	47.52	48.29¹	45.45	55.63

¹ Calculated by excludes gain on sales of TMBAM amounted Baht 11,852 million out of total operating income

Total other operating expenses in 2018 was Baht 17,475 million which decreased by Baht 318 million or 1.79% from last year, and cost to income ratio was 48.29% compared to 47.52% from last year due to drop of both NII and net fees and service income.

Total other operating expenses in the first quarter of 2019 was Baht 4,738 million which increased by Baht 473 million or 11.10% compared to the same period of the last year, due largely to one-off set up related to employee retirement benefit under a new Labor Protection Act, and annual salary incremental. Moreover, total operating income in 2019Q1, the base of cost to income ratio, dropped. Therefore, cost to income ratio in 2019Q1 rose to 55.63% compared to 48.29% in 2018

Impairment loss on loans and debt securities

Consolidated financial statements (Unit: THB million)	Year		First 3-month	
	2017	2018	2018	2019
Impairment loss on loans and debt securities	8,915	16,100	2,305	1,839
<i>Credit Cost (%)</i>	<i>1.44</i>	<i>2.42</i>	<i>1.44¹</i>	<i>2.34¹</i>

¹ Trailing impairment loss on loans and debt securities 12 months

The Bank set aside provision for bad debt and doubtful accounts and impairment loss of debt and securities in 2018 by Baht 16,100 million which increased by Baht 7,186 million or 80.60% from last year because the Bank set aside additional provision to prepare for implementation of TFRS 9 in 2020, making credit cost stood at 2.42% compared to 1.44% in the previous year.

Provisions for bad debt and doubtful accounts and impairment loss of debt securities for the first quarter of 2019 was Baht 1,839 million which decreased by Baht 466 million or 20.21% compared to the same period of the last year. Credit cost decreased to 2.34% from 2.42% in 2018 because of the additional provisions in 2018 as discussed above.

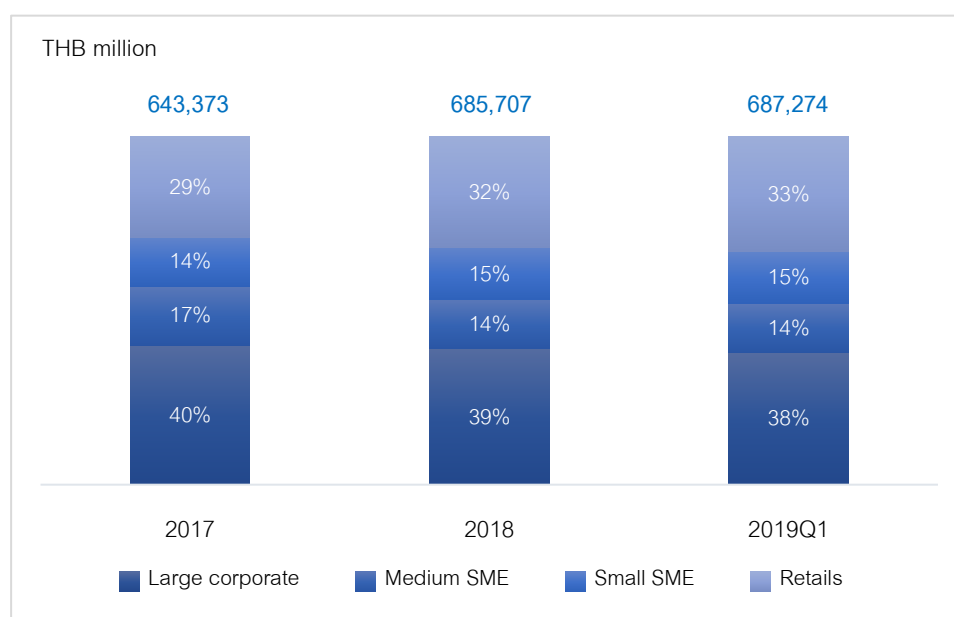
9.2 Analysis of financial position

Assets

Total assets of the Bank and its subsidiaries as of 31 December 2017-2018 and 31 March 2019 were Baht 843,872 million, Baht 891,713 million, and Baht 892,224 million respectively. Major changes are as follows.

Loans to customers

Loans breakdown by customer segment



As of 31 March 2019, mix of loan breakdown by customer segment slightly changed from 31 December 2018, large corporate loans accounted for 38% of total loan, followed by medium and small SME at 29%, and retail lending at 33%. Around these few years, the Bank had a superior growth in retail loans over SME loans.

Loan classification and allowance for doubtful accounts

Consolidated financial statements (Unit: THB million)	31 December		31 March
	2017	2018	2019
Pass	600,675	637,138	639,995
Special Mention	26,146	28,157	26,760
Substandard	1,875	2,073	2,514
Doubtful	1,013	1,927	954
Doubtful of loss	14,633	17,720	18,364
Total loans to customers and accrued interest receivables	644,342	687,015	688,587
Allowance required by BOT	15,049	18,576	18,402
Excess allowance	9,590	13,400	12,314
Revaluation allowance for debt restructuring	330	999	1,025
Total loans to customers - net	619,373	654,040	656,846

Non-performing loans

Consolidated financial statements (Unit: THB million)	31 December		31 March
	2017	2018	2019
Non-performing loans	17,521	21,720	21,832
Allowance for loan losses	24,969	32,975	31,741
NPL ratio (%)	2.72	3.16	3.17
Reserve to Required Reserve (%)	165.92	177.52	172.49
Coverage ratio (%)	142.51	151.82	145.39

As of 31 December 2017 - 2018, and 31 March 2019, non-performing loans (NPLs) was reported at Baht 17,521 million, Baht 21,720 million, and Baht 21,832 million respectively in line with the increase in total loans to customers. Moreover, the Bank performed qualitative downgrade process to prepare for TFRS 9 implementation. Thus, NPL ratio were gradually increase from 2.72% in 2017 to 3.16% in 2018 and stood at 3.17% on 31 March 2019. While the Bank was still able to maintain reserve to required reserve and coverage ratio at a conservative level.

Other assets

- 1) Interbank and money market items decreased but net investment increased due to a liquidity management and an earning assets optimization.

Liabilities

Total liabilities of the Bank as of 31 December 2017 - 2018 and 31 March 2019 were Baht 754,016 million, Baht 792,934 million, and Baht 791,830 million respectively. Major changes are as follows.

- 1) Deposits increased because flagship deposit products grew well. Non-transactional deposits growth was supported No-Fixed as well as ME SAVE. Moreover, transactional deposit rose due to growth of SME One Bank and TMB ALL Free. As of 31 March 2019, the Bank maintained retail deposit accounted for 69% of total deposit and commercial deposit for 31%, the same portion as 31 December 2018.
- 2) Interbank and money market items on liabilities side move along with interbank and money market items on assets side due to liquidity management.
- 3) Debt issued and borrowings had small changes from Bill of Exchange, while domestic subordinated debenture of Baht 20,430 million and foreign unsecured senior debentures of USD 450 million or equivalent of Baht 14,315 million, as stated in financial statements ended 31 March 2019, were still not meet the maturity date. However, there is a Euro Medium Term Note that will be firstly expired on 1 October 2021 for USD 300 million, or Baht 9,543 million equivalently.

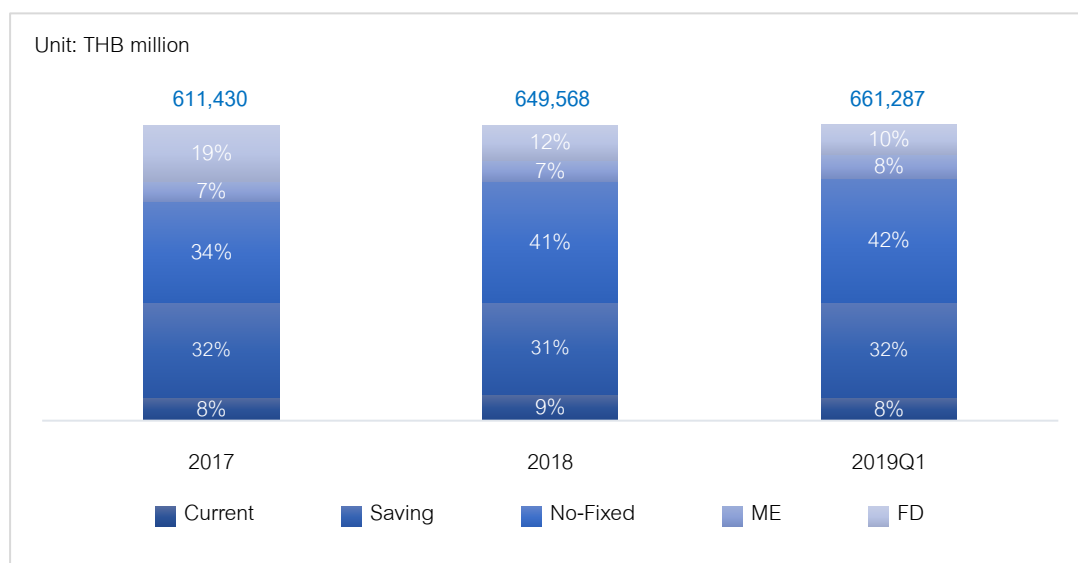
Funding structure

Consolidated financial statements (Unit: THB million)	31 December				31 March	
	2017	%	2018	%	2019	%
Deposits	611,430	86.71	649,568	86.73	661,287	88.48
Interbank and money market items	60,349	8.56	64,267	8.58	51,266	6.86
Debt issued and borrowings	33,352	4.73	35,124	4.69	34,852	4.66
Total interest-bearing liabilities	754,016	100.00	792,934	100.00	791,830	100.00

Deposits was the largest composition of interest-bearing liabilities. As of 31 March 2019, deposits represented 88.48% of interest-bearing liabilities, followed by interbank and money market items of 6.86% and debt issued and borrowings of 4.66%.

Basically, a larger portion of deposit i.e., 88.48%, which has the lowest cost of fund, should make the Bank have a less aggregated cost of fund when compared to other banks who has a lower portion of deposit in the funding structure. However, deposit itself has different product as well as different cost of fund, and therefore considering only funding structure might not adequate to analyze the prospect of the cost of fund.

Deposit structure by products



Note: "TMB No-Fixed" and "ME" are classified as saving account as they are not required to maintain minimum balance and have no restriction to term of deposit

Deposit in a perspective of commercial bank can be classified into 2 major types, 1) Current Account and Saving Account (CASA), and 2) Fixed deposit (FD). Fixed deposit has more constraints on deposit term and transactional activities, leads to a higher cost of fund on FD compared to CASA.

The Bank has continued to expand the amount of deposit, especially CASA. A ratio of CASA to total deposit was reported at 90% on 31 March 2019, compared to 88% on 31 December 2018, and FD portion decreased to 10% from 12% respectively. A lower portion on FD implies a lower cost of fund for the Bank compared to others commercial banks who has a higher FD ratio.

Equity

Total shareholder equity of the Bank as of 31 December 2017 - 2018 and 31 March 2019 were Baht 89,856 million, Baht 98,779 million, and Baht 100,394 million respectively. The change of total equity in 2018 was derived mostly from change in retain earnings, generated by net profit of Baht 11,601 million, which was cut for legal reserve of Baht 430 baht, while dividend was paid out for Baht 2,630 million during a period.

Maintenance of capital fund

Consolidated financial statements (Unit: THB million)	31 December		31 March
	2017	2018	2019
Common Equity Tier 1 Capital (CET1)	80,855	86,301	86,118
Total Tier 1 Capital	80,855	86,301	86,118
Total Tier 2 Capital	25,370	24,095	24,019
Total Capital funds under Basel III	106,225	110,396	110,137
Total Risk-Weighted Assets	609,097	637,628	634,069
CET1 ratio (%)	13.27	13.53	13.58
Tier 1 ratio (%)	13.27	13.53	13.58
Tier 2 ratio (%)	4.17	3.78	3.79
Capital Adequacy Ratio (CAR, %)	17.44	17.31	17.37

Total capital funds of the Bank under Basel III calculation as of 31 December 2017 - 2018 and 31 March 2019 were Baht 106,225 million, Baht 110,396 million, and Baht 110,137 million respectively. The increases of total capital funds were reflected from increases of total risk-weighted assets which directly related to the loans outstanding. The Bank consistently maintained its capital ratios higher than the minimum capital requirement of the Bank of Thailand.

Appendix 5
Industry Overview and Outlook

Overview and Outlook of Thai Economy

The Thai economy in the first quarter of 2019 showed a slowdown. The office of the National Economic and Social Development Board (“NESDB”) reported that Thailand' GDP in the first quarter of 2019 expanded by only 2.8% YoY, decreased from the previous quarter at 3.6% YoY, due to the impact of the import and export shrinkage that had been affected by the global economic slowdown. The International Monetary Fund (“IMF”) stated in July 2019 to demote the forecasted global economic growth in 2019 to 3.2%, slightly fell from the previous forecast of 3.3%. Moreover, Thailand is also affected by uncertainty of the trade war between China and the United States which still cannot specify the exact direction in the short future. Export of services or tourism spending in Thailand decreased. Although the number of tourists increased, the average spending per head of tourists decreased. Consumption and investment of the private sector was growing well, but it was the result of the economic stimulus at the end of 2018. However, if the economic stimulus is halted, it may result in a slowdown in private consumption in the second half of 2019. The NESDB demoted the forecasted Thailand' GDP growth rate of 2019 to the range of 3.3% - 3.8% from the previous projection in the range of 3.5% - 4.5%. In addition, Kasikorn research center held a seminar on "Looking through the Thai economy in the second half of the year" on 26 June 2019, and revised down the forecasted Thai economy in 2019 to 3.1% from 3.7%, due to the export sector affected by the slowdown of the world overall trading during the trade war between China the United States which is having a prolonged opportunity.

Overview of Commercial Banking Industry

Tabulate table on assets, deposits and loans after provision of Thai commercial banks, as of 30 June 2019

Bank	Asset (THB million)	Market Share (%)	Deposit (THB million)	Market Share (%)	Loans after provisions (THB million)	Market Share (%)
1. Bangkok Bank Plc.	3,053,911	17.47	2,297,915	18.10	1,811,531	15.42
2. Siam Commercial Bank Plc.	2,914,834	16.68	2,188,099	17.23	2,049,004	17.44
3. Kasikornbank Plc.	2,703,019	15.47	2,002,159	15.77	1,768,431	15.05
4. Krung Thai Bank Plc.	2,639,322	15.10	1,988,687	15.66	1,855,235	15.79
5. Bank of Ayudhya Plc.	2,161,287	12.37	1,489,417	11.73	1,565,750	13.33
6. Thanachart Bank Plc.	1,000,715	5.73	727,340	5.73	696,337	5.93
7. TMB Bank Plc.	896,115	5.13	648,856	5.11	649,698	5.53
8. UOB (Thai) Plc.	557,322	3.19	449,954	3.54	383,346	3.26
9. CIMB Thai Bank Plc.	375,172	2.15	187,342	1.48	217,194	1.85

Bank	Asset (THB million)	Market Share (%)	Deposit (THB million)	Market Share (%)	Loans after provisions (THB million)	Market Share (%)
10. Kiatnakin Bank Plc.	297,911	1.70	177,955	1.40	224,527	1.91
11. TISCO Bank Plc.	279,847	1.60	201,040	1.58	226,106	1.92
12. Land and Houses Bank Plc.	238,415	1.36	165,409	1.30	156,466	1.33
13. ICBC (Thai) Plc.	208,002	1.19	110,829	0.87	109,077	0.93
14. Standard Chartered Bank (Thai) Plc.	150,371	0.86	62,653	0.49	33,995	0.29
Total of 14 Thai banks	17,476,242	100.00	12,697,656	100.00	11,746,697	100.00
Total of 5 large-sized Thai banks	13,472,371	77.09	9,966,278	78.49	9,049,951	77.04
Total of 3 medium-sized Thai banks	2,454,153	14.04	1,826,149	14.38	1,729,380	14.72
Total of 6 small-sized Thai banks	1,549,719	8.87	905,228	7.13	967,366	8.24

Source: The Bank of Thailand

Assets

As of 30 June 2019, there were 14 Thai commercial banks. Their aggregated assets were Baht 17,476 billion, increased Baht 337 billion or 1.97% compared to the end of 2018.

There were five large-sized banks (total assets greater than 10% of the total Thai banking assets), having aggregated assets of Baht 13,472 billion or 77.09% of total Thai banking assets. The large-sized banks' assets grew Baht 257 billion or 1.94% compared to the end of 2018.

There were three medium-sized banks (total assets greater than 2.5% and not greater than 10% of the total Thai banking assets), having aggregated assets of Baht 2,454 billion or 14.04% of total Thai banking assets. The medium-sized banks' assets grew Baht 57 billion or 2.37% compared to the end of 2018.

The rest of six banks were small-sized (total assets lower than 2.5% of the total Thai banking assets), having aggregated assets of Baht 1,550 billion or 8.87% of total Thai banking assets. The small-sized banks' assets grew Baht 23 billion or 1.53% compared to the end of 2018.

As of 30 June 2019, the Bank, one out of the three medium-sized banks, had total assets of Baht 896,115 million, expanded Baht 7,964 million or 0.90% compared to the end of 2018. The Bank were ranked at seventh on total assets basis and contributed 5.13% to the total Thai banking assets.

Deposits

As of 30 June 2019, total Thai banking deposits were Baht 12,698 billion, increased Baht 120 billion or 0.95% compared to the end of 2018. Large-sized banks involved Baht 9,966 billion or 78.49% in total Thai banking

deposits, rose by Baht 92 billion or 0.93% from the end of 2018. Medium-sized banks contributed Baht 1,826 billion or 14.38% to total Thai banking deposits, increased by Baht 17 billion or 0.96% compared to the end of 2018. The rest of Baht 905 billion or 7.13% of total Thai banking deposits were belong to small-sized banks, expanded by Baht 11 billion or 1.22% compared to the end of 2018.

The Bank, had deposits of Baht 649,856 million as of 30 June 2019, decreased by Baht 719 million or 0.11% from the end of 2018.

Loans

As of 30 June 2019, there were Baht 11,747 billion of outstanding loans (after provisions) in Thai banking system, expanded Baht 132 billion or 1.14% from the end of 2018. Large-sized bank dominated a major portion of 77.04% or Baht 9,050 million on total Thai banking loans, increased Baht 92 billion or 1.02% compared to the end of 2018. Medium-sized banks involved Baht 1,729 billion or 14.72% in total Thai banking loans, rose Baht 25 billion or 1.44% from the end of 2018. Small-sized banks took the rest of Baht 967 billion or 8.24% of total Thai banking loans, increased Baht 16 billion or 1.65% from the end of 2018.

The Bank, had outstanding loans of Baht 649,698 million as of 30 June 2019, decreased by Baht 3,016 million or 0.46% from the end of 2018.

Outlook of commercial banking sector

The Monetary Policy Committee (“MPC”) confirmed to reduce the policy rate to 1.50% per year from previous at 1.75% in the MPC meeting. No. 5/2019 on 7 August 2019, by explaining that the Thai economy is likely to expand lower than an expectation and still not reach to its potential which is affected by shrinking of exports of goods and services. Moreover, the inflation rate is likely to be lower than the expected range. Therefore, policy rate might be reduced again for 0.25% within 2019 due to the higher risk of trade war, and the continuously appreciation of Thai Baht currency.

As of 31 March 2019, net loan growth of 14 Thai commercial banks continued to grow, which grew at around 5.0% per year compared to the same period of the previous year, declined from 5.7% in the whole year of 2018. Loan growth in the first quarter of 2019 was driven by demand for business loans, especially large corporates. While SME business loans are still affected by the economic slowdown. In the retail loan, household loan demand had increased, auto hire purchase, credit card, and housing loans because they need to accelerate the transfer of ownership before the LTV policy was effective on 1 April 2019. However, business and retail loans in the second half of 2019 are likely to slow down, because credit granting standards for both business and household sectors

tend to be tighter, due mainly to the slowdown of the industry and the overall economy, lower quality of hire purchase loans, and the LTV policy that directly affect the housing loans.

A driven force of business loans and many types of retail loans continuously slowed down in June 2019, together with SME loans that have not yet recovered. As a result, the loan growth rate was 3.9% per year compared to the same period last year, the lowest rate in the period of previous 1.5 years. Kasikorn research center expects that the loan overview of the Thai banking system in 2019 will expand by 4.5%, decreased from 5.7% compared with the whole year of 2018, due to loan disbursement in the first half of the year still not much recovered, especially in business loans. The retail loans are expected to slow down in the second half, especially for housing loans and auto hire purchase that would gradually decline, since special factors had already supported the retail loans in the first half. However, these shrinking growths of such loans are consistent with the current expansion of the Thai economy in 2019.

Overview and Outlook of Hire Purchase Business

Brand new registered (Unit: Cars)	2014	2015	2016	2017	2018	6M2019
Individual Vehicles	878,310	758,995	769,359	878,068	954,318	546,101
MV.1 Sedan	592,980	514,093	535,919	617,937	680,917	396,825
MV.2 Microbus & Passenger Van	16,591	11,861	11,234	16,835	13,490	7,137
MV.3 Van & Pickup	268,739	233,041	222,206	243,296	259,911	142,139
MV.12 Motorcycle	1,699,218	1,625,779	1,738,729	1,810,856	1,788,459	894,148
Truck	45,873	36,785	38,626	36,463	40,123	19,178

Source: Department of Land Transport

The auto hire purchase business should grow according to the expansion of the automobile industry, i.e., if new car sales increase, the auto hire purchase loan business will grow. In 2018, the new registered of brand-new car in type of personal car, motorcycles, and trucks grew by 8.68%, (1.24%), and 10.04% respectively, which is a good sign of recovered market condition relative to a contraction in 2015. In addition, low interest rate makes customers who demand for auto loans better off, which is a positive effect of the car hire purchase business as well. However, report from the NESDB indicated that the situation of Thai household debt in 2018 is likely to increase continuously. BOT warned that the credit risk of auto loans is likely to increase, which may lead to the execution of tighter policy enforcement in the hire purchase, as in the case of the revision of new housing loan regulatory criteria, LTV policy that was effective on 1 April 2019. If BOT issues additional measures in the second half of 2019 regarding car hire purchase, such as higher minimum down payment adjustment, it may result in the car sales shrinking as well as the auto hire purchase in 2019 that will slow down as well.

Overview and Outlook of Fund Management Business

Key Statistics of Fund Management Business	2014	2015	2016	2017	2018
Mutual Fund					
Net Asset Value (THB million)	3,808,510	4,063,084	4,648,985	5,016,345	5,055,101
Growth of NAV (%)	23.82	6.68	14.42	7.90	0.77
Number of funds (Fund)	1,579	1,464	1,539	1,511	1,649
Fund management company (Company)	22	21	22	23	23
Fund unit holders (Account)	4,356,409	4,833,280	5,220,626	5,789,465	6,656,692
NAV to GDP (%)	27.49	33.08	30.83	28.52	31.64
Fund unit holders to Population (%)	6.69	7.35	7.92	8.75	10.02
Fund unit holders to Bank deposit account (%)	5.03	5.46	5.76	6.10	6.66
Provident Fund					
Net Asset Value (THB million)	837,077	883,616	973,273	1,082,619	1,128,848
Growth of NAV (%)	11.91	5.56	10.15	11.23	4.27
Number of funds (Fund)	427	424	419	413	402
PVD Employers (Company)	15,433	16,607	17,534	18,704	19,460
Employee members (Person)	2,818,998	2,974,755	3,141,629	3,321,617	3,301,588
NAV to GDP (%)	6.04	7.19	6.45	6.16	7.06
Fund unit holders to Population (%)	4.33	4.53	4.76	5.02	4.97
Fund unit holders to Bank deposit account (%)	3.25	3.36	3.47	3.50	3.31
Private Fund					
Net Asset Value (THB million)	479,421	590,846	749,385	841,012	989,415
Growth of NAV (%)	11.28	23.24	26.83	12.23	17.65
Number of funds (Fund)	2,830	3,221	3,375	4,707	6,505
Fund management company (Company)	22	21	23	24	24
Fund unit holders (Account)	2,830	3,221	3,375	4,707	6,505
NAV to GDP (%)	3.46	4.81	4.97	4.78	6.19
Fund unit holders to Population (%)	0.00	0.00	0.01	0.01	0.01
Fund unit holders to Bank deposit account (%)	0.00	0.00	0.00	0.00	0.01
Supplement Information					
GDP (THB million)	3,856,283	2,282,755	15,079,272	17,587,433	15,978,252
Bank deposit account (Account)	6,662,217	8,602,036	0,648,406	4,846,533	99,882,718
Population (Person)	5,124,716	5,729,098	5,931,550	6,188,503	66,413,979

Sources:

1. Association of Investment Management Companies (AIMC) – Fund information
2. Office of the National Economics and Social Development Council (NESDC) - GDP Gross Domestic Product at Current Market Prices (Original)
3. Bank of Thailand – Deposit account
4. National Statistic Office - Population

Fund management business has grown well throughout the past. Key statistics of fund management industry, according to the Association of Investment Management Companies (“AIMC”), are as follows:

- 1) Proportion of fund unit holders per population and fund unit holders per bank deposit accounts were 1.31% and 1.61% respectively in 1997, and gradually increased every year to 15.00% and 9.98% respectively in 2018, which is in line with the portion of saving and investment in households that had a portion of cash deposits at 85.85% in 1997 and decreased to 38.83% in 2018. These saving were allocated to mutual fund, private fund, insurance reserves, and investment for retirement.
- 2) The ratio of net asset value on mutual funds, private fund, and provident funds to the Thailand GDP increased from 2.15%, 0.004%, and 2.90% respectively in 1997 to 31.64%, 7.06%, and 6.19% respectively in 2018
- 3) NAV of private funds in 2016-2018 grew 26.83%, 12.23%, and 17.65% respectively, compared with the growth on NAV of mutual funds in the same period at 14.42%, 7.90%, and 0.77%. In the first half of 2019, mutual funds and private funds grew at 6.22%, and 7.90% respectively.

The fund management business is still likely to grow. Importantly, private funds tend to grow faster than mutual funds and provident funds even the global economy has started to slow down and still have pressure from the trade war between the US and China. In the latest G20 meeting on 28-29 June 2019, negotiations between the two countries make the overall picture of investment improved. Moreover, fund management in this decade can expand the scope of investment around the world, having a variety of products for investors to make an investment decision, such as debt securities, equities securities, and derivatives, etc.

Therefore, if the fund management companies can select suitable investments to Thai economy or the global economy for investors with a wide range of investment products around the world, the fund management business in Thailand could continuously grow at least at the same rate as Thailand GDP growth, in the case that the NAV per GDP remains stable. Moreover, the business can even grow more when the net asset value per GDP increases, as it consistently was in the past.