

**Business Acquisition through Purchase of 50% of all Issued Shares of SB Finance
Company Inc. providing Consumer Finance Products to Retail Customers in the Republic of the Philippines**

According to Krungsri Group's strategy to grow the Bank's business outside Thailand, increase competitive advantage and expand customer base in Southeast Asia, the Extraordinary Board of Directors Meeting of Bank of Ayudhya Public Company Limited (the "Bank") No. 3/2562 (2019) held on August 8, 2019 (without participation of the Directors with related interest) has resolved to approve the Bank or its subsidiaries to offer to purchase 50% of the all issued shares of SB Finance Company Inc. providing Consumer Finance Products to Retail Customers in the Republic of the Philippines ("SBF") from Security Bank Corporation ("SBC") (the "Transaction") for an estimated consideration of PHP 1,828.2 million or THB 1,096.9 million based on SBF's equity book value (adjusted for any impact from changes in accounting standard) as of June 30, 2019 of PHP 1,507.2 million or THB 904.3 million (Note: Exchange rate of PHP 1 to THB 0.60 as of July 1, 2019). The actual consideration is subject to one-to-one adjustment on the change in actual equity book value (adjusted for any impact from changes in accounting standard) as of the closing date. This Transaction is subject to satisfactory regulatory approvals from the Bank of Thailand and/or other related regulators in Thailand and other countries.

Therefore, the Bank's Board of Directors Meeting No. 12/2562 (2019) held on December 18, 2019 has resolved to propose to the Annual General Meeting of Shareholders of 2020 to consider and approve the business acquisition through purchase of 50% of all issued shares of SB Finance Company Inc. providing Consumer Finance Products to Retail Customers in the Republic of the Philippines as advised by the relevant authorities in order to comply with Section 43 of the Financial Institution Business Act B.E. 2551 (2008).

This Transaction is not classified as an asset acquisition transaction that requires the Bank to report the Information Memorandum thereon to the Stock Exchange of Thailand (the "SET") or to seek approval thereof from the shareholders meeting pursuant to the Notification of the Capital Market Supervisory Board No. TorChor. 20/2551 (2008) Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets, and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets, 2004 (collectively, the "Notifications on Acquisition or Disposal"). However, the Transaction is classified as a connected transaction of assets or services category with the transaction value of exceeding 0.03% but not exceeding 3% of the net tangible asset of the Bank requiring the Bank to disclose the Information Memorandum thereon to the SET and to seek approval thereof from the Board of Directors meeting but is not required to seek approval from the shareholders meeting of the Bank pursuant to the Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 (2008) dated August 31, 2008 (including any amendment thereto) Re: Rules on Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, 2003 dated November 19, 2003 (including any amendment thereto) (collectively, the "Notifications on Connected Transactions") in which the Bank has already submitted to the SET the Information Memorandum of the Transaction on August 8, 2019.

The Parties Involved

Buyer: Bank of Ayudhya PCL

Seller: Security Bank Corporation ("SBC")

Relationship with the Bank: SBC has MUFG Bank Limited as one of the major shareholders holding 20% of the all issued shares. MUFG Bank Limited also holds shares in the Bank of 76.88% of the all issued shares. Therefore, SBC is considered as a Connected Person of the Bank and the transaction of the Bank purchasing SBF shares from SBC is considered as a Connected Transaction.

General Characteristics of the Transaction

On August 8, 2019 the Bank has entered into a Share Purchase Agreement (“SPA”) whereby the Bank agrees to buy and SBC agrees to sell 50% of the all issued shares of SBF or equivalent to 7,075,000 shares. The Bank and SBC also have entered into a Joint Venture Agreement (“JVA”) whereby both parties have set out scope of business, organizational structure, including roles and responsibilities of each party.

1) Summary of SPA

Parties	a. Bank of Ayudhya PCL (Buyer) b. Security Bank Corporation (Seller)
Number of Shares Sale	50% of the all issued shares equivalent to 7,075,000 shares
Value	An estimated consideration of PHP 1,828.2 million based on SBF’s equity book value (adjusted for any impact from changes in accounting standard) as of June 30, 2019. The actual consideration is subject to one-to-one adjustment on the change in actual equity book value (adjusted for any impact from changes in accounting standard) as of the closing date.
Conditions Precedent	Please see Conditions of the Entering Into The Transaction in this document.
Termination	The agreement is terminated if: a. the Parties agree to terminate b. by the Buyer in case of the Seller is in breach and/or its representations and warranties are untrue c. by the Seller in case of the Buyer is in breach and/or its representations and warranties are untrue
Governing Law	Laws of the Republic of the Philippines
Dispute Resolution	a. Most senior executive of the Parties b. Arbitration

2) Summary of JVA

Parties	a. Security Bank Corporation b. Bank of Ayudhya PCL and c. SB Finance Company Inc.
Business of the Company	To provide consumer finance products to retail customers in the Philippines
Shareholders	a. Bank of Ayudhya PCL at 7,075,000 shares equivalent to 50% of all issued shares b. Security Bank Corporation at 7,010,302 shares equivalent to 49.54% of all issued shares where Security Bank Corporation shall do all necessary actions to acquire the rest of the shares from minority shareholders so that its shares will be equal to 50%
Transfer of Shares	a. 5 years Lock-up from the Effective Date b. Right of First Refusal, in selling share portion of any shareholders, that shareholder must offer to the original shareholder first. c. Tag along d. Permitted Transfer to nominees or affiliates e. No encumbrance to the shares

Term	This Agreement shall become effective upon its execution and shall remain valid and binding on the Parties (a) until such time that it is terminated or (b) when such Shareholder ceases to hold, directly or indirectly, any shares in the Company.
Dispute Resolution	a. Most senior executive of the Parties b. Arbitration
Non-compete	Both Parties agree not to compete directly or indirectly with the company.

3) Calculation of the Transaction Size under the Notifications on Acquisition or Disposal

The Transaction constitutes an asset acquisition transaction of the Bank pursuant to the Notifications on Acquisition or Disposal. The Transaction value calculated based on the Total Value of Consideration Basis from the Consolidated Financial Statements of the Bank (for the period ending June 30, 2019) is equivalent to 0.26% percent. Therefore, the Transaction is not classified as an asset acquisition transaction that requires the Bank to report the Information Memorandum thereon to the SET or to seek approval thereof from the shareholders meeting pursuant to the Notifications on Acquisition or Disposal, with the following calculation methods:

Basis	Calculation	Transaction size
1. Comparison of net tangible asset (NTA) value	$\frac{\text{NTA of SBF}^{(1)} \times \text{Acquisition proportion}}{\text{NTA of the Bank}^{(2)}}$ $= \frac{887 \times 50\%}{237,993}$	0.19%
2. Comparison of net profit	$\frac{\text{SBF's net profit}^{(3)} \times \text{Acquisition proportion}}{\text{The Bank's net profit}^{(4)}}$ $= \frac{162 \times 50\%}{31,041}$	0.26%
3. Comparison of total value of consideration	$\frac{\text{Value of consideration paid}^{(5)}}{\text{Total assets of the Bank}}$ $= \frac{1,097}{2,277,211}$	0.05%
4. Comparison of equity share value	<i>Cannot be calculated as there is no share issuance as a result of payment for the Transaction</i>	

Remark: (1) Net tangible asset (NTA) of SBF = Total asset – Total intangible asset – Total liability – Non-controlling interest = 3,241 – 64 – 2,290 – 0 = THB 887 million

(2) Net tangible asset (NTA) of the Bank = Total asset – Total intangible asset – Total liability – Non-controlling interest = 2,277,211 – 21,047 – 2,017,039 – 1,131 = THB 237,993 million

(3) SBF's net profit calculated from last-twelve-month (LTM) financial statements (July 1, 2018 – June 30, 2019)

(4) The Bank's net profit calculated from last-twelve-month (LTM) consolidated financial statements (July 1, 2018 – June 30, 2019)

(5) The consideration paid is estimated for PHP 1,828.2 million or THB 1,096.9 million based on SBF's equity book value (adjusted for any impact from changes in accounting standard) as of June 30, 2019 of PHP 1,507.2 million or THB 904.3 million (Note: Exchange rate of PHP 1 to THB 0.60 as of July 1, 2019). The actual consideration is subject to one-to-one adjustment on the change in actual equity book value (adjusted for any impact from changes in accounting standard) as of the closing date.

4) Calculation of the Transaction Size under the Notification on Connected Transactions

In order to pursue the Transaction, the Bank must enter into the Transaction with connected person i. e. SBC. Such Transaction, therefore, constituted a connected transaction of assets or services category, pursuant to the Notifications on Connected Transactions. The Transaction value is equivalent to 0.46% of total net tangible asset value of the Bank, calculated from the Consolidated Financial Statements of the Bank (for the period ending June 30, 2019). Therefore, such Transaction is classified as a connected transaction of assets or services category with the transaction value of exceeding 0.03% of the net tangible asset of the Bank requiring the Bank to disclose the Information Memorandum thereon to the SET and to seek approval from the Board of Directors meeting. The Transaction value, however, does not exceed 3% of the net tangible asset of the Bank, hence, the Bank does not require approval from the shareholders meeting of the Bank pursuant to the rules and criteria specified under the Notifications on Connected Transactions. Below is the calculation method:

Calculation	Transaction size
Value of consideration paid ⁽¹⁾	0.46%
NTA of the Bank ⁽²⁾	
= $\frac{1,097}{237,993}$	

Note: (1) The consideration paid is estimated for PHP 1,828.2 million or THB 1,096.9 million based on SBF's equity book value (adjusted for any impact from changes in accounting standard) as of June 30, 2019 of PHP 1,507.2 million or THB 904.3 million (Note: Exchange rate of PHP 1 to THB 0.60 as of July 1, 2019). The actual consideration is subject to one-to-one adjustment on the change in actual equity book value (adjusted for any impact from changes in accounting standard) as of the closing date.

(2) Net tangible asset (NTA) of the Bank = Total asset – Total intangible asset – Total liability – Non-controlling interest = 2,277,211 – 21,047 – 2,017,039 – 1,131 = THB 237,993 million

Details of Assets related to the Connected Transaction

Assets related to the connected transaction include 50% of the all issued ordinary shares of SBF or equivalent to 7,075,000 shares held by SBC for an estimated consideration of PHP 1,828.2 million or THB 1,096.9 million based on SBF's equity book value (adjusted for any impact from changes in accounting standard) as of June 30, 2019 of PHP 1,507.2 million or THB 904.3 million (Note: Exchange rate of PHP 1 to THB 0.60 as of July 1, 2019). However, the actual consideration is subject to one-to-one adjustment on the change in actual equity book value (adjusted for any impact from changes in accounting standard) as of the closing date.

General Information of SBF

Company name:	SB Finance Company Inc.
Establishment date:	July 15, 1960
Nature of business:	SBF is engaged in the business of financing and leasing by extending credit facilities to consumers in the mass market segments in response to the government's call for financial inclusion.
Head Office:	6797 Ayala Avenue Corner Rufino Street, Makati City, 1226, Philippines
Registered capital:	PHP 1,500,000,000
Paid-up capital:	PHP 1,415,000,000
No. of issued and paid-up shares:	14,150,000 shares

List of the Shareholders of SBF as of December 31, 2019

No.	Name	No. of Shares	Percentage of Investment
1.	Security Bank Corporation	14,085,302	99.54%
	Others	64,698	0.46%
Total		14,150,000	100.00%

List of Directors as of December 31, 2019

No.	Name	Position
1.	Mr. Alfonso L. Salcedo, JR.	Chairman of the Board of Directors
2.	MA. Cristina A. Tingson	Director
3.	Mr. Leslie Y. Cham	Director
4.	Mr. Joselito E. Mape	Director
5.	Ms. Melissa R. Ajiuno	Director
6.	Mr. Rene T. Garrovillo	Independent Director
7.	Ms. Myra S. Sevilla	Independent Director

Nature of business operation of SBF

Incorporated in 1960 in the Philippines, SBF is a financing company registered with the Securities and Exchange Commission of Philippines ("SEC"). SBF is engaged in the business of financing and leasing by extending credit facilities to consumers in the mass market segments in response to the government's call for financial inclusion. SBF is a subsidiary of SBC, which has a 99.54% ownership.

As of December 2019, SBF is a significant player in the competitive landscape of consumer finance companies in Philippines with the total assets of PHP 7,328 million, the total equity of PHP 1,488 million and gross loan portfolio of PHP 6,968 million.

Financial Information of SBF

Financial information of SBF for the period ended December 31, 2017 and December 31, 2018 according to audited consolidated financial statements and for the period ended December 31, 2019 according to consolidated financial statements prepared by SBF's management are summarized below:

Unit: PHP	Period ended December 31, 2017	Period ended December 31, 2018	Period ended December 31, 2019 ⁽¹⁾
Key Financials			
Total Asset	1,839,057,729	3,427,913,055	7,327,479,022
Total Liabilities	625,764,574	2,006,962,913	5,839,093,462
Total Shareholders' Equity	1,213,293,155	1,420,950,142	1,488,385,560
Total Issued and Paid-Up Capital	1,415,000,000	1,415,000,000	1,415,000,000
Interest Income	115,515,391	601,570,550	1,414,748,166
Operating Income	116,945,204	570,370,174	1,233,025,173
Net Profit	70,309,461	205,401,909	66,426,629
Earnings Per Share (EPS)	0.50	1.45	0.47

Unit: PHP	Period ended December 31, 2017	Period ended December 31, 2018	Period ended December 31, 2019 ⁽¹⁾
Key Financial Ratios			
ROA (%)	4.70%	7.80%	1.24%
ROE (%)	5.97%	15.59%	4.57%

Note: ⁽¹⁾ Additional information compared to the Information Memorandum submitted to SET on August 8, 2019. The consolidated financial statements prepared by SBF's management for the period ended December 31, 2019 incorporated the increased in loan provision in accordance with the new accounting standard, resulting in the significant decreased in net profit.

Total Value of Consideration and Criteria of Determination of Consideration Value

1) Total value of consideration

The Bank will acquire 7,075,000 ordinary shares of SBF for an estimated consideration of PHP 1,828.2 million or THB 1,096.9 million based on SBF's equity book value (adjusted for any impact from changes in accounting standard) as of June 30, 2019 of PHP 1,507.2 million or THB 904.3 million (Note: Exchange rate of PHP 1 to THB 0.60 as of July 1, 2019). The actual consideration is subject to one-to-one adjustment on the change in actual equity book value (adjusted for any impact from changes in accounting standard) as of the closing date.

2) Criteria of Determination of Consideration Value

The criteria used for determining value of the consideration is based several valuation methodologies in accordance with international standards such as discounted residual income, trading comparable, including precedent transactions taking into account potential synergies after the acquisition of SBF by the Bank.

3) Source of Funds

The payment will be made to SBC in cash, whereby the sources of funds will come from the Bank's internal cash flow.

Conditions of the entering into the transaction

Conditions Precedent	a. All approvals or waivers from relevant regulators are obtained b. No material adverse change to the business of the company c. No governmental authority prohibits the transaction
Conditions Precedent of the Buyer to the Closing	a. The Seller has performed all covenants required under this agreement b. All representations and warranties of the Seller, as stated in SPA, are true c. This agreement shall not be terminated d. The Seller shall deliver and the Buyer shall receive all deliverables under this agreement e. The Seller shall cause its nominees to transfer the shares to the nominees of the Buyer f. All other conditions that the parties may separately agree to in writing shall have been fulfilled
Conditions Precedent of the Seller to the Closing	a. The Buyer has performed all covenants required under this agreement b. All representations and warranties of the Buyer, as stated in SPA, are true c. This agreement shall not be terminated d. The Buyer shall deliver and the Seller shall receive all deliverables under this agreement

Conditions Precedent of the Seller to the Closing (Cont')	e. The Buyer shall have obtained the approval of the Japan Financial Service Agency and the Bank of Thailand f. All other conditions that the parties may separately agree to in writing shall have been fulfilled
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Details of Connected Persons and Nature of Relationship

SBC is considered as a connected person of the Bank since one of the major shareholders of SBC is MUFG Bank Limited holding 20% of the all issued shares of SBC. In this regard, the Bank has the same major shareholder, namely MUFG Bank Limited, which holds 76.88% of the all issued shares of the Bank.

Characteristics and Scope of Related Interests of Connected Persons

Incorporated in 1951 in the Philippines and listed on the Philippine Stock Exchange ("PSE") in 1995, SBC is a universal bank registered with the SEC. SBC provides expanded commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services and is one of the largest listed banks in Philippines with a nationwide network of 308 branches, 841 ATMs and 6,625 employees as of December 2019.

SBC has three core businesses i.e. Wholesale Banking, Retail Banking and Financial Markets, with a solid niche among the mass affluent Filipino- Chinese community. The three core businesses are managed separately to focus on their respective markets. However, they operate with a high degree of synergy among each other:

1. Wholesale Banking comprises two groups i.e. Corporate & Investment Banking, which focuses on the top 1,000 corporates, institutional and public-sector markets; and Commercial Middle Market Banking which focuses on the middle markets and small-and-medium enterprises
2. Retail Banking focuses on the individual and retail markets, providing deposit-taking and servicing, mortgage, auto, personal loans and small business loans, and credit card facilities
3. Financial Markets focuses on providing money market, foreign exchange, financial derivatives, securities distribution, asset management, trust and fiduciary services

In 2016, MUFG Bank Limited invested PHP 37 billion in equity capital for a 20% stake in SBC. To date, this is the largest equity investment in a Philippine financial institution by a foreign investor.

Participation and Voting of Directors with Related Interested in the Transaction

The Bank's Directors who are deemed to have related interest in the Transaction which is a connected transaction namely (1) Mr. Noriaki Goto; (2) Mr. Seiichiro Akita; (3) Mr. Toru Matsuda; (4) Miss Junko Kawano; (5) Mr. Pornsanong Tuchinda; and (6) Miss Duangdao Wongpanitkrit were absent from the meeting and abstained from voting on the agenda relating to the asset acquisition transaction which is a connected transaction of the Bank.

Opinion of the Board of Directors on the Transaction

The Bank's Extraordinary Board of Directors Meeting No. 3/2562 (2019) held on August 8, 2019 (excluding the directors with related interest) has considered and opined that the Transaction is deemed as being for the benefits of the Bank and the shareholders, as the Transaction will help growing the Bank's business outside Thailand, increasing competitive advantage and expanding customer base in Southeast Asia. Additionally, the purchase price which has been evaluated by the Bank's financial advisor using valuation methodologies in

accordance with international standards, is deemed reasonable. As a result, the Board of Directors Meeting No. 12/2562 (2019) held on December 18, 2019 has approved to propose to the AGM to consider and approve as advised by the relevant authorities in order to comply with Section 43 of the Financial Institution Business Act B.E. 2551 (2008).

Opinion of the Audit Committee and/or the Directors which differs from the Opinion of the Board of Directors

The Audit Committee and the Directors of the Bank do not have different opinions from that of the Board of Directors as mentioned above.
