

(Translation)

**Opinion of Independent Financial Advisor
on Asset Acquisition and Connected Transaction
in the Acquisition and Acceptance of Entire Business Transfer
of Bank of Tokyo-Mitsubishi UFJ Limited, Bangkok Branch
and Offering of New Ordinary Shares through Private Placement
to Bank of Tokyo-Mitsubishi UFJ Limited**

of



Bank of Ayudhya Public Company Limited

Prepared by



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Subject Opinion of Independent Financial Advisor on asset acquisition and connected transaction of Bank of Ayudhya Plc. in the acquisition and acceptance of entire business transfer of Bank of Tokyo-Mitsubishi UFJ Ltd., Bangkok Branch and offering of new ordinary shares through private placement to Bank of Tokyo-Mitsubishi UFJ Ltd.

To The Audit Committee and the Shareholders
Bank of Ayudhya Plc.

The Special Board of Directors Meeting No. 4/2013 of Bank of Ayudhya Plc. (**“the Bank”** or **“Krungsri”**), held on September 18, 2013, resolved on matters in relation to Bank of Tokyo-Mitsubishi UFJ Ltd. (**“BTMU”**)’s plan to invest and hold shares in Krungsri, and the integration of Krungsri and Bank of Tokyo-Mitsubishi UFJ Ltd., Bangkok Branch (**“BTMU Bangkok Branch”**); and approved to propose to the shareholders’ meeting for approval of the relevant crucial matters as follows:

1. Approval of the integration of Krungsri and BTMU Bangkok Branch by acquisition and acceptance of transfer of the business of BTMU Bangkok Branch, and the entering into a Conditional Branch Purchase Agreement between Krungsri (the Purchaser) and BTMU (the Seller) and other related agreements, whereby BTMU will refrain from launching a mandatory tender offer after the private placement for shares issued in lieu of payment for the business of BTMU Bangkok Branch; and authorization of the Board of Directors or person designated by the Board of Directors to determine the timing for such integration including the authority to negotiate, consider, determine and/or amend the details of the conditions and all other related matters so as to ensure the completion of the transaction, including the authority to contact government sectors and regulators.

2. Approval of a capital increase¹ and private placement of not more than 1,500,000,000 newly issued ordinary shares with a par value of Baht 10 per share to BTMU with details as follows:

Tranche 1 Private placement of not more than 1,500,000,000 newly issued ordinary shares with the par value of Baht 10 per share to BTMU in case the aggregate amount of ordinary shares which BTMU acquires through Voluntary Tender Offer (“VTO”) and from other kind of acquisition plus projection number of capital-increased shares that BTMU will obtain in compensation for business transfer of BTMU, Bangkok Branch is less than 50% of all issued shares of the Bank. In this respect, the Board of Directors is assigned to consider one or more specific allocations of shares (Tranche 1) to BTMU within six months from the end of the VTO made by BTMU at the selling price of Baht 39 per share and payment for these shares shall be made by cash.

¹ Being a registered capital after reduction of the registered capital from Baht 70,893,927,550 to Baht 60,741,437,470 by canceling the 15,249,008 registered ordinary shares issued to accommodate warrants but not exercised within prescribed period and canceling the 1,000,000,000 unissued registered ordinary shares, making up a total amount of 1,015,249,008 shares to be canceled.

Tranche 2 Allotment of newly issued shares (at the par value of Baht 10 per share) to BTMU in case there is no private placement of Tranche 1 or there are remaining shares from Tranche 1 allotment as consideration and/or exchange for the transfer of the business of BTMU, Bangkok Branch. BTMU will make payment for these shares in kind (Tranche 2) i.e. all assets of BTMU Bangkok Branch. In this respect, the Board of Directors is assigned to consider determining the number of shares to be allotted to BTMU (Tranche 2) under determined formula of asset valuation, asset valuation of BTMU Bangkok Branch and valuation of the Bank's shares.

The Board of Directors decided to set September 18, 2013, the date on which the Board of Directors resolved to propose the matter to the shareholders' meeting for approval, as the offering price date. The offering price of Tranche 1 shares and the value of Bank shares under Tranche 2 shall not be lower than 90% of the weighted-average price of the Bank shares traded on the Stock Exchange of Thailand ("SET") in the past 15 consecutive business days before the offering price date as mentioned above, equivalent to Baht 37.86 per share, which is in accordance with Notification of the Office of the Securities and Exchange Commission ("SEC") No. SorJor. 39/2551 Re: Calculation of Offer Price of Securities and Determination of Market Price for Consideration of Offer for Sale of Newly Issued Shares with Discount.

The above transactions are a result of BTMU entering into a Share Tender Agreement ("STA") with GE Capital International Holdings Corporation ("GECIH") on July 2, 2013 to purchase Krungsri shares held by GECIH. Under the STA, BTMU will launch a VTO for 6,074,143,747 shares with a par value of Baht 10 per share at the price of Baht 39 per share and GECIH will tender its entire shareholding of 1,538,365,000 shares, representing 25.33% of total issued shares of Krungsri, to BTMU in the VTO. However, the VTO shall be launched subject to satisfactory fulfillment of all conditions under regulatory approvals and corporate approvals and fulfillment of the following conditions:

1. Krungsri obtains approvals or waivers from the Bank of Thailand ("BOT") and the Ministry of Finance ("MOF") in relation to the shares acquisition, the increase of Krungsri's foreign shareholding limits, and other relevant matters.
2. BTMU obtains approval from Financial Services Agency of Japan ("JFSA") to allow BTMU to hold Krungsri and Krungsri's financial group as its subsidiary.
3. Krungsri obtains approval in principle from the Ministry of Commerce ("MOC") in relation to foreign business licenses.
4. Krungsri obtains approval from its shareholders' meeting to amend the Articles of Association of the Bank that are related to the shares acquisition by BTMU.

Note: As for the most recent progress as of October 17, 2013, Krungsri already obtained approvals as in 1 and approval in principle as in 3 above. The matter in 2 is currently underway. The Bank will seek approval as in 4 by convening the Extraordinary General Meeting of Shareholders on October 31, 2013.

On August 27, 2013, the Finance Minister and the BOT, by virtue of the Financial Institutions Business Act B.E. 2551 ("FIBA"), granted permission for BTMU to enter into transactions to purchase Krungsri shares and to integrate the business of Krungsri and BTMU Bangkok Branch via entire business transfer of BTMU Bangkok Branch into Krungsri. In return, the Bank will compensate for BTMU Bangkok Branch by issuing and offering new ordinary shares to BTMU on a private placement basis. Such integration will be completed within 1 year from the end of the VTO period or within such time as may be extended by the BOT, if necessary. In this relation, the Bank was notified

that BTMU expects to start the VTO in early November 2013 and the VTO will be completed in December 2013.

On September 2, 2013, Krungsri and BTMU jointly submitted Business Integration Application and Plan of Krungsri and BTMU Bangkok Branch by way of a transfer of business, assets and liabilities of BTMU Bangkok Branch to Krungsri to seek an approval from the BOT under One Presence Policy. The BOT later granted approval for the business integration of Krungsri and BTMU Bangkok Branch, which was published in the Royal Gazette on October 2, 2013.

In order to maximize synergy for Krungsri and BTMU under the financial laws of Japan and so as to ensure transparency in the consolidated financial statements of the Mitsubishi UFJ Financial Group (“MUFG”) in which BTMU is an affiliate, BTMU wishes to purchase more than 50% of the issued shares of Krungsri as per the investment plan of BTMU approved by the MOF and the BOT which is comprised of:

1. The VTO for all the ordinary shares of Krungsri
2. The receipt of new shares of Krungsri in payment for the transfer of the entire business of BTMU Bangkok Branch to Krungsri
3. The acquisition of ordinary shares of Krungsri within 6 months from the end of the VTO period (only in the circumstance where the number of ordinary shares of Krungsri which BTMU acquired through the VTO under Clause 1 above when added to the estimate number of shares in lieu of payment of the BTMU Bangkok Branch business transfer under Clause 2 above equates to less than 50% of all issued shares of Krungsri). The additional acquisition of shares is to satisfy the intention of BTMU to hold a total of more than 50% of all issued shares of Krungsri through one or both of the following means:
 - (3.1) The purchase of ordinary shares by BTMU from willing shareholders at a price not more than that specified in the VTO;
 - (3.2) Purchase of Krungsri shares through a private placement to BTMU;(together called “**Additional Share Acquisition**”).

As the acquisition of shares through the VTO process under Clause 1 above and the receipt of ordinary shares of Krungsri as payment for the business purchase under Clause 2 above are of the same transaction though with different timelines, such transaction may result in BTMU becoming a shareholder up to or over 50% or up to 75% of all voting shares of Krungsri (as the case may be). Krungsri has been informed by BTMU that BTMU will not launch a Mandatory Tender Offer (“**MTO**”) to the shareholders of Krungsri in any case from the receipt of shares as payment in Clause 2 since BTMU has already been granted a waiver from the SEC under Clause 4 and Clause 11 of the Notification of the Capital Market Supervisory Board No. ThorChor. 12/2554 Re: Rules, Conditions and Procedures for the Acquisition of Securities for Business Takeovers. BTMU’s maximum shares in Krungsri could reach approximately 80% of total issued shares of Krungsri after the process under investment plan of BTMU approved by the MOF and the BOT under the assumption that the shareholders accept the VTO of approximately 75% of total issued shares of Krungsri.

Moreover, Krungsri has already been granted a waiver from the SEC for the period of the private placement of Krungsri shares to BTMU within the 1 year period from the date of approval by the shareholders’ meeting, pursuant to Clause 27 (3) of the Notification of the Capital Market Supervisory Board No. ThorChor. 28/2551 Re: Application for and Approval of Offer for Sale of Newly Issued Shares, for Krungsri to issue and allot new shares to BTMU as a consideration for

business transfer of BTMU Bangkok Branch under the Business Integration Application and Plan of Krungsri and BTMU Bangkok Branch.

The above processes must comply with the following relevant laws and regulations:

- Section 73 and Section 74 of FIBA prescribe that upon the announcement of the approval of the BOT in the Royal Gazette, Krungsri shall make an arrangement to hold a shareholders' meeting to consider and accept the business integration and transfer. In such event, provisions related to the shareholders' meeting for the merger, transfer or acquisition of business under the Civil and Commercial Code or the laws on public limited companies, as the case may be, shall not be applied. If there are affirmative votes not less than three-fourths of the number of votes of the shareholders attending the meeting, such integration and transfer of business shall be deemed lawful.

- Pursuant to the Notification of the Capital Market Supervisory Board No. ThorChor. 21/2551 Re: Rules on Connected Transactions dated August 31, 2008 (as amended) and the Notification of the Board of Governors of the SET Re: Disclosure and Acts of Listed Companies on Connected Transactions B.E. 2546 (2003) dated November 19, 2003 (as amended) (together called "**Notification of Connected Transaction**"), since BTMU will become a major shareholder of Krungsri after completion of the VTO and the total value of the transaction will be equal to 62.5%² of net tangible assets of Krungsri and its subsidiaries, calculated based on the Bank's consolidated financial statements as of March 31, 2013, which exceeds 3% of net tangible assets of Krungsri and its subsidiaries, the Bank therefore has the duties to disclose information on such transaction to the SET and the shareholders, to appoint an independent financial advisor to opine on the transaction, and to convene a shareholders' meeting to seek approval for the transaction with a required affirmative vote of not less than three-fourths of the total votes of shareholders attending the meeting and having the right to vote.

- Under the Notification of the Capital Market Supervisory Board No. ThorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets dated August 31, 2008 (as amended) and the Notification of the Board of Governors of the SET Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B.E. 2547 (2004) (as amended) (together called "**Acquisition and Disposition of Assets Notification**"), since the total value of the transaction is equal to 40.1%,³ which is the highest transaction value derived from calculation under the net tangible assets criteria based on the Bank's consolidated financial statements as of March 31, 2013, the transaction is therefore considered as Class 2 Transaction and Krungsri is thereby required to disclose information on the transaction to the SET and the shareholders, without requirement to seek approval from a shareholders' meeting. However, Krungsri deems it appropriate to propose the transaction to the shareholders' meeting for consideration and approval under the above notification.

The Bank has set to convene the Extraordinary General Meeting of Shareholders No. 1/2013 on October 31, 2013 and has appointed Advisory Plus Co., Ltd. as an independent financial advisor ("**IFA**") to render opinion to the Bank's shareholders regarding the transaction, including crucial matters such as reasonableness and benefits of the transaction to a listed company, fairness of transaction price and conditions, as well as recommendation as to whether the shareholders should vote for or against the transaction together with supporting reasons.

In conducting an analysis and providing opinion herein, we have considered information and documents obtained from the Bank together with publicly available information such as resolutions of Krungsri Board of Directors and Information Memorandum regarding the transaction, annual

² The total value of the connected transaction is equal to 60.6% if calculated according to the consolidated financial statements as of June 30, 2013 of Krungsri and its subsidiaries.

³ The total value of the asset acquisition transaction is equal to 38.9% if calculated according to the consolidated financial statements as of June 30, 2013 of Krungsri and its subsidiaries.

registration statement (Form 56-1), an auditor's report, financial statements, assumptions for financial projection, draft agreements relating to the transaction and other documents supplied by the Bank and BTMU, the SET statistical data on listed companies in Financials Industry Group, Banking Sector, as well as from interviews with Krungsri management and assessment of industry situation and other relevant economic factors.

The opinion rendered herein is based on the assumption that all information and documents available from the Bank and BTMU and the information derived from the interviews with the Bank's management are reliable, correct and complete without any material change thereto. We have considered such information with due care and reasonableness according to professional standards. Our consideration is, moreover, based on the economic environment and the information perceivable at the time of preparing this study only. As such, if there is any significant change in these factors, it will likely have a material impact on the Bank, BTMU and the transaction, as well as the IFA's opinion and the shareholders' decision. Therefore, we cannot affirm whether there will be any material impact on the operations of the Bank and BTMU Bangkok Branch in the future. Our opinion can be summed up as follows:

Executive Summary

On July 2, 2013, BTMU and GECIH entered into a Share Tender Agreement (“STA”) to purchase the Bank shares held by GECIH. Under the STA, BTMU will launch a VTO for all shares at the price of Baht 39 per share and GECIH will tender its entire shareholding of 1,538,365,000 shares, representing 25.33% of Krungsri’s total issued shares, to BTMU under the VTO process. However, the VTO shall be launched subject to satisfactory fulfillment of all conditions under regulatory approvals and corporate approvals.

On August 27, 2013, the MOF and the BOT granted permission for BTMU to enter into transactions to purchase Krungsri shares and to integrate the business of Krungsri and BTMU Bangkok Branch via entire business transfer of BTMU Bangkok Branch into Krungsri. In return, the Bank will compensate for BTMU Bangkok Branch by issuing and offering new ordinary shares to BTMU on a private placement basis. Such integration will be completed within 1 year from the end of the VTO period or within such time as may be extended by the BOT, if necessary. On September 2, 2013, Krungsri and BTMU jointly submitted Business Integration Application and Plan of Krungsri and BTMU Bangkok Branch to seek an approval from the BOT under One Presence Policy. The BOT later granted approval for the business integration of Krungsri and BTMU Bangkok Branch, which was published in the Royal Gazette on October 2, 2013.

On September 18, 2013, the Special Board of Directors Meeting No. 4/2013 of Krungsri resolved on matters in relation to BTMU’s plan to invest and hold shares in the Bank and the integration of the Bank and BTMU Bangkok Branch; and approved to propose to the Extraordinary General Meeting of Shareholders No. 1/2013 on October 31, 2013 for approval of the relevant crucial matters, including 1) approval of the integration of the Bank and BTMU Bangkok Branch and the entering into a Conditional Branch Purchase Agreement between the Bank (the Purchaser) and BTMU (the Seller) and other related agreements; and 2) approval of a capital increase and allotment of not more than 1,500,000,000 newly issued ordinary shares with a par value of Baht 10 per share through private placement to BTMU at the selling price of Baht 39 per share, with payment for these shares to be made by cash and payment for the remaining shares in kind, i.e. being all assets of BTMU Bangkok Branch.

The above transaction must comply with the relevant laws and regulations, comprising (1) *the Financial Institutions Business Act, Section 73 and Section 74* under which such integration and transfer of business shall be deemed lawful if there are affirmative votes not less than three-fourths of the number of votes of the shareholders attending the meeting; (2) *the Notification of Connected Transaction* under which, since BTMU will become a major shareholder of Krungsri after completion of the VTO and the total value of the transaction will be equal to 62.5%⁴ of net tangible assets of Krungsri and its subsidiaries, calculated based on the Bank’s consolidated financial statements as of March 31, 2013, which exceeds 3% of net tangible assets of Krungsri and its subsidiaries, the Bank therefore has the duties to disclose information on such transaction to the SET and the shareholders, to appoint an independent financial advisor to opine on the transaction, and to convene a shareholders’ meeting to seek approval for the said transaction with a required affirmative vote of not less than three-fourths of the total votes of shareholders attending the meeting and having the right to vote; and (3) *the Acquisition and Disposition of Assets Notification* under which, since the total value of the transaction is equal to 40.1%⁵ which is the highest transaction value derived from calculation under the net tangible assets criteria based on the Bank’s consolidated financial statements as of March 31, 2013, the transaction is therefore considered as Class 2 Transaction and the Bank is thereby required to disclose information on the transaction to the SET and the shareholders, without requirement to

⁴ The total value of the connected transaction is equal to 60.6% if calculated according to the consolidated financial statements as of June 30, 2013 of Krungsri and its subsidiaries.

⁵ The total value of the asset acquisition transaction is equal to 38.9% if calculated according to the consolidated financial statements as of June 30, 2013 of Krungsri and its subsidiaries.

seek approval from a shareholders' meeting. However, the Bank deems it appropriate to propose the transaction to the shareholders' meeting for consideration and approval under the said notification.

Summary of the IFA's opinion on the transaction

We are of the opinion that the acquisition of assets and the connected transaction in the transfer of the entire business of BTMU Bangkok Branch to Krungsri and the allotment of shares as a consideration for the business transfer including the issue and offering of new shares through private placement to BTMU are appropriate and are in line with the Business Integration Application and Plan of Krungsri and BTMU Bangkok Branch according to the BOT's One Presence Policy. The plan will allow for BTMU to operate only one single financial institution under the same business group in Thailand, so as to benefit from economies of scale and eliminate overlapping operations in the financial sector. Meanwhile, the entering into other relevant agreements and provision of funding support from BTMU are aimed to enable Krungsri to uninterruptedly render services to customers transferred from BTMU Bangkok Branch.

The new shares issuance and allotment on a private placement basis to BTMU is aimed to satisfy the intention of BTMU to hold a total of more than 50% of all issued shares of Krungsri in order to maximize synergy for Krungsri and BTMU under the financial laws of Japan and to ensure clarity and transparency in the consolidated financial statements of MUFG, which is the parent of BTMU.

By entering into the asset acquisition transaction and the connected transaction, Krungsri will benefit in several ways which could help increase its long-term business value and shareholder value. Krungsri can *expand customer base* by exploiting the combined strengths of the two parties to offer a broader variety of financial services to customers. Moreover, Krungsri can *increase its regional competitiveness* through BTMU network and presence in the Greater Mekong Sub-region and through coordination between Krungsri and BTMU in offering financial solutions that can satisfy all diverse customer needs. Krungsri can also *increase its income and net profit* from consolidation of BTMU Bangkok Branch's financial performance into the Bank's financial statements, together with a higher profit margin expected in the future as driven by benefits from the business integration. Krungsri will *have a stronger capital base* due to an increased number of deposit customers and an ability to gain access to large corporate deposit sources and also to lower-cost funding sources through financial cooperation and funding support from BTMU. Krungsri will benefit from *world-class technology transfer* in the aspects of business operation and management as well as diverse product innovations under international banking business practices in order to cope well with the highly competitive and fast changing world financial markets. Last but not least, Krungsri can *reduce its operating expenses in the long run* through benefits from the economies of scale achieved from the business integration, while enhancing its competitive potential through stronger cost control efficiency. Since Krungsri will issue new ordinary shares as a consideration for the business transfer from BTMU Bangkok Branch and will not offer any cash consideration, the transaction will not have any impact on its liquidity and working capital. Rather, the new shares issuance will help to strengthen its equity base.

On the negative side, however, there will be a control dilution effect of 40.11% on Krungsri's existing shareholders, under the assumption that BTMU acquires, from the VTO, only the existing shareholding by GECIH of 25.33%. Assuming that the existing shareholders of Krungsri (including GECIH) accept the VTO of approximately 75% and the other group of major shareholders declines to accept the VTO, the shareholders of Krungsri will suffer from a control dilution effect of 79.95% (see more details on page 58). There will also be risk involved with checks and balances over the major shareholder as a consequence of the launch of VTO and the new shares issuance and allotment on a private placement basis to BTMU which intends to acquire more than 50% of the issued shares of Krungsri. Moreover, Krungsri may bear higher expenses in the initial period after the post-merger corporate restructuring and could be exposed to risks associated with business integration, such as value and culture gaps, variations on administration system, database and IT system, and accounting

principles in relation to goodwill impairment resulting from the business transfer, which could adversely affect Krungsri's operating results in the future.

The preliminary value (Reference Branch Value) for the business transfer from BTMU Bangkok Branch at Baht 44,586 million, implied price to book value ratio of 1.15 times based on BTMU Bangkok Branch's audited financial statements as of March 31, 2013, is considered fair and appropriate. This is because such value is lower than the IFA's valuation by the dividend discounted model at Baht 45,831 million, implied price to book value ratio of 1.18 times based on the book value of BTMU Bangkok Branch as of March 31, 2013. From a sensitivity analysis, the business value of BTMU Bangkok Branch is derived in a range of Baht 42,556 million - Baht 49,978 million, or implied price to book value ratio of 1.10 - 1.29 times based on the book value of BTMU Bangkok Branch as of March 31, 2013.

The allotment of not more than 1,500 million newly issued shares of Krungsri with a par value of Baht 10 per share on a private placement basis to BTMU as a consideration and/or exchange for the transfer of the business of BTMU Bangkok Branch at the selling price of Baht 39 per share, with payment for these shares to be made by cash, is considered appropriate. Such price is higher than a fair value measured by the IFA, using the market value approach, at between Baht 32.69 and Baht 33.93 per share. Moreover, a minimum price set for the new shares issuance of Krungsri at not lower than 90% of market price, or not lower than Baht 34.074 per share, is still higher than the said fair value appraised by the IFA.

In addition, all conditions for the transaction are deemed appropriate. The conditions, including conditions precedent, for the business transfer have been set forth on an arm's-length basis, requiring each party to fulfill the conditions on their part in order to ensure a successful business integration. The entering into other related agreements is required as part of the business integration so as to enable a continuity in the operation of both Krungsri and BTMU Bangkok Branch without any disruption in terms of funding capability and smooth customer servicing.

Based on the above mentioned rationales, we view that the shareholders will benefit from the transaction and therefore recommend that the shareholders approve the asset acquisition and the connected transaction as the transaction is considered reasonable with a fair price and fair conditions.

1. Nature and details of the transaction

1) The business transfer of BTMU Bangkok Branch and the allotment of new shares as a consideration for the business transfer

Krungsri will enter into the transaction to acquire and accept a transfer of the entire business of BTMU Bangkok Branch and then allot its newly issued shares to BTMU as a consideration for such business transfer. This transaction will be launched, subject to approval from the Extraordinary General Meeting of Shareholders No. 1/2013, to be held on October 31, 2013, and after completion of the VTO which will allow BTMU to become a shareholder of Krungsri acquiring not less than 25% of total issued shares of the Bank, as well as after satisfactory fulfillment of conditions precedent on the Conditional Branch Purchase Agreement. In this relation, the Bank was notified that BTMU expects to start the VTO in early November 2013 and the VTO will be completed in December 2013. Then, the Bank plans to compensate for the business transfer by issuing new ordinary shares to BTMU within 1 year from the end of the VTO period or within such time as may be extended by the BOT, if necessary.

Moreover, Krungsri has already been granted a waiver from the SEC for the period of the private placement of Krungsri shares to BTMU within the 1 year period from the date of approval by the Extraordinary General Meeting of Shareholders, as the VTO process for the transfer of business of BTMU Bangkok Branch and the issue of new ordinary shares of Krungsri as payment for the business purchase are of the same transaction though with different timelines. The acceptance of business transfer from BTMU Bangkok Branch will comply with the procedures and conditions agreed upon in the Business Integration Application and Plan under the BOT's One Presence Policy, which Krungsri and BTMU have jointly prepared and submitted for approval from the BOT on September 2, 2013. The BOT later granted approval for the business integration of Krungsri and BTMU Bangkok Branch, which was published in the Royal Gazette on October 2, 2013.

The number of shares to be issued and allotted on a private placement basis to BTMU as a consideration for the business transfer will depend on the value of BTMU Bangkok Branch and the value of ordinary shares of Krungsri as of the date of transfer or the latest offering price date before the date of transfer as agreed between both parties. The Reference Branch Value of BTMU Bangkok Branch is Baht 44,586 million, implied price to book value ratio of 1.15 times based on BTMU Bangkok Branch's audited financial statements as of March 31, 2013, which is calculated into the number of new ordinary shares to be issued of 1,143,221,782 shares under the assumption that Krungsri's share price is Baht 39 per share. The number of shares could be changed subject to the price adjustment mechanism as mutually agreed. The consideration for the business transfer was negotiated on an arm's length basis between Krungsri and BTMU.

The Conditional Branch Purchase Agreement provided a price adjustment mechanism whereby the final purchase price and number of shares issued for payment thereof may be adjusted as a result of a change in the net asset value of BTMU Bangkok Branch and Krungsri on the date of transfer. The price adjustment mechanism will be determined and agreed between Krungsri and BTMU. As a result of such adjustment, the final share price shall not be lower than 90% of the market price of the ordinary shares of Krungsri (or not lower than Baht 34.074 per share). The applicable market price of Krungsri shares is Baht 37.86 per share, derived from the weighted-average price of Krungsri shares traded on the SET in the past 15 consecutive business days before the offering price date (the Board of Directors set September 18, 2013, the date on which the Board of Directors resolved to propose the new shares allotment and the determination of share offering price to the shareholders' meeting for approval, as the offering price date). The said final share price is not deemed as an offer of newly issued shares with discount in accordance with the SEC Notification No. SorJor. 39/2551 Re: Calculation of Offer Price of Securities and Determination of Market Price for Consideration of Offer for Sale of Newly Issued Shares with Discount. In any case, the total number of shares issued under this private placement and in payment for the transfer of assets for integration shall not exceed 1,500,000,000 shares.

2) The new shares issuance and allotment on a private placement basis to BTMU

In the circumstance where the number of ordinary shares of Krungsri which BTMU acquired through the VTO when added to the estimate number of shares in lieu of payment of the BTMU Bangkok Branch business transfer equates to less than 50% of all issued shares of Krungsri, Krungsri may then issue and allot its new ordinary shares on a private placement basis to BTMU within 6 months from the end of the VTO period in the amount that will enable BTMU to acquire more than 50% of total issued shares of Krungsri. This is to satisfy the intention of BTMU to hold a total of more than 50% of all issued shares of Krungsri.

For the determination of the amount of issued and allotted shares, Krungsri will strictly adhere to BTMU's intention and will ensure that the total number of shares issued and allocated to BTMU on a private placement basis (if any) combined with the new shares allotted as a consideration for the business transfer will not exceed 1,500,000,000 shares. However, **if, after completion of the VTO, BTMU could acquire more than 50% of total issued shares of Krungsri, the Bank will then refrain from the said new shares issuance and allotment on a private placement basis to BTMU.**

1.1 Type and size of the transaction

1) The business transfer of BTMU Bangkok Branch and the allotment of new shares as a consideration for the business transfer

The business transfer of BTMU Bangkok Branch and the allotment of new shares as a consideration for the business transfer is deemed as an asset acquisition transaction. Since the total value of the transaction is equal to 40.1%,⁶ which is the highest transaction value derived from calculation under the net tangible assets criteria based on the Bank's consolidated financial statements as of March 31, 2013, the transaction is therefore considered as Class 2 Transaction under the Acquisition and Disposition of Assets Notification, with the transaction value exceeding 15% but lower than 50%. Accordingly, Krungsri has duty to disclose information on the transaction to the SET and the shareholders, without requirement to seek approval from a shareholders' meeting. However, Krungsri deems it appropriate to propose the transaction to the shareholders' meeting for consideration and approval under the above notification.

In addition, the above transaction is considered a connected transaction in accordance with the Notification of Connected Transaction. BTMU is deemed a connected party of Krungsri because, after completion of the VTO, BTMU may become a major shareholder of Krungsri, with a shareholding of 25.33% up to approximately 75% of the total issued shares of the Bank (assuming that the shareholders accept the VTO of approximately 75% at maximum). This represents a significant shareholding that will allow BTMU to have control power over Krungsri. Since the total value of the transaction is equal to 62.5%⁷ of net tangible assets of Krungsri and its subsidiaries, calculated based on the Bank's consolidated financial statements as of March 31, 2013, which exceeds 3% of net tangible assets of Krungsri and its subsidiaries, the Bank therefore has the duties to disclose information on such transaction to the SET and the shareholders, to appoint an independent financial advisor to opine on the transaction, and to convene a shareholders' meeting to seek approval for the transaction with a required affirmative vote of not less than three-fourths of the total votes of shareholders attending the meeting and having the right to vote.

⁶ The total value of the asset acquisition transaction is equal to 38.9% if calculated according to the consolidated financial statements as of June 30, 2013 of Krungsri and its subsidiaries.

⁷ The total value of the connected transaction is equal to 60.6% if calculated according to the consolidated financial statements as of June 30, 2013 of Krungsri and its subsidiaries.

Details of calculation of value of the asset acquisition transaction are shown below:

Criteria of calculation	Formula	Transaction value	
1. Net tangible assets (NTA) =	$\frac{\text{Percentage of Krungsri's acquisition of BTMU Bangkok Branch (\%)} \times \text{NTA of BTMU Bangkok Branch}}{\text{NTA of Krungsri}}$	$\frac{100\% \times 38,510}{95,937}$	40.1% ⁸
2. Net income (NI) =	$\frac{\text{Percentage of Krungsri's acquisition of BTMU Bangkok Branch (\%)} \times \text{NI of BTMU Bangkok Branch}}{\text{NI of Krungsri}}$	$\frac{100\% \times 4,093}{15,299}$	26.8% ⁸
3. Total consideration value =	$\frac{\text{Total consideration} \times 100\%}{\text{Total assets of Krungsri}}$	$\frac{58,500}{1,102,777}$	5.3% ⁸
4. Total value of equity shares =	$\frac{\text{Value of shares issued to BTMU} \times 100\%}{\text{Market capitalization of Krungsri as of September 17, 2013}}$	$\frac{58,500}{229,299}$	25.5%

Moreover, if service fees of Bt. 1,500 million under Master Service Agreement included in transaction size criteria item 3, the total consideration value will be 5.4%.

The transaction size calculated under the NTA criteria is the highest value of the asset acquisition transaction pursuant to the Acquisition and Disposition of Assets Notification, and the transaction is thus considered as Class 2 Transaction. As such, Krungsri is required to disclose information on the transaction to the SET and the shareholders, without requirement to seek approval from a shareholders' meeting. However, Krungsri deems it appropriate to propose the transaction to the shareholders' meeting for consideration and approval under the above notification.

Details of calculation of value of the connected transaction are as follows:

Criteria of calculation	Transaction value	
$\frac{\text{Total consideration paid to connected party}}{\text{NTA of Krungsri}} =$	$\frac{60,000}{95,937}$	62.5% ⁹

Note: NTA (*net tangible asset*) refers to total assets less intangible assets, liabilities and non-controlling interest.

NI (*net income*) refers to net profit.

Total consideration is calculated from the maximum number of shares to be issued and allotted through private placement to BTMU of 1,500,000,000 shares at the offering price of Baht 39 per share.

Total consideration paid to connected party including the total consideration value of Bt.58,500 million and service fees of Bt. 1,500 million that Krungsri will pay to BTMU under Master Service Agreement.

2) The new shares issuance and allotment on a private placement basis to BTMU

The new shares issuance and allotment on a private placement basis to BTMU is deemed as a connected transaction as described earlier. Krungsri will issue and allocate its new shares to BTMU on a private placement basis (if any) in a total amount, combined with the new shares allotted as a consideration for the business transfer, not exceeding 1,500,000,000 shares with a par value of Baht 10 per share at an offering price of Baht 39 per share, or a total value not exceeding Baht 58,500

⁸ Assuming the calculation is made based on Krungsri's consolidated financial statements as of June 30, 2013, (1) the transaction value will become 38.9% under the NTA criteria, (2) 28.1% under the NI criteria, and (3) 5.2% under the total consideration value criteria.

⁹ Assuming the calculation is made based on Krungsri's consolidated financial statements as of June 30, 2013, the transaction value will become 60.6%.

million. Since the total value of the transaction is equal to 62.5%¹⁰ of net tangible assets of Krungsri and its subsidiaries, calculated based on the Bank's consolidated financial statements as of March 31, 2013, which exceeds 3% of net tangible assets of Krungsri and its subsidiaries, the Bank therefore has the duties to disclose information on such transaction to the SET and the shareholders, to appoint an independent financial advisor to opine on the transaction, and to convene a shareholders' meeting to seek approval for the transaction with a required affirmative vote of not less than three-fourths of the total votes of shareholders attending the meeting and having the right to vote.

The two transactions above will be launched, subject to approval from Krungsri's Extraordinary General Meeting of Shareholders No. 1/2013 to be held on October 31, 2013, and after the parties involved have signed all related agreements, as well as after satisfactory fulfillment of all conditions under the related agreements, which include the VTO being completed, BTMU becoming a shareholder of not less than 25.33% of total issued shares of Krungsri, the Business Integration Application and Plan being approved by the BOT, Krungsri obtaining approval from the shareholders' meeting to enter into the transactions, and so forth (see more details of conditions precedent in Section 1.6).

The transactions must be approved by the shareholders' meeting of Krungsri with a required affirmative vote of not less than three-fourths of the total votes of shareholders attending the meeting and having the right to vote.

1.2 Total value of consideration and criteria for determination of consideration value

1) The business transfer of BTMU Bangkok Branch and the allotment of new shares as a consideration for the business transfer

Total value of consideration

The preliminary value of BTMU Bangkok Branch (Reference Branch Value) is Baht 44,586 million, implied price to book value ratio of 1.15 times based on BTMU Bangkok Branch's audited financial statements as of March 31, 2013, which is calculated into the number of new ordinary shares to be issued of 1,143,221,782 shares under the assumption that Krungsri's share price is Baht 39 per share. The number of shares could be changed subject to the price adjustment mechanism as mutually agreed under the Conditional Branch Purchase Agreement.

The final purchase price and number of shares issued as a consideration for the business transfer may be adjusted as a result of a change in the net asset value of BTMU Bangkok Branch and Krungsri on the date of transfer. The price adjustment mechanism will be determined and agreed between Krungsri and BTMU. As a result of such adjustment, the final share price shall not be lower than 90% of the market price of the ordinary shares of Krungsri (or not lower than Baht 34.074 per share). The applicable market price of Krungsri shares is Baht 37.86 per share, derived from the weighted-average price of Krungsri shares traded on the SET in the past 15 consecutive business days before the offering price date.

Criteria for determination of consideration value

Krungsri has determined a fair value of the business transfer of BTMU Bangkok Branch by various methods such as the valuation based on book value as of March 31, 2013 under the audited financial statements of BTMU Bangkok Branch, the dividend discounted model, the comparable acquisition methodology, and the trading comparable methodology. The consideration for the business transfer was negotiated on an arm's length basis between Krungsri and BTMU.

¹⁰ The total value of the connected transaction is equal to 60.6% if calculated according to the consolidated financial statements as of June 30, 2013 of Krungsri and its subsidiaries.

2) The new shares issuance and allotment on a private placement basis to BTMU

Total value of consideration

Krungsri will issue and offer not more than 1,500,000,000 new ordinary shares via private placement basis to BTMU with a par value of Baht 10 per share at an offering price of Baht 39 per share, totaling not more than Baht 58,500 million.

Criteria for determination of consideration value

The said offering price of Krungsri shares is determined based on negotiation between the Bank and BTMU and share valuation by various approaches, and also based on the market price of Krungsri shares.

1.3 Connected parties and nature of relationship

1) The business transfer of BTMU Bangkok Branch and the allotment of new shares as a consideration for the business transfer

Purchaser or Transferee : Krungsri
Seller or Transferor : BTMU

2) The new shares issuance and allotment on a private placement basis to BTMU

Issuer : Krungsri
Subscriber : BTMU

Currently, BTMU is not a shareholder of Krungsri and has no representatives as management or directors in Krungsri. Krungsri has no common management or directors with BTMU. However, after the completion of the VTO, BTMU may become a major shareholder of Krungsri, with a shareholding of 25.33% up to approximately 75% of the total issued shares of Krungsri (before capital increase). Assuming the percentage of the shareholders accepting the VTO of approximately 75% of Krungsri's issued shares, BTMU's maximum shares in Krungsri could reach approximately 80% of the total issued shares of Krungsri after the execution of BTMU's investment plan as approved by the MOF and the BOT. This represents a significant shareholding that will allow BTMU to have control power over Krungsri. BTMU is therefore deemed as a connected party under this transaction.

1.4 Details of assets being acquired

1.4.1 Profile of BTMU Bangkok Branch

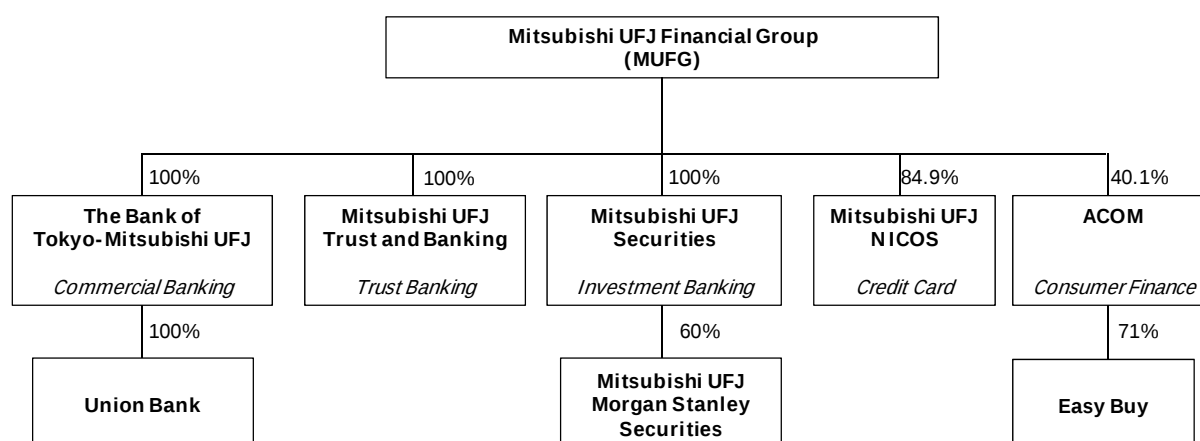
BTMU Bangkok Branch, a foreign branch of BTMU and the oldest foreign bank operating in Thailand, has engaged in the comprehensive banking business and has been providing financial services and products with determination to improve the quality of customer services for more than 50 years. It is located at 54 Harindhorn Building, North Sathon Road, Silom, Bang Rak, Bangkok. As at June 30, 2013, BTMU Bangkok Branch had total assets higher than Baht 628,518 million, ranking No. 1 of all foreign banks operating in Thailand and No. 8 of all Thai banks by total assets.

The business scope of BTMU Bangkok Branch includes deposits, commercial loans, discount bills, money transfer, foreign currency exchange, trade service, trade finance, cash management, supply chain finance, derivatives, etc. It has also operated other related businesses, i.e. bill collection, letter of guarantee issuance, acceptance letter of credit, e-banking business, investment banking business, etc. The diverse banking businesses of BTMU Bangkok Branch have been supported by BTMU's network and MUFG, which has offices and branches network worldwide.

BTMU is a 100.00% owned subsidiary of MUFG, which is the largest financial group in Japan and one of the world's largest diversified financial groups. As of June 30, 2013, MUFG had approximate market capitalization value of JPY 8,665,158 million (equivalent to approximately Baht 2,756,387 million based on the BOT's average selling exchange rate of Baht 0.3181/JPY as of June 30, 2013). MUFG is listed on Japan and New York Stock Exchange (NYSE : MTU). Information on MUFG is available at its website, www.mufg.jp/english.

BTMU is registered as a commercial bank operating the commercial banking business and other financial business in many countries worldwide. BTMU is the largest bank in Japan in terms of total assets and one of the largest banks in the world, with network throughout Japan and 40 other countries. As of March 31, 2013, BTMU's network consisted of 1,034 domestic branches and offices and 540 foreign branches and offices, including 434 branches and offices of Union Bank, N.A., a BTMU subsidiary.

MUFG Group Structure



BTMU Bangkok Branch's management

As of September 17, 2013, BTMU Bangkok Branch's management consisted of seven members as follows:

Name	Position
1. Motoi Mitsuishi	General Manager
2. Tadahiro Miyamoto	Deputy General Manager
3. Masashi Nimura	Deputy General Manager
4. Tsuyoshi Emoto	Deputy General Manager
5. Supachai Saengcharnchai	Deputy General Manager
6. Saowanee Sankhavanija	Deputy General Manager
7. Yoichiro Tsukamoto	Deputy General Manager

Source : BTMU

Summary of financial position and performance

- Table summarizing financial statements of BTMU Bangkok Branch for the years 2010 - 2012 (fiscal year ended March 31, 2011 - 2013, respectively).

Statements of financial position	2010		2011		2012	
	Bt. million	%	Bt. million	%	Bt. million	%
Assets						
Assets						
Cash	22	0.00	35	0.01	31	0.01
Interbank and money market items, net	232,488	51.75	219,256	43.83	255,675	43.82
Derivatives assets	10,641	2.37	11,186	2.24	16,040	2.75
Investments, net	46,862	10.43	85,715	17.14	102,190	17.51
Loans to customers and accrued interest receivables, net						
Loans to customers	160,048	35.62	184,709	36.93	209,989	35.99
Accrued interest receivables	706	0.16	1,062	0.21	1,062	0.18
Total loans to customers and accrued interest receivables	160,754	35.78	185,771	37.14	211,051	36.17
<u>Less</u> Deferred revenue	(9)	(0.00)	(12)	(0.00)	(11)	(0.00)
<u>Less</u> Allowance for doubtful accounts	(2,190)	(0.49)	(2,665)	(0.53)	(2,081)	(0.36)
<u>Less</u> Revaluation allowance for debt restructuring	-	-	-	-	(427)	(0.07)
Total loans to customers and accrued interest receivables, net	158,555	35.29	183,094	36.60	208,532	35.74
Premises and equipment, net	222	0.05	182	0.04	145	0.02
Intangible assets, net	98	0.02	314	0.06	260	0.04
Other assets	379	0.08	435	0.09	570	0.10
Total assets	449,267	100.00	500,217	100.00	583,443	100.00
Liabilities and head office and other branches of the same juristic person's equity						

Statements of financial position	2010		2011		2012	
	Bt. million	%	Bt. million	%	Bt. million	%
Liabilities						
Deposits	111,134	24.74	125,958	25.18	121,081	20.75
Interbank and money market items, net	2,795	0.62	40,426	8.08	36,804	6.31
Liabilities payable on demand	322	0.07	702	0.14	359	0.06
Derivatives liabilities	14,596	3.25	12,692	2.54	31,725	5.44
Debt issued and borrowings	124,552	27.72	57,254	11.45	83,382	14.29
Provisions	115	0.03	172	0.03	216	0.04
Other liabilities	1,329	0.30	2,406	0.48	1,517	0.26
Total liabilities	254,843	56.72	239,610	47.90	275,084	47.15
Head office and other branches of the same juristic person's equity						
Funds brought in to maintain assets under the Act	33,149	7.38	40,286	8.05	40,559	6.95
Balance of inter-office accounts with head office and other branches of the same juristic person, net	158,183	35.21	216,996	43.38	263,318	45.13
Other components of head office and other branches of the same juristic person's equity	(317)	(0.07)	(76)	(0.02)	41	0.01
Retained earnings	3,409	0.76	3,401	0.68	4,441	0.76
Total head office and other branches of the same juristic person's equity	194,424	43.28	260,607	52.10	308,359	52.85
Total liabilities and head office and other branches of the same juristic person's equity	449,267	100.00	500,217	100.00	583,443	100.00

Statements of comprehensive income	2010		2011		2012	
	Bt. million	%	Bt. million	%	Bt. million	%
Interest income	7,125	119.43	12,849	185.95	13,853	184.94
Interbank and money market items	3,228	54.11	6,050	87.55	5,771	77.05
Investments in debt securities	671	11.25	2,260	32.71	3,188	42.56
Loans	3,226	54.07	4,539	65.69	4,893	65.33
Interest expenses	3,246	54.41	5,737	83.02	5,702	76.13
Deposits	545	9.14	1,192	17.25	1,451	19.37
Interbank and money market items	637	10.68	1,492	21.59	1,355	18.09
Fee contribution to Deposit Protection Agency	348	5.83	355	5.14	1,093	14.59
Borrowings	1,716	28.76	2,698	39.04	1,803	24.07
Interest income, net	3,879	65.02	7,112	102.92	8,150	108.81
Fees and service income	296	4.96	316	4.57	343	4.57
Fees and service expenses	26	0.44	36	0.52	54	0.72
Fees and service income, net	270	4.53	280	4.05	288	3.85
Net gain (loss) from trading and foreign exchange transactions	1,806	30.27	(488)	(7.06)	(1,080)	(14.42)
Net gain from investments	6	0.10	3	0.04	27	0.36

Statements of comprehensive income	2010		2011		2012	
	Bt. million	%	Bt. million	%	Bt. million	%
Other operating income	5	0.08	3	0.04	105	1.40
Total operating income	5,966	100.00	6,910	100.00	7,490	100.00
Other operating expenses						
Employee expenses	687	11.52	851	12.32	863	11.52
Premises and equipment expenses	250	4.19	288	4.17	308	4.11
Taxes and duties	122	2.04	171	2.47	184	2.46
Others	337	5.65	564	8.16	583	7.78
Total other operating expenses	1,396	23.40	1,874	27.12	1,938	25.87
Bad debts, allowance for doubtful accounts and impairment loss	139	2.33	483	6.99	265	3.54
Profit before finance cost and income tax expenses	4,431	74.27	4,553	65.89	5,287	70.59
Income tax expenses	1,336	22.39	1,385	20.04	1,195	15.95
Net profit for the year	3,095	51.88	3,168	45.85	4,093	54.63
Other comprehensive income (loss)						
Gains (Losses) on remeasuring of available-for-sale investments	(17)		242		116	
Total comprehensive income for the year	3,078		3,410		4,208	

Statements of cash flow	2010	2011	2012
	Bt. million	Bt. million	Bt. million
Net cash provided by (used in) operating activities	114,833	17,056	49,401
Net cash provided by (used in) investing activities	(10,484)	(38,584)	(16,501)
Net cash provided by (used in) financing activities	(391)	3,511	(305)
Increase (Decrease) in cash and cash equivalents	103,958	(18,017)	32,595
Cash and cash equivalents at beginning of year	128,462	232,420	214,403
Cash and cash equivalents at end of year	232,420	214,403	246,998

Note: Financial statements of BTMU Bangkok Branch for 2010-2012 (fiscal year ended March 31, 2011 - 2013, respectively) were audited by Mr. Boonlert Kamolchanokkul, CPA Registration No. 5339, of PricewaterhouseCoopers ABAS Ltd., an SEC-approved auditor.

▪ *Key financial ratios*

Financial ratios		2010	2011	2012
<u>Liquidity ratios</u>				
Gross profit margin	(%)	54.26	54.85	58.15
Net profit margin	(%)	33.50	24.05	28.57
Return on equity	(%)	8.64	7.90	9.23
Net interest income	(%)	1.69	2.80	2.63
Net interest expense	(%)	0.96	1.37	1.21
Net interest margin	(%)	0.73	1.43	1.43

Financial ratios		2010	2011	2012
Internal rate of return	(%)	1.63	3.41	3.42
Efficiency ratios				
Net interest income to assets ratio	(%)	0.99	1.50	1.50
Return on assets	(%)	0.79	0.67	0.76
Assets turnover	(time)	0.02	0.03	0.03
Financial ratios				
Debt to equity ratio	(time)	6.97	5.48	6.11
Loans to borrowings ratio	(%)	67.80	100.81	102.70
Loans to deposits ratio	(%)	144.01	146.63	173.42
Deposits to total liabilities ratio	(%)	43.61	52.57	44.02
Capital adequacy ratio	(%)	15.70	15.32	16.38
Asset quality ratios				
Allowance for doubtful accounts to total loans ratio	(%)	1.37	1.44	0.99
NPLs to total loans ratio	(%)	0.39	0.63	0.26
Accrued interest receivables to total loans ratio	(%)	0.44	0.57	0.51

▪ *Analysis of financial position and performance*

Financial performance in 2010-2012 with fiscal years ended March 31, 2011-2013

In 2010-2012, BTMU Bangkok Branch recorded total operating income of Baht 5,966 million, Baht 6,910 million and Baht 7,490 million, an increase of 15.82% and 8.39% in 2011 and 2012 respectively. Operating income consisted of net interest income, net fees and service income, net gain (loss) from trading and foreign exchange transactions, net gain from investments and other operating income.

Interest income

In 2010-2012, Interest income totaled Baht 7,125 million, Baht 12,849 million and Baht 13,852 million, growing 80.34% and 7.81% respectively. The increased interest income in 2011 was driven by all types of interest income, including interest on interbank and money market items, interest on investments in debt securities and interest on loans, which rose by Baht 2,822 million, Baht 1,589 million and Baht 1,313 million respectively in line with growth in loans to customers, investments and interbank loans. For 2012, the increased interest income was attributed to rises in interest on investments in debt securities and interest on loans of Baht 928 million and Baht 354 million respectively, with ongoing growth in investments and loans.

Table illustrating interest income of BTMU Bangkok Branch in 2010-2012

(Unit: Baht million)	2010	2011	2012
Interest income			
Interbank and money market items	3,228	6,050	5,771
Investments in debt securities	671	2,260	3,188

(Unit: Baht million)	2010	2011	2012
Loans	3,226	4,539	4,893
Total interest income	7,125	12,849	13,852

Interest expenses**Table illustrating interest expenses of BTMU Bangkok Branch in 2010-2012**

(Unit: Baht million)	2010	2011	2012
Interest expenses			
Deposits	545	1,192	1,451
Interbank and money market items	637	1,492	1,355
Fee contribution to Deposit Protection Agency and Financial Institutions Development Fund	348	355	1,093
Borrowings	1,716	2,698	1,803
Total interest expenses	3,246	5,737	5,702

In 2010-2012, interest expenses were Baht 3,246 million, Baht 5,737 million and Baht 5,702 million, an increase (decrease) of 77% and (1)% respectively. Interest expenses in 2011 grew in all types, with interest on borrowings increasing by Baht 982 million, interest on interbank and money market items by Baht 855 million in tandem with rising interest rate trend, and interest on deposits by Baht 647 million in line with growth in savings deposits from Baht 67,559 million in 2010 to Baht 93,917 million in 2011. For 2012, interest expenses fell slightly with a decrease of Baht 895 million in interest on borrowings and Baht 137 million in interest on interbank and money market items due to a year-on-year drop in average interest rate in 2012, and with an increase of Baht 259 million in interest on deposits.

Net interest income

In 2010-2012, net interest income was Baht 3,879 million, Baht 7,112 million and Baht 8,150 million respectively, up by 83% in 2011 and 15% in 2012, with interest margin of 0.73%, 1.43% and 1.43% respectively.

Net fees and service income

In 2010-2012, BTMU Bangkok Branch earned fees and service income of Baht 296 million, Baht 316 million and Baht 342 million, growing by 7% and 8% respectively. Fees and service income primarily came from fees from money transfer and collection services which amounted to Baht 143 million, Baht 159 million and Baht 191 million or 48.50%, 50.36% and 55.74% of total fees and service income in 2010-2012 respectively. Coming second were fees and service income from acceptances, aval and guarantees of Baht 106 million, Baht 96 million and Baht 82 million or 35.87%, 30.50% and 23.89% of total fees and service income in 2010-2012 respectively. Other income was Baht 46 million, Baht 61 million and Baht 70 million or 15.63%, 19.14% and 20.36% of total fees and service income in 2010-2012 respectively. Fees and service expenses totaled Baht 26 million, Baht 36 million and Baht 54 million respectively.

Other operating expenses

In 2010-2012, other operating expenses were Baht 1,396 million, Baht 1,874 million and Baht 1,938 million respectively, rising by 34.24% in 2011 and 3.42% in 2012 and representing a cost to income ratio of 23.40%, 27.12% and 25.87% respectively. Other operating expenses were mainly composed of employee expenses, premises and equipment expenses and others. Employee expenses totaled Baht 687 million in 2010, rising by 23.87% to Baht 851 million in 2011 and by 1.41% to Baht 863 million in 2012, and accounting for around 45% - 49% of total other operating expenses. Premises and equipment expenses were Baht 250 million in 2010, increasing by 15.20% to Baht 288 million in 2011 and by 6.94% to Baht 308 million in 2012, and making up about 15% - 18% of total other operating expenses.

Bad debts, allowance for doubtful accounts and impairment loss

In 2010-2012, BTMU Bangkok Branch had total bad debts, allowance for doubtful accounts and impairment loss of Baht 139 million, Baht 483 million and Baht 265 million respectively, a surge of 247.48% in 2011 and a drop of 45.43% in 2012. In 2011, the dramatic increase in allowance for doubtful accounts resulted from additional provisions set aside for loans affected by the late-2011 flood crisis in Thailand. For 2012, there were bad debts written off amounting to Baht 402 million and bad debts and doubtful accounts of Baht (139) million.

Financial position as of March 31, 2011-2013

Total assets

As of March 31, 2011-2013, BTMU Bangkok Branch had total assets of Baht 499,267 million, Baht 500,217 million and Baht 583,443 million respectively, growing by Baht 50,950 million or 11.34% as of March 31, 2012 and by Baht 83,226 million or 16.64% as of March 31, 2013. The asset growth as of March 31, 2012 was contributed primarily by an increase in net investments of Baht 38,853 million due to an increase in available-for-sale investments in government bonds and Bank of Thailand bonds, coupled with an increase in loans to customers (less deferred revenue) of Baht 24,658 million, but with a decrease in interbank and money market items of Baht 13,232 million.

As of March 31, 2013, the asset growth was driven chiefly by increases in interbank and money market items of Baht 36,419 million, loans to customers (less deferred revenue) of Baht 25,281 million and net investments of Baht 16,475 million.

Total liabilities

As of March 31, 2011-2013, BTMU Bangkok Branch had total liabilities of Baht 254,843 million, Baht 239,610 million and Baht 275,084 million respectively, down by Baht 15,233 million or 5.98% as of March 31, 2012 and up by Baht 35,474 million or 14.80% as of March 31, 2013. The decline in total liabilities as of March 31, 2012 was largely caused by a drop in debt issued and borrowings of Baht 67,298 million, notably a decrease in bills of exchange. Meanwhile, there were increases in interbank and money market items of Baht 37,631 million and deposits of Baht 14,824 million.

As of March 31, 2013, the increase in total liabilities was ascribed to increases in debt issued and borrowings through bills of exchange and derivatives liabilities of Baht 26,128 million and Baht 19,033 million respectively, with a drop in deposits of Baht 4,877 million and interbank and money market items of Baht 3,622 million.

Head office and other branches of the same juristic person's equity

As of March 31, 2011-2013, head office and other branches of the same juristic person's equity amounted to Baht 194,424 million, Baht 260,607 million and Baht 308,359 million respectively, rising by Baht 66,183 million or 34.04% as of March 31, 2012 and Baht 47,752 million or 18.32% as of March 31, 2013. Major components of head office and other branches of the same juristic person's equity were the accounts with head office, which are funds brought in by the head office for branch's business operation in Thailand, accounting for Baht 158,813 million, Baht 216,996 million and Baht 263,318 million respectively. Other item was funds brought in to maintain assets under Section 32 of the Financial Institution Business Act B.E. 2551, amounting to Baht 33,149 million, Baht 40,286 million and Baht 40,559 million respectively. Capital adequacy ratio stood at 15.70%, 15.32% and 16.38% as at March 31, 2011-2013 respectively, which was higher than the Bank of Thailand's minimum requirement of 8.50%.

1.5 Summary of material agreements

1. The business transfer of BTMU Bangkok Branch and the allotment of new shares as a consideration for the business transfer

In order to comply with the Business Integration Application and Plan of Krungsri and BTMU Bangkok Branch under One Presence Policy, which has been submitted to the BOT, Krungsri will proceed with the business transfer after BTMU completes the VTO and after BTMU becomes a shareholder of Krungsri, which will follow the procedures and conditions stipulated in the said Business Integration Application and Plan.

With regard to the business transfer, besides the Conditional Branch Purchase Agreement, Krungsri and BTMU entered into related agreements with an objective of ensuring the continuity of the services to be provided to the customers transferred from BTMU Bangkok Branch. The summary of material information of the Conditional Branch Purchase Agreement and other related agreements is as follows:

1.1 Conditional Branch Purchase Agreement

Conditions precedent : Please see Section 1.6 ‘Crucial conditions/Conditions precedent’ below.

Business transfer : On the completion date, subject to the conditions precedent of the Conditional Branch Purchase Agreement being satisfied or, where applicable, being waived, BTMU shall transfer right, title and interest in assets and liabilities of BTMU Bangkok Branch to Krungsri and Krungsri shall accept the transfer of right, title and interest in assets and liabilities of BTMU Bangkok Branch.

Consideration : Krungsri will make a payment for the business transfer under the Conditional Branch Purchase Agreement by issuing and allotting new ordinary shares of Krungsri on a private placement basis to BTMU.

The number of shares to be issued and allotted to BTMU as a consideration for the business transfer will depend on the value of BTMU Bangkok Branch and the value of Krungsri shares on the completion date or on the latest offering price date as agreed between both parties. In this relation, the value of Krungsri shares must not be lower than 90% of the market price of the shares which is calculated based on the criteria set forth in the Notification concerning Determination of Market Price for Consideration of Offer for Sale of Newly Issued Shares with Discount. (The weighted average price of Krungsri’s ordinary shares traded on the SET during 15 consecutive trading days prior to the offering price date on September 18, 2013, which is the date on which the Board of Directors resolved to propose the transaction to the shareholders’ meeting for approval, is Baht 37.86 per share.) The number of shares to be issued and allotted to BTMU as a consideration for the business transfer combined with the number of shares to be issued and allotted to BTMU on a private placement basis will not exceed 1,500,000,000 shares.

Price adjustment mechanism : The final purchase price and number of shares issued as a consideration for the business transfer may be adjusted as a result of a change in the net asset value of BTMU Bangkok Branch and Krungsri on the date of transfer. The price adjustment mechanism will be determined and agreed between Krungsri and BTMU. As a result of such adjustment, the final share price under this clause shall not be lower than 90% of the market

price of the ordinary shares of Krungsri, which is calculated based on the criteria set forth in the Notification concerning Determination of Market Price for Consideration of Offer for Sale of Newly Issued Shares with Discount. The total number of shares to be issued and allotted to BTMU on a private placement basis and to be allotted as a consideration for the business transfer shall not exceed 1,500,000,000 shares.

Effective period : Krungsri expects that the acquisition of business, assets and liabilities of BTMU Bangkok Branch including the shares issuance and allotment as a consideration for the business transfer will be completed within 1 year after the end of the VTO period or within such time as may be extended by the BOT, if necessary.

1.2 Master Service Agreement

Services : From the date of the transfer for the business, assets and liabilities of BTMU Bangkok Branch under the Conditional Branch Purchase Agreement, BTMU shall provide various services to Krungsri as agreed between Krungsri and BTMU prior to the transfer. Such services shall include existing services provided by BTMU to BTMU Bangkok Branch and other services as necessary and appropriate to ensure continued service of BTMU Bangkok Branch's customers after the transfer of the assets. Krungsri and BTMU will also enter into a Master Service Agreement to provide various services to Krungsri which will include but not limited to:

- a) General Services Agreement
- b) Trademark License Agreement
- c) Software License Agreement
- d) Other ancillary agreements as may be agreed between the parties under the Master Service Agreement

Service fees : Service fees shall be under the terms and conditions as agreed between Krungsri and BTMU under normal commercial terms and on an arm's length basis, but shall not exceed a total of Baht 1,500 million. Service fees under the Trademark License Agreement shall be subject to the same rate of service fees collected by BTMU from other group members and shall be beneficial to both parties.

Effective period : 5 years from the date of the business transfer under the Conditional Branch Purchase Agreement.

1.3 Funding Support Agreement

Funding support : From the date of the business transfer under the Conditional Branch Purchase Agreement until (1) a lapse of 10 years from the date of the transfer or (2) the date BTMU holds shares in Krungsri less than 50% of all issued shares (whichever occurs first), Krungsri may request for BTMU to provide funding assistance to Krungsri and BTMU shall use its best efforts to provide such funding assistance after confirming that:

- a) the price and condition for the funding assistance are on an arm's length basis and are beneficial to both parties;
- b) Such funding assistance is aligned with Krungsri's Asset and

Liability Policy and Funding Policy;

- c) Such funding assistance complies with the legal requirements (including the tax regulations regarding transfer pricing).

If BTMU agrees to provide funding assistance as requested by Krungsri, the parties shall further agree on the type, amount, tenure and interest rate of such assistance.

Consideration : As to be agreed between BTMU and Krungsri under an arm's length basis.

Effective period : From the date of the business transfer under the Conditional Branch Purchase Agreement until (1) a lapse of 10 years from the date of the transfer or (2) the date BTMU holds shares in Krungsri less than 50% of all issued shares (whichever occurs first).

The execution of such transaction shall be in line with normal business practice with no transfer of pricing benefit to subsidiaries, related companies and shareholders so as to comply with regulations of the SET, the Capital Market Supervisory Board and the SEC under an arm's length basis and subject to approval processes for related party transactions under related rules of the SET, the Capital Market Supervisory Board and the SEC.

2. The new shares issuance and allotment on a private placement basis to BTMU

If the total number of Krungsri's shares acquired by BTMU from the VTO and from the issuance and allotment of new shares expected to receive as a consideration for the business transfer is less than 50% of total issued shares after BTMU receives newly issued shares as a consideration for the business transfer, Krungsri may issue and allot new shares on a private placement basis to BTMU to satisfy BTMU's intention to hold more than 50% of all issued shares of Krungsri. Therefore, for the determination of the amount of issued and allotted shares, Krungsri will strictly adhere to BTMU's intention and will ensure that the total number of shares issued and allocated to BTMU on a private placement basis (if any) combined with the new shares allotted as a consideration for the business transfer will not exceed 1,500,000,000 shares.

However, if, after completion of the VTO, BTMU could acquire more than 50% of total issued shares of Krungsri, the Bank will then refrain from the said new shares issuance and allotment to BTMU on a private placement basis as specified under this clause.

1.6 Crucial conditions/Conditions precedent

1. The business transfer of BTMU Bangkok Branch and the allotment of new shares as a consideration for the business transfer

The conditions on the acquisition of business, assets and liabilities of BTMU Bangkok Branch will be in accordance with the conditions precedent of Conditional Branch Purchase Agreement of BTMU Bangkok Branch which include the following conditions:

- a) The VTO must be completed whereby BTMU will become a shareholder holding not less than 25% of the total issued shares in Krungsri;
- b) The approval by the BOT of the Business Integration Application and Plan pursuant to Sections 73 and 74 of FIBA must be obtained, and not revoked, on substantially the terms and conditions acceptable to the parties acting reasonably;
- c) BTMU (and any of its affiliates) must seek consultation with the JFSA and obtain the approval required under the Banking Act of Japan (the “Banking Act”) as follows:
 - (1) Under Article 30(3) of the Banking Act in relation to the business transfer; and
 - (2) Under Article 8(2) of the Banking Act in relation to the abolition of BTMU Bangkok branch;
- d) The following approvals from governmental authority required for BTMU (and any of its affiliates) in respect of the business transfer and transactions contemplated in the Conditional Branch Purchase Agreement must be obtained: in the case where BTMU holds not more than 50% of the total number of voting rights in Krungsri at the time immediately prior to the completion of the business transfer and later becomes a shareholder holding more than 50% of the total number of voting rights in Krungsri at the time of the completion of the business transfer and if the same approvals that have been obtained in relation to the VTO lapse prior to the completion of the business transfer, approvals must then be obtained according to Articles 16-2(4) and 52-23(3) of the Banking Act in relation to the holding of shares in Krungsri and the Krungsri’s financial group as a subsidiary;
- e) All conditions required for the approvals under clauses (b), (c) and (d) above must be duly fulfilled by Krungsri and/or BTMU;
- f) Krungsri must obtain a favorable ruling from the MOC with regard to advice sought about payment for the newly issued shares in kind (i.e. all assets of BTMU Bangkok Branch), in compliance with Section 37 of the Public Limited Companies Act;
- g) The duly convened meetings of the shareholders of Krungsri must pass such resolutions as may be necessary (including but not limited to the approval required pursuant to Section 74 of FIBA) to approve, implement, and effect the business transfer, including but not limited to approval from Krungsri’s shareholders for:
 - (1) the business transfer and acquisition of assets pursuant to the Conditional Branch Purchase Agreement, which is deemed as a connected transaction and an assets acquisition transaction in accordance with the Capital Market Supervisory Board’s relevant notifications;
 - (2) the reduction of registered but unissued capital;

- (3) any increase of registered capital and amendment to the Memorandum of Association of Krungsri to reflect the increase of registered capital in connection with the shares issuance; and
- (4) the issuance and allocation of new shares to BTMU on a private placement basis, which is deemed as a connected transaction in accordance with the Capital Market Supervisory Board's relevant notifications;
- h) There must not be any applicable law that prohibits a business transfer or would render the business transfer of BTMU Bangkok Branch to Krungsri pursuant to the Conditional Branch Purchase Agreement to be unlawful; and
- i) There must be no material adverse change occurring between the date of the Conditional Branch Purchase Agreement and the date of business transfer.

Note: As for the most recent progress as of October 17, 2013, Krungsri already obtained approval as in (b) and is under preliminary discussion regarding the approvals as in (c) and (d). The matter in (f) is currently underway. The Bank will seek approval as in (g) by convening the Extraordinary General Meeting of Shareholders on October 31, 2013.

2. The new shares issuance and allotment on a private placement basis to BTMU

If the total number of Krungsri's shares acquired by BTMU from the VTO and from the issuance and allotment of new shares expected to receive as a consideration for the business transfer is less than 50% of total issued shares, Krungsri may issue and allot new shares on a private placement basis to BTMU in the amount and to the extent that will allow BTMU's aggregate shareholding in Krungsri to cross 50% threshold of the total issued shares of Krungsri.

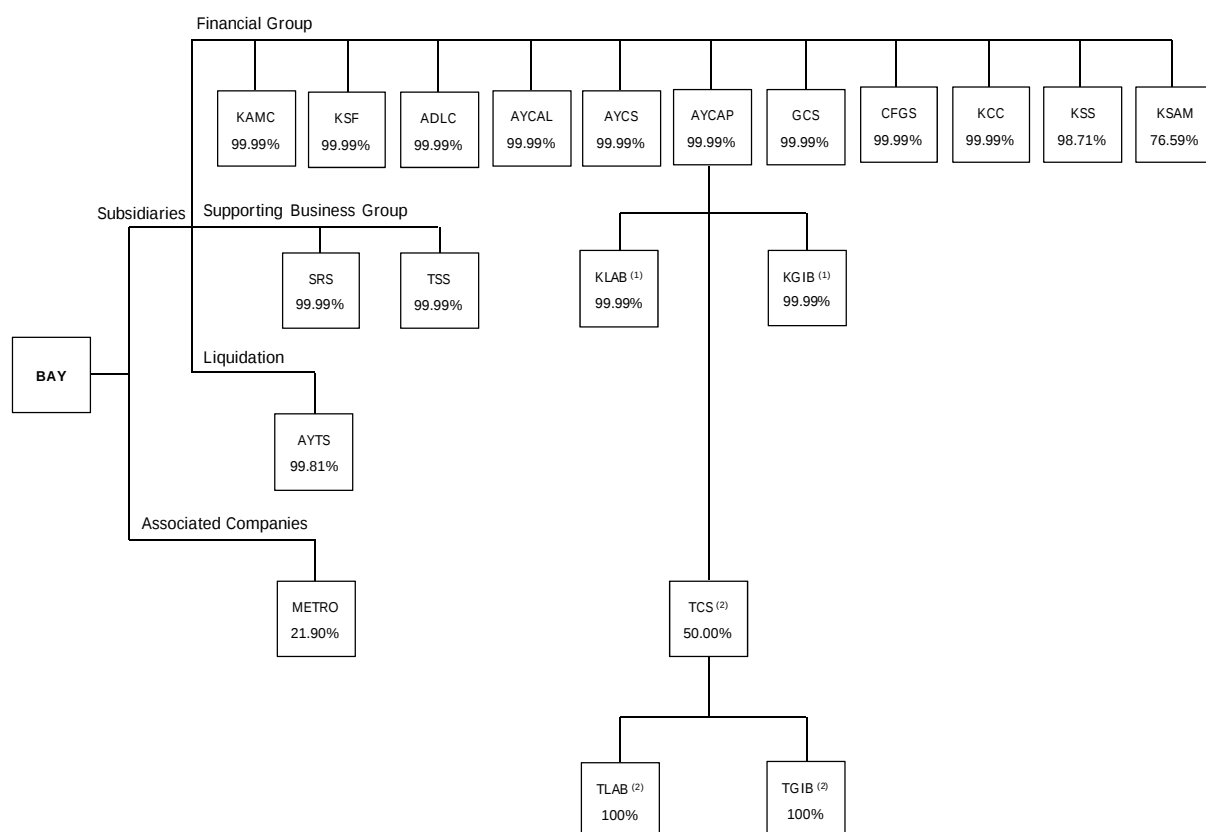
2. Profile of Bank of Ayudhya Plc.

2.1 Overview of business operation

Bank of Ayudhya Plc. (“the Bank” or “Krungsri”) is a Thai commercial bank, founded on January 27, 1945 with an initial registered capital of Baht 1 million and becoming operative on April 1, 1945. It was listed on the Stock Exchange of Thailand on September 26, 1977. The Bank has experienced ongoing business growth up to the present day. As at June 30, 2013, the Bank had a registered capital of Baht 70,894 million with a paid-up capital of Baht 60,741 million. Today, it is the country’s fifth largest commercial bank in terms of assets and loans.

The Bank’s major shareholder is GE Capital Group, which acquire a 32.93% stake in the Bank through GE Capital International Holdings Corporation (“GECIH”) in July 2007. On September 26, 2012, GECIH sold 461,635,000 of its shares in the Bank (7.6% of the Bank’s total shares sold) in a private placement on the Stock Exchange of Thailand with Morgan Stanley as its underwriter. Consequently, GECIH currently holds 1,538,365,000 shares in the Bank (25.33% of the Bank’s total shares sold). In this regard, the Bank was informed that GECIH will not sell additional shares within 180 days unless it intends to sell the whole or almost the whole lot of the remaining shares to comply with GE Group’s strategy or as per an agreement made with Morgan Stanley. This sale has improved the Bank’s liquidity, raising the free float by 7.60%, and strengthened its MSCI Emerging Markets weighting. Furthermore, there have been no changes to its business direction, medium-term goals or performance as a result of the sale. Rather, the Bank continues to grow from strength to strength.

On July 2, 2013, the Bank was notified by GECIH, its major shareholder, that the Bank of Tokyo-Mitsubishi UFJ, Ltd. (“BTMU”) had entered into a Share Tender Agreement (“STA”) with GECIH to purchase GECIH’s shares in the Bank. Under the STA, BTMU will launch a Voluntary Tender Offer (the “VTO”) for a total of 6,074,143,747 shares at an offer price of Baht 39 per share and GECIH will participate and tender its entire shareholding of 1,538,365,000 shares representing 25.33% of the Bank’s total shares sold through the VTO process at the same price as the offer price set forth. It is expected that the VTO will begin in early November 2013 and be completed in December 2013.

Krungsri's shareholding structure

KAMC = Krungsri Ayudhya AMC Ltd.

KSF = Krungsri Factoring Co., Ltd.

ADLC = Ayudhya Development Leasing Co., Ltd.

AYCAL = Ayudhya Capital Auto Lease Plc.

AYCS = Ayudhya Card Services Co., Ltd.

AYCAP = Ayudhya Capital Services Co., Ltd.

GCS = General Card Services Ltd.

CFGS = CFG Services Co., Ltd.

KCC = Krungsri Ayudhya Card Co., Ltd.

KSS = Krungsri Securities Plc.

KSAM = Krungsri Asset Management Co., Ltd.

SRS = Siam Realty and Services Co., Ltd.

TSS = Total Services Solutions Plc.

KLAB = Krungsri Life Assurance Broker Ltd.

KGIB = Krungsri General Insurance Broker Ltd.

AYTS = Ayudhya Total Solutions Plc.

TCS = Tesco Card Services Ltd.

TLAB = Tesco Life Assurance Broker Ltd.

TGIB = Tesco General Insurance Broker Ltd.

METRO = Metro Designee Co., Ltd.

Note: (1) KLAB and KGIB are the Bank's subsidiaries in which the Bank indirectly holds 99.99% of shares via AYCAPP.

(2) TCS, TLAB and TGIB are the Bank's associated companies in which the Bank indirectly holds 50.00% of shares in via AYCAPP.

The Bank holds shares, directly and indirectly, in 20 subsidiaries and associated companies, of which the information as of June 30, 2013 is as follows:

Company name	Type of business	Registered capital (Baht million)	Paid-up capital (Baht million)	The Bank's shareholding (%)
Subsidiaries				
(1) Financial Business Group				
1. Krungsri Ayudhya AMC Ltd.	Purchase or acceptance of the transfer of impaired assets for management through debt restructuring and/or purchase of their collateral for disposal, including undertaking of NPA maintenance to ensure they are in good condition and ready for sale	6,000.0	6,000.0	99.99

Company name	Type of business	Registered capital (Baht million)	Paid-up capital (Baht million)	The Bank's shareholding (%)
2. Krungsri Factoring Co., Ltd.	Factoring	300.0	300.0	99.99
3. Ayudhya Development Leasing Co., Ltd.	Leasing and hire purchase	705.0	705.0	99.99
4. Ayudhya Capital Auto Lease Plc.	Auto financing	1,045.0	1,045.0	99.99
5. Ayudhya Card Services Co., Ltd.	Credit card and personal loan	180.0	180.0	99.99
6. Ayudhya Capital Services Co., Ltd.	Credit card and personal loan	275.0	125.0	99.99
7. General Card Services Ltd.	Credit card and personal loan	758.0	758.0	99.99
8. CFG Services Co., Ltd.	Consumer lending in form of vehicle hire-purchase contract and secured personal loan contract secured by vehicle ownership registration	190.2	190.2	99.99
9. Krungsriayudhya Card Co., Ltd.	Credit card and personal loan	1,100.0	1,100.0	99.99
10. Krungsri Securities Plc.	Securities business	600.0	600.0	98.71
11. Krungsri Asset Management Co., Ltd.	Asset management	350.0	350.0	76.59
(2) Supporting Business Group				
12. Siam Realty and Services Co., Ltd.	Car rental and personnel service for the Bank and affiliated companies	100.0	100.0	99.99
13. Total Services Solutions Plc.	Collection services	331.5	331.5	99.99
14. Krungsri Life Assurance Broker Ltd. ^{1/}	Life insurance broker	2.0	2.0	99.99
15. Krungsri General Insurance Broker Ltd. ^{1/}	Non-life insurance broker	2.0	2.0	99.99
(3) Under the liquidation process for dissolution				
16. Ayudhya Total Solutions Plc.	Auto financing	299.2	299.2	99.81
Associated companies				
17. Tesco Card Services Ltd. ^{1/}	Credit card and personal loan	780.0	780.0	50.0
18. Tesco Life Assurance Broker Ltd. ^{2/}	Provision of life insurance products to Tesco Card Services Ltd. and Tesco Lotus stores' customers	2.0	2.0	50.0
19. Tesco General Insurance Broker Ltd. ^{2/}	Provision of non-life insurance products to Tesco Card Services Ltd. and Tesco Lotus stores' customers	77.0	77.0	50.0
20. Metro Designee Co., Ltd.	Established by agreement between the Bank and other syndication lenders of Bangkok Metro Plc. ("BMCL") for the purpose of accepting transfer of all rights pursuant to the concession agreement between Mass Rapid Transit Authority of Thailand ("MRTA") and BMCL in case BMCL is in breach of such agreement with MRTA or BMCL is in breach of its obligations under the loan agreement with its creditors.	0.1	0.025	21.9

Note: ^{1/} A subsidiary of Ayudhya Capital Services Co., Ltd.

^{2/} A subsidiary of Tesco Card Services Ltd.

The Bank operates a full commercial banking business by offering a comprehensive range of universal banking financial products and services to three key target groups: Corporate, SME and

Consumer. The Bank also provides related financial services through its subsidiaries by, for example, accepting deposits or funds from the public that are repayable on demand or at the end of agreed term and then using those funds for extending loans, buying/selling bills of exchange or any other negotiable notes, conducting foreign currency exchange transactions, as well as providing commercial banking-related services such as bill collection, aval, acceptances, letter of credit issuance, and acting as security custodian, selling agent for government and state enterprise debt securities, debenture holder agent, mutual fund trustee, securities registrar, investment unit underwriter, life and non-life insurance broker, etc.

The Bank classifies its customers into three key target groups as follows:

- 1. Corporate Banking Group** The Bank provides a wide range of financial services to meet the varied needs of domestic and international corporate clients, who each has an annual turnover of more than Baht 500 million. The Bank provides these large-scale customers with short-term and long-term loans, project-finance facilities, supply-chain financing, cash-management products, hedging solutions, investment banking services, syndicated lending and structured finance. In addition, the Bank's Corporate Banking Group also collaborates closely with businesses across the Krungsri family to provide a comprehensive portfolio of tailored solutions for these clients.
- 2. SME Banking Group** The Bank has developed innovative products, customized services and a proactive marketing strategy, while giving importance to acquiring new customers and new business opportunities and strengthening relationship with existing customers. These could signify the Bank's strength in delivering simplicity to all customers with a goal of becoming SME customers' number one preferred bank by 2017.
- 3. Consumer Banking Group** The Bank provides a diverse range of products and services to suit the needs and lifestyles of all consumer groups and individual customers. Its core service areas are wealth management, which includes savings and investments; bancassurance; Krungsri Exclusive for high net worth individuals; ATM, debit and credit card services; personal loans, overdrafts, auto loans and mortgages; and microfinance.

In addition, the Bank offers other financial services in varied areas as follows:

- **Deposits & investments, bancassurance and wealth management**

Deposits & investments

The Bank has introduced a new savings product that offers higher interest rates and greater flexibility in deposit-withdrawal similar to general savings accounts. Moreover, it offers various tenors of attractive fixed deposits as well as stepped-interest debentures to target customers with longer-term investment horizons. For clients with a greater risk appetite, the Bank recommends diversifying their portfolios to include foreign investment fixed income funds or equity funds as investment options to enhance returns on their portfolios.

Bancassurance

The Bank has launched 'Instantly Insured,' which provides coverage within five minutes, and has successfully upgraded and completed a non-life product range, including accident, health, property and auto insurance, under the same simplified five-minute application and approval process, which has received a strong market response. In 2012, the Bank could sell more than 200,000 policies.

Krungsri Exclusive

The Bank has rejuvenated Krungsri Exclusive by modernizing the brand and redefining the privileges offered. A more holistic client experience has been created through a series of exclusive events, including tournaments at Thailand's most prestigious private golf clubs, unforgettable culinary experiences crafted by renowned chefs as well as special gift selections from the Bank's leading partners.

- **ATM and debit card services**

The Bank has introduced a new product that integrates a debit card and savings account with financial transaction services. This all-in-one card makes account management simpler and more convenient through such privileges as five zero-fee bill payments per month and free-of-charge ATM withdrawals from any bank nationwide.

- **Mortgage loans**

The Bank has developed mortgage loan products that genuinely respond to the demand of target groups in a bid to increase its market share. In addition, the Bank opts to advertise and promote Krungsri Home Loan by directly focusing on potential customers who are interested in buying condominium units, employing advertising media that could effectively reach target groups. The Bank, via its strong branch network, also offers mortgage loans to other property segments such as detached houses, townhouses, etc.

- **E-business**

E-business Group was created based on the Bank's commitment to provide the best possible user experience through product innovation and accelerate the digitization of operational processes and banking services across the Krungsri family, with the goal of becoming Thailand's number one preferred bank. Key E-business milestones include Krungsri Quick Pay - electronic payment solutions via a secure smart phone/tablet dongle, Krungsri Online - a seamless Internet banking service, and Krungsri Mobile App - an application that supports all financial products and services.

Income structure of the Bank and its subsidiaries in 2010-2012 and first six months of 2013 is tabulated below:

	Consolidated financial statements							
	2010		2011		2012		Jan-June 2013	
	Bt. million	%	Bt. million	%	Bt. million	%	Bt. million	%
Loans	31,391	46.86	36,356	47.02	42,563	47.52	22,359	45.84
Interbank and money market items	1,145	1.71	3,095	4.00	2,481	2.77	1,309	2.68
Hire purchase and financial lease income	13,049	19.48	14,952	19.34	16,895	18.86	9,540	19.56
Investments and trading transactions	90	0.13	79	0.10	206	0.23	86	0.18
Investments in debts securities	1,600	2.39	1,946	2.52	2,495	2.78	1,070	2.19
Total interest income	47,275	70.57	56,428	72.98	64,640	72.16	34,364	70.46
Fees and service income	12,898	19.25	13,838	17.90	16,434	18.35	9,362	19.20
Gain on trading and FX transactions	1,459	2.18	1,278	1.65	1,542	1.72	828	1.70
Gain on investments	251	0.37	820	1.06	800	0.89	318	0.65

	Consolidated financial statements							
	2010		2011		2012		Jan-June 2013	
	Bt. million	%	Bt. million	%	Bt. million	%	Bt. million	%
Share of profit from investment by using equity method	144	0.21	32	0.04	177	0.20	105	0.22
Dividend income	394	0.59	441	0.57	504	0.56	417	0.85
Bad debts recoveries	1,826	2.73	2,215	2.87	3,178	3.55	2,233	4.58
Other income	2,745	4.10	2,266	2.93	2,299	2.57	1,145	2.35
Total non-interest income	19,717	29.43	20,890	27.02	24,934	27.84	14,408	29.54
Total income	66,992	100.00	77,318	100.00	89,574	100.00	48,772	100.00

▪ Board of Directors and shareholders

▪ *Krungsri Board of Directors*, according to the affidavit dated May 14, 2013, is composed of 12 members as follows:

Name	Position
1. Mr. Veraphan Teepsuwan	Chairman
2. Mrs. Janice Rae Van Ekeren	Director and Chief Executive Officer
3. Mr. Phillip Tan Chen Chong	Director and President
4. Mr. Pornsanong Tuchinda	Director
5. Mr. Pongpinit Tejagupta	Director
6. Mr. Virojn Srethapramotaya	Director
7. Miss Nopporn Tirawattanagool	Director
8. Mr. Xavier Pascal Durand	Director
9. Mr. Karun Kittisataporn	Independent Director
10. Miss Potjanee Thanavarani	Independent Director and Audit Committee Chairman
11. Mr. Virat Phairatphiboon	Independent Director and Audit Committee Member
12. Mr. Phong-adul Kristnaraj	Independent Director and Audit Committee Member

Authorized signatories: Either Mr. Pongpinit Tejagupta or Mr. Virojn Srethapramotaya is authorized to co-sign with either Mrs. Janice Rae Van Ekeren or Mr. Phillip Tan Chen Chong, with the Bank's seal affixed.

▪ *Shareholders*

As of September 12, 2013 (the latest closing date of shareholder register book to determine rights to receive interim dividend), the Bank had a registered capital of Baht 70,893,927,550 and an issued and fully paid capital of Baht 60,741,437,470, divided into 6,074,143,747 ordinary shares at a par value of Baht 10 per share. Details of shareholders are as follows:

	Name	No. of shares	As % of total shares
1.	GE Capital International Holdings Corporation	1,538,365,000	25.33
2.	Thai NVDR Co., Ltd.	804,960,500	13.25
3.	Morgan Stanley & Co. International Plc.	246,206,355	4.05
4.	State Street Bank Europe Limited	219,583,990	3.62
5.	HSBC (Singapore) Nominees Pte Ltd.	195,060,900	3.21
6.	Stronghold Assets Co., Ltd.	166,536,980	2.74
7.	Tun Mahachoke Co., Ltd.	166,478,940	2.74
8.	GL Assets Co., Ltd.	166,414,640	2.74
9.	BBTV Sattlevision Co., Ltd.	166,151,114	2.74
10.	BBTV Assets Management Co., Ltd.	163,112,900	2.69
	Total top 10 shareholders	3,832,871,319	63.10
	Other shareholders	2,241,272,428	36.90
	Total	6,074,143,747	100.00

Debt instruments or convertible securities

As of June 30, 2013, the Bank had outstanding debt instruments and convertible securities of Baht 93,022.60 million, details of which are as follows:

(Unit: Baht million)

Type of securities	Interest rate (p.a.)	Maturity date	Conditions	Unredeemed amount and value as of June 30, 2013
Long-term debentures - unsecured				
1. Subordinated Debenture No. 1/2510 (BAY206A) Amount: 20,000.00 Issue date: June 23, 2010 Debenture rating (Fitch / TRIS) : A+ / A+ Agent: TMB Bank Plc.	Years 1-3 = 4.35% Years 4-6 = 4.75% Years 7-10 = 5.50%	June 23, 2020 (10 years)	The Bank has the right to call option on 5th year maturity counting from the issue date or from the date of interest payment after the 5th year maturity, with prior approval from the Bank of Thailand.	20,000.00
2. Debenture No. 1/2512 Series 1 (BAY142A) Amount: 3,000.00 Issue date: February 24, 2012 Debenture rating (Fitch): AA- Agent: Thanachart Bank Plc.	Months 1- 6 = 3.20% Months 7-12 = 3.44% Months 13-18 = 4.00% Months 19-24 = 4.20%	February 24, 2014 (2 years)	-	3,000.00
3. Debenture No. 1/2012 Series 2 (BAY152A) Amount: 4,340.00 Issue date: February 24, 2012 Debenture rating (Fitch): AA- Agent: Thanachart Bank Plc.	Year 1 = 3.30% Year 2 = 3.65% Year 3 = 4.50%	February 24, 2015 (3 years)	-	4,340.00

(Unit: Baht million)

Type of securities	Interest rate (p.a.)	Maturity date	Conditions	Unredeemed amount and value as of June 30, 2013
4. Debenture No. 1/2012 Series 3 (BAY142B) Amount: 8,600.00 Issue date: February 24, 2012 Debenture rating (Fitch) : AA- Agent: Thanachart Bank Plc.	3.70%	February 24, 2014 (2 years)	-	8,600.00
5. Debenture No. 1/2012 Series 4 (BAY152B) Amount: 1,900.00 Issue date: February 24, 2012 Debenture rating (Fitch) : AA- Agent: Thanachart Bank Plc.	3.80%	February 24, 2015 (3 years)	-	1,900.00
6. Subordinated Debenture No. 1/2012 (BAY22NA) Amount: 14,843.60 Issue date: November 7, 2012 Debenture rating (Fitch) : A+ Agent: TMB Bank Plc.	4.70%	November 7, 2022 (10 years)	-	14,843.60
7. Debenture No. 1/2013 Series 1 (BAY156A) Amount: 6,000.00 Issue date: June 28, 2013 Debenture rating (Fitch) : AA- Agent: None	3.48%	June 28, 2015 (2 years)	-	6,000.00
8. Debenture No. 1/2013 Series 2 (BAY166A) Amount: 1,000.00 Issue date: June 28, 2013 Debenture rating (Fitch) : AA- Agent: None	3.59%	June 28, 2016 (3 years)	-	1,000.00
Other debt instruments - unsecured				
1. Short-Term Debenture (issued in 2012 - June 30, 2013) Issue date: February 29, 2012 - June 30, 2013 Debenture rating (Fitch) : AA Agent: None	2.50% - 3.15%	Depending on the date of purchase (not over 270 days)	-	16,933.00
2. Bill of Exchange (issued in 2012 - June 30, 2013) Issue date: January 4, 2012 - June 30, 2013 Debenture rating (Fitch / TRIS) : None Agent: None	1.82% - 3.22%	Depending on the date of purchase (3 days-270 days)	- Early redemption not allowed - Non-negotiable	5,303.00
3. Bill of Exchange (issued in 2012 - June 30, 2013) Issue date: January 4, 2012 - June 30, 2013	2.20% - 3.37%	Depending on the date of purchase (7 days-36	- Early redemption not allowed - Non-negotiable	11,103.00

(Unit: Baht million)

Type of securities	Interest rate (p.a.)	Maturity date	Conditions	Unredeemed amount and value as of June 30, 2013
Debenture rating (Fitch / TRIS) : None Agent: None		months)		

▪ *Summary of financial performance and position*

▪ *Table summarizing financial position and performance of Krungsri and its subsidiaries for 2010-2012 and first six months of 2013*

Statements of financial position	As of December 31						As of June 30, 2013	
	2010		2011		2012			
	Bt. million	%	Bt. million	%	Bt. million	%	Bt. million	%
Assets								
Assets								
Cash	22,461	2.58	25,165	2.66	25,079	2.34	24,486	2.17
Interbank and money market items, net	74,527	8.57	81,818	8.63	79,390	7.41	109,446	9.68
Claims on security	13,346	1.53	3,846	0.41	13,592	1.27	11,725	1.04
Derivatives assets	4,513	0.52	4,833	0.51	3,414	0.32	5,449	0.48
Investments, net	78,360	9.01	81,204	8.57	78,302	7.30	77,552	6.86
Investments in subsidiaries and associates, net	729	0.08	769	0.08	947	0.09	1,052	0.09
Loans to customers and accrued interest receivables, net								
Loans to customers	674,596	77.55	751,405	79.28	869,382	81.10	908,602	80.40
Accrued interest receivables	1,724	0.20	1,859	0.20	2,257	0.21	2,359	0.21
Total loans to customers and accrued interest receivables	676,320	77.75	753,264	79.48	871,639	81.31	910,961	80.60
Less Deferred revenue	(25,636)	(2.95)	(31,898)	(3.37)	(39,374)	(3.67)	(44,261)	(3.92)
Less Allowance for doubtful accounts	(33,410)	(3.84)	(30,776)	(3.25)	(30,306)	(2.83)	(34,007)	(3.01)
Less Revaluation allowance for debt restructuring	(543)	(0.06)	(503)	(0.05)	(723)	(0.07)	(498)	(0.04)
Net loans to customers and accrued interest receivables	616,731	70.90	690,087	72.81	801,236	74.74	832,195	73.64
Customers' liability under acceptance	752	0.09	696	0.07	682	0.06	815	0.07
Properties for sale, net	14,727	1.69	11,737	1.24	9,451	0.88	8,847	0.78
Premises and equipment, net	17,552	2.02	17,568	1.85	18,300	1.71	20,075	1.78
Goodwill and other intangible assets, net	12,627	1.45	12,054	1.27	15,435	1.44	15,115	1.34
Deferred tax assets	7,586	0.87	5,631	0.59	6,061	0.57	6,491	0.57
Accounts receivable for investments	-	-	5,977	0.63	7,778	0.73	5,322	0.47
Other assets, net	5,923	0.68	6,412	0.68	12,298	1.15	11,586	1.03
Total assets	869,834	100.00	947,797	100.00	1,071,965	100.00	1,130,156	100.00

Statements of financial position	As of December 31						As of June 30, 2013	
	2010		2011		2012			
	Bt. million	%	Bt. million	%	Bt. million	%	Bt. million	%
Liabilities and equity								
Liabilities								
Deposits	576,479	66.27	560,540	59.14	687,159	64.10	731,731	64.75
Interbank and money market items, net	43,762	5.03	23,741	2.50	48,822	4.55	53,002	4.69
Liability payable on demand	1,517	0.17	1,651	0.17	2,776	0.26	4,548	0.40
Liability to deliver security	13,347	1.53	3,846	0.41	13,593	1.27	11,725	1.04
Derivatives liabilities	3,978	0.46	5,394	0.57	3,508	0.33	5,348	0.47
Debt issued and borrowings	99,365	11.42	208,263	21.97	154,629	14.42	159,558	14.12
Bank’s liability under acceptance	752	0.09	696	0.07	682	0.06	815	0.07
Provisions	3,690	0.42	6,896	0.73	7,334	0.68	7,370	0.65
Deferred tax liabilities	4,039	0.46	2,276	0.24	2,505	0.23	2,822	0.25
Accounts payable for investments	-	-	5,975	0.63	5,694	0.53	4,391	0.39
Other liabilities	23,801	2.74	25,824	2.72	31,777	2.96	29,224	2.59
Total liabilities	770,730	88.61	845,102	89.16	958,479	89.41	1,010,534	89.42
Equity								
Authorized share capital	70,894		70,894		70,894		70,894	
Issued and paid-up share capital	60,741	6.98	60,741	6.41	60,741	5.67	60,741	5.37
Premium on ordinary shares	13,802	1.59	13,802	1.46	13,802	1.29	13,802	1.22
Other components of equity	5,147	0.59	5,503	0.58	5,983	0.56	7,308	0.65
Retained earnings								
Appropriated – Legal reserve	1,014	0.12	1,316	0.14	1,642	0.15	1,642	0.15
Unappropriated	18,211	2.09	21,126	2.23	31,154	2.91	35,901	3.18
Total Bank’s equity	98,915	11.37	102,488	10.81	113,322	10.57	119,394	10.56
Non-controlling interest	189	0.02	207	0.02	164	0.02	228	0.02
Total equity	99,104	11.39	102,695	10.84	113,486	10.59	119,622	10.58
Total liabilities and equity	869,834	100.00	947,797	100.00	1,071,965	100.00	1,130,156	100.00

Statements of comprehensive income	For the year ended December 31						For 6-month period	
	2010		2011		2012		Jan-June 2013	
	Bt. million	%	Bt. million	%	Bt. million	%	Bt. million	%
Interest income	47,275	91.75	56,428	102.03	64,640	105.64	34,364	101.35
Interest expenses	12,647	24.54	18,963	34.29	24,687	40.35	12,769	37.66
Interest income, net	34,628	67.20	37,465	67.74	39,953	65.30	21,595	63.69
Fees and service income	12,898	25.03	13,838	25.02	16,434	26.86	9,362	27.61
Fees and service expenses	2,819	5.47	3,051	5.52	3,699	6.05	2,096	6.18
Fees and service income, net	10,080	19.56	10,787	19.50	12,735	20.81	7,266	21.43

Statements of comprehensive income	For the year ended December 31						For 6-month period	
	2010		2011		2012		Jan-June 2013	
	Bt. million	%	Bt. million	%	Bt. million	%	Bt. million	%
Gains on trading and foreign exchange transactions, net	1,459	2.83	1,278	2.31	1,542	2.52	828	2.44
Gains on investments, net	251	0.49	820	1.48	800	1.31	318	0.94
Share of profit from investment by using equity method	144	0.28	32	0.06	177	0.29	105	0.31
Dividend income	394	0.76	441	0.80	504	0.82	417	1.23
Bad debts recoveries	1,826	3.54	2,216	4.01	3,178	5.19	2,233	6.59
Other operating income	2,745	5.33	2,265	4.10	2,299	3.76	1,145	3.38
Total operating income	51,527	100.00	55,304	100.00	61,188	100.00	33,907	100.00
Other operating expenses								
Employees' expenses	11,820	22.94	12,319	22.28	13,966	22.82	7,594	22.40
Directors' remuneration	28	0.05	33	0.06	34	0.06	17	0.05
Premises and equipment expenses	4,293	8.33	4,633	8.38	5,514	9.01	2,887	8.51
Taxes and duties	1,535	2.98	1,782	3.22	2,057	3.36	1,065	3.14
Others	9,120	17.70	8,710	15.75	9,227	15.08	4,380	12.92
Total other operating expenses	26,796	52.00	27,477	49.68	30,798	50.33	15,943	47.02
Impairment loss of loans and debt securities	12,391	24.05	12,213	22.08	11,385	18.61	8,988	26.51
Profit from operating before income tax expenses	12,340	23.95	15,614	28.23	19,006	31.06	8,975	26.47
Income tax expenses	3,524	6.84	6,310	11.41	4,337	7.09	1,827	5.39
Net profit	8,816	17.11	9,304	16.82	14,669	23.97	7,148	21.08
Other comprehensive income								
Changes in assets revaluation surplus	-		-		-		2,285	
Gains (Losses) on remeasuring available-for-sale investment	404		(213)		862		(513)	
Actuarial gains (losses) on defined benefit plans	-		(232)		75		-	
Income tax relating to components of other comprehensive income	(116)		792		(178)		(354)	
Total other comprehensive income, net	288		347		759		1,418	
Total comprehensive income for the year	9,104		9,651		15,428		8,566	
Net profit attributable to								
Owners of the Bank	8,793		9,264		14,625		7,084	
Non-controlling interest	23		40		44		64	

Note: Financial statements for 2010-2012 were audited by Dr. Suphamit Techamontrikul, CPA Registration No. 3356, of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., an SEC-approved auditor. Interim financial statements for the six-month period ended June 30, 2013 were reviewed by Mr. Permsak Wongpatcharakorn, CPA Registration No. 3427, of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., an SEC-approved auditor.

▪ Consolidated cash flow statements

Unit: Baht million	2010	2011	2012	Jan-June 2013
Net cash provided by (used in) operating activities	10,238	(92,052)	62,659	(2,695)
Net cash provided by (used in) investing activities	(8,746)	(9,519)	(4,795)	(257)
Net cash provided by (used in) financing activities	158	104,502	(58,203)	2,487
Total	1,650	2,931	(339)	(465)
Effect of exchange rate change on cash	(71)	97	(11)	21
Net increase (decrease) in cash and cash equivalents	1,579	3,028	(350)	(444)
Cash and cash equivalents at beginning of period	21,496	23,075	26,103	25,753
Cash and cash equivalents at end of period	23,075	26,103	25,753	25,309

▪ Key financial ratios

Financial ratios		2010	2011	2012	Jan-June 2013
<u>Liquidity ratios</u>					
Gross profit margin	(%)	71.75	66.13	62.45	63.57
Net profit margin	(%)	13.13	11.98	16.33	14.52
Return on equity	(%)	9.17	9.18	13.53	12.16 ^{1/}
Net interest income	(%)	6.28	6.79	7.01	6.84 ^{1/}
Net interest expense	(%)	1.85	2.51	2.93	2.78 ^{1/}
Net interest margin (NIM)	(%)	4.43	4.28	4.07	4.06
Internal rate of return	(%)	4.35	4.15	5.29	5.17 ^{1/}
<u>Efficiency ratios</u>					
Net interest income to assets ratio	(%)	4.20	4.12	3.96	3.92 ^{1/}
Return on assets	(%)	1.07	1.02	1.45	1.30 ^{1/}
Assets turnover	(time)	0.08	0.09	0.09	0.09 ^{1/}
<u>Financial ratios</u>					
Debt to equity ratio	(time)	7.78	8.23	8.45	8.45
Loans to borrowings ratio	(%)	96.02	93.59	98.60	96.98
Loans to deposits ratio	(%)	112.57	128.36	120.79	118.12
Deposits to total liabilities ratio	(%)	74.80	66.33	71.69	72.41
Dividend payout ratio	(%)	39.37	45.90	33.23	34.30
Capital adequacy ratio (separate financial statements)	(%)	15.84	16.29	16.94	17.02
<u>Asset quality ratios</u>					
Allowance for doubtful accounts to total loans ratio	(%)	5.15	4.28	3.65	3.93
Bad debts (write-off) to total loans ratio	(%)	(0.98)	(1.18)	(1.04)	(0.84) ^{1/}
NPLs to total loans ratio	(%)	5.45	3.74	2.39	2.40
Accrued interest receivables to total loans ratio	(%)	0.27	0.26	0.27	0.27

Note: ^{1/} Being annualized for comparison purpose.

▪ *Analysis of financial performance and position*

Financial performance in 2010-2012

In 2010-2012, the Bank and its subsidiaries reported a net profit (attributable to owners of the Bank) of Baht 8,793 million, Baht 9,264 million and Baht 14,625 million respectively, increasing by 5.4% in 2011 and 57.9% in 2012. Such profit growth in 2011-2012 was driven by higher net interest income resulting from the strong loan growth and also by healthy fees and service income growth.

Net interest income

In 2010-2012, the Bank and its subsidiaries recorded net interest income of Baht 34,628 million, Baht 37,465 million and Baht 39,953 million respectively, up by Baht 2,837 million or 8.2% in 2011 and Baht 2,488 million or 6.6% in 2012. The increase in net interest income in 2011 was mainly due to increases in interest income, and also was attributed to higher interest rates, higher loan and hire purchase volumes, and higher average repurchase transactions. Meanwhile, the higher interest expenses on deposits and borrowing costs reflected the six policy rate increases in 2011.

For 2012, the increase in net interest income resulted primarily from higher interest income from the strong loan growth. Correspondingly, interest expenses increased mainly from the increase in deposit and borrowing costs as a result of higher interest rates, the increase in fee contribution to the FIDF, and a higher volume of funds of Baht 64,227 million to support business growth.

Over 2010-2012, NIM stayed at a high level of 4.43%, 4.28% and 4.07% respectively, which was in line with the Bank's target despite some discouraging factors such as the increase in fee contributions to the FIDF, several reductions in the policy rate, and a highly competitive environment for deposit mobilization.

Net fees and service income

In 2010-2012, net fees and service income of the Bank and its subsidiaries amounted to Baht 10,080 million, Baht 10,787 million and Baht 12,735 million respectively, growing by Baht 707 million or 7.0% in 2011 and Baht 1,948 million or 18.1% in 2012. The increase in net fees and service income in 2011 was contributed chiefly by increased fees from bancassurance and fund management fees, offset by a reduction in collection fees resulting from the "Debt Relief Program" to assist flood-stricken customers in Q4/2011.

For 2012, the increase in fees and service income was driven primarily by growth in fees from bancassurance, card businesses, lending-related fees, collection fees, and wealth and fund management fees. Bancassurance fees improved markedly by 42.7%, confirming the Bank's first full year of successful collaboration with its strategic insurance partners. Card-related fees also grew strongly by 21.7% as a result of active marketing and promotion campaigns in 2012 together with an additional 520,000 cards from the acquisition of HSBC's retail banking business as at the end of March 2012. Meanwhile, fees and service expenses increased Baht 648 million or 21.2%, mainly due to an increase in ATM and network fees and collection expenses.

Non-interest and non-fees income

In 2010-2012, the Bank and its subsidiaries recorded non-interest and non-fees income totaling Baht 6,819 million, Baht 7,052 million and Baht 8,501 million respectively, up by Baht 233 million or 3.4% in 2011 and by Baht 1,448 million or 20.5% in 2012. The increase in non-interest and non-fees income in 2011 was ascribed mainly to an increase in gains on investments of Baht 569 million or 226.7%, mainly from a reversal of a reserve for investment in loan of Dubai World Group Finance Limited at Baht 424 million recorded in Q2/2011, and an increase in returns from treasury transactions and positions of Baht 504 million or 67.2%. Meanwhile, these items were offset by a

decrease in gain on debt instruments of Baht 665 million, driven by a one-off gain on a CDO (Collateralized Debt Obligations) sale of Baht 677 million in Q4/2010, and a decrease in an excess of net fair value of acquired subsidiary over purchase cost of Baht 519 million recorded in Q4/2010.

For 2012, the increase in non-interest and non-fees income was driven by increases in gains on trading and foreign exchange transactions of Baht 264 million, share of profit from investment by using equity method of Baht 145 million and loan recoveries income of Baht 962 million.

Other operating expenses

In 2010-2012, other operating expenses amounted to Baht 26,796 million, Baht 27,477 million and Baht 30,798 million respectively, rising by Baht 681 million or 2.5% in 2011 and Baht 3,321 million or 12.1% in 2012. In 2011, the increase in other operating expenses resulted from 1) an increase in employees' expenses of Baht 499 million or 4.2%, mainly driven by the adoption of a new accounting principle governing employee benefits in early 2011, incentive payments, annual merit increases, and assistance provided to employees affected by the floods, and 2) an increase in premises and equipment expenses of Baht 339 million or 7.9%, mainly driven by the Bank's continued investment in its ATM network expansion, ongoing branch refurbishment, and supporting activities relating to its rebranding initiative. Meanwhile, other expenses decreased by Baht 409 million or 4.5%, due mainly to a decrease in marketing and promotion expenses of Baht 530 million or 17.8%, cost control and management initiative, and a reserve on assets transferred to TAMC of Baht 600 million recorded in 2011. These decreases in other expenses were offset by an increase in amortization of fair value of intangible assets of Baht 247 million and reserves for customer loyalty program bonus points of Baht 539 million.

The increase in other operating expenses in 2012 mirrored higher business volume and revenue. Such increase was driven by an increase in employees' expenses of Baht 1,647 million or 13.4%, mainly due to a higher number of employees as a result of the HSBC retail bank acquisition, annual merit increases, and execution of a pay-for-performance program. The increase in premises and equipment expenses of Baht 882 million or 19% was due to the Bank's investments in branch refurbishment and operational excellence. An increase in taxes and duties of Baht 275 million or 15.4% corresponded to higher interest income. An increase in other expenses of Baht 516 million or 5.9% was due to an increase in marketing and promotion expenses and outsourcing expenses.

In 2010-2012, the cost-to-income ratio of the Bank and its subsidiaries stood at 52.0%, 49.7% and 50.3% respectively. The drop in this ratio in 2011 was attributed to the Bank's cost control initiatives together with the strong improvement in core earnings, reflecting the ongoing effort to improve operations and income generation efficiency. In 2012, the hike in the cost-to-income ratio was, in part, due to HSBC retail bank acquisition transition costs and the Bank's continuous investments in branch refurbishment and operational excellence.

Impairment loss of loans and debt securities

In 2010-2012, loan loss provisions amounted to Baht 12,391 million, Baht 12,213 million and Baht 11,385 million respectively, a drop of Baht 178 million or 1.4% in 2011 and Baht 828 million or 6.8% in 2012. The decreased loan loss provisions reflected both the declining trend of new NPL formation and the Bank's rigorous credit analysis standards. For 2012, the loan loss provisions dropped because the Bank set aside a substantial amount of reserves for flood-hit customers in Q4/2011. The loan loss coverage ratio was 89.1%, 106.2% and 146.2% as at the end of 2010-2012 respectively.

Financial performance in the six-month period ended June 30, 2013

In the first half of 2013, the Bank and its subsidiaries posted a net profit (attributable to owners of the Bank) of Baht 7,084 million, a decrease of Baht 45 million or 0.63% compared with the net profit (attributable to owners of the Bank) of Baht 7,129 million registered in the same period of the previous year. Such decrease resulted from the countercyclical surplus reserve booked in Q2/2013. As a result of this countercyclical reserving, excess reserves over the Bank of Thailand's reserving requirement increased to Baht 15,661 million from Baht 12,286 million as of the end of 2012.

Net interest income

In the first half of 2013, net interest income of the Bank and its subsidiaries reached Baht 21,595 million, an increase of Baht 2,163 million or 11.1% compared to Baht 19,432 million in the same period last year, resulting primarily from higher loan and hire purchase volumes and higher average repurchase transactions. Correspondingly, interest expenses increased mainly from the increase in deposit costs as a result of higher volume of deposits to support additional business growth. NIM stayed at 4.06%, about the same as the same period last year of 4.05%.

Net fees and service income

In the first half of 2013, the Bank and its subsidiaries recorded net fees and service income of Baht 7,266 million, growing by Baht 1,134 million or 18.5% from Baht 6,132 million in the same period last year, driven by the continued focus of Krungsri Group on growing fees and wealth and fund management franchises. Wealth, fund management and securities fees improved strongly by 91.9%, attributed partly to the robust growth in assets under management and favorable capital market condition. Fees from auto hire purchase grew healthily by 25.3%, while card business and bancassurance rose by 18.7% and 12.3% respectively. Fees and service expenses increased 21.4%, in line with the fee growth in card business and wealth and fund management.

Non-interest and non-fees income

In the first half of 2013, non-interest and non-fees income amounted to Baht 5,046 million, increasing by Baht 938 million or 22.8% compared to Baht 4,107 million in H1/2012, driven by increases in bad debt recoveries income of Baht 710 million and other operating income of Baht 391 million. The increase in bad debt recoveries was largely attributed to the income recovered from the Dubai World Group Finance Limited's account. Meanwhile, the improvement in other operating income was driven by an increase in dividend income of Baht 230 million. In this period, gains on investment decreased by Baht 144 million.

Other operating expenses

For first half year of 2013, other operating expenses totaled Baht 15,943 million, an increase of Baht 1,291 million or 8.8% from Baht 14,652 million in H1/2012. Such increase was driven primarily by a rise in employees' expenses of Baht 995 million or 15.1% mainly due to annual merit increases, and also by an increase in premises and equipment expenses of Baht 319 million or 12.4% as driven by an increase in depreciation expenses and IT service expenses. In H1/2013, the cost-to-income ratio stood at 47.0%, decreasing from 49.4% in the same period last year.

Impairment loss of loans and debt securities

In H1/2013, loan loss provisions amounted to Baht 8,988 million, a sharp increase of Baht 3,286 million or 57.6% from Baht 5,702 million in the same period last year. The increased loan loss provisions resulted from the countercyclical surplus reserve due to internal and external factors. As of June 30, 2013, the loan loss coverage ratio was 151.8%, increasing from 146.2% as at the end of 2012.

Financial position as at December 31, 2010-2012**Total assets**

As at the end of 2010-2012, the Bank and its subsidiaries had total assets of Baht 869,834 million, Baht 947,797 million and Baht 1,071,965 million respectively, reflecting solid growth of Baht 77,963 million and Baht 124,168 million or 9.0% and 13.1% as of year-end 2011 and 2012 respectively. The increase in total assets as at the end of 2011 was largely attributed to a higher loan volume (less deferred revenue) of Baht 70,547 million or 10.9% and an increase in net interbank and money market items of Baht 7,291 million or 9.8%.

The increase in total assets as of year-end 2012 was largely driven by loan growth (less deferred revenue) of Baht 110,501 million or 15.4% and other asset growth of Baht 20,544 million or 36.0%, mainly driven by an increase in claims on securities from repurchase agreement of Baht 9,746 million for transactions under the Bank's active Primary Dealer role, goodwill relating to HSBC retail bank acquisition of Baht 2,430 million, and accounts receivable for securities investments of Baht 1,800 million.

Loans to customers

Loans to customers of the Bank and its subsidiaries as at the end of 2010-2013 and June 30, 2013

Unit: Baht million

Consolidated	As of December 31			As of
	2010	2011	2012	June 30, 2013
Corporate	190,046	204,286	211,914	205,887
SMEs	180,104	188,955	212,834	216,246
Retail	278,810	326,266	405,260	442,208
- Hire purchases	126,444	156,041	202,089	229,419
- Housing	82,280	93,320	103,080	110,817
- Credit card and personal loans	70,086	76,905	100,091	101,972
Total loans to customers*	648,960	719,507	830,008	864,341

Note *Loans to customers net of deferred revenue

As of year-end 2010-2012, total outstanding loans stood at Baht 648,960 million, Baht 719,507 million and Baht 830,008 million respectively, growing by Baht 70,547 million and Baht 110,501 million or 10.9% and 15.4% as of the end of 2011 and 2012 respectively. The loan growth as of year-end 2011 was mainly contributed by an increase in performing loans of Baht 79,158 million. In line with the Bank's strategic focus, the retail segment continued to drive growth with a notable increase of Baht 47,456 million or 17.0%, followed by Corporate and SME segments which grew 7.5% and 4.9% respectively. Growth in Corporate and SME loans largely came from long-term domestic loans covering sectors such as manufacturing and commerce. Strong growth was also achieved in the SME-Small and SME-Retail segments through the Bank's SME customer segmentation strategy, complemented by product and customer touch point simplification through its 55 Business Centers. For consumer loans, impressive growth continued to be driven by the auto hire purchase business. Notwithstanding the supply-chain disruption from Japan in Q2/2011 and Thailand's Q4/2011 floods, hire purchase loans grew by a robust Baht 29,597 million or 23.4% for 2011. The Bank's strong performance was enhanced by its diversified portfolio mix of new car, used car and refinance program volume and a diversified brand mix, all contributing to its ongoing solid business expansion.

The loan growth as of the end of 2012 was broad-based across all customer segments, with particularly strong growth in the retail segment of 24.2%. Major driver of a marked increase of 29.5% in auto hire purchase loans was the pent-up demand following the late-2011 floods and the government's first car program which led the automotive industry to realize record sales. Meanwhile, the healthy 30.1% growth in credit cards and personal loans resulted in part from the successful consolidation of HSBC's retail banking business, coupled with economic improvement and minimum wage hike in seven key economic provinces in Thailand. Housing loan growth of 10.5% reflected positive economic environment and an improvement in the residential housing market. SME portfolio grew strongly by 12.6%, helped by the launch of commercial loan project agreements under "Krungsri Value Chain Solutions" and the enhancement of business process efficiency, resulting in higher loan volume and improvement in customer satisfaction. Corporate loans expanded by 3.7%, driven by an increase in demand for both working capital facilities and term loans.

Loan classification and provision

Unit: Baht million

Consolidated	2010		2011		2012	
	Loans and accrued interest receivable	Provision under BOT requirement	Loans and accrued interest receivable	Provision under BOT requirement	Loans and accrued interest receivable	Provision under BOT requirement
Normal	587,550	5,257	660,330	5,031	786,545	7,205
Special mention	24,864	1,170	31,444	2,603	24,414	1,651
Substandard	10,104	5,564	7,260	2,923	7,057	3,337
Doubtful	4,897	1,268	7,532	3,089	5,207	2,142
Doubtful of loss	23,269	7,485	14,800	4,663	9,042	3,685
Total	650,684	20,744	721,366	18,309	832,265	18,020
Surplus reserve		12,666		12,467		12,286
Total	650,684	33,410	721,366	30,776	832,265	30,306

Non-performing loans

Asset quality of Krungsri Group continued to strengthen, with gross NPLs reducing continually from Baht 38,149 million as of year-end 2010 to Baht 29,536 million and Baht 21,292 million at the end of 2011 and 2012, representing a decrease rate of 22.6% and 27.9% respectively. Key drivers were the Bank's prudent policies and measures to prevent new NPL formation, vigilant credit risk management and continued efforts to resolve legacy NPLs. The reduction in NPLs in 2012 was partly attributed to Baht 6,761 million NPL sales.

As of year-end 2010-2012, the Bank and its subsidiaries' total provision stood at Baht 33,988 million, Baht 31,366 million and Baht 31,127 million, with a loan loss coverage ratio of 89.1%, 106.2% and 146.2% respectively. The total provision consisted of an excess provision over Bank of Thailand requirements of Baht 21,322 million, Baht 18,899 million and Baht 18,841 million respectively. Correspondingly, the actual provisioning ratio when compared to Bank of Thailand requirements stood at 159.4%, 166.0% and 165.2% as at the end of 2010-2012 respectively.

Investments in securities

As of year-end 2010-2012, the Bank and its subsidiaries had investments in government securities at book value of Baht 29,245 million, Baht 55,426 million and Baht 52,884 million respectively with the main objective to manage and maintain liquid assets in accordance with Bank of Thailand requirements, including intra-day liquid asset maintenance and liquidity management. Investments in private sector's debt securities amounted to Baht 18,345 million, Baht 25,778 million and Baht 25,418 million respectively.

Total liabilities

As at the end of 2010-2012, the Bank and its subsidiaries had total liabilities of Baht 770,730 million, Baht 845,102 million and Baht 958,479 million respectively, rising by Baht 74,372 million or 9.6% as of year-end 2011 and Baht 113,377 million or 13.4% at the end of 2012. Growth in total liabilities at year-end 2011 resulted largely from a dramatic increase in debt issued and borrowings of Baht 108,898 million or 109.6% due to a tremendous rise in bills of exchange of Baht 127,986 million or 460.4%. This reflected customers' interest in higher-yield alternative products as prompted by a reduction in deposit insurance from unlimited coverage to a protection limit of only Baht 50 million, with effect as from August 11, 2011. Moreover, provisions surged by Baht 3,206 million or 86.9%, whereas net interbank and money market items declined by Baht 20,021 million or 45.7% and deposits fell by Baht 15,939 million or 2.8%.

Growth in total liabilities as of year-end 2012 was predominantly driven by an increase in deposits of Baht 126,619 million or 22.6%. The significant growth in savings deposits of Baht 132,149 million or 60.6%, in part, reflected the Bank's successful launch of the two "Big Bang Deposit Products" - "Mee Tae Dai" in June and "Jad Hai" in August. Meanwhile, debt issued and borrowings decreased Baht 53,634 million or 25.8%, mainly stemming from a decrease in bills of exchange of Baht 107,262 million, as a result of the increased FIDF contribution fee, effective January 27, 2012, and a new commercial banking rule requiring a liquidity reserve for bills of exchange and promissory notes, effective July 11, 2012.

Funding structure

Unit: Baht million

	2010	2011	2012
Current	18,129	19,265	18,646
Savings	219,464	218,395	350,814
Time	338,886	322,880	317,699
Less than 6 months	126,980	153,741	147,053
6 months - less than 1 year	75,081	71,320	120,927
1 year or more	136,825	97,819	49,719
Total deposits	576,479	560,540	687,159
Bills of exchange	27,799	155,785	48,523
Debentures	51,382	26,300	71,170
Total funds	655,661	742,625	806,852

As at the end of 2010-2012, the Bank's loans to deposits ratio stood at 113%, 128% and 121%, with loans to deposits plus bills of exchange and debentures ratio of 99%, 97% and 103% respectively.

Contingencies

The Bank and its subsidiaries' contingencies as of year-end 2010-2012 totaled Baht 99,883 million, Baht 101,613 million and Baht 105,385 million respectively, an increase of Baht 1,730 million or 1.73% at the end of 2011 and Baht 3,772 million or 3.7% as of end-2012. The increase in contingencies in 2011 was driven by unused overdraft limits of Baht 3,138 million, offset by a decrease in avals to bills and guarantees of loans of Baht 2,164 million. For 2012, such increased contingencies resulted from unused overdraft limits of Baht 5,315 million, offset by a decrease in other guarantees of Baht 891 million and in avals to bills and guarantees of loans of Baht 698 million.

Unit: Baht million

	2010	2011	2012
Avals to bills and guarantees of loans	3,929	1,765	1,067
Liability under unmatured import bills	1,202	1,465	1,548
Letters of credit	8,126	8,293	8,043
Other contingencies	86,626	90,090	94,727
Total	99,883	101,613	105,385

Equity

As at the end of 2010-2012, the Bank and its subsidiaries had total equity of Baht 99,104 million, Baht 102,695 million and Baht 113,486 million respectively, an increase of Baht 3,591 million or 3.6% at the end of 2011 and Baht 10,791 million or 10.5% as of the end of 2012. The increase in equity as of year-end 2011 was mainly due to growth in retained earnings driven by net income for 2011 of Baht 9,265 million, offset by dividends paid of Baht 4,252 million and adjustment for provision of employees' benefits of Baht 1,793 million. The increase in equity as at the end of 2012 was ascribed largely to growth in retained earnings driven by net income for 2012 of Baht 14,669 million, offset by dividends paid of Baht 4,557 million. As of December 31, 2010-2012, the Bank's capital to risk-weighted assets ratio stood at 15.84%, 16.29% and 16.94% respectively, higher than Bank of Thailand's minimum requirement of 8.50%.

Financial position as of June 30, 2013

Total assets

As at June 30, 2013, total assets of the Bank and its subsidiaries reached Baht 1,130,156 million, representing an increase of Baht 58,190 million or 5.4% from year-end 2012, largely driven by an increase in loans (net of deferred revenue) of Baht 34,333 million or 4.1% and interbank and money market items of Baht 30,056 million or 37.9%. The increase in interbank and money market items was mainly due to an increase in repurchase agreements of Baht 24,230 million for transactions under the Bank's Primary Dealer role.

As at June 30, 2013, total outstanding loans (net of deferred revenue) stood at Baht 864,341 million, an increase of Baht 34,333 million or 4.1% from the end of 2012. Key driver of such loan growth was a favorable increase in the retail segment of Baht 36,948 million or 9.1%, attributed to an expansion in auto hire purchase loans of 13.5% as underpinned by both new and used car volumes. The Bank anticipates that, with the completed delivery of cars under the first-time buyer program in June 2013, auto hire purchase loan growth will normalize in H2/2013. Housing loans grew 7.5%, reflecting the Bank's strategic shift in partnering with top developers and targeting a higher income segment of customers. Credit cards and personal loans grew minimally by 1.9%, attributed to normal seasonality. The SME portfolio increased 1.6%, with the growth broadly observed in all SME

segments - SME-Medium, SME-Small and SME-Retail. However, corporate loans contracted by 2.8%, due to working capital repayments in the first quarter of 2013.

Non-performing loans

As of June 30, 2013, gross NPLs amounted to Baht 22,817 million, an increase of Baht 1,525 million or 7.2% from Baht 21,292 million as at the end of 2012, driven largely by a classification of one commercial customer with the loan facility of Baht 2,377 million to NPL status.

Loan loss reserves and debt restructuring as at June 30, 2013 totaled Baht 34,638 million, rising from the end of 2012 by Baht 3,511 million or 11.3%, with a coverage ratio of 151.8%. Excess provision over Bank of Thailand requirements amounted to Baht 15,661 million. Correspondingly, the actual provisioning ratio when compared to Bank of Thailand requirements stood at 182.5%.

Total liabilities

As of June 30, 2013, total liabilities were Baht 1,010,534 million, growing Baht 52,055 million or 5.4% from year-end 2012. The growth in liabilities was driven by an increase in deposits of Baht 44,573 million or 6.5% from the end of 2012, reflecting a successful launch of the time deposit product, “9-month Step Up Time Deposit,” on March 28, 2013. Another driver was an increase in debt issued and borrowings of Baht 4,929 million or 3.2% from year-end 2012, contributed by an increase in debentures of Baht 10,070 million or 14.1%, primarily an issue of long-term debentures in line with the Bank’s matched funding discipline, offset by a decrease in bills of exchange as at year-end 2012 of Baht 5,121 million or 10.6%.

As at June 30, 2013, the Bank’s loans to deposits ratio stood at 118% and loans to deposits plus bills of exchange and debentures ratio at 101%.

Contingencies

The Bank and its subsidiaries have contingencies as at June 30, 2013 totaled Baht 114,884 million, an increase of Baht 9,499 million or 9.0% from Baht 105,385 million as at year-end 2012. This increase was driven by other contingencies of Baht 8,529 million and letters of credit of Baht 843 million.

Equity

As of June 30, 2013, total equity amounted to Baht 119,622 million, an increase of Baht 6,136 million or 5.4% from the end of 2012. The increase was mainly due to growth in net income of Baht 7,084 million in H1/2013 and an increase in revaluation surplus on properties of Baht 1,828 million. The aforementioned increases were partially offset by dividends paid of Baht 2,430 million and investment devaluation of Baht 410 million. As at June 30, 2013, the Bank’s capital to risk-weighted assets ratio stood at 17.02%, higher than Bank of Thailand’s minimum requirement of 8.50%.

2.2 Overview and outlook of commercial banking sector and related businesses

Based on the Q1/2013 industrial economic report prepared by Office of Industrial Economics, Ministry of Industry, several countries continued to witness economic expansion, yet with the Eurozone's deeper public debt crisis and Europe's economic downturn remaining a threat to global economic improvement. The EU's jobless rate stayed at a high level. World oil prices fluctuated as a consequence of the Middle East's turmoil which accordingly led to uncertainties in global supply of crude oil.

According to a report of the National Economic and Social Development Board, Thai economy expanded by 5.3% in Q1/2013, decelerating from 19.1% in Q4/2012. On the production side, the expansion was supported by strong growth in hotels and restaurants sector, construction sector, and the expansion from its low base of manufacturing sector. On the demand side, the growth was driven by the expansion in household consumption as well as private investment, while the export grew slowly.

For 2013, Thai economy is projected by Kasikorn Research Center to grow by an average 4% in the second half of the year, underpinned by positive picture of leading global economies. Yet, emerging turbulence in the Middle East will affect world economy. The baht weakening will have a limited impact on export expansion. Private sector will be cautious in their spending, leading to persistent spending sluggishness. Based on these factors, Kasikorn Research Center predicts Thai GDP to grow 3.8% - 4.3% in 2013.

Overview and outlook of commercial banking sector

Overview of commercial banking business

- ***Commercial banks registered in Thailand***

Assets

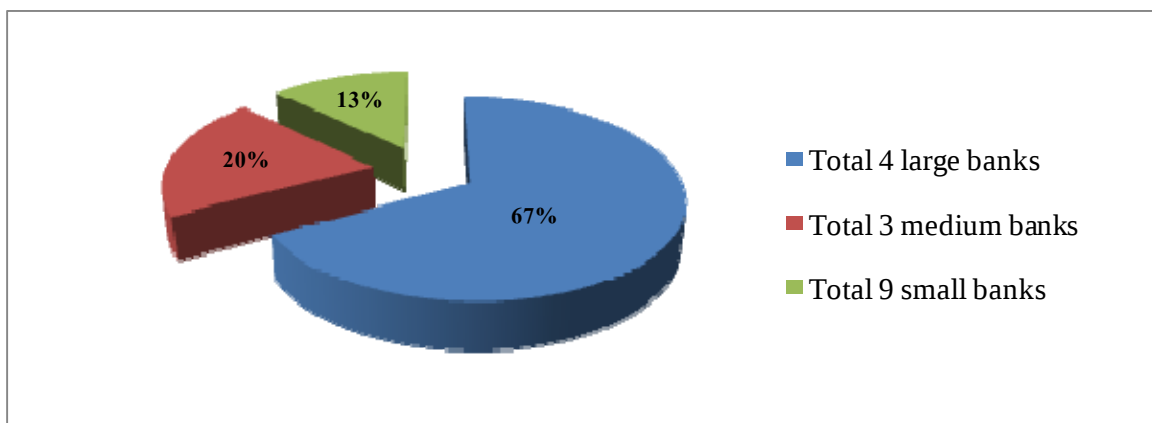
As of June 30, 2013, there were 16 Thai commercial banks (11 of them were listed on the SET). Their combined assets totaled Baht 13.5 trillion or equivalent to 67% of the total banking assets, growing 4.7% from Baht 12.9 trillion as of year-end 2012. Of the total assets as of June 30, 2013, 67.2% or Baht 9.1 trillion came from the top four large banks, which each had total assets greater than 10% of the total banking assets. Total assets of these large banks expanded by 4.6% from Baht 8.7 trillion as at the end of 2012.

There were three medium-sized banks (total assets greater than 3% and lower than 10% of the total banking assets), having combined assets of Baht 2.7 trillion or equivalent to 20.0% of the total banking assets. The medium-sized banks' total assets grew by 3.8% from Baht 2.6 trillion as at the end of 2012.

The rest nine were small-sized banks (total assets less than 3% of the total banking assets), having combined assets of Baht 1.7 trillion or equivalent to 12.8% of the total banking assets. Total assets of the small-sized banks increased by 6.3% from Baht 1.6 trillion as of year-end 2012.

As at June 30, 2013, Krungsri, one of the medium-sized banks, had total assets of Baht 1,026,783 million, expanding by 4.1% from Baht 986,467 million at the end of 2012, ranking fifth by assets and constituting 7.6% of the total banking assets.

Asset structure of large, medium and small-sized commercial banks

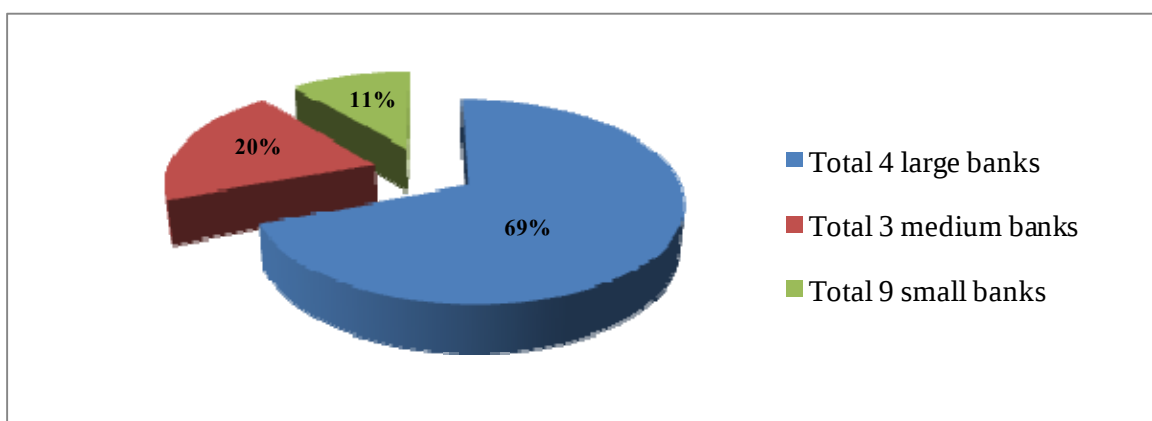


Deposits

As of June 30, 2013, total banking deposits amounted to Baht 9.7 trillion, up by 4.3% from Baht 9.3 trillion as at the end of 2012. Total deposits of large banks were Baht 6.7 trillion, growing by 3.1% from Baht 6.5 trillion at the end of 2012 and making up 69.3% of total banking deposits as of June 30, 2013. Medium banks had total deposits of Baht 1.9 trillion, being about the same as year-end 2012 of Baht 1.9 trillion and accounting for 19.8% of total banking deposits as of June 30, 2013. Small banks' combined deposits were Baht 1.1 trillion, up 10.0% from Baht 1.0 trillion as at the end of 2012 and constituting 10.9% of total banking deposits as of June 30, 2013.

Krungsri had total deposits of Baht 736,965 million as of June 30, 2013, rising 6.3% from Baht 692,994 million at the end of 2012 due to its accelerated fund mobilization through issuance of bills of exchange.

Deposit structure of large, medium and small-sized commercial banks



Loans

As of June 30, 2013, outstanding loans (net of provisions) in Thai commercial banking sector reached Baht 9.1 trillion, expanding 5.8% from Baht 8.6 trillion at year-end 2012. Such increase was driven by a favorable average full-year GDP growth rate, albeit fallouts from internal political instability and Europe's economic downturn that threatened Thai manufacturing sector.

Large banks' outstanding loans as of June 30, 2013 totaled Baht 6.1 trillion, rising 7.0% from year-end 2012 of Baht 5.7 trillion and making up 66.7% of total banking loans as of June 30, 2013. Outstanding loans of medium banks were Baht 1.9 trillion, increasing 5.6% from Baht 1.8 trillion as of the end of 2012 and constituting 20.9% of total banking loans as of June 30, 2013. Total

outstanding loans of small banks grew 10.0% to Baht 1.1 trillion from Baht 1.0 trillion at the end of 2012 and made up 12.4% of total banking loans as of June 30, 2013.

Krungsri's outstanding loans as of June 30, 2013 were Baht 728,286 million, up 1.9% from Baht 714,405 million as at year-end 2012 due mainly to growth in auto hire purchase loans.

Outstanding loan structure of large, medium and small-sized commercial banks

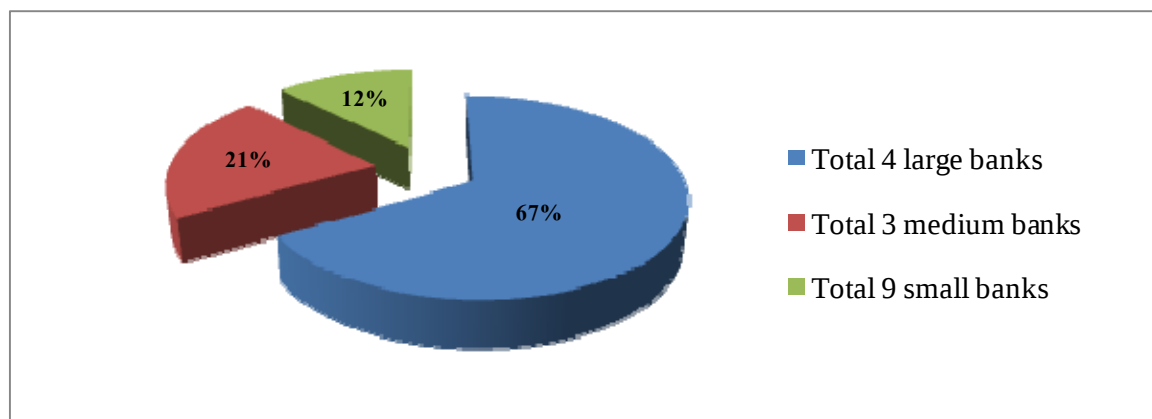


Table illustrating assets, deposits and loans, after provisions, as of June 30, 2013 of Thai commercial banks

No.	Name	Assets		Deposits		Loans after provisions	
		Value (Baht million)	Market share (%)	Value (Baht million)	Market share (%)	Value (Baht million)	Market share (%)
1	Bangkok Bank Plc.	2,387,039	17.64	1,815,561	18.69	1,537,379	16.95
2	Krung Thai Bank Plc.	2,361,437	17.45	1,699,067	17.49	1,590,510	17.53
3	Siam Commercial Bank Plc.	2,308,332	17.06	1,746,971	17.98	1,591,600	17.55
4	Kasikornbank Plc.	2,040,774	15.08	1,469,306	15.13	1,332,197	14.69
5	Bank of Ayudhya Plc.	1,026,783	7.59	736,965	7.59	728,286	8.03
6	Thanachart Bank Plc.	967,910	7.15	705,350	7.26	729,060	8.04
7	TMB Bank Plc.	711,168	5.26	478,347	4.92	434,282	4.79
8	United Overseas Bank (Thai) Plc.	398,185	2.94	219,909	2.26	217,459	2.40
9	TISCO Bank Plc.	306,917	2.27	240,944	2.48	263,756	2.91
10	Standard Chartered Bank (Thai) Plc.	262,809	1.94	106,493	1.10	100,798	1.11
11	Kiatnakin Bank Plc.	235,676	1.74	158,336	1.63	176,249	1.94
12	CIMB Thai Bank Plc.	217,801	1.61	138,931	1.43	145,045	1.60
13	Land and Houses Bank Plc.	134,422	0.99	94,922	0.98	93,727	1.03
14	Industrial and Commercial Bank of China (Thai) Plc.	126,988	0.94	72,648	0.75	99,250	1.09
15	Thai Credit Retail Bank Plc.	25,779	0.19	21,277	0.22	17,864	0.20
16	Mega International Commercial Bank Plc.	18,463	0.14	8,909	0.09	13,930	0.15
	Total	13,530,483	100.00	9,713,936	100.00	9,071,392	100.00
	Total of 4 large banks	9,097,582	67.24	6,730,905	69.29	6,051,686	66.71

No.	Name	Assets		Deposits		Loans after provisions	
		Value (Baht million)	Market share (%)	Value (Baht million)	Market share (%)	Value (Baht million)	Market share (%)
	Total of 3 medium banks	2,705,861	20.00	1,920,662	19.77	1,891,628	20.85
	Total of 9 small banks	1,727,040	12.76	1,062,369	10.94	1,128,078	12.44

Source: Summary Statement of Assets and Liabilities (C.B. 1.1), Bank of Thailand

• **Foreign commercial bank branches operating in Thailand**

As of June 30, 2013, foreign commercial banks operating in Thailand had combined assets of Baht 2.1 trillion. Among them, Bank of Tokyo-Mitsubishi UFJ Ltd. (“BTMU”) had total assets of Baht 628,518 million, representing 30.0% of all foreign banks operating in Thailand and growing by 12.7% from its total assets of Baht 557,832 million as of the end of 2012. Deposits of the foreign bank group totaled Baht 0.7 trillion, of which 18.9% or Baht 123,076 million belonged to BTMU, increasing 0.9% from its total deposits of Baht 121,926 million as of year-end 2012. The foreign bank group’s outstanding loans (after provisions) amounted to Baht 0.7 trillion in total. BTMU had total outstanding loans of Baht 216,032 million, representing 29.5% of the foreign bank group and rising 1.5% from its outstanding loans of Baht 212,923 million as of the end of 2012. Classified by assets, deposits and loans, BTMU is ranking No. 1 of foreign banks operating in Thailand.

Table illustrating total assets, deposits and loans, after provisions, as of June 30, 2013 of foreign banks operating in Thailand

No.	Name	Assets		Deposits		Loans after provisions	
		Value (Baht million)	Market share (%)	Value (Baht million)	Market share (%)	Value (Baht million)	Market share (%)
1	Bank of Tokyo-Mitsubishi UFJ Ltd.	628,518	29.95	123,076	18.85	216,032	29.52
2	Mizuho Corporate Bank, Ltd.	337,932	16.10	101,445	15.54	180,389	24.65
3	Sumitomo Mitsui Banking Corporation	291,427	13.88	97,351	14.91	150,232	20.53
4	Citibank, N.A.	220,588	10.51	135,629	20.78	78,758	10.76
5	Hongkong and Shanghai Banking Corporation Ltd.	194,572	9.27	80,565	12.34	36,668	5.01
6	Deutsche Bank AG	127,087	6.06	42,216	6.47	17,180	2.35
7	JPMorgan Chase Bank, N.A.	70,994	3.38	19,157	2.93	2,346	0.32
8	Bank of America, National Association	56,200	2.68	24,510	3.75	2,687	0.37
9	BNP Paribas SA	53,464	2.55	5,588	0.86	3,233	0.44
10	Oversea-Chinese Banking Corporation Ltd.	44,711	2.13	4,144	0.63	9,472	1.29
11	Bank of China Ltd.	34,347	1.64	7,482	1.15	26,208	3.58
12	The Royal Bank of Scotland N.V.	22,656	1.08	4,985	0.76	1,266	0.17
13	RHB Bank	8,537	0.41	1,126	0.17	3,687	0.50
14	Indian Overseas Bank Ltd., Bangkok Branch	7,834	0.37	5,510	0.84	3,690	0.50
	Total	2,098,866	100.00	652,783	100.00	731,848	100.00

Source: Summary Statement of Assets and Liabilities (C.B. 1.1), Bank of Thailand

Outlook of commercial banking business

For 2013, the commercial banking sector will likely continue to grow, fostered by working capital requirements from corporate and SME customers in the wake of hikes in production costs in tandem with global energy price trend and the government sector's energy pricing restructure. In the meantime, banks' interest rates, which will steady at a low level, could, in part, stimulate operators' credit demand for their long-term investments. In the retail segment, loan growth will potentially be driven by demand for housing loans and auto hire purchase loans, which will, however, expand at a slower pace after the completed delivery of cars under the first-time buyer program.

In the latter half of 2013, Thai commercial banks will become more vigilant in growing their loans, as evident from a downward revision of loan growth forecasts by many banks in the recent past. One key factor is a slowing Thai economic expansion, triggered by a number of downside risks at home and abroad including domestic demand that will return to normal after the end of supporting programs launched by the government, coupled with economic uncertainties of major trade partners such as China and ASEAN which have sent a slowdown signal, thereby affecting demand for credit drawdown in some sectors. On the positive side, the government sector's accelerated budget disbursement before the end of fiscal year 2013 until beginning of fiscal year 2014 and investments in various projects, together with banks' interest rates that will remain at a low level, will help to cushion against impacts from Thai economic slowdown and will drive loan growth at an expected rate of not less than 10% for the whole of 2013, versus 12.23% recorded in May. Nonetheless, international capital flows in subsequent period remain highly uncertain, particularly given that the US Federal Reserve decides to taper its asset purchases under the quantitative easing (QE) program in late 2013 as planned and to end the program by mid-2014. As such, Thai commercial banks will become more stringent in their liquidity management. However, by managing liquidity through a continuous launch of competitive deposit products, banks will likely have adequate liquidity for their business operations.

Overview and outlook of auto hire purchase business

Overview of auto hire purchase business

The first-car tax rebates, pent-up demand after the late-2011 severe flooding and launches of new car models by several automakers were contributing factors leading total sales of new cars in 2012 to jump to 1.43 million units, a surge of 78.8% from 0.80 million units in 2011. New car sales in H1/2013 were 0.74 million units, growing 21.31% from 0.61 million units in the same period last year.

The first-car tax rebate scheme was the key driver enabling auto hire purchase loans to grow strongly from 2012 to early 2013, hitting a record high since 2008. Outstanding auto hire purchase loans as of year-end 2012 stood at Baht 820,710 million, soaring 33.9% from Baht 612,714 million as at the end of 2011. As of the end of Q2/2013, outstanding auto hire purchase loans were Baht 893,726 million, up 8.9% from year-end 2012. Outstanding auto hire purchase loans have been on a rise, driven primarily by hire purchase financing to new customers which was about two times higher than installment payments of existing hire purchase portfolio over the same period, despite shrinkage in new car sales in 2013 due to a weakened driving force from the first-car tax rebate scheme towards the middle of 2013.

Table illustrating quarterly records of domestic car sales volume and outstanding auto hire purchase loans in 2011-2013

Quarterly period	Car sales volume (units)	Increase (Decrease) rate of car sales (%)	Outstanding auto hire purchase loans (Baht million)	Increase (Decrease) rate of outstanding auto hire purchase loans (%)
Q1/2011	238,619	-	540,609	-
Q2/2011	193,393	(18.95%)	571,714	5.75%
Q3/2011	238,957	23.56%	561,414	(1.80%)
Q4/2011	125,154	(47.62%)	612,714	9.14%
Q1/2012	278,548	122.56%	649,842	6.06%
Q2/2012	327,227	17.48%	711,571	9.50%
Q3/2012	393,410	20.23%	749,889	5.38%
Q4/2012	435,567	10.72%	820,710	9.44%
Q1/2013	413,256	(5.12%)	868,843	5.86%
Q2/2013	327,539	(20.74%)	893,726	2.86%

Source: Automotive Intelligence Unit, Thailand Automotive Institute (www.thaiauto.or.th); and Bank of Thailand (www.bot.or.th)

Outlook of auto hire purchase business

According to a Kasikorn Research Center research report, the first-car tax rebate scheme has helped to boost strong growth in sales of new cars in 2012, with an expected increase rate of 35% - 39% year-on-year to Baht 830 billion - 850 billion. In the first half of the year, operators continued to focus on strategies to support loan growth by offering installment plans and maintaining a low down payment rate of 10%-15% of car price (compared with usual rate of around 20%). A number of not lower than 400,000 cars awaiting delivery in 2013 is another factor that will drive growth in auto hire purchase loans. In the second half of the year, hire purchase operators will redefine their strategies to concentrate on market stimulation through promotion and marketing campaigns, while also giving importance to other car segments such as used car loans, loans for motorcycles, particularly Big Bikes of which price per unit is comparable to small to medium- sized cars, car license plate pledging services and other types of business. These strategies are aimed to gear up for a slowdown in new car market in the latter half of 2013 after the delivery of cars under the first-time buyer program. Interest rates on auto hire purchase loans are expected to stay at a low level in 2013 as prevailing from 2012, influenced principally by direction of the Bank of Thailand's monetary policy. In addition, the ongoing intense competition among car hire purchase operators provides no more room for any further interest rate cuts. Without a material change in financial costs, interest rates on auto hire purchase loans will likely remain at about the same level as the current rates.

However, it is notable that the total new car sales volume in 2012-2013 of not lower than 2.7 million units was, more or less, driven by the first-car tax incentive program, which seemingly was the key buying decision factor for most buyers, rather than factors such as their real need for car usage and/or financial ability to own a car. As a consequence, it is likely that after receiving the tax refund (a full refund will be granted after 12 months from the purchase and transfer date), some of these buyers may no longer be willing to continue the installment payments and, hence, could finally turn an NPL. As such, loan quality will become a concern, which will be more distinctly seen in the latter half of 2013.

Overview and outlook of credit card business

Overview of credit card business

Credit card business in Thailand has expanded continuously. Number of credit card accounts grew by an average 9% per year or approximately 1 million accounts per year during 2005-2008 and then by a slower rate of 4% in 2009 due to economic downturn, before increasing by 5%, 8% and 10% in 2010-2012 respectively in line with economic improvement.

As of end-May 2013, number of credit card accounts reached 17.6 million accounts, an increase of about 0.7 million accounts or 4.0% from 16.9 million accounts as at year-end 2012. Classified by type of issuers, about 8.6 million accounts were issued by commercial banks (growth of 3.6%) and 9.0 million accounts by non-bank credit card providers (growth of 4.7%). Outstanding credit card loans as of the end of May 2013 totaled Baht 247.5 billion, dropping by 5.4% from Baht 261.6 billion as of year-end 2012. Of such total, Baht 145.7 billion was outstanding credit card loans from commercial banks, falling by 6.7%, and Baht 101.8 billion from non-bank credit card providers, a drop of 3.4% compared with year-end 2012.

In the first five months of 2013 (Jan-May), spending through credit cards amounted to Baht 515,532 million, growing 13.5% from Baht 454,309 million in the same period last year. Averaged spending per credit card account was Baht 29,373 in the first five months of 2013, up 2.3% from Baht 28,703 in the same period last year as driven by continuous marketing campaigns to boost spending volume.

Table summarizing credit card industry data

Industry data	2010	2011	2012	Jan-May 2012	Jan-May 2013
No. of credit card accounts (accounts)	14,187,815	15,328,291	16,870,025	15,828,095	17,551,040
Change rate (%)		8.04%	10.06%		10.89% ^{1/}
Spending through credit cards (Baht million)	844,970	963,927	1,155,177	454,309	515,532
Change rate (%)		14.08%	19.84%		13.48% ^{1/}
Average spending per account (Baht)	59,556	62,885	68,475	28,703	29,373
Change rate (%)		5.59%	8.89%		2.34% ^{1/}
Outstanding credit card loans (Baht million)	216,427	228,903	261,553	220,159	247,540
Change rate (%)		5.76%	14.26%		12.44% ^{1/}

Note: ^{1/} Increase/(Decrease) rate compared on a year-on-year basis.

Source: Bank of Thailand

Outlook of credit card business

Based on a Kasikorn Research Center research report, credit card business grew continually in 2012 in terms of number of credit card accounts, spending through credit cards and outstanding credit card loans. Key driver of such growth was ongoing competition among credit card operators throughout the year in a bid to maintain their market share and acquire a new customer base amid heavy spending via credit cards, induced by promotion campaigns that could well respond to consumers' spending habits and also by ever-increasing domestic demand.

For 2013, Kasikorn Research Center predicts that cardholder base expansion will be a challenging task for operators since there will be no stimulation factors as in 2012 when the market became nearly saturated and the increase in starting salaries for state officials holding bachelor's

degree to Baht 15,000 per month helped to increase number of new customers meeting the minimum income requirement. Correspondingly, number of credit cards could grow by 10.0% - 10.5% in 2012, a strong increase when compared with an average growth rate in the past three years of roughly 5.7%. Number of credit cards in 2013 is projected to increase by not less than 1.2 million - 1.5 million cards or around 7.0% - 9.0% relative to 2012. Such growth is slower than in 2012, but is stronger than the period before 2012, driven by competition among credit card providers to draw first jobbers, the number of which is expected not less than 100,000 persons, due to a positive impact from the starting salary increase for bachelor's degree holders to Baht 15,000 per month. Another contributing factor is a business strategy adjustment by financial institutions to expand their niche markets to cover, among others, expatriates working in Thailand or SME operators.

The ongoing Thai economic growth in 2013 will be a boon for credit card providers in launching marketing activities to stimulate spending by, for instance, granting special bonus points for full payments or early payments, increasing spending channels via online transactions to respond to a new commercial trend and consumers' preferences for e-trading, etc. In view of this, together with potential hikes in consumer product prices in line with rising production costs as well as an expanding cardholder base, it is likely that spending through credit cards will grow by 10%-15% in 2013 or amount to Baht 1.05 trillion - Baht 1.1 trillion. Meanwhile, outstanding credit card loans are expected to grow at a slower pace in 2013 in alignment with growth in credit card spending volume, or rising by 10% - 13% relative to 2012.

Crucial issues requiring a close watch in 2013 are 1) limitations on sales campaigns for saving and investment products, which could affect credit card spending for saving or investment purpose because some consumers prefer to conduct their purchase or saving transactions via credit cards to enjoy extra benefits; 2) an increase in household debts; and 3) progress of the enactment of credit card business operation law. The key essence of such law could impact future operation of credit card business with respect to credit card business supervision, concrete measures for consumer protection relating to interest rates, fees, penalty fees, etc. Moreover, the law will call for a transmission of domestic financial transaction data via a local switching system, i.e. a system for transferring all domestic credit card transaction data to credit card providers through a local switch.

3. Reasonableness of the transaction

3.1 Objectives and necessity of the transaction

The business transfer of BTMU Bangkok Branch and allotment of new shares as a consideration for the business transfer and the new shares issuance and allotment on a private placement basis to BTMU are in line with the Business Integration Application and Plan of Krungsri and BTMU Bangkok Branch pursuant to the BOT's One Presence Policy. After BTMU becomes a new major shareholder of Krungsri in replacement of GECIH, BTMU will then operate more than one financial institution that accepts deposits from the public under the same business group in Thailand (comprising Krungsri and BTMU Bangkok Branch). Therefore, in compliance with the One Presence Policy, Krungsri has to acquire and accept a transfer of the entire business of BTMU Bangkok Branch to allow for BTMU to operate one single financial institution under the same business group in Thailand, as well as to benefit from economies of scale and eliminate overlapping operations in the financial sector. After completion of the business transfer, BTMU will surrender the foreign bank license and the foreign exchange license to the MOF and will register the dissolution of a branch with the MOC.

With regard to the business transfer, besides the Conditional Branch Purchase Agreement, Krungsri and BTMU entered into related agreements with an objective of ensuring the continuity of the services to be provided to the customers transferred from BTMU Bangkok Branch. These include the Master Service Agreement, under which BTMU will provide various services to Krungsri including existing services provided by BTMU to BTMU Bangkok Branch, general services, trademark license, software license, and other related services; and the Funding Support Agreement, under which BTMU will, upon request by Krungsri, provide funding assistance to Krungsri as deemed appropriate.

BTMU wishes to purchase more than 50% of the total issued shares of Krungsri in order to maximize synergy for Krungsri and BTMU under the financial laws of Japan and so as to ensure transparency in the consolidated financial statements of MUFG, which is the parent of BTMU. In the circumstance where the number of ordinary shares of Krungsri which BTMU acquired through the VTO when added to the estimate number of shares in lieu of payment of the BTMU Bangkok Branch business transfer equates to less than 50% of all issued shares of Krungsri, the issue and allotment of Krungsri's new ordinary shares on a private placement basis to BTMU will then help to satisfy the intention of BTMU to hold a total of more than 50% of all issued shares of Krungsri.

The integration of Krungsri and BTMU Bangkok Branch by a business transfer of BTMU Bangkok Branch under the BOT's One Presence Policy will, apart from helping to improve the efficiency of Thai banking sector, allow Krungsri to benefit in several ways which could increase its long-term business value and shareholder value. Krungsri can *expand customer base* by exploiting the combined strengths of the two parties to offer a broader variety of financial services to customers. Moreover, Krungsri can *increase its regional competitiveness* through BTMU network and presence in the Greater Mekong Sub-region. Krungsri can also *increase its income and net profit* from consolidation of BTMU Bangkok Branch's financial performance into the Bank's financial statements, together with a higher profit margin expected in the future as driven by benefits from the business integration. Krungsri will *have a stronger capital base* due to an ability to gain access to lower-cost funding sources through financial cooperation and funding support from BTMU. Krungsri will benefit from *world-class technology transfer* in the aspects of business operation and management as well as diverse product innovations under international banking business practices in order to cope well with the highly competitive and fast changing world financial markets. Last but not least, Krungsri can *reduce its operating expenses in the long run* through benefits from the economies of scale achieved by the business integration, while enhancing its competitive potential through stronger cost control efficiency.

3.2 Advantages and disadvantages of entering and not entering into the transaction

1) Advantages of entering into the transaction

1.1) A broader customer base

BTMU Bangkok Branch currently ranks No. 1 among all foreign banks operating in Thailand, garnering 30% of the market share in terms of both loans and assets as of June 30, 2013. The integration of Krungsri and BTMU Bangkok Branch will combine the strengths of domestic franchise in SME and retail banking of Krungsri with BTMU's strengths of premier global network, corporate expertise and large multinational business network. Krungsri can leverage on these strengths to expand its corporate customer base, particularly from large Japan-based corporations, thereby ensuring a well-balanced portfolio structure. With a broadened client base, the Bank can offer high-value, more diverse financial products to both local customers and multinational corporations in Thailand, which is in line with the country's ongoing economic growth potential and crucial role as an economic center of the Greater Mekong Sub-region. Krungsri will also gain additional benefits from regional customer base expansion through BTMU's Greater Mekong Sub-region business network.

According to the BOT's foreign direct investment (FDI) statistics, Japan has long been the largest group of foreign investors in Thailand. In 2012, the investment value from Japan exceeded 50% of total FDI in Thailand.¹¹ As such, to have a new major partner, which is a giant Japanese bank having a longstanding relationship with Thailand through a BTMU branch operation for more than 50 years and a strong tie with numerous Japanese corporations, will provide Krungsri with an opportunity to diversify its business base, especially to gain access to and expand customer base among Japanese clientele in Thailand by offering services such as deposits and loans, payroll services, credit cards, staff welfare loans, etc. This could contribute to Krungsri's inorganic growth and stronger competitiveness against the large banks.

1.2) Stronger regional competitiveness

BTMU is the largest bank in Japan in terms of total assets and one of the largest banks in the world, with network throughout Japan and 40 other countries. As of March 31, 2013, BTMU's network consisted of 1,034 domestic branches and offices and 540 foreign branches and offices (including 434 branches and offices of Union Bank, N.A., a BTMU subsidiary). BTMU provides a diverse and comprehensive range of financial services.

The entry of BTMU as a major shareholder of Krungsri will help increase the Bank's strength and opportunity to build relationship with foreign customers to a greater degree, which could link it to key global business blocs, while allowing greater flexibility for Krungsri to gain a foothold in this region, together with growth potential from the forthcoming ASEAN Economic Community in 2015. This is suited with BTMU's plan on investment in Krungsri with aims to support business expansion to the Greater Mekong Sub-region (GMS), which is composed of six countries, Thailand, Southern China (Yunnan and Guangxi Provinces), Myanmar, Lao PDR, Vietnam and Cambodia. GMS has a combined population of 323 million people (4.63% of world population of around 6,974 million people^{*1}) and total GDP of Baht 26.76 trillion (1.23% of world GDP of USD 69.97 trillion or approximately Baht 2,169 trillion^{*2}).¹² With BTMU network and presence in GMS and

¹¹ Foreign direct investment by country prepared by BOT.

¹² Data available from BOT - Source: ^{*1} Year 2011 by World Bank Data ^{*2} IMF- World Economic Outlook Database, April 2012, and others from ADB, MFA and CEIC Data.

coordination between Krungsri and BTMU in offering financial solutions that can satisfy all diverse customer needs, Krungsri will have stronger stability and greater ability to respond to customer requirements and regionalize its business in ASEAN region.

1.3) An increase in total assets and business performance

BTMU Bangkok Branch is a foreign bank branch operating in Thailand and ranks top among all 14 foreign banks by assets, loans and deposits. Based on its financial statements as of March 31, 2013, BTMU Bangkok Branch had total assets of Baht 583,443 million, net loans and accrued interest receivable of Baht 208,532 million, deposits of Baht 121,081 million and net profit for the fiscal year ended March 31, 2013 of Baht 4,092 million.

Subsequent to the business integration by a transfer of all assets, liabilities, right, title and interest of BTMU Bangkok Branch to Krungsri, the Bank will then have a greater amount of total assets, loans, deposits and business performance and a stronger equity base by the issuance and allotment of not more than 1,500 million new ordinary shares at a total offering price not more than Baht 58,500 million (calculated from a selling price of Baht 39 per share). As of June 30, 2013, Krungsri Group had total assets of Baht 1,130,156 million, net loans of Baht 864,341 million, deposits of Baht 731,731 million, shareholders' equity of Baht 119,394 million and net profit for the past four quarters up to June 30, 2013 of Baht 14,580 million.

Nonetheless, despite an instant substantial increase in its total asset size following the business integration, Krungsri will remain in the fifth place among all Thai commercial banks in terms of assets, loans and deposits, but will occupy a larger market share which will keep it farther apart from the sixth-rank bank and grow closer to the fourth rank.

1.4) A stronger capital base

After the business consolidation, it is expected that Krungsri will have a stronger capital base, fostered by a growing number of deposit customers and an ability to access large corporate deposit sources. Besides, Krungsri will leverage on funding capability of BTMU which has a higher credit rating, strong financial health and premier global network and investors relationship. This will allow Krungsri to gain a greater access to large funding sources with a lower cost and achieve a more appropriate capital structure that could support future business expansion and branch network expansion to improve level of customer services.

1.5) Access to international banking business practices

Krungsri can strategically utilize MUFG's regional banking business platforms in order to move forward to the forefront of the regional banking industry. As well, it can leverage BTMU and MUFG's international banking business practices, personnel development, IT system, credit analysis methodology, risk management process, and transfer of new product development capabilities, which will significantly strengthen Krungsri's stability and banking business potential.

1.6) A potential decrease in cost-to-income ratio in the long term due to economies of scale achieved by the business integration

The business integration of Krungsri and BTMU Bangkok Branch will increase business volume through growth in both retail and corporate loans which are the core customer base of BTMU Bangkok Branch. In this relation, Krungsri's cost will likely increase at a slower pace than its income, thereby helping to reduce its operating cost in the long term due to economies of scale and, hence, increase its competitiveness from an improved cost efficiency.

1.7) No substantial cash requirement for the transaction

With regard to the entire business transfer of BTMU Bangkok Branch, the Reference Branch Value is equal to Baht 44,586 million, implied price to book value ratio of 1.15 times based on BTMU Bangkok Branch's audited financial statements as of March 31, 2013. As agreed in the transaction, Krungsri will pay a consideration in kind for the business transfer by offering its newly issued shares, with no cash consideration being offered. The business acquisition will therefore have no impact on the Bank's cash flow, liquidity and working capital, nor will it increase the Bank's liabilities from payment of such consideration. Despite a control dilution effect on its existing shareholders created by the issuance and allotment of new shares, such capital increase will strengthen Krungsri's equity base that could support a greater risk exposure and business expansion as well.

2) Disadvantages of entering into the transaction

2.1) A control dilution effect

For the transaction, Krungsri will issue and allot not more than 1,500 million new shares with a par value of Baht 10 per share on a private placement basis to BTMU at an offering price of Baht 39 per share within 1 year from the end of the VTO period or within such time as may be extended by the BOT, if necessary. The shares allotment is divided into two portions: 1) shares allotment with the shares to be paid by cash if the shareholding by BTMU after the VTO when added to the number of shares received in lieu of payment of the BTMU Bangkok Branch business transfer equates to less than 50% of all issued shares of Krungsri; and 2) shares allotment as a consideration for the BTMU Bangkok Branch business transfer.

Therefore, after the VTO and the shares allotment on a private placement basis to BTMU under the assumption that BTMU acquires, from the VTO, only the existing shareholding by GECIH of 25.33% and that the shareholders accept the VTO of approximately 75% of total issued shares before the capital increase of Krungsri, the shareholders of Krungsri will suffer from a control dilution effect of 40.11% -79.95% due to an increase in BTMU's shareholding in the Bank after completion of the transaction.

Krungsri shareholders	Before VTO and capital increase		After VTO and capital increase (assuming VTO acceptance of 75%)		
	No. of shares	% shareholding	No. of shares	% shareholding	% change
1 GECIH	1,538,365,500	25.33%	-	-	-25.33%
2 Existing shareholders	4,535,778,247	74.67%	4,535,778,247	59.89%	-14.79%
3 BTMU - existing shares	-	-	1,538,365,500	20.31%	20.31%
- new shares	-	-	1,500,000,000	19.80%	19.80%
Total	6,074,143,747	100.00%	7,574,143,747	100.00%	

Krungsri shareholders	Before VTO and capital increase		After VTO and capital increase (assuming VTO acceptance of 75%)		
	No. of shares	% shareholding	No. of shares	% shareholding	% change
1 GECIH	1,538,365,500	25.33%	-	-	-25.33%
2 Existing shareholders	4,535,778,247	74.67%	1,518,535,937	20.05%	-54.62%
3 BTMU - existing shares	-	-	4,555,607,810	60.15%	60.15%
- new shares	-	-	1,500,000,000	19.80%	19.80%
Total	6,074,143,747	100.00%	7,574,143,747	100.00%	

Moreover, pursuant to BTMU's intention to hold more than 50% of all issued shares of Krungsri, BTMU may, apart from the VTO and the acquisition of shares through private placement as mentioned above, within 6 months from the end of the VTO period consider purchasing shares from Krungsri's willing shareholders at a price not more than that specified in the VTO. This will result in a control dilution effect at least higher than 50%.

However, the allotment of new shares will not create any price dilution effect because the offering price of Baht 39 per share is higher than the market price of Krungsri shares of Baht 37.86 per share (market price calculated from the weighted-average price of Krungsri shares traded on the SET in the past 15 consecutive business days before the date on which the Board of Directors resolved to approve the new shares allotment and the determination of share offering price), and also higher than the minimum offering price for the new shares allotment which has been set at not lower than 90% of the market price, or not lower than Baht 34.074 per share.

2.2) A possible increase in expenses in the initial period of corporate restructuring

The business integration could cause incremental expenses arising from technological integration, system realignment, etc. These however will be only one-time expenses incurred at the initial stage of business integration. In return, the technological integration will ensure efficient management and improve customer service capability.

Moreover, the transaction will be launched subject to fulfillment by Krungsri and BTMU of certain conditions including the satisfaction of regulatory approvals and corporate approvals, as well as approval from Krungsri shareholders' meeting for the transaction. Failure to fulfill all conditions precedent will result in the expenses relating to the transaction being wasted.

2.3) Risks involved with an ensuing success after the business integration

(1) Risk from gaps in organizational culture, values and management style

The business integration could risk failing to gain the expected benefits due to cultural gaps, line of command reshuffling, and overlapped functional structure, which may give rise to a conflict or a delay in implementation of the Business Integration Plan, thus lessening the expected benefits pursuant the plan. Risk may also arise from variations in the core banking process and management of the two parties. Despite that, Krungsri has experienced several mergers and acquisitions and is accordingly well acquainted with potential risk factors. It is thus expected that the Bank will be able to control and manage such risk.

(2) Risk from difference in database and IT system

Database and IT system is one of the crucial tools to increase competitiveness of commercial banks. IT could ensure rapidity, correctness and accuracy of the operational and service processes and could facilitate monitoring, planning and management information analysis, thereby leading to efficient operations. As such, the difference in database or IT system of the two organizations could hinder smooth integration at the operation level and accordingly result in complexity and overlap in operation, delay in customer servicing or disruption to provision of certain types of services for customers. Most merger parties will therefore invest in IT adjustment in the initial period, albeit the incremental expenditures. For this integration, BTMU will support a linking of database and IT between them for at least five years, which is expected to help mitigate such risk.

2.4) Risk from accounting principles in relation to goodwill impairment resulting from the business transfer

With respect to the BTMU Bangkok Branch business transfer, Krungsri will record the difference between the transfer price and the fair value of BTMU Bangkok Branch as goodwill under the assets caption in Krungsri's consolidated financial statements in accordance with the accounting principles. A goodwill impairment test will be conducted according to the accounting standards. In the event that the expected synergy is not achieved, Krungsri may correspondingly have to measure the goodwill impairment afterwards, which could adversely affect Krungsri's operating results in the future.

2.5) Risk involved with checks and balances by minority shareholders

In entering into this transaction, Krungsri has obtained the BOT's approval for its foreign shareholding to exceed 49% of its total issued shares. As discussed above, BTMU wishes to hold a total of more than 50% of Krungsri's total issued shares, which will allow BTMU to hold a majority vote and to control voting by Krungsri shareholders' meeting on almost all crucial issues, except for the issues required by law or by Krungsri's Articles of Association to obtain affirmative votes not less than three-fourths of the total votes of shareholders attending the meeting and having the right to vote, including matters such as a disposal or transfer of business, an acquisition or acceptance of transfer of business, a capital increase or decrease, an acquisition or disposal of assets, a connected transaction, etc.

However, after the completion of the VTO and the shares allotment to BTMU on a private placement basis, BTMU may become a major shareholder of Krungsri, with a shareholding of more than 75% of the total issued shares of Krungsri after the capital increase, assuming the percentage of the shareholders accepting the VTO of approximately 75% of Krungsri's issued shares. When combined with the number of shares allocated to BTMU on a private placement basis of not exceeding 1,500 million shares, BTMU's shareholding in Krungsri could reach approximately 80% of the total issued shares of Krungsri after the capital increase. This will allow BTMU to have a control and decision power on almost all issues, including those requiring approval from a shareholders' meeting, whether matters requiring a majority vote or crucial issues requiring a vote not less than three-fourths of the total votes of shareholders attending the meeting and having the right to vote. As such, other shareholders will be unable to gather sufficient votes to exercise checks and balances over BTMU.

3) Advantages of not entering into the transaction

3.1) There will be no control dilution effect on Krungsri's existing shareholders due to the issuance of new shares as a consideration to BTMU for the BTMU Bangkok Branch business transfer.

3.2) There will be neither incremental costs nor risks likely arising from the business integration.

3.3) There will be no potential risk from goodwill impairment resulting from the business transfer, which could otherwise adversely affect Krungsri's operating results in the future.

3.4) There will be no checks and balances risk for the minority shareholders.

4) Disadvantages of not entering into the transaction

4.1) Krungsri will lose an opportunity to enhance its regional competitiveness if it does not become a strategic partner with BTMU.

4.2) Krungsri will lose an opportunity to expand business size in terms of assets, income and profit through consolidation of BTMU Bangkok Branch's operating results.

4.3) Krungsri will lose an opportunity to strengthen its capital base.

4.4) Krungsri will lose an opportunity to access new and diverse types of products.

3.3 Comparison of advantages and disadvantages between entering into the transaction with a connected party and those with a third party, necessity for entering into the transaction with a connected party and reasons for not entering into the transaction with a third party

Before entering into the transaction, BTMU is not a shareholder of Krungsri and has no representatives as management or directors in Krungsri, whereas Krungsri has no common management or directors with BTMU. Therefore, BTMU has not yet been a connected party of the Bank. After completion of the VTO process, BTMU will become a major shareholder of Krungsri and this transaction will correspondingly be deemed a connected transaction executed with a juristic person who will become a major shareholder of Krungsri in the future.

This transaction is part of Krungsri's major shareholder restructuring process pursuant to an intention of GECIH to sell its entire shareholding of 1,502,782,973 shares or 25.33% of the total issued shares of Krungsri to any interested party. GECIH arranged for a process to seek and select a suitable party to replace it as a major shareholder of Krungsri.

BTMU has been shortlisted for nomination as a new major partner of Krungsri. It is believed that BTMU will be able to work closely with Krungsri and all concerned parties on Krungsri's next phase of development. BTMU wishes to hold a total of more than 50% of all issued shares of Krungsri in order to maximize synergy for Krungsri and BTMU under the financial laws of Japan and to ensure transparency in the consolidated financial statements of MUFG. Moreover, the business integration of Krungsri and BTMU Bangkok Branch is an essential process and is a condition that will take place together with the shareholding in Krungsri by BTMU, in order to comply with the BOT's One Presence Policy. After BTMU becomes a shareholder of Krungsri through the VTO process, Krungsri will integrate business with BTMU Bangkok Branch and will act as the core merger partner. In this relation, Krungsri will issue and allot new shares on a private placement basis to BTMU as a consideration and/or exchange for the business transfer of BTMU Bangkok Branch, and may further allot new shares on a private placement basis to BTMU, with payment thereof to be made by cash, so as to satisfy BTMU's intention of shareholding in Krungsri as mentioned above. In any case however, the total number of shares issued and allotted to BTMU shall not exceed 1,500 million shares.

BTMU, which will become a new major shareholder of Krungsri, is a large bank with a network in several countries across the world. It has expertise in and a large number of corporate customers, offering a diverse range of world-class financial products and services with a branch network, customer base and business partners at regional level. It can serve customers' diverse needs for international financial and banking services and has a strong capital base and financial statements that reflect solid financial health, obtaining a sound credit rating. It has maintained an international network and investors relation, and can access large funding sources with a low cost. It embraces international banking business practices and platforms such as IT system, credit analysis process, risk management, etc. Krungsri will therefore benefit in several ways and can increase synergies achieved through combination with the strengths and expertise of BTMU. This fits well with Krungsri's aspiration to become a leading Thai financial institution with strong determination to develop and prosper in Thai financial sector in the long run.

The selection of a new strategic partner for Krungsri has already been processed with due care. GE Capital Group and concerned parties of Krungsri have decided to nominate BTMU as a new major shareholder of the Bank, believing that, after becoming a shareholder of Krungsri, BTMU will

be able to work closely with all relevant parties in the next phase of Krungsri's development and growth, while maintaining Krungsri as a Thai commercial bank.

Nonetheless, given that the transaction is entered into with a third party such as an integration with any large Thai bank, it is likely that Krungsri will not be a core merger party. After completion of the merger, Krungsri will have to surrender its banking license and dissolve the business. An overlap between corporate titles or branch locations of the merger parties could necessitate a dissolution or consolidation of the overlapped functions or close-down of the duplicated branches, thereby possibly impacting employees' titles and duties or leading to a lay-off. Caring and responsibility for its staff members is a major concern of Krungsri and, hence, could be a factor hindering a successful merger deal with any large Thai bank. Besides, negotiations with several non-Thai investors which are funds or financial institutions in ASEAN group have turned out a failure. Accordingly, there are not any formal proposals and conditions from other interested investors or third parties that could be disclosed and compared with the connected transaction contemplated herein. The transaction of Krungsri is considered reasonable, taking into account the advantages and disadvantages discussed above, as Krungsri will gain benefits from entering into this transaction. The determination of price relating to the transaction is considered fair. Therefore, the entering into the transaction with a connected party is deemed appropriate and beneficial to Krungsri and its shareholders in the long term.

4. Fairness of price and conditions for the transaction

4.1 Fairness of price

Krungsri will enter into a transaction to accept an entire business transfer of BTMU Bangkok Branch subsequent to completion of the VTO process. The Reference Branch Value of the BTMU Bangkok Branch business transfer is equal to Baht 44,586 million, implied price to book value ratio of 1.15 times based on BTMU Bangkok Branch's audited financial statements as of March 31, 2013, which is calculated into the number of new ordinary shares to be issued of 1,143,221,782 shares under the assumption that Krungsri's share price is Baht 39 per share. The final purchase price and number of shares issued as a consideration for the business transfer may be adjusted as a result of a change in the net asset value of BTMU Bangkok Branch and Krungsri on the date of transfer.

Krungsri will pay a consideration in kind for such business transfer by issuing and allotting not more than 1,500,000,000 new shares with a par value of Baht 10 per share at an offering price of Baht 39 per share to BTMU, amounting to not more than Baht 58,500 million in total.

The IFA has determined the appropriateness of the purchase price of BTMU Bangkok Branch and the price of Krungsri shares to be issued as a consideration for the business transfer by different valuation approaches. Details of the valuation of BTMU Bangkok Branch and Krungsri shares are as follows:

(a) Valuation of BTMU Bangkok Branch

We have measured a fair value of the business by using the following approaches:

- 1) Book value approach
- 2) Adjusted book value Approach
- 3) Market comparable approach
 - 3.1) Price to book value approach
 - 3.2) Price to earnings ratio approach
- 4) Acquisition comparable approach
- 5) Dividend discounted model

We have not adopted the enterprise value to EBITDA approach and the discounted cash flow approach in the valuation of BTMU Bangkok Branch, like the valuation of other businesses in general, because BTMU Bangkok Branch operates a commercial banking business offering financial services with different characteristics from other general businesses as follows:

- Banks mobilize funds from accepting deposits, issuing financial instruments and extending loans and accordingly generates cash inflow primarily from interest income. Hence, there is a limitation on calculation of cash flow before interest expenses.
- Funds available for business operation come from shareholders' equity, which is subject to regulatory requirements pertaining to maintaining of capital adequacy ratio that could support business expansion. Hence, there is a limitation on growth forecast since the capital adequacy rule must be factored into the calculation and any future revision of such rule could affect the share valuation.
- Capital expenditure of banking business is different from general businesses whose investments are primarily made in fixed assets, whereas banks allocate their spending mainly to brand building and personnel development which are recorded as expenses in

each accounting year. As such, banks' yearly capital expenditure is minimal.

- There is a limitation on calculation of working capital based on a change in current assets and current liabilities because a yearly change thereof is unrelated to investments for future growth.

Details of the valuation are as follows:

1) Book value approach

Under this method, BTMU Bangkok Branch's value is measured from its book value derived from its latest financial statement for the year ended March 31, 2013, which was audited by Mr. Boonlert Kamolchanokkul, an SEC-approved auditor of PricewaterhouseCoopers ABAS Ltd. BTMU Bangkok Branch is a section of BTMU which is registered in Japan, and is not a separate legal entity from BTMU. Its financial statement was prepared based on commercial transactions accounted for in Thailand only. Details of the valuation are as follows:

Items As of March 31, 2013	Amount (Baht million)
Funds brought in to maintain assets under the Act, net	40,559
Balance of inter-office accounts with head office and other branches of the same juristic person, net	263,318
Other components of head office and other branches of the same juristic person's equity	41
Retained earnings	4,441
Total head office and other branches of the same juristic person's equity	308,359

Based on the above financial statement, the book value of head office and other branches of the same juristic person's equity as of March 31, 2013 was Baht 308,359 million, comprising net funds brought in to maintain assets under the Act of Baht 40,559 million, net balance of inter-office accounts with head office and other branches of the same juristic person of Baht 263,318 million, other components of head office and other branches of the same juristic person's equity of Baht 41 million, and retained earnings of Baht 4,441 million.

In measuring the book value of BTMU Bangkok Branch, we took into account only the amounts belonging to BTMU Bangkok Branch, comprising funds brought in to maintain assets under the Act of Baht 40,559 million, net of borrowings from head office for maintaining capital funds of Baht 6,230 million, and retained earnings of Baht 4,441 million, excluding balance of inter-office accounts with head office and other branches of the same juristic person of Baht 263,318 million which is head office's funds brought in for branch operation in Thailand and is deemed as an inter-office account, and also excluding other components of head office and other branches of the same juristic person's equity of Baht 41 million which is unrealized gains on fair value revaluation of available-for-sale securities. However, it is expected that, after completion of the transaction, funds from head office, BTMU, will still be made available for the Bank pursuant to the Funding Support Agreement.

The book value of BTMU Bangkok Branch based on the latest financial statement as of March 31, 2013 is as follows:

Items As of March 31, 2013	Amount (Baht million)
Funds brought in to maintain assets under the Act, net	40,559
Retained earnings	4,441
<u>Less</u> Borrowings from head office for maintaining capital funds	(6,230)
Total book value of BTMU Bangkok Branch	38,770

The share valuation by this approach reflects financial position as of March 31, 2013 only, but could not reflect its profitability in the future.

By this method, we arrive at BTMU Bangkok Branch's book value of Baht 38,770 million, which is lower than the Reference Branch Value with an implied price to book value ratio of 1.15 times or amounting to Baht 44,586 million (based on the book value as of March 31, 2013) by Baht 5,816 million or 13.04% of the Reference Branch Value.

2) Adjusted book value approach

Using this approach, BTMU Bangkok Branch's value is measured by adjusting the book value shown in the financial statement of BTMU Bangkok Branch with items that have material impacts on value of assets and liabilities, in order to reflect the most current net asset value. We have considered the significant items in the financial statement of BTMU Bangkok Branch as of March 31, 2013 for adjustment to the book value, details of which are as follows:

- Loans to customers (less deferred revenue) amounted to Baht 209,978 million. Allowance for doubtful accounts was set aside in an amount of Baht 2,081 million, fully meeting the BOT provisioning requirement.
- Investments amounted to Baht 102,190 million, comprising securities available-for-sale of Baht 100,466 million, stated at fair value; securities held to maturity of Baht 1,723 million, stated at amortized cost and discounted by valuation allowances for impairment (if any); and securities for general investments of Baht 0.64 million, stated at cost and discounted by valuation allowances for impairment (if any).
- Premises and equipment, net, amounted to Baht 144.68 million, stated at cost less accumulated depreciation.
- Deposits totaled Baht 121,081 million, comprising current deposits of Baht 9,952 million, savings deposits of Baht 79,291 million and time deposits of Baht 31,838 million.

In our opinion, loans to customers and allowance for doubtful accounts were recorded and set aside in accordance with the BOT's guidelines and requirements. Almost the entire loans to customers already reflected a reasonable fair value. Since premises and equipment, net, have not been revalued by independent appraisers, no adjustment was made to the revaluation surplus on assets. Liabilities were mainly created with third parties in business operation of BTMU Bangkok Branch and, hence, were already recorded at the actual value. As for the contingent liabilities presented in notes to the financial statement, the management of BTMU Bangkok Branch expected that no significant loss would be incurred and did not set aside any additional provisions. Accordingly, there are no adjustments to the items that may affect the book value.

By this method, BTMU Bangkok Branch's book value is appraised at the same value at the book value approach, equal to Baht 38,770 million, which is lower than the Reference Branch Value with an implied price to book value ratio of 1.15 times or amounting to Baht 44,586 million (based on the book value as of March 31, 2013) by Baht 5,816 million or 13.04% of the Reference Branch Value.

3) Market comparable approach

Under this approach, the valuation is based on multiples such as price to book value ratio (P/BV) and price to earnings ratio (P/E). Each method is applied in two scenarios: Case 1 use of average P/BV and P/E of all SET-listed companies in Financials Industry Group, Banking Sector; and Case 2 use of average P/BV and P/E of only the listed companies in Financials Industry Group, Banking Sector, that have asset size close to BTMU Bangkok Branch. The estimated value of BTMU Bangkok Branch derived from such valuation is then discounted by 15% because BTMU Bangkok Branch is not a listed company like the peer group that is used as a reference for such valuation (based on a discount rate applicable in IPO price valuation of 10% - 20% from market price). Details are as follows:

Case 1 Use of average P/BV and P/E of all SET-listed companies in Financials Industry Group, Banking Sector, prevailing in different retroactive periods of three months, six months, nine months and 12 months up to the cut-off date of June 30, 2013, which is the last business day before the date of news release regarding a tender offer for Krungsri shares via the SET.¹³

The reference listed companies are as follows:

Name	Symbol
1. Bangkok Bank Plc.	BBL
2. Krung Thai Bank Plc.	KTB
3. Siam Commercial Bank Plc.	SCB
4. Kasikorn Bank Plc.	KBANK
5. Bank of Ayudhya Plc.	BAY
6. Thanachart Capital Plc.	TCAP
7. TMB Bank Plc.	TMB
8. TISCO Financial Group Plc.	TISCO
9. Kiatnakin Bank Plc.	KKP
10. CIMB Thai Bank Plc.	CIMBT
11. LH Financial Group Plc.	LHBANK

Case 2 Use of average P/BV and P/E of only the listed companies in Financials Industry Group, Banking Sector, that have asset size close to BTMU Bangkok Branch. As of June 30, 2013, BTMU Bangkok Branch had total assets of Baht 628,518 million. The reference listed companies include BAY, TCAP and TMB whose asset value is in a range of Baht 700,000 million - Baht 1 trillion, as detailed below:

¹³ On July 2, 2013, Krungsri released news through the SET regarding a tender offer for its shares. Krungsri was notified by GECIH that GECIH and BTMU mutually signed a Share Tender Agreement to purchase GECIH's entire shareholding in Krungsri. BTMU will purchase Krungsri shares at a price of Baht 39 per share and GECIH will sell its entire shareholding in Krungsri of 1,538,365,000 shares, representing 25.33% of total issued shares of Krungsri, through the VTO process.

Name	As of June 30, 2013	
	Total assets (Baht million)	Ranking by assets *
1. Bank of Ayudhya Plc. (BAY)	1,026,783	No. 5
2. Thanachart Capital Plc. (TCAP)	967,910	No. 6
3. TMB Bank Plc. (TMB)	711,168	No. 7

Note: * Ranking by assets among all 16 Thai commercial banks, which include large, medium, small and retail banks.

3.1) Price to book value approach (P/BV)

Under this method, the valuation is made by multiplying the book value of BTMU Bangkok Branch as of March 31, 2013, which is Baht 38,770 million, by the average P/BV ratio of the peer group in each scenario as described above, as follows:

Case 1

Average P/BV of all listed companies in the Banking Sector

Period	BBL	KTB	SCB	KBANK	BAY	TCAP
Average of past 3 months	1.46	1.71	2.73	2.53	1.77	1.24
Average of past 6 months	1.49	1.94	2.80	2.62	1.81	1.25
Average of past 9 months	1.45	1.91	2.79	2.58	1.78	1.22
Average of past 12 months	1.45	1.81	2.76	2.55	1.79	1.18

Period	TMB	TISCO	KKP	CIMBT	LHBANK	Average
Average of past 3 months	1.94	2.13	1.58	2.34	1.23	1.88
Average of past 6 months	1.92	2.17	1.51	2.56	1.25	1.94
Average of past 9 months	1.78	2.13	1.46	2.83	1.23	1.92
Average of past 12 months	1.66	2.04	1.37	2.90	1.22	1.88

Note: Data from www.setsmart.com

Conclusion of BTMU Bangkok Branch valuation by price to book value approach

Period	Case 1			
	Average P/BV of peer group (time)	Value of BTMU Bangkok Branch (Baht million)	Discount by 15%	
			Value of BTMU Bangkok Branch (Baht million)	Implied price to book value ratio* (time)
Average of past 3 months	1.88	72,888	61,954	1.60
Average of past 6 months	1.94	75,214	63,932	1.65
Average of past 9 months	1.92	74,438	63,273	1.63
Average of past 12 months	1.88	72,888	61,954	1.60

* Book value of BTMU Bangkok Branch as of March 31, 2013 is Baht 38,770 million.

By this method, BTMU Bangkok Branch is valued in a range of Baht 61,954 million - Baht 63,932 million, representing 1.60 - 1.65 times the book value of BTMU Bangkok Branch as of March 31, 2013, which is higher than the Reference Branch Value with an implied price to book value ratio of 1.15 times or amounting to Baht 44,586 million (based on the book value as of March 31, 2013) by Baht 17,368 million - Baht 19,346 million or 38.95% - 43.39% of the Reference Branch Value.

Case 2

Average P/BV of listed companies in the Banking Sector with asset size close to BTMU Bangkok Branch

Period	BAY	TCAP	TMB	Average
Average of past 3 months	1.77	1.24	1.94	1.65
Average of past 6 months	1.81	1.25	1.92	1.66
Average of past 9 months	1.78	1.22	1.78	1.59
Average of past 12 months	1.79	1.18	1.66	1.54

Note: Data from www.setsmart.com

Conclusion of BTMU Bangkok Branch valuation by price to book value approach

Period	Case 2			
	Average P/BV of peer group (time)	Value of BTMU Bangkok Branch (Baht million)	Discount by 15%	
			Value of BTMU Bangkok Branch (Baht million)	Implied price to book value ratio* (time)
Average of past 3 months	1.65	63,971	54,375	1.40
Average of past 6 months	1.66	64,358	54,704	1.41
Average of past 9 months	1.59	61,644	52,398	1.35
Average of past 12 months	1.54	59,706	50,750	1.31

* Book value of BTMU Bangkok Branch as of March 31, 2013 is Baht 38,770 million.

By this method, BTMU Bangkok Branch is valued in a range of Baht 50,750 million - Baht 54,704 million, representing 1.31 - 1.41 times the book value of BTMU Bangkok Branch as of March 31, 2013, which is higher than the Reference Branch Value with an implied price to book value ratio of 1.15 times or amounting to Baht 44,586 million (based on the book value as of March 31, 2013) by Baht 6,164 million - Baht 10,118 million or 13.82% - 22.69% of the Reference Branch Value.

Conclusion of BTMU Bangkok Branch valuation by price to book value approach in two scenarios

Period	Case 1		Case 2	
	Value of BTMU Bangkok Branch (Baht million)	Implied price to book value ratio* (time)	Value of BTMU Bangkok Branch (Baht million)	Implied price to book value ratio* (time)
Average of past 3 months	61,954	1.60	54,375	1.40
Average of past 6 months	63,932	1.65	54,704	1.41
Average of past 9 months	63,273	1.63	52,398	1.35
Average of past 12 months	61,954	1.60	50,750	1.31
	61,954 - 63,932	1.60 - 1.65	50,750 - 54,704	1.31 - 1.41

* Book value of BTMU Bangkok Branch as of March 31, 2013 is Baht 38,770 million.

The valuation by this approach reflects the business performance and financial position of BTMU Bangkok Branch at a certain period of time, but takes no account of the profitability of BTMU Bangkok Branch in the future.

Under this method, BTMU Bangkok Branch is valued in a range of Baht 61,954 million - Baht 63,932 million representing 1.60 - 1.65 times the book value of BTMU Bangkok Branch in Case 1, and in a range of Baht 50,750 million - Baht 54,704 million representing 1.31 - 1.41 times the book value of BTMU Bangkok Branch in Case 2, which is higher than the Reference Branch Value by Baht 17,368 million - Baht 19,346 million or 38.95% - 43.39% in Case 1 and by Baht 6,164 million - Baht 10,118 million or 13.82% - 22.69% in Case 2.

3.2) Price to earnings approach (P/E)

By this approach, BTMU Bangkok Branch's value is measured from its net profit for fiscal year ended March 31, 2013 (equal to Baht 4,093.08 million), multiplied by the average price to earnings ratio (P/E) of the peer group in each scenario as described above, as follows:

Case 1

Average P/E of all listed companies in the Banking Sector

Period	BBL	KTB	SCB	KBANK	BAY
Average of past 3 months	12.18	12.99	14.64	13.43	13.67
Average of past 6 months	12.52	13.61	15.24	14.37	15.29
Average of past 9 months	12.21	13.06	15.32	14.47	15.85
Average of past 12 months	12.29	12.53	15.35	14.54	16.75

Period	TCAP	TISCO	KKP	Average
Average of past 3 months	9.35	10.33	14.47	12.63
Average of past 6 months	9.78	10.73	14.87	13.30
Average of past 9 months	9.59	10.56	14.24	13.16
Average of past 12 months	9.26	10.16	12.97	12.98

Note: Data from www.setsmart.com

In the calculation of average P/E of the peer group in case 1, we have excluded P/E of TMB, CIMBT and LHBANK as they are considered a significant outlier (average P/E of TMB, CIMBT and LHBANK is in a range of 32.79 - 56.69 times, 30.35 - 32.85 times and 24.94 - 26.77 times respectively).

Conclusion of BTMU Bangkok Branch valuation by price to earnings approach

Period	Case 1			
	Average P/E of peer group (time)	Value of BTMU Bangkok Branch (Baht million)	Discount by 15%	
			Value of BTMU Bangkok Branch (Baht million)	Implied price to book value ratio* (time)
Average of past 3 months	12.63	51,696	43,941	1.13
Average of past 6 months	13.30	54,438	46,272	1.19
Average of past 9 months	13.16	53,865	45,785	1.18
Average of past 12 months	12.98	53,128	45,159	1.16

* Book value of BTMU Bangkok Branch as of March 31, 2013 is Baht 38,770 million.

By this method, BTMU Bangkok Branch is valued in a range of Baht 43,941 million - Baht 46,272 million, representing 1.13 - 1.19 times the book value of BTMU Bangkok Branch as of March 31, 2013, which is (lower) - higher than the Reference Branch Value with an implied price to book value ratio of 1.15 times or amounting to Baht 44,586 million (based on the book value as of March 31, 2013) by Baht (645) million - 1,686 Baht million or (1.45)% - 3.78% of the Reference Branch Value.

Case 2

Average P/E of listed companies in the Banking Sector with asset size close to BTMU Bangkok Branch

Period	BAY	TCAP	Average
Average of past 3 months	13.67	9.35	11.51
Average of past 6 months	15.29	9.78	12.54
Average of past 9 months	15.85	9.59	12.72
Average of past 12 months	16.75	9.26	13.01

Note: Data from www.setsmart.com

In the calculation of average P/E of the peer group in case 2, we have excluded P/E of TMB because it is considered a significant outlier (average P/E of TMB is in a range of 32.79 - 56.69 times).

Conclusion of BTMU Bangkok Branch valuation by price to earnings approach

Period	Case 2			
	Average P/E of peer group (time)	Value of BTMU Bangkok Branch (Baht million)	Discount by 15%	
			Value of BTMU Bangkok Branch (Baht million)	Implied price to book value ratio* (time)
Average of past 3 months	11.51	47,111	40,045	1.03
Average of past 6 months	12.54	51,327	43,628	1.13
Average of past 9 months	12.72	52,064	44,254	1.14
Average of past 12 months	13.01	53,251	45,263	1.17

* Book value of BTMU Bangkok Branch as of March 31, 2013 is Baht 38,770 million.

By this method, BTMU Bangkok Branch is valued in a range of Baht 40,045 million - Baht 45,263 million, representing 1.03 - 1.17 times the book value of BTMU Bangkok Branch as of March 31, 2013, which is (lower) - higher than the Reference Branch Value with an implied price to book value ratio of 1.15 times or amounting to Baht 44,586 million (based on the book value as of March 31, 2013) by Baht (4,541) million - Baht 677 million or (10.19)% - 1.52% of the Reference Branch Value.

Conclusion of BTMU Bangkok Branch valuation by price to earnings approach in two scenarios

Period	Case 1		Case 2	
	Value of BTMU Bangkok Branch (Baht million)	Implied price to book value ratio* (time)	Value of BTMU Bangkok Branch (Baht million)	Implied price to book value ratio* (time)
Average of past 3 months	43,941	1.13	40,045	1.03
Average of past 6 months	46,272	1.19	43,628	1.13
Average of past 9 months	45,785	1.18	44,254	1.14
Average of past 12 months	45,159	1.16	45,263	1.17
	43,941 - 46,272	1.13 - 1.19	40,045 - 45,263	1.03 - 1.17

* Book value of BTMU Bangkok Branch as of March 31, 2013 is Baht 38,770 million.

The valuation by this approach focuses on BTMU Bangkok Branch's profitability in the past year, but takes no account of its potential and profitability prospect in the long term.

Under this method, BTMU Bangkok Branch is valued in a range of Baht 43,941 million - Baht 46,272 million representing 1.13 - 1.19 times the book value of BTMU Bangkok Branch in Case 1, and in a range of Baht 40,045 million - Baht 45,263 million representing 1.03 - 1.17 times the book value of BTMU Bangkok Branch in Case 2, which is (lower) - higher than the Reference Branch Value by Baht (645) million - Baht 1,686 million or (1.45)% - 3.78% in Case 1 and by Baht (4,541) million - 677 Baht million or (10.19)% - 1.52% in Case 2.

4) Acquisition comparable approach

By this method, the valuation is based on previous acquisitions of financial business. In our study, we have taken into account the acquisition transactions performed during 2009 - 2012 in relation to a general tender offer for securities of various businesses and an acquisition of other businesses by banks, including acquisitions of credit card business, personal loan business and retail banking business, to be used as reference information for valuation of BTMU Bangkok Branch.

We have conducted the valuation using two approaches, P/BV and P/E, details of which are as follows:

	Acquired business	Acquirer	Date of tender offer/transaction agreement	Acquisition price	Net profit of business*	Book value of business*	P/BV (time)	P/E (time)
1	HSBC	BAY	Mar 20, 2012	Baht 7,439 million	-	Baht 5,013 million	1.48	-
2	SCIB	TBANK	Apr 26, 2010	Baht 32.50 per share	Baht 1.96 per share	Baht 20.48 per share	1.59	16.58
3	ICBCT	ICBC	Mar 4, 2010	Baht 11.50 per share	Baht 0.46 per share	Baht 8.25 per share	1.39	25.00
4	GEMT	BAY	Aug 27, 2009	Baht 9,787 million	Baht 946.94 million	Baht 9,660 million	1.01	10.34
				Average			1.37	17.31
Book value of BTMU Bangkok Branch as of March 31, 2013 (Baht million)							38,770	-
Net profit of BTMU Bangkok Branch for 2012 (Baht million)							-	4,093.08
Estimated value of BTMU Bangkok Branch (Baht million)							53,115	70,851
Estimated value of BTMU Bangkok Branch as implied price to book value ratio as of March 31, 2013 (time)							1.37	1.83

* Book value and net profit of a business at the time of acquisition.

The valuation by this approach is based on comparison of previous acquisitions with respect to offering price, financial status and performance of the business being acquired for the accounting period in which the tender offer was made. The offering price could be determined by various approaches such as P/BV, P/E, dividend discounted model, etc. The measurement of a business value may be done through comparison simply to reflect a ratio at the time of the acquisition.

Under this method, BTMU Bangkok Branch is valued by the P/BV approach at Baht 53,115 million representing 1.37 times the book value of BTMU Bangkok Branch as of March 31, 2013, which is higher than the Reference Branch Value with an implied price to book value ratio of 1.15 times or amounting to Baht 44,586 million (based on the book value as of March 31, 2013) by Baht 8,529 million or 19.13% of the Reference Branch Value. By the P/E approach, BTMU Bangkok Branch is valued at Baht 70,851 million representing 1.83 times the book value of BTMU Bangkok Branch as of March 31, 2013, which is higher than the Reference Branch Value by Baht 26,265 million or 58.91% of the Reference Branch Value.

5) Dividend discounted model

By this method, the business value is measured from a present value of future dividends payable by BTMU Bangkok Branch, based on data on its net profit from a five-year financial projection (2013 - 2017) and its payout ratio. However, since BTMU Bangkok Branch is a foreign bank branch and has to bring in funds from BTMU (head office) for its operation in Thailand, it does not have any historical payout ratio records. We accordingly assume that BTMU Bangkok Branch pays dividend at a rate of 40% of net profit, based on the average payout ratio in the past three years of Krungsri (2010 - 2012) and equivalent to the average payout ratio of commercial banks listed on the SET, as well as close to the dividend payout of MUFG at around 22% - 40% during 2009-2012. Given a successful business integration with Krungsri, the dividend payout from BTMU Bangkok Branch, one of the group's business unit, will be equal to the dividend payout rate of Krungsri. In view of this and in order to allow the valuation by this approach to be comparable with the valuation of Krungsri shares, it is necessary to use dividend payout for measuring value of BTMU Bangkok Branch under this approach.

We have determined a fair value of BTMU Bangkok Branch by the dividend discounted model based on a projection of its cash flow from future performance forecast. The assumptions used for such projection are prepared from actual financial data or ratios, an analysis of future growth potential of related industries, and information obtained from BTMU Bangkok Branch. Such financial projection is prepared under the assumption that BTMU Bangkok Branch continues to operate as a going concern and there are not any material changes taking place. The projection is also based on the current economic condition and circumstances where the business operation is under oversight of the current management team, taking no account of any future plan or change that might result from implementation of the Business Integration Plan of Krungsri and BTMU Bangkok Branch.

Moreover, the said assumptions are established under the current economic situation. Thus, given there is any crucial change from the assumptions in the economic condition and other external factors that could affect the operation of BTMU Bangkok Branch and its status, the value of BTMU Bangkok Branch measured by this approach will change accordingly.

Here are the key assumptions used for preparing the financial projection:

The actual financial information is derived from the financial statements for 2010-2012 with accounting years ended March 31, 2011-2013 respectively, and the financial projection for 2013-2017 with accounting years ended March 31, 2014-2018 respectively.

1. Income

1.1. Net interest income

Net interest income is estimated from loans, interest income rate, interest expense rate and net interest margin (NIM), as follows:

	-----Actual-----			-----Projected-----				
	2010	2011	2012	2013	2014	2015	2016	2017
Loans (Baht million)	160,039	184,697	209,550	238,887	272,331	310,458	353,922	403,471
Loan growth rate (%)	4.03%	15.41%	13.46%	14.00%	14.00%	14.00%	14.00%	14.00%
NIM (%)	0.88%	1.53%	1.54%	1.54%	1.54%	1.54%	1.54%	1.54%
Interest expense (%)	0.82%	1.37%	1.21%	1.20%	1.20%	1.20%	1.20%	1.20%
Net interest income (Baht million)	3,879	7,112	8,151	9,495	10,024	10,818	11,717	12,736

Loans are projected to grow by 14% during 2013 - 2017, based on the average of actual loan growth rates in 2011 - 2012 of 14.43% and in line with the banking sector's average loan increase rate in 2010 - 2012 of 14.46%.¹⁴ We have not included BTMU Bangkok Branch's loan growth rate in 2010 in the basis for such projection because its loan growth rates in 2011 and 2012 were at about the same level whereas loan growth rate in 2010 differed significantly from those in 2011 and 2012.

NIM for 2013 - 2017 is set to be equal to 1.54%, based on NIM in 2012 which was close to NIM in 2011 of 1.53%. It is expected that BTMU Bangkok Branch will be able to continuously maintain NIM at the same level as in 2012. We have not used NIM in 2010 as a basis for the projection because it differed significantly from NIM in 2011 and 2012.

Interest expense rate is estimated at 1.20% for 2013-2017, according to the actual interest expense rate in 2012 and Krungsri's financial cost management. BTMU Bangkok Branch's interest expense rate dropped from 1.37% in 2011 to 1.21% in 2012. It is anticipated that BTMU Bangkok Branch will be able to continuously maintain interest expense rate at the same level as in 2012 in tandem with its capability of financial cost management.

1.2. Fees and service income

Fees and service income for 2013 - 2017 is projected to grow 3.00% per year throughout the projection life, based on average growth in fees and service income in 2011 - 2012 of 3.28%. It is projected that BTMU Bangkok Branch will be able to continuously maintain growth rate of fees and service income at the same level as the average growth rate of the past two years. We have not calculated the overall average growth rate for 2010 because fees and service income in such year grew at a significantly dropping rate. Details are as tabulated below:

	Actual			Projected				
	2010	2011	2012	2013	2014	2015	2016	2017
Fees and service income (Baht million)	270	280	288	297	306	315	324	334
Growth rate (%)	-34.94%	3.70%	2.86%	3.00%	3.00%	3.00%	3.00%	3.00%

1.3. Net gain (loss) from trading and foreign exchange transactions

Net gain from trading and foreign exchange transactions is projected to remain constant at Baht 400 million throughout the projection period of 2013-2017, based on the average gain recorded in 2009-2012. Trading and foreign exchange transactions are typically a highly volatile business and are influenced more by market situation than by management capability or investment policy of BTMU Bangkok Branch. As such, the projection is based on the average of operating performance in the past four years so as to reflect the volatility of market condition where gains and losses were both evident during 2009-2012.

Details of projection on net gain from trading and foreign exchange transactions are as follows:

¹⁴ Based on data on commercial banks' loans prepared by Bank of Thailand, with a latest update on August 9, 2013.

	----- Actual -----				----- Projected -----				
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net gain (loss) from trading and foreign exchange transactions (Baht million)	1,409	1,806	(488)	(1,079)	400	400	400	400	400

1.4. Net gain from investments

Net gain from investments is estimated at Baht 12 million per year over 2013 - 2017, based on the average of net gain from investments in 2009 – 2012. Gain from investments depends primarily on market situation and BTMU's investment policy. We have thus made estimation based on the the average of operating performance in the past four years so as to reflect the volatility of market condition. Details are as follows:

	----- Actual -----				----- Projected -----				
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net gain from investments (Baht million)	13	6	3	27	12	12	12	12	12

1.5. Other operating income

Other operating income for 2013 - 2017 is projected to be Baht 32 million per year, based on the average of other operating income in 2009 – 2012. The use of the average of operating performance in the past four years is aimed to reflect the volatility of other operating income in the past. Details are as shown below:

	----- Actual -----				----- Projected -----				
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other operating income (Baht million)	12	5	4	105	32	32	32	32	32

2. Operating expenses

Operating expenses as percentage of income in 2013 - 2017 is projected to be 25.00% per year, based on the average of this percentage in 2010 - 2012 of 25.47%. We assume that BTMU Bangkok Branch is able to more efficiently manage its operating expenses, helped by an increase in transaction volume and value of loans to customers which could create economies of scale in the future. Details are as follows:

	-----Actual-----			-----Projected-----				
	2010	2011	2012	2013	2014	2015	2016	2017
Other operating expenses (Baht million)	1,396	1,874	1,939	2,559	2,693	2,894	3,121	3,379
Expenses as % of income (%)	23.40%	27.12%	25.88%	25.00%	25.00%	25.00%	25.00%	25.00%

3. Bad debts

Bad debts rate for 2013-2017 is estimated at 0.15%, close to the average of 2010-2012 of 0.17%. We assume that BTMU Bangkok Branch is able to efficiently manage bad debts at about the same level as in the past three years as well as the performance in 2012, which likely reflects an economic condition close to the present situation. Details are as follows:

	-----Actual-----			-----Projected-----				
	2010	2011	2012	2013	2014	2015	2016	2017
Loans to customers (Baht million)	160,039	184,697	209,550	238,887	272,331	310,458	353,922	403,471
Bad debts rate (%)	0.09%	0.28%	0.13%	0.15%	0.15%	0.15%	0.15%	0.15%
Bad debts (Baht million)	(139)	(484)	(265)	(336)	(383)	(437)	(498)	(568)

4. Dividend payment

Dividend payment of BTMU Bangkok Branch in 2013 - 2017 is expected to be 40% of net profit, based on the average rate of dividend payment in the past three years of Krungsri (2010 - 2012) and equivalent to the average payout ratio of Thai commercial banks listed on the SET. Since BTMU Bangkok Branch is a foreign bank branch and has to bring in funds from BTMU (head office) for its operation in Thailand, it does not have any historical payout ratio records.

In addition, BTMU Bangkok Branch does not have any plan on investment expansion, which could provide yields higher than the return on equity, equal to 10.86%,¹⁵ in order to ensure an efficient use of funds and a maximum benefit for shareholders. We therefore assume that in 2013 the excess of equity from Tier-1 capital will be paid out as dividend, based on Krungsri's Tier-1 capital fund of 10.94% as of year-end 2012, so as to reflect value of the existing excess of equity from Tier-1 capital of Krungsri. Besides, such value should be added to value of BTMU Bangkok Branch obtainable from the usual dividend payment from 2013 net profit in order to derive a share value measured by the dividend discounted model of both BTMU Bangkok Branch and Krungsri for comparison purpose. Under this assumption, in 2013 BTMU Bangkok Branch will pay total dividends of Baht 14,034 million, comprising normal dividend payment of Baht 2,349 million, representing 40% of net profit, and excess capital available for additional dividend payout of another Baht 11,685 million.

5. Corporate income tax

Corporate income tax for 2013 - 2014 is set to be 20% of pre-tax profit, according to the provisions under the Royal Decree No. 555 B.E. 2555 issued under the Revenue Code governing Reduction and Exemption of Revenue Taxes, effective December 27, 2012, prescribing that income tax on profits of companies or partnerships shall be equal to 20% of net profit for the accounting periods starting in 2013 - 2014 only. For 2015 - 2017, we assume the corporate income tax to be 20% of pre-tax profit as well.

6. Terminal growth rate

Terminal growth rate of dividend after the projection life, or from 2018 onwards, is projected to be 2% considering that BTMU Bangkok Branch is still able to achieve a high dividend growth rate.

7. Discount rate

Discount rate used for estimating present value of expected future dividend payable by BTMU Bangkok Branch is equal to 10.86%, based on cost of equity (Ke). Ke calculation formula is as follows:

¹⁵ Projected from return on equity derived by the CAPM (Capital Asset Pricing Model) as described in "6. Discount rate."

Calculation of Ke:

$$K_e = R_f + \beta(R_m - R_f)$$

Where: Risk-free rate (Rf) Risk-free rate is derived from the average bid yield on the government bond with remaining maturity of about 20 years, which, during the month of news release about the tender offer for Krungsri shares, was 4.46% (source: www.thaibma.or.th). We have selected bond with such long maturity period so as to reflect a yield on investment in risk-free assets if held to maturity.

Beta (β) Beta is a variance between market return and closing share price of banks having asset size close to BTMU Bangkok Branch, namely BAY, TMB and TCAP, in the past three years, which is equal to 1.108 (source: Bloomberg). We have not used unlevered beta because the beta derived from calculation is somewhat low and could cause return on equity to be unreasonably lower than usual. Therefore, we have applied, on a conservative basis, the variance of market return, which is the average levered beta of the peer group.

Rm Rm is based on the average rate of return on the SET over the past 20 years, a period that could reflect the investment condition in different time periods better than the shorter term data (source: SET data for 1994-July 2013), equivalent to 10.24%.

Table summarizing BTMU Bangkok Branch's actual performance in 2010-2012 and projection for 2013 - 2017

	-----Actual-----			-----Projected-----				
(Unit: Baht million)	2010	2011	2012	2013	2014	2015	2016	2017
Net interest income	3,879	7,112	8,151	9,495	10,024	10,818	11,717	12,736
Net fees and service income	270	280	288	297	306	315	324	334
Net gain (loss) from trading and foreign exchange transactions	1,806	(488)	(1,079)	400	400	400	400	400
Net gain from investments	6	3	27	12	12	12	12	12
Other operating income	5	4	105	32	32	32	32	32
Total operating income	5,966	6,911	7,492	10,235	10,773	11,577	12,485	13,514
Other operating expenses	(1,396)	(1,874)	(1,939)	(2,559)	(2,693)	(2,894)	(3,121)	(3,379)
Bad debts, allowance for doubtful accounts and impairment loss	(139)	(484)	(265)	(336)	(383)	(437)	(498)	(568)
Operating profit before income tax expenses	4,431	4,553	5,288	7,340	7,697	8,245	8,866	9,568
Income tax expenses	(1,336)	(1,385)	(1,195)	(1,468)	(1,539)	(1,649)	(1,773)	(1,914)
Total net profit	3,095	3,168	4,093	5,872	6,157	6,596	7,093	7,654

Table summarizing the valuation of BTMU Bangkok Branch by the dividend discounted model

(Unit: Baht million)	2013	2014	2015	2016	2017
Net profit	5,872	6,157	6,596	7,093	7,654
Dividend payout	40%+ additional dividend*	40%	40%	40%	40%
Dividend payable	14,034	2,463	2,639	2,837	3,062
Terminal value					35,230
PV of dividend	14,034	2,222	2,147	2,082	2,027
PV of terminal value	23,321				
Total PV of dividend/value of BTMU Bangkok Branch	45,831				
Implied price to book value ratio ** (time)	1.18				

* Additional dividend is Baht 11,685 million in 2013.

** Book value of BTMU Bangkok Branch as of March 31, 2013 is Baht 38,770 million.

Under the assumptions for estimation of expected future dividend payout by BTMU Bangkok Branch, using K_e of 10.86% as a discount rate, we could measure value of BTMU Bangkok Branch by the dividend discounted model at Baht 45,831 million, representing 1.18 times the book value of BTMU Bangkok Branch as of March 31, 2013.

We have additionally conducted a sensitivity analysis with a 1% increase/decrease in K_e from the base case. The outcome is as follows:

		Dividend discounted model	
		Business value (Baht million)	Implied price to book value ratio* (time)
K_e	9.86%	49,978	1.29
	Base Case 10.86%	45,831	1.18
	11.86%	42,556	1.10

** Book value of BTMU Bangkok Branch as of March 31, 2013 is Baht 38,770 million.

From the sensitivity analysis, the value of BTMU Bangkok Branch is in a range of Baht 42,556 million - Baht 49,978 million, representing 1.10 - 1.29 times the book value of BTMU Bangkok Branch as of March 31, 2013.

Table summarizing the valuation of BTMU Bangkok Branch compared with the Reference Branch Value equal to 1.15 times BTMU Bangkok Branch's book value or Baht 44,586 million (book value of BTMU Bangkok Branch as of March 31, 2013 of Baht 38,770 million x 1.15 times)

Valuation approach	Estimated fair price		Estimated fair price higher/(lower) than Reference Branch Value	
	Baht million	Implied price to book value ratio ^{1/} (time)	Baht million	%
1. Book value approach	38,770	1.0	(5,816)	(13.04)
2. Adjusted book value approach	38,770	1.0	(5,816)	(13.04)
3. Market comparable approach				
3.1 Price to book value				
Case 1	61,954 - 63,932	1.60 - 1.65	17,368 - 19,346	38.95 - 43.39
Case 2	50,750 - 54,704	1.31 - 1.41	6,164 - 10,118	13.82 - 22.69
3.2 Price to earnings				
Case 1	43,941 - 46,272	1.13 - 1.19	(645) - 1,686	(1.45) - 3.78
Case 2	40,045 - 45,263	1.03 - 1.17	(4,541) - 677	(10.19) - 1.52
4. Acquisition comparable approach				
3.1 Price to book value	53,115	1.37	8,529	19.13
3.2 Price to earnings	70,851	1.83	26,265	58.91
5. Dividend discounted model				
5.1 Base case	45,831	1.18	1,245	2.79
5.2 Sensitivity analysis	42,556 - 49,978	1.10 - 1.29	(2,030) - 5,392	(4.55) - 12.09

Note: ^{1/} Based on book value of BTMU Bangkok Branch as of March 31, 2013 of Baht 38,770 million.

The above valuation approaches have different strengths and weaknesses in identifying a fair value of the business, as described below:

1) The book value approach and adjusted book value approach focus on the financial position at a certain point of time and the book value of assets, but takes no account of future profitability prospect and business performance of BTMU Bangkok Branch.

2) The price to book value approach reflects the financial position at a certain period of time compared with the average of such ratio of the peer group, but takes no account of the profitability and business performance of BTMU Bangkok Branch in the future. The price to earnings approach focuses on BTMU Bangkok Branch's profitability prospect by comparing with the average of such ratio of the peer group, but the valuation is based on a short-term profit only and thus could not reflect the future profitability prospect and business performance of BTMU Bangkok Branch.

3) The acquisition comparable approach measures the business value by comparing with previous acquisition transactions of financial business based on the acquisition price, financial status and performance at the time of the acquisition. The reference acquisition prices are derived from acquisition transactions performed in different periods of time and under different market environments and factors. Those acquisition prices have been determined by various approaches such as P/BV, P/E, dividend discount model, etc. The measurement of a business value may be done through comparison simply to reflect a ratio at the time of the acquisition.

4) The dividend discounted model reflects BTMU Bangkok Branch's profitability and growth

prospect based on the business outlook, economic condition and related industry situation through an estimation of present value of expected future dividend payout. The estimation is based on dividend payout ratio under the established assumptions, which could fairly reflect true value of BTMU Bangkok Branch to a certain degree. Nonetheless, since the valuation by this approach is based on the assumptions and forecasts of factors relating to the financial projection, if there is any material change in the assumptions or the economic situation and relevant factors from those prevailing as of the date of this valuation, it could accordingly affect the business value measured by this approach.

Taking into account the strengths and weaknesses of all approaches applied herein, we deem that the valuation of BTMU Bangkok Branch by the dividend discounted model is most appropriate because it could reflect BTMU Bangkok Branch's profitability and growth prospect based on the business outlook, economic condition and related industry situation. Although such business value is measured under the assumptions used for financial projection, the seller and the buyer, in their negotiation, will basically agree on a price that best reflects the market value of the business. Since BTMU Bangkok Branch is not listed on any stock exchange, there is no reference market price available for the business valuation, as in the case of Krungsri share valuation. As such, the measurement of BTMU Bangkok Branch business value by the dividend discounted model is considered most suitable under the present circumstances.

By this approach, we arrive at a fair value of BTMU Bangkok Branch of Baht 45,831 million, representing 1.18 times the book value of BTMU Bangkok Branch as of March 31, 2013. In the sensitivity analysis case, the fair value is estimated in a range of Baht 42,556 million - Baht 49,978 million, representing 1.10 - 1.29 times the book value of BTMU Bangkok Branch as of March 31, 2013, which is (lower) - higher than the Reference Branch Value with an implied price to book value ratio of 1.15 times or amounting to Baht 44,586 million (based on the book value as of March 31, 2013) by Baht (2,030) million – Baht 5,392 million or (4.55)% - 12.09% of the Reference Branch Value.

(b) Valuation of Krungsri shares

Krungsri will issue and allot not more than 1,500,000,000 new ordinary shares with a par value of Baht 10 per share to BTMU on a private placement basis. The new shares allotment will be made in two tranches as follows:

Tranche 1 Private placement of not more than 1,500,000,000 newly issued ordinary shares with the par value of Baht 10 per share to BTMU in case the aggregate amount of ordinary shares which BTMU acquires through VTO and from other kind of acquisition plus projection number of capital-increased shares that BTMU will obtain in compensation for business transfer of BTMU, Bangkok Branch is less than 50% of all issued shares of the Bank. In this respect, the Board of Directors is assigned to consider one or more specific allocations of shares (Tranche 1) to BTMU within six months from the end of the VTO made by BTMU at the selling price of Baht 39 per share and payment for these shares shall be made by cash.

Tranche 2 Allotment of newly issued shares (at the par value of Baht 10 per share) to BTMU in case there is no private placement of Tranche 1 or there are remaining shares from Tranche 1 allotment as consideration and/or exchange for the transfer of the business of BTMU, Bangkok Branch. BTMU will make payment for these shares in kind (Tranche 2) i.e. all assets of BTMU Bangkok Branch. In this respect, the Board of Directors is assigned to consider determining the number of shares to be allotted to BTMU (Tranche 2) under determined formula of asset valuation, asset valuation of BTMU Bangkok Branch and valuation of the Bank's shares.

The combined amount of shares in both tranches to be issued and allotted by Krungsri on a private placement basis to BTMU shall not exceed 1,500,000,000 shares.

We have determined fairness of price of Krungsri shares to be offered on a private placement basis to BTMU in an amount not more than 1,500 million shares with a par value of Baht 10 per share as a consideration and/or exchange for the BTMU Bangkok Branch business transfer at an offering price not lower than 90% of market price, which market price is equal to Baht 37.86 per share derived from the weighted-average price of Krungsri shares traded in the past 15 consecutive business days before the date on which the Board of Directors resolved to seek approval from the shareholders' meeting for the business integration and the new shares offering on a cash payment basis at an offering price of Baht 39 per share. We have measured a fair value of Krungsri shares by the following approaches:

- 1) Book value approach
- 2) Adjusted book value approach
- 3) Market comparable approach
 - 3.1) Price to book value approach
 - 3.2) Price to earnings approach
- 4) Market value approach
- 5) Dividend discounted model

We have not adopted the enterprise value to EBITDA approach and the discounted cash flow approach in the valuation of Krungsri shares, as in the valuation of shares of other businesses in general, because Krungsri has engaged in the financial services business which has different characteristics from other general businesses, based on the same reasons as discussed in a) Valuation of BTMU Bangkok Branch.

Details of Krungsri shares valuation are as follows:

1) Book value approach

Under this method, Krungsri shares are appraised based on the book value of the Bank and its subsidiaries derived from the consolidated financial statement as of June 30, 2013, which was audited by Mr. Permsak Wongpatcharakorn, an SEC-approved auditor of Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd. Details of the valuation are as follows:

Items As of June 30, 2013	Amount (Baht million)
Issued and paid-up share capital	60,741.44
Premium on ordinary shares	13,802.22
Other components of equity ^{1/}	7,307.96
Retained earnings	
Appropriated - Legal reserve	1,641.50
Unappropriated	35,901.23
Total Bank's equity	119,394.35
Par value per share (Baht)	10.00
Total number of issued shares (million shares)	6,074.14
Book value per share (Baht)	19.66

Note: ^{1/} Consisting of changes in assets revaluation surplus, gains (losses) on remeasuring available-for-sale investment, and income tax relating to components of other comprehensive income.

The share valuation by this method reflects financial position of Krungsri and its subsidiaries as of June 30, 2013 only, without incorporating into the calculation the crucial transaction items occurring after such financial statement date which have material impacts on the assets, and does not reflect future profitability prospects of the Bank and its subsidiaries.

Under this approach, Krungsri shares are valued at Baht 19.66 per share, which is lower than the offering price of Baht 39 per share by Baht 19.34 per share or by 49.59% of the offering price.

2) Adjusted book value approach

Using this approach, the shares are appraised by adjusting the book value shown in the financial statement of Krungsri and its subsidiaries as of June 30, 2013 with a crucial item occurring after such financial statement date, i.e. interim dividend payment, or other items that have material impacts on value of assets and liabilities, in order to reflect the most current net asset value. We have considered the significant items in the financial statement as of June 30, 2013 for adjustment to the book value, details of which are as follows:

- Loans to customers (less deferred revenue) amounted to Baht 864,341 million extended to various business sectors. Allowance for doubtful accounts was set aside in an amount of Baht 34,007 million, fully meeting the BOT provisioning requirement, with additional reserve set aside beyond the minimum requirement of the BOT.

- Investments amounted to Baht 77,552 million, comprising securities for trading of Baht 3,100 million, stated at fair value; securities available-for-sale of Baht 73,852 million, stated at fair value; and securities for general investments of Baht 600 million, stated at cost and discounted by valuation allowances for impairment.
- Premises and equipment, net, amounted to Baht 20,075 million. Fixed assets were accounted for using the revaluation accounting policy, where fixed assets were revalued by independent appraisers in every accounting period. Revaluation increase/decrease was recorded in the assets revaluation surplus account.
- Deposits totaled Baht 731,731 million, comprising current deposits of Baht 18,269 million, savings deposits of Baht 354,949 million and time deposits of Baht 358,513 million.
- Contingent liabilities may arise as a result of lawsuits brought against the Bank as a defendant. Contingencies have been sufficiently provided to cover any potential damage arising therefrom. The Bank's management considered that such provisions were complete and adequate.

In our opinion, loans to customers and allowance for doubtful accounts were recorded and set aside in accordance with the BOT's guidelines and requirements, with additional reserve also provided beyond the minimum requirement of the BOT. Contingent liabilities were provided for and recorded in the financial statement. Fixed assets were accounted for using the revaluation accounting policy, where fixed assets were revalued by independent appraisers in every accounting period. Revaluation increase/decrease was recorded in the assets revaluation surplus account. Since the fixed assets' value already reflected a reasonable market value, we have not adjusted the revaluation increase/decrease in fixed assets. As for contingent liabilities that may arise as a result of lawsuits brought against the Bank as a defendant, the management viewed that the provisions were complete and adequate and, hence, did not set aside any additional reserves.

Investments, comprising securities for trading and securities available-for-sale which were stated at fair value, already reflected a market value and, thus, no adjustment has been made to these two items. Securities for general investments were stated at cost and discounted by valuation allowances for impairment. We have therefore made adjustment to this item to reflect the most current asset value by basing on book value from the latest financial statement of each investee entity and comparing with value of such investments recorded in the Bank's financial statement so as to figure out the difference from cost. Securities for general investments that were adjusted include investments in companies that are still operative, not being companies that are under business reorganization, liquidation or receivership or are bankrupt, and exclude investments in companies for which the Bank has already set aside allowances for impairment to reflect the value.

Details of the book value adjustment are as follows:

1) Dividend paid

On August 28, 2013, Krungsri's Board of Directors Meeting No. 8/2013 resolved to approve interim dividend payment for H1/2013 to ordinary shareholders of 6,074,143,747 shares at a rate of Baht 0.40 per share, payable out of retained earnings on September 26, 2013. We have adjusted down the book value of Krungsri and its subsidiaries as of June 30, 2013 by such interim dividend payment of Baht 2,429,657,499.

2) General investments

Krungsri has invested in non-marketable equity securities and debt securities, which are classified as general investments and stated at cost, net of allowances for impairment. As of June 30, 2013, general investments of Krungsri and its subsidiaries totaled Baht 600 million.

We have adjusted value of general investments to reflect the most current value by basing on book value from the latest audited financial statement of each investee entity and/or closing price of net asset value per investment unit as of the end of Q2/2013 accounting period. The value of investments calculated at the most current book value or the latest closing price of investment unit is then compared with the value of investments recorded in Krungsri's financial statement to figure out the difference thereof. As a result, the value of general investments, after such adjustment, increases by Baht 86.55 million.

The general investments being adjusted include investments in companies that are still operative, not being companies that are under business reorganization, liquidation or receivership or are bankrupt, and exclude investments in companies for which the Bank has already set aside allowances for impairment to reflect the value.

Conclusion of share valuation by the adjusted book value approach

Items As of June 30, 2013	Amount (Baht million)
Equity as of June 30, 2013	119,394.35
<u>Adjusted items</u>	
<u>Less</u> Dividend paid	(2,429.66)
<u>Add</u> Increase in value of general investments after adjustment	86.55
Book value after adjustment	117,051.24
Par value per share (Baht)	10.00
Total number of issued shares (million shares)	6,074.14
Adjusted book value per share (Baht)	19.27

The share valuation by this method reflects financial position of Krungsri and its subsidiaries as of June 30, 2013 only, and does not reflect future profitability prospects of the Bank and its subsidiaries.

Under this approach, Krungsri shares are valued at Baht 19.27 per share, which is lower than the offering price of Baht 39 per share by Baht 19.73 per share or by 50.59% of the offering price.

3) Market comparable approach

Under this approach, the valuation is based on multiples such as price to book value ratio (P/BV) and price to earnings ratio (P/E). In each method, share valuation is made in two scenarios, similar to the valuation of BTMU Bangkok Branch, as follows:

Case 1 Use of average P/BV and P/E of all SET-listed companies in Financials Industry Group, Banking Sector prevailing in retroactive periods of three months, six months, nine months and 12 months up to the cut-off date of June 30, 2013, which is the last business day before the date of news release via the SET regarding a tender offer for Krungsri shares (details of peer

group are given in Item a) Valuation of BTMU Bangkok Branch, Sub-item 2) Market comparable approach); and

Case 2 Use of average P/BV and P/E of only the listed companies in Financials Industry Group, Banking Sector, that have asset size close to Krungsri, comprising BAY, TCAP and TMB whose total asset value is in a range of Baht 700,000 million - Baht 1 trillion.

3.1) Price to book value approach (P/BV)

Under this method, the valuation is made by multiplying the book value of Krungsri and its subsidiaries as of June 30, 2013, which is Baht 19.66 per share, by the average P/BV ratio of the peer group in each scenario, as follows:

Case 1

Average P/BV of all listed companies in the Banking Sector

Period	BBL	KTB	SCB	KBANK	BAY	TCAP
Average of past 3 months	1.46	1.71	2.73	2.53	1.77	1.24
Average of past 6 months	1.49	1.94	2.80	2.62	1.81	1.25
Average of past 9 months	1.45	1.91	2.79	2.58	1.78	1.22
Average of past 12 months	1.45	1.81	2.76	2.55	1.79	1.18

Period	TMB	TISCO	KKP	CIMBT	LHBANK	Average
Average of past 3 months	1.94	2.13	1.58	2.34	1.23	1.88
Average of past 6 months	1.92	2.17	1.51	2.56	1.25	1.94
Average of past 9 months	1.78	2.13	1.46	2.83	1.23	1.92
Average of past 12 months	1.66	2.04	1.37	2.90	1.22	1.88

Note: Data from www.setsmart.com

Conclusion of Krungsri share valuation by price to book value approach

Period	Case 1	
	Average P/BV of peer group	Appraised fair value (Baht/share)
Average of past 3 months	1.88	36.96
Average of past 6 months	1.94	38.14
Average of past 9 months	1.92	37.75
Average of past 12 months	1.88	36.96

Under this approach, Krungsri shares are valued at Baht 36.96 - Baht 38.14 per share, which is lower than the offering price of Baht 39 per share by Baht 0.86 - Baht 2.04 per share or by 2.21% - 5.23% of the offering price.

Case 2

Average P/BV of listed companies in the Banking Sector with asset size close to Krungsri

Period	BAY	TCAP	TMB	Average
Average of past 3 months	1.77	1.24	1.94	1.65
Average of past 6 months	1.81	1.25	1.92	1.66
Average of past 9 months	1.78	1.22	1.78	1.59
Average of past 12 months	1.79	1.18	1.66	1.54

Note: Data from www.setsmart.com

Conclusion of Krungsri share valuation by price to book value approach

Period	Case 2	
	Average P/BV of peer group	Appraised fair value (Baht/share)
Average of past 3 months	1.65	32.44
Average of past 6 months	1.66	32.64
Average of past 9 months	1.59	31.26
Average of past 12 months	1.54	30.28

Under this approach, Krungsri shares are valued at Baht 30.28 - Baht 32.64 per share, which is lower than the offering price of Baht 39 per share by Baht 6.36 - Baht 8.72 per share or by 16.31% - 22.36% of the offering price.

Conclusion of Krungsri share valuation by price to book value approach in two scenarios

Period	Case 1		Case 2	
	Average P/BV of peer group	Appraised fair value (Baht/share)	Average P/BV of peer group	Appraised fair value (Baht/share)
Average of past 3 months	1.88	36.96	1.65	32.44
Average of past 6 months	1.94	38.14	1.66	32.64
Average of past 9 months	1.92	37.75	1.59	31.26
Average of past 12 months	1.88	36.96	1.54	30.28
	1.88 - 1.94	36.96 - 38.14	1.59 - 1.66	30.28 - 32.64

The share valuation by this approach reflects the business performance and financial position of Krungsri and its subsidiaries at a certain period of time, but does not reflect the profitability of Krungsri and its subsidiaries in the future.

Under this approach, Krungsri shares are valued at Baht 36.96 - Baht 38.14 per share in Case 1 and Baht 30.28 - Baht 32.64 per share in Case 2, which is lower than the offering price of Baht 39 per share by Baht 0.86 - Baht 2.04 per share or 2.21% - 5.23% in Case 1 and by Baht 6.36 - Baht 8.72 per share or 16.31% - 22.36% in Case 2.

3.2) Price to earnings approach (P/E)

By this approach, Krungsri shares are valued from its earnings per share in the past four quarters up to Q2/2013 (equal to Baht 2.40 per share), multiplied by the average price to earnings ratio (P/E) of the peer group in each scenario described above, as follows:

Case 1

Average P/E of all listed companies in the Banking Sector

Period	BBL	KTB	SCB	KBANK	BAY
Average of past 3 months	12.18	12.99	14.64	13.43	13.67
Average of past 6 months	12.52	13.61	15.24	14.37	15.29
Average of past 9 months	12.21	13.06	15.32	14.47	15.85
Average of past 12 months	12.29	12.53	15.35	14.54	16.75

Period	TCAP	TISCO	KKP	Average
Average of past 3 months	9.35	10.33	14.47	12.63
Average of past 6 months	9.78	10.73	14.87	13.30
Average of past 9 months	9.59	10.56	14.24	13.16
Average of past 12 months	9.26	10.16	12.97	12.98

Note: Data from www.setsmart.com

In the calculation of average P/E of the peer group in case 1, we have excluded P/E of TMB, CIMBT and LHBANK as they are considered a significant outlier (average P/E of TMB, CIMBT and LHBANK is in a range of 32.79 - 56.69 times, 30.35 - 32.85 times and 24.94 - 26.77 times respectively).

Conclusion of Krungsri share valuation by price to earnings approach

Period	Case 1	
	Average P/E of peer group	Appraised fair value (Baht/share)
Average of past 3 months	12.63	30.31
Average of past 6 months	13.30	31.92
Average of past 9 months	13.16	31.58
Average of past 12 months	12.98	31.15

Under this approach, Krungsri shares are valued at Baht 30.31 - Baht 31.92 per share, which is lower than the offering price of Baht 39 per share by Baht 7.08 - Baht 8.69 per share or by 18.15% - 22.28% of the offering price.

Case 2

Average P/E of listed companies in the Banking Sector with asset size close to Krungsri

Period	BAY	TCAP	Average
Average of past 3 months	13.67	9.35	11.51
Average of past 6 months	15.29	9.78	12.54
Average of past 9 months	15.85	9.59	12.72
Average of past 12 months	16.75	9.26	13.01

Note: Data from www.setsmart.com

In the calculation of average P/E of the peer group in case 2, we have excluded P/E of TMB because it is considered a significant outlier (average P/E of TMB is in a range of 32.79 - 56.69 times).

Conclusion of Krungsri share valuation by price to earnings approach

Period	Case 2	
	Average P/E of peer group	Appraised fair value (Baht/share)
Average of past 3 months	11.51	27.62
Average of past 6 months	12.54	30.10
Average of past 9 months	12.72	30.53
Average of past 12 months	13.01	31.22

Under this approach, Krungsri shares are valued at Baht 27.62 - Baht 31.22 per share, which is lower than the offering price of Baht 39 per share by Baht 7.78 - Baht 11.38 per share or by 19.95% - 29.18% of the offering price.

Conclusion of Krungsri share valuation by price to earnings approach in two scenarios

Period	Case 1		Case 2	
	Average P/E of peer group	Appraised fair value (Baht/share)	Average P/E of peer group	Appraised fair value (Baht/share)
Average of past 3 months	12.63	30.31	11.51	27.62
Average of past 6 months	13.30	31.92	12.54	30.10
Average of past 9 months	13.16	31.58	12.72	30.53
Average of past 12 months	12.98	31.15	13.01	31.22
	12.63 - 13.30	30.31 - 31.92	11.51 - 13.01	27.62 - 31.22

The valuation by this approach focuses on profitability in the past 12 months, but takes no account of the potential and profitability prospect of Krungsri and its subsidiaries in the long term.

Under this approach, Krungsri shares are valued at Baht 30.31 - Baht 31.92 per share in Case 1 and Baht 27.62 - Baht 31.22 per share in Case 2, which is lower than the offering price of Baht 39 per share by Baht 7.08 - Baht 8.69 per share or 18.15% - 22.28% in Case 1 and by Baht 7.78 - Baht 11.38 per share or 19.95% - 29.18% in Case 2.

4) Market value approach

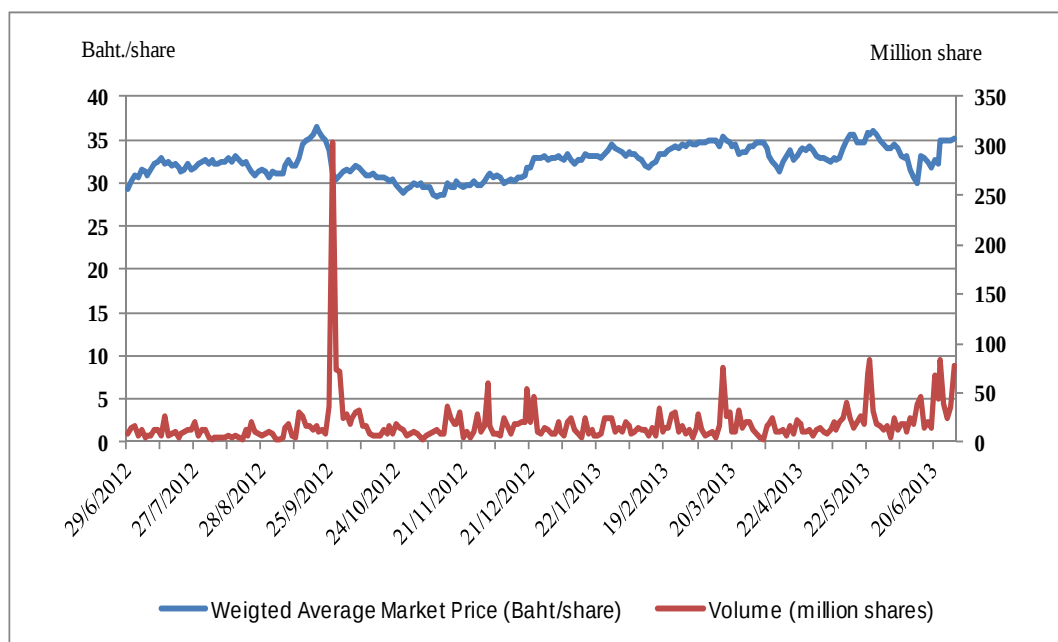
By this method, the shares are appraised based on the weighted average market price (trading value/trading volume) of Krungsri shares traded on the SET over different retroactive periods. We have adopted the weighted average market price in different periods of the past one year up to the cut-off date of June 30, 2013, which is the last business day before the date of news release via the SET regarding a tender offer for Krungsri shares. The outcome is as follows:

Conclusion of Krungsri share valuation by market value approach

Period	Average daily trading		Weighted average market price (Baht/share)
	Volume (shares)	Value (Baht)	
Average of past 3 months	23,313,290	791,113,066	33.93
Average of past 6 months	19,537,514	661,831,382	33.87
Average of past 9 months	18,864,118	620,412,760	32.89
Average of past 12 months	18,258,155	596,902,531	32.69

Note: Data from www.setsmart.com

**Graph illustrating the weighted average market price and trading volume of Krungsri shares in one year
(July 2, 2012 - June 28, 2013)**



The trading volume of Krungsri shares in different retroactive periods of three months, six months, nine months and 12 months was in a range of 18,258,155 shares - 23,313,290 shares per day or roughly 0.30% - 0.38% of Krungsri's total issued shares and the yearly trading volume amounted to 4,509,764,195 shares or 74.25% of its total issued shares, representing favorable trading liquidity of Krungsri shares. The said market price is dependent upon the demand/supply of Krungsri shares from investors, which could well reflect the value of shares in such period to a certain extent.

After the news release on July 2, 2013 regarding a tender offer for all Krungsri shares proposed by BTMU at a price of Baht 39 per share, the weighted average market price of Krungsri shares between July 2, 2013 and September 17, 2013 (the last business day before Krungsri Board of Directors approved the acquisition of BTMU Bangkok Branch business) edged up from the level before the news release to Baht 37.86 per share. Such share price increase is not unusual for companies undergoing a tender offer process, where their share price will typically scale up to about the same level as the tender offer price.

Under this approach, Krungsri shares are valued at Baht 32.69 - Baht 33.93 per share, which is lower than the offering price of Baht 39 per share by Baht 5.07 - Baht 6.31 per share or by 13.00% - 16.18% of the offering price.

5) Dividend discounted model

By this method, Krungsri shares' value is measured from a present value of future dividends payable by the Bank, based on data on its net profit from a five-year financial projection (2013 - 2017) and assuming that its payout ratio is equal to 40% of net profit. Such payout ratio is derived from the average payout ratio of Krungsri during 2010 - 2012 of 39.50% of net profit.

We have determined a fair value of Krungsri shares by the dividend discounted model based on a projection of cash flow from future performance forecast of the Bank and its subsidiaries. The assumptions used for such projection are prepared from actual financial data or ratios and also from information obtained from the Bank and from interviews with its management.

The financial projection of Krungsri for 2013-2015 is mainly based on the management's projection which targets to achieve loan growth and fund management with NIM at about the same level as the current rate so as to strengthen its competitiveness. In overall, loans are projected to increase steadily close to the average growth rate of the past two years. NIM is expected to remain growing at a constant rate, with the Bank's effort to continually and efficiently control its NIM. Interest rates on deposits are forecast to increase slightly from 2012 under an anticipation of a tightened money market condition which could cause interest rate hikes. Interest rates on borrowings are projected to decline from 2012. Fees and service income is estimated to grow consistently and will drop slightly from 2012 due to the Bank's attempt to maintain sustainable growth in fees and service income. Percentage of operating expenses is projected to decrease from 2012 under the Bank's strategy for cost efficiency and economies of scale. Bad debts and doubtful accounts are expected to remain at a constant rate and to decline from 2012 with the Bank's endeavor to manage its bad debts and doubtful accounts in a more efficient manner.

Such financial projection is prepared under the assumption that Krungsri continues to operate as a going concern and there are not any material changes taking place. The projection is also based on the current economic condition and circumstances where the business operation is under oversight of the current management team, taking no account of any future plan or change that might result from the business integration of Krungsri and BTMU Bangkok Branch.

Moreover, the said assumptions are established under the current economic situation. Thus, given there is any crucial change from the assumptions in the economic condition and other external factors that could affect the operation of Krungsri and its subsidiaries and also in the Bank's status, the value of Krungsri shares measured by this approach will change accordingly.

Here are the key assumptions used for preparing the financial projection:

1. Income

1.1. Net interest income

Net interest income is estimated from loans, interest income rate, interest expense rate and net interest margin (NIM), as follows:

	-----Actual-----			-----Projected-----				
	2010	2011	2012	2013	2014	2015	2016	2017
Net interest income (Baht million)	34,628	37,465	39,953	46,885	51,285	58,155	66,034	74,823
Loan growth rate (%)	7.53%	10.87%	15.36%	12.20%	12.30%	13.00%	13.00%	13.00%
NIM (%)	4.53%	4.44%	4.26%	4.40%	4.40%	4.40%	4.40%	4.40%
Interest expenses (%)								
- Deposits	1.03%	1.58%	2.16%	2.00%	2.20%	2.50%	2.50%	2.50%
- Interbank and money market items	1.81%	4.83%	3.26%	3.26%	3.26%	3.26%	3.26%	3.26%
- Borrowings	4.23%	3.99%	3.73%	3.70%	3.50%	3.50%	3.50%	3.50%

Loan growth rate is projected to be 12.20% in 2013 and 12.30% in 2014 and then to remain constant at 13.00% over 2015 - 2017, according to projection by Krungsri's management which anticipates an ongoing loan expansion, and also in line with the actual loan growth in 2009 - 2012 of 7.53%, 10.87% and 15.36% respectively. In 2012, loans extended to retail and SME segments increased by 24.2% and 12.6% respectively.

NIM for 2013 - 2017 is estimated to be 4.40%, based on projection by Krungsri's management. Krungsri attempts to more efficiently and continuously control the NIM level despite some factors that will cause incremental interest expenses for the Bank such as an increase in FIFD contribution fee and reduction of the policy rate in 2012. Such NIM forecast is also based on the actual average NIM in 2012 of 4.26% per year. The estimated NIM is slightly lowered.

Projection of interest expenses, broken down by item, is as follows:

- Interest rate on deposits is estimated to be 2.00% - 2.50% for 2013 - 2015, based on projection by Krungsri's management, and to remain constant at the 2015 level of 2.50% in 2016 - 2017. According to the management's projection, the interest rate is projected to grow higher in 2013 - 2015 due to an anticipation of tightened money market or tougher competition in deposit mobilization.
- Interest on interbank and money market items is forecast to remain constant over 2013 - 2017 at 3.26%, which is equal to the actual interest rate in 2012 and close to the average interest rate in 2009 - 2012 of 3.30% p.a.
- Interest on borrowings is projected to be 3.70% in 2013 and 3.50% in 2014 - 2015, based on projection by Krungsri's management, and to remain constant at the 2015 level of 3.50% in 2016 - 2017. The projected interest rate for 2013 is close to the actual interest rate in 2012.

1.2. Fees and service income

In 2012, Krungsri's fees and service income increased by about 18%, driven primarily by strong growth of 42.7% in fees from bancassurance due to successful

collaboration with its strategic insurance partners, together with sharp growth of 21.7% in card-related fees as a result of active marketing and promotion campaigns.

For 2013 - 2015, we project the Bank's fees and service income to grow by 15.90%, 15.70% and 15.00% respectively, based on previous growth in fees and service income and projection by Krungsri's management. For 2016 - 2017, fees and service income is projected to increase 15.00% per year, as the Bank has a strategy to attempt to maintain a sustainable growth rate of fees and service income. Details are as shown below:

	Actual			Projected				
	2010	2011	2012	2013	2014	2015	2016	2017
Total fees and service income (Baht million)	10,080	10,787	12,735	14,760	17,077	19,639	22,585	25,972
Growth rate (%)	61.25%	7.01%	18.06%	15.90%	15.70%	15.00%	15.00%	15.00%

1.3. Net gain from trading and foreign exchange transactions

We assume net gain from trading and foreign exchange transactions to remain constant at Baht 1,174 million throughout the projection period of 2013 - 2017, based on the average gain recorded in 2008 - 2012, to reflect volatility of net gain from trading and foreign exchange transactions in the past. Net gain from trading and foreign exchange transactions is influenced more by market situation than by management capability of the Bank. As such, the projection is based on the average of operating performance in the past five years so as to reflect such market condition volatility. Details are as follows:

	Actual			Projected				
	2010	2011	2012	2013	2014	2015	2016	2017
Net gain from trading and foreign exchange transactions (Baht million)	1,459	1,278	1,542	1,174	1,174	1,174	1,174	1,174

1.4. Share of profit from investment by using equity method

We estimate the share of profit from investment by using equity method to remain constant at Baht 177 million throughout the projection period of 2013 - 2017, based on the assumption that Krungsri is able to continuously maintain the share of profit from investment as from 2012 onwards. Details are as follows:

	Actual			Projected				
	2010	2011	2012	2013	2014	2015	2016	2017
Share of profit from investment by using equity method (Baht million)	144	32	177	177	177	177	177	177

1.5. Dividend income

Dividend income is estimated from growth in dividend income, assumed to remain constant throughout the project period of 2013 - 2017 and based on the average growth in 2011 - 2012, at 13.11% as follows:

	-----Actual-----			-----Projected-----				
	2010	2011	2012	2013	2014	2015	2016	2017
Dividend income (Baht million)	394	441	504	570	645	729	825	933
Growth rate (%)	NA	11.93%	14.29%	13.11%	13.11%	13.11%	13.11%	13.11%

1.6. Other operating income

Other operating income is projected to grow at a constant rate of 16% per year over 2013 - 2017, based on the average growth rate of other operating income in the past three years and assuming that other operating income increases close to the average growth rate of the past three years, details of which are shown below:

	-----Actual-----			-----Projected-----				
	2010	2011	2012	2013	2014	2015	2016	2017
Other operating income (Baht million)	4,571	4,481	5,477	6,353	7,370	8,549	9,917	11,504
Growth rate (%)	29.05%	-1.97%	22.23%	16.00%	16.00%	16.00%	16.00%	16.00%

2. Operating expenses

Operating expenses consist of employees' expenses, premises and equipment expenses for branches, marketing and promotion expenses, etc. In 2012, the cost-to-income ratio of the Bank stood at 50.3%, rising from 49.7% in 2011 due in part to HSBC retail bank acquisition transition costs and the Bank's continuous investments in branch refurbishment and operational excellence.

We project the cost-to-income ratio to be 49.60% in 2013 and 49.10% in 2014 and then fall to 48.10% in 2015 according to projection by the Bank's management which has a strategy to achieve efficient cost control and economies of scale to be aligned with the projected future growth in transaction volume and revenue. For 2016 - 2017, the cost-to-income ratio is assumed to be constant at 48.10%, equivalent to the management's projection for 2015. Details are as follows:

	-----Actual-----			-----Projected-----				
	2010	2011	2012	2013	2014	2015	2016	2017
Other operating expenses (Baht million)	26,796	27,477	30,798	34,680	38,164	42,532	48,442	55,115
Cost-to-income ratio (%)	52.00%	49.68%	50.33%	49.60%	49.10%	48.10%	48.10%	48.10%

3. Bad debts and doubtful accounts

Bad debts and doubtful accounts for 2013 - 2015 are projected at 1.30% of loans to customers, according to projection by Krungsri's management. For 2016 - 2017, bad debts and doubtful accounts are assumed to be 1.30%, equivalent to the management's projection for 2015.

	-----Actual-----			-----Projected-----				
	2010	2011	2012	2013	2014	2015	2016	2017
Loans (Baht million)	648,960	719,507	830,008	931,269	1,045,815	1,181,771	1,335,401	1,509,003
Bad debts and doubtful accounts as % of loans (%)	1.98%	1.79%	1.47%	1.30%	1.30%	1.30%	1.30%	1.30%
Bad debts and doubtful accounts (Baht million)	(12,391)	(12,214)	(11,385)	(11,448)	(12,851)	(14,479)	(16,362)	(18,489)

4. Dividend payment

Dividend payment of Krungsri in 2013 - 2017 is expected to be 40% of net profit, based on the average rate of dividend payment in the past three years at 39.50% of net profit.

5. Corporate income tax

Corporate income tax for 2013 - 2014 is set to be 20% of pre-tax profit, according to the provisions under the Royal Decree No. 555 B.E. 2555 issued under the Revenue Code governing Reduction and Exemption of Revenue Taxes, effective December 27, 2012, prescribing that income tax on profits of companies or partnerships shall be equal to 20% of net profit for the accounting periods starting in 2013 - 2014 only. For 2015 - 2017, we assume the corporate income tax to be 20% of pre-tax profit.

6. Terminal growth rate

Terminal growth rate of dividend after the projection life, or from 2018 onwards, is projected to be 2% considering that Krungsri is still able to achieve a high dividend growth rate.

7. Discount rate

Discount rate used for estimating present value of expected future dividend payable by Krungsri is equal to 10.99%, based on cost of equity (Ke). Ke calculation formula is as follows:

Calculation of Ke:

$$K_e = R_f + \beta(R_m - R_f)$$

Where: Risk free rate (Rf)	Risk-free rate is derived from the average bid yield on the government bond with remaining maturity of about 20 years, which, during the month of news release about the tender offer for Krungsri shares, was 4.46% (source: www.thaibma.or.th). We have selected bond with such long maturity period so as to reflect a yield on investment in risk-free assets if held to maturity.
Beta (β)	Beta is a variance between market return and closing price of Krungsri shares in the past three years up to August 16, 2013, which is equal to 1.130 (source: Bloomberg).
Rm	Rm is based on the average rate of return on the SET over the past 20 years, a period that could reflect the investment condition in different time periods better than the shorter term data (source: SET data for 1994 - July 2013), equivalent to 10.24%.

Table summarizing actual performance of Krungsri and its subsidiaries in 2010 - 2012 and projection for 2013 - 2017

(Unit: Baht million)	-----Actual-----			-----Projected-----				
	2010	2011	2012	2013	2014	2015	2016	2017
Net interest income	34,628	37,465	39,953	46,885	51,285	58,155	66,034	74,823
Net fees and service income	10,080	10,787	12,735	14,760	17,077	19,639	22,585	25,972
Net gain from trading and foreign exchange transactions	1,459	1,278	1,542	1,174	1,174	1,174	1,174	1,174
Share of profit from investment by using equity method	144	32	177	177	177	177	177	177
Dividend income	394	441	504	570	645	729	825	933
Other operating income	4,571	4,481	5,477	6,353	7,370	8,549	9,917	11,504
Total operating income	51,527	55,304	61,188	69,919	77,727	88,423	100,711	114,583
Operating expenses	(26,796)	(27,477)	(30,798)	(34,680)	(38,164)	(42,532)	(48,442)	(55,115)
Impairment loss of loans and debt securities	(12,391)	(12,214)	(11,385)	(11,448)	(12,851)	(14,479)	(16,362)	(18,489)
Profit from operating before income tax expenses	12,340	15,613	19,005	23,791	26,712	31,412	35,907	40,980
Income tax expenses	(3,524)	(6,310)	(4,337)	(4,758)	(5,342)	(6,282)	(7,181)	(8,196)
Total net profit	8,816	9,303	14,668	19,033	21,370	25,130	28,726	32,784
Net profit attributable to owners of the Bank	8,793	9,264	14,625	18,941	21,267	25,009	28,588	32,626

Table summarizing cash flow projection of Krungsri for 2013 - 2017

(Unit: Baht million)	2013	2014	2015	2016	2017
Net profit	18,941	21,267	25,009	28,588	32,626
Dividend payout	40%	40%	40%	40%	40%
Dividend paid	7,593	8,504	10,022	11,419	13,059
Terminal value					148,147
PV of dividend	7,593	7,662	8,136	8,352	8,605
PV of terminal value	97,619				
Total PV of dividend	137,966				
Total number of issued shares of Krungsri (shares)	6,074,143,747				
Krungsri share price (Baht/share)	22.71				

Under the assumptions for estimation of expected future dividend payout by Krungsri, using K_e of 10.99% as a discount rate, we could measure value of Krungsri shares by the dividend discounted model at Baht 22.71 per share.

We have additionally conducted a sensitivity analysis of the financial projection on the share value with a 1% increase/decrease in K_e from the base case. The outcome is as follows:

		Valuation by dividend discounted model
		Share value (Baht/share)
Ke	9.99%	25.52
	Base case 10.99%	22.71
	11.99%	20.48

From the sensitivity analysis, the value of Krungsri shares measured by the dividend discounted model is in a range of Baht 20.48 - Baht 25.52 per share.

Table summarizing valuation of Krungsri shares

Valuation approach	Appraised fair value (Baht/share)	Offering price (Baht/share)	Appraised fair value higher/(lower) than offering price	
			Baht/share	%
1. Book value approach	19.66	39.00	(19.34)	(49.59)
2. Adjusted book value approach	19.27	39.00	(19.73)	(50.59)
3. Market comparable approach				
3.1 Price to book value				
Case 1	36.96 - 38.14	39.00	(0.86 - 2.04)	(2.21 - 5.23)
Case 2	30.28 - 32.64	39.00	(6.36 - 8.72)	(16.31 - 22.36)
3.2 Price to earnings				
Case 1	30.31 - 31.92	39.00	(7.08 - 8.69)	(18.15 - 22.28)
Case 2	27.62 - 31.22	39.00	(7.78 - 11.38)	(19.95 - 29.18)
4. Market value approach	32.69 - 33.93	39.00	(5.07 - 6.31)	(13.00 - 16.18)
5. Dividend discounted model				
5.1 Base case	22.71	39.00	(16.29)	(41.77)
5.2 Sensitivity analysis	20.48 - 25.52	39.00	(13.48 - 18.52)	(34.56 - 47.79)

The above valuation approaches have different strengths and weaknesses in identifying a fair value of the business, as described below:

1) The book value approach focuses on the financial position of Krungsri at a certain point of time and the book value of assets, but takes no account of its future profitability prospect and business performance.

2) The adjusted book value approach can more truly reflect the net asset value than the book value approach. The asset value is adjusted by interim dividend payment and some investment items, thus reflecting present value of the assets better than the book value approach. However, this method does not focus on the future profitability and business performance of the Bank.

3) The price to book value approach reflects the financial position at a certain period of time compared with the average of such ratio of the peer group, but takes no account of the future profitability and business performance of Krungsri. The price to earnings approach focuses on the Bank's profitability prospect by comparing with the average of such ratio of the peer group, but the valuation is based on a short-term profit only and thus could not reflect the future profitability prospect and business performance of the Bank.

4) The market value approach could reflect the demand and supply of shares in different periods,

as well as fairly reflect the fundamental factors and demand from general investors towards the Bank's business potential and growth in the future.

5) The dividend discounted model reflects Krungsri's profitability and growth prospect based on the business outlook, economic condition and related industry situation through an estimation of present value of expected future dividend payout. The estimation is based on the Bank's historical dividend payment records which could fairly reflect true value of its shares to a certain extent. However, since the valuation by this approach is based on the assumptions and forecasts of factors relating to the financial projection, if there is any material change in the assumptions or the economic situation and relevant factors from those prevailing as of the date of this valuation, it could accordingly affect value of Krungsri shares measured by this approach.

In our opinion, even though the dividend discounted model is one of the appropriate methods to measure a fair value of Krungsri shares, it is not the most suitable approach for such share valuation because Krungsri shares are traded on the SET with favorable liquidity and, hence, the market value of the shares could well reflect investors' demand based on fundamental factors and future performance projection. Therefore, the market value approach could more accurately reflect a fair value of Krungsri shares than the discounted dividend model. The valuation of Krungsri shares by the market value approach is in a range of Baht 32.69 - Baht 33.93 per share. Such share valuation is subject to a normal market condition with substantial trading liquidity of the shares, hence accurately reflecting fundamental factors, investors' demand and true value of the shares, without any potential impacts from changes in the assumptions used for the share valuation which could otherwise lead to deviation in the appraised share value.

Moreover, the allotment of not more than 1,500 million shares with a par value of Baht 10 per share on a private placement basis to BTMU as a consideration and/or exchange for the BTMU Bangkok Branch business transfer and the offering of shares with payment to be made by cash at an offering price of **Baht 39 per share** is deemed appropriate. This is because such offering price is higher than a fair value of Krungsri shares measured by the market value approach in a range of Baht 32.69 - Baht 33.93 per share. Besides, the **minimum price** for the new shares allotment, set to be not lower than 90% of the market price or equal to **Baht 34.074 per share** (the market price refers to the weighted-average price of Krungsri shares traded on the SET in the past 15 consecutive business days before the date on which the Board of Directors approved the new shares allotment and the determination of share offering price, or the weighted-average price over August 28 - September 17, 2013 which is equal to Baht 37.86 per share), is still higher than the said fair value appraised by the IFA.

4.2 Appropriateness of conditions for the transaction

(a) The acquisition and acceptance of entire business transfer of BTMU Bangkok Branch and the allotment of new shares as a consideration for the business transfer

The entire business transfer of BTMU Bangkok Branch and the allotment of new shares of Krungsri as a consideration for the business transfer shall be conditional upon completion of the VTO and BTMU becoming a shareholder of not less than 25% of total issued shares of Krungsri. The VTO shall be launched subject to satisfactory fulfillment of all conditions under approvals from regulatory bodies of both BTMU and Krungsri and fulfillment of all mutually agreed conditions, including approvals or waivers from the Bank of Thailand and the Ministry of Finance in relation to the shares acquisition, the increase of Krungsri's foreign shareholding limits, and other relevant matters; approval from JFSA to allow BTMU to hold Krungsri and Krungsri's financial group as its subsidiary; approval in principle from the Ministry of Commerce in relation to foreign business licenses; approval from Krungsri shareholders' meeting to amend the Articles of Association of the Bank that are related to the shares acquisition by BTMU; and other necessary approvals or waivers from relevant regulatory bodies.

The key conditions precedent of the Conditional Branch Purchase Agreement of BTMU Bangkok Branch are as follows:

- The approval by the BOT of the Business Integration Application and Plan must be obtained.
- BTMU (and any of its affiliates) must seek consultation with the JFSA and obtain the approval in relation to the business transfer and the abolition of BTMU Bangkok branch.
- The following approvals from governmental authority required for BTMU (and any of its affiliates) in respect of the business transfer and transactions contemplated in the Conditional Branch Purchase Agreement must be obtained: in the case where BTMU holds not more than 50% of the total number of voting rights in Krungsri at the time immediately prior to the completion of the business transfer and later becomes a shareholder holding more than 50% of the total number of voting rights in Krungsri at the time of the completion of the business transfer and if the same approvals that have been obtained in relation to the VTO lapse prior to the completion of the business transfer, approvals must then be obtained according to Japan's Banking Act in relation to the holding of shares in Krungsri and the Krungsri's financial group as a subsidiary.
- Krungsri must obtain a favorable ruling from the MOC with regard to advice sought about payment for the newly issued shares in kind (i.e. all assets of BTMU Bangkok Branch), in compliance with Section 37 of the Public Limited Companies Act.
- The duly convened meetings of the shareholders of Krungsri must pass such resolutions as may be necessary to approve the business transfer pursuant to the Conditional Branch Purchase Agreement, the reduction of registered capital, the increase of registered capital, and the issuance and allocation of new shares to BTMU on a private placement basis, whereby there must be no material adverse change occurring between the date of the Conditional Branch Purchase Agreement and the date of business transfer.

All above conditions are required under the relevant laws and supervisory regulations and are considered the normal terms and conditions for merger and acquisition transactions in general. The involved parties are required to fulfill the conditions on their part in order to ensure the business integration and all related procedures will not violate the relevant laws and regulations and are fair to

all parties concerned, as well as to enable the business integration to be successfully effected pursuant to the intention of Krungsri and BTMU to create synergy from the merger and increase shareholder value in the future.

The condition regarding the issue of new shares of Krungsri as a consideration in lieu of payment for the entire business transfer of BTMU Bangkok Branch is deemed appropriate. This is because, by doing so, the said business acquisition will neither affect the Bank's cash position nor heighten its liabilities that may be incurred as a result of payment for such business transfer. Under the Business Integration Plan, Krungsri has to issue and allot not more than 1,500 million new shares on a private placement basis to BTMU, which will cause a control dilution effect on existing shareholders of the Bank. Despite that, such capital increase will help to strengthen Krungsri's equity base that could support a greater risk exposure and business expansion as well. Both the purchase price of BTMU Bangkok Branch business and the offering price of Krungsri shares on a private placement basis are considered reasonable.

Besides the Conditional Branch Purchase Agreement, Krungsri and BTMU entered into related agreements, comprising the Master Service Agreement, which includes General Service Agreement, Software License Agreement and other related agreements that may be mutually executed in the future under the Master Service Agreement; and the Funding Support Agreement. These are part of the business integration process that will ensure the continuity of, and prevent the disruption to, business operations of both Krungsri and BTMU Bangkok Branch in terms of funding and customers servicing. The condition regarding service fees payable by Krungsri under the Master Service Agreement in a total amount not exceeding Baht 1,500 million over a period of five years from the date of the business transfer according to the Conditional Branch Purchase Agreement is under the normal commercial terms set forth on an arm's length basis and the Service fees under the Trademark License Agreement shall be subject to the same rate of service fees collected by BTMU from other group members and shall be beneficial to both parties. It is therefore considered appropriate and fair to both parties.

(b) The new shares issuance and allotment on a private placement basis to BTMU

In the circumstance where the number of ordinary shares of Krungsri which BTMU acquired through the VTO when added to the estimate number of shares in lieu of payment of the BTMU Bangkok Branch business transfer equates to less than 50% of the total issued shares of Krungsri after BTMU has received the new shares as a consideration for such business transfer, Krungsri may then issue and allot its new ordinary shares on a private placement basis to BTMU to satisfy the intention of BTMU to hold a total of more than 50% of all issued shares of Krungsri. The offering price of Krungsri shares is deemed appropriate.

We are of the opinion that the new shares issuance and allotment on a private placement basis to BTMU is aimed to allow BTMU's aggregate shareholding in Krungsri to cross the 50% threshold of the total issued shares of Krungsri pursuant to BTMU's intention, in order to maximize synergy for Krungsri and BTMU under the financial laws of Japan and ensure clarity and transparency in the consolidated financial statements of MUFG, which is the parent of BTMU.

Based on the above mentioned rationales, we view that all conditions for entering into the transaction are appropriate and will not cause Krungsri to lose any benefits.

5. Conclusion of the Independent Financial Advisor's opinion

We are of the opinion that the acquisition of assets and the connected transaction in the transfer of the entire business of BTMU Bangkok Branch to Krungsri and the allotment of shares as a consideration for the business transfer including the issue and offering of new shares on a private placement basis to BTMU are appropriate and are in line with the Business Integration Plan of Krungsri and BTMU Bangkok Branch according to the BOT's One Presence Policy. Apart from contribution to Thai banking sector development, Krungsri will benefit in several ways which could help increase its long-term business value and shareholder value. Krungsri can *expand customer base* by exploiting the combined strengths of the two parties to offer a broader variety of financial services to customers. Moreover, Krungsri can *increase its regional competitiveness* through BTMU network and presence in the Greater Mekong Sub-region and through coordination between Krungsri and BTMU in offering financial products and services that can satisfy all diverse customer needs. Krungsri can also *increase its income and net profit* from consolidation of BTMU Bangkok Branch's financial performance into the Bank's financial statements, together with a higher profit margin expected in the future as driven by benefits from the business integration. Krungsri will *have a stronger capital base* due to an increased number of deposit customers and an ability to gain access to large corporate deposit sources and also to lower-cost funding sources through financial cooperation and funding support from BTMU. Krungsri will benefit from *world-class technology transfer* in the aspects of business operation and management as well as diverse product innovations under international banking business practices in order to cope well with the highly competitive and fast changing world financial markets. Last but not least, Krungsri can *reduce its operating expenses in the long run* through benefits from the economies of scale achieved from the business integration, while enhancing its competitive potential through stronger cost control efficiency. Since Krungsri will issue new ordinary shares as a consideration for the business transfer from BTMU Bangkok Branch and will not offer any cash consideration, the transaction will not have any impact on its liquidity and working capital. Rather, the new shares issuance will help to strengthen its equity base.

However, the transaction will cause a control dilution effect of 40.11% on Krungsri's existing shareholders, under the assumption that BTMU acquires, from the VTO, only the existing shareholding by GECIH of 25.33%. Assuming that the existing shareholders of Krungsri (including GECIH) accept the VTO of approximately 75% and the other group of major shareholders declines to accept the VTO, the shareholders of Krungsri will suffer from a control dilution effect of 79.95%. There will also be risk involved with checks and balances over the major shareholder as a consequence of the launch of VTO and the new shares issuance and allotment on a private placement basis to BTMU which intends to acquire more than 50% of the issued shares of Krungsri. Moreover, Krungsri may bear higher expenses in the initial period after the post-merger corporate restructuring and could be exposed to risks associated with business integration, such as value and culture gaps, variations on administration system, database and IT system, and accounting principles in relation to goodwill impairment resulting from the business transfer, which could adversely affect Krungsri's business performance in the future.

The preliminary value (Reference Branch Value) for the business transfer of BTMU Bangkok Branch at Baht 44,586 million, implied price to book value ratio of 1.15 times based on BTMU Bangkok Branch's audited financial statements as of March 31, 2013, is considered fair and appropriate. This is because such value is lower than the IFA's valuation by the dividend discounted model at Baht 45,831 million, implied price to book value ratio of 1.18 times based on the book value of BTMU Bangkok Branch as of March 31, 2013. From a sensitivity analysis, the business value of BTMU Bangkok Branch is derived in a range of Baht 42,556 million - Baht 49,978 million, or implied price to book value ratio of 1.10 - 1.29 times based on the book value of BTMU Bangkok Branch as of March 31, 2013.

The allotment of not more than 1,500 million newly issued shares of Krungsri with a par value of Baht 10 per share on a private placement basis to BTMU as a consideration and/or exchange for the business transfer of BTMU Bangkok Branch and the shares offering with payment to be made

by cash at the selling price of Baht 39 per share, is considered appropriate. Such price is higher than a fair value measured by the IFA, using the market value approach, at between Baht 32.69 - Baht 33.93 per share. Moreover, a minimum price set for the new shares issuance of Krungsri at not lower than 90% of market price, or not lower than Baht 34.074 per share, is still higher than the said fair value appraised by the IFA.

In addition, all conditions for the transaction are deemed appropriate. The conditions, including conditions precedent, for the business transfer have been set forth on an arm's-length basis, requiring each party to fulfill the conditions on their part in order to ensure a successful business integration. The entering into other related agreements is required as part of the business integration so as to ensure continuity in the operation of both Krungsri and BTMU Bangkok Branch without any disruption in terms of funding capability and uninterrupted customer servicing.

Based on the above mentioned rationales, we view that the shareholders will benefit from the transaction and therefore recommend that the shareholders approve the asset acquisition and the connected transaction as the transaction is considered reasonable with a fair price and fair conditions.

In deciding whether to approve the transaction, the shareholders can consider the rationales and opinion provided herein by the IFA. The final decision primarily depends on the shareholders' judgment.

We hereby certify that we have rendered opinion with due care and under professional standards by paying regard to the interest of the shareholders.

Yours sincerely,
Advisory Plus Company Limited

-Prasert Patradhilok-
(Prasert Patradhilok)
President

-Sumalee Tantayaporn-
(Sumalee Tantayaporn)
Operational Controller