

Ref: SSD/REG.0377/2020

February 7, 2020

Re: Invitation to the Extraordinary General Meeting of Shareholders No. 1/2020

To: All Shareholders

Reference Documents:

1. Information Memorandum regarding the Acquisition of Assets by the Bank in Schedule 1 and Schedule 2
2. Guidelines for proxy holder appointment, registration and documents required in order to attend the shareholders' meeting
3. Articles of Association (only those Articles relating to the shareholders' meeting)
4. Map of Bangkok Bank Public Company Limited

Attachments:

1. Report on Opinion of the Independent Financial Advisor relating to the Acquisition of Assets by the Bank
2. Letter concerning appointment of proxy holder for the Extraordinary General Meeting of Shareholders No. 1/2020 and information of the directors for consideration regarding the appointment of proxy holder
3. Proxy form, registration form & details of documents required to register for the meeting

The Board of Directors of Bangkok Bank Public Company Limited (the "Bank") has resolved to call the Extraordinary General Meeting of Shareholders No. 1/2020 on March 5, 2020, starting at 15.00 hrs. at the Bank's auditorium on the 29th - 30th floor of the Head Office, 333 Silom Road, Silom Sub-district, Bang Rak District, Bangkok, Thailand, to consider the following agenda:

- (1) Consider and approve the acquisition of all shares in PT Bank Permata Tbk ("Permata")

Objectives and reasons: On December 12, 2019, the Bank entered into a conditional share purchase agreement (the "CSPA") with Standard Chartered Bank ("Standard Chartered") and PT Astra International Tbk ("Astra") to purchase from Standard Chartered and Astra 24,991,429,332 Series B shares ("Sale Shares") in total in PT Bank Permata Tbk ("Permata"), representing 89.12% of the total issued and sold shares in Permata. Each of Standard Chartered and Astra will sell 12,495,714,666 Series B shares, representing 44.56% of the total issued and sold shares in Permata, to the Bank (the "Transaction"). The Transaction is subject to the satisfaction of all of the relevant conditions precedent under the CSPA. Such conditions precedent include obtaining an approval from the meeting of shareholders of the Bank and obtaining an approval from the Bank of Thailand ("BOT"). Following completion of the purchase from the two major shareholders, the Bank shall be required to conduct a mandatory tender offer for the remaining shares in Permata which could result in the Bank being required to acquire up to 100% of the total issued and sold shares in Permata. In this connection, the Bank will have to submit an application to the BOT seeking an approval in accordance with Section 43 of the Financial Institutions Business Act B.E. 2551 (2008) (as amended) which can be done after it has obtained the shareholders' approval with a vote of not less than three-fourths of the total number of votes of the shareholders attending the shareholders' meeting and entitled to vote. The relevant details in respect of the acquisition of shares in Permata are present in the Information Memorandum regarding the Acquisition of Assets by the Bank in Schedule 1 and Schedule 2 and the Report on Opinion of the Independent Financial Advisor relating to the Acquisition of Assets by the Bank (Details as per the Reference Document No. 1 and Attachment No. 1).

Board's opinion: It is appropriate to propose to the shareholders' meeting to consider and approve the acquisition of all shares in Permata.

- (2) Other Businesses

The record date for determining the shareholders who have the right to attend and vote at the Extraordinary General Meeting of Shareholders No. 1/2020 shall be February 6, 2020.

We invite all shareholders to attend the meeting at the place, date and time as mentioned above. To facilitate the registration process, the shareholders and/or proxy holders are requested to complete and sign the registration form and/or proxy form as enclosed, which have been pre-printed with the name of shareholder and bar coded for your convenience, and present them together with the identification documents required to register for the meeting (Details as per Attachment No. 3 and Reference Document No. 2) at the registration desk on the 29th floor of the Bank's Head Office.

A shareholder may send any question relating to the agenda of this meeting to the Corporate Secretary in advance by sending an email to apichart.ramyarupa@bangkokbank.com or by mailing to Bangkok Bank Public Company Limited, 25th floor, 333 Silom Road, Silom Sub-District, Bang Rak District, Bangkok 10500, or fax to 0-2231-4890. Please also provide the contact information of the shareholder together with such question(s).

Yours faithfully,
Bangkok Bank Public Company Limited



(Mr. Apichart Ramyarupa)
Corporate Secretary

**Information Memorandum regarding the Acquisition of Assets
by Bangkok Bank Public Company Limited (Schedule 1)**

The Board of Directors' Meeting of Bangkok Bank Public Company Limited ("the Bank") No. 1/2020 on January 23, 2020 resolved to propose to a meeting of shareholders to approve the Bank's entering into the transaction as detailed below:

1. Date of the Transaction

On December 12, 2019, the Bank entered into a conditional share purchase agreement ("the CSPA") with Standard Chartered Bank ("Standard Chartered") and PT Astra International Tbk ("Astra") to purchase from Standard Chartered and Astra 24,991,429,332 Series B shares (Sale Shares) in total in PT Bank Permata Tbk ("Permata"), representing 89.12% of the total issued and sold shares in Permata (the Transaction). The Transaction was approved by the Board of Directors of the Bank in the Board of Directors' Meeting No. 12/2019 held on December 11, 2019.

2. The Parties Involved

<u>Acquirer:</u>	The Bank
<u>Sellers:</u>	Standard Chartered and Astra
<u>Relationship:</u>	Both sellers are not related persons of the Bank according to the definition of the Notification of the Capital Market Supervisory Board No. Tor/Jor. 21/2551 Re: Rules on Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 including any subsequent amendments.
<u>Purchased Shares:</u>	Total of 24,991,429,332 Series B shares in Permata, representing 89.12% of the total issued and sold shares in Permata. Each of Standard Chartered and Astra will sell 12,495,714,666 Series B shares, representing 44.56% of the total issued and sold shares in Permata, to the Bank.

3. General Characteristics of the Transaction

General Features

The Bank will purchase 24,991,429,332 Series B shares in total in Permata from Standard Chartered and Astra, representing 89.12% of the total issued and sold shares in Permata on the basis of an agreed valuation of a 1.77 times of Permata's book value (subject to certain adjustments). This implies, on the basis of Permata's book value as at September 30, 2019, an indicative purchase price of IDR 1,498 per share and an indicative transaction value of IDR 37,430,974 million (approximately USD 2,674 million or THB 81,019 million¹). The price payable by the Bank for the 89.12% stake in Permata will be finalised on the basis of a 1.77 times of Permata's book value, as set out in the last financial statements published by Permata prior to the closing of the Transaction (subject to certain adjustments).

Each of Standard Chartered and Astra will sell 12,495,714,666 Series B shares, representing 44.56% of the total issued and sold shares in Permata, to the Bank. Subject to the relevant approvals being obtained and the satisfaction of the conditions precedent under the CSPA, the Bank expects the completion of the Transaction to take place within the third quarter of 2020. Following completion of the Transaction, the Bank anticipates conducting a mandatory tender offer for the remaining approximately 10.88% stake in Permata at the price determined in accordance with the relevant rules of IDX which shall not be lower than the price per share paid to Standard Chartered and Astra.

¹ For the calculation of the transaction value, the IDR amount has been converted into THB at an exchange rate of THB 1 : IDR 462 and USD at an exchange rate of USD 1 : IDR 13,999 as of December 11, 2019

In this regard, the Bank will seek its Board of Directors' resolution to determine the final purchase price for the Transaction and such price is expected to be announced on the SET website. The purchase price will be settled by cash. The final purchase price for the Transaction will be based on the last financial statements published by Permata prior to the closing of the Transaction, which will take place after all conditions precedent have been fulfilled. Based on the financial statements as at September 30, 2019, the indicative purchase price for Permata's shares will be IDR 1,498 per share and the indicative transaction value will be IDR 37,430,974 million (approximately USD 2,674 million or THB 81,019 million). Although the Bank has agreed to purchase 89.12% of the total issued and sold shares of Permata from Astra and Standard Chartered, there is a possibility that the Bank may acquire up to 100% of the total issued and sold shares of Permata through a mandatory tender offer as required by the relevant Indonesian regulations. On that basis, if we assume that the Bank will acquire 100% of the total issued and sold shares of Permata, the indicative transaction value could be IDR 42,001,080 million (approximately USD 3,000 million or THB 90,911 million). Therefore, the indicative transaction value based on the financial statements as at September 30, 2019 may range between IDR 37,430,974 million and IDR 42,001,080 million.

In addition, the final purchase price may vary from the above price range, subject to certain adjustments pursuant to the terms of the CSPA (please refer to Section 6 below).

As a result of the Transaction, the Bank will also acquire PT Sahabat Finansial Keluarga which is Permata's subsidiary with 99.998% shares held by Permata.

Size of the Transaction

The Bank has calculated the Transaction size on the basis of the four approaches of calculation required by the regulations on major transactions, based on the financial statements of the Bank and Permata as of September 30, 2019 which can be summarised as follows:

Unit: THB million ^{1/}	Published consolidated financial statement of Permata as of September 30, 2019	Reviewed consolidated financial statement of the Bank as of September 30, 2019
Total assets	335,669.99	3,228,091.79
Intangible assets	1,090.48	1,792.38
Total liabilities	284,307.58	2,797,653.75
Minority interests	0.02	259.76
Net tangible assets (NTA) ^{2/}	50,271.91	428,385.90
Total number of issued and sold shares (shares)	28,042,739,205	1,908,842,894
Net income to Owners ^{3/}	3,246.14	35,914.89

Note: 1/ For the calculation of the transaction value, the IDR amount has been converted into THB at an exchange rate of THB 1 : IDR 462 and USD at an exchange rate of USD 1 : IDR 13,999 as of December 11, 2019

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

3/ Profits during the last 12 months (only a portion attributed to the Company's Shareholder).

(a) Calculation on the basis of NTA

$$\begin{aligned}
 \text{Transaction size} &= \frac{\text{NTA of Permata} \times \text{Percentage of assets acquired} \times 100}{\text{NTA of the Bank}} \\
 &= \frac{50,271.91 \times 100\% \times 100}{428,385.90} \\
 &= 11.74\%
 \end{aligned}$$

(b) Calculation on the basis of net profit

$$\begin{aligned} \text{Transaction size} &= \frac{\text{Net profit of Permata} \times \text{Percentage of assets acquired} \times 100}{\text{Net profit of the Bank}} \\ &= \frac{3,246.14 \times 100\% \times 100}{35,914.89} \\ &= 9.04\% \end{aligned}$$

(c) Calculation on the basis of total consideration value

$$\begin{aligned} \text{Transaction size} &= \frac{\text{Total consideration value paid} \times 100}{\text{Total assets of the Bank}} \\ &= \frac{90,911.48 \times 100}{3,228,091.79} \\ &= 2.82\% \end{aligned}$$

(d) Calculation on the basis of payment-in-kind

This approach does not apply because the Bank will make payment in cash for Permata's shares.

No.	Calculation approach	Transaction size
1	Calculation on the basis of NTA	11.74%
2	Calculation on the basis of net profit	9.04%
3	Calculation on the basis of total consideration value	2.82%
4	Calculation on the basis of payment-in-kind	Not applicable because the Bank will make payment in cash.

Based on the requirements under the Notification of the Capital Market Supervisory Board No. TorJor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets dated August 31, 2008 (as amended) 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 B.E. 2547 (2004) dated October 29, 2004 (as amended) (collectively, the Acquisition or Disposition Rule), the size of the Transaction is 11.74% calculated based on the assumption that the Bank will acquire 100% stake in Permata (both under the CSPA and through the mandatory tender offer to be conducted thereafter), using the value of net tangible asset criterion, which gives the highest value among all criteria prescribed by the Acquisition or Disposition Rule. In this regard, the size of the Transaction is lower than 15%.

According to Section 43 of the Financial Institutions Business Act B.E. 2551 (2008) (as amended), the Bank must also submit an application to the Bank of Thailand (the BOT) to obtain an approval of the Transaction. In this regard, the Bank is required to obtain shareholders' approval with a vote of not less than three-fourths of the total number of votes of the shareholders attending the shareholders' meeting and entitled to vote prior to the submission of an application to the BOT.

4. Details of Asset Purchased - Permata

<u>Name</u>	PT Bank Permata Tbk
<u>Address</u>	Gedung WTC II, Jl. Jenderal Sudirman Kav. 29 - 31, JAKARTA SELATAN, 12920, Indonesia
<u>Phone no.</u>	+62-21-5237788
<u>Fax no.</u>	+62-21-5237244
<u>Website</u>	https://www.permatabank.com

Business Description

Established in 1955, Permata is a leading commercial bank in Indonesia, offering a complete range of banking products and services to over 3.5 million retail, SME, and corporate customers. It is listed on the Indonesia Stock Exchange. As of September 30, 2019, Permata had 332 outlets (including branches and mobile branches) and 989 ATMs across 62 cities in Indonesia. Permata has loans of approximately IDR 108 trillion (approximately USD 7.6 billion or THB 234 billion²) and deposits of IDR 120 trillion (approximately USD 8.5 billion or THB 259 billion²) as at September 30, 2019. Permata had 7,670 employees as at end of September 30, 2019.

Current Capitalization (as of September 30, 2019)

- Authorized Capital: Rp. 12,500,000,000,000
- Issued and paid-up Capital: Rp. 3,837,985,296,375
- Nominal value per share: Series A Share: Rp. 12,500, Series B Share: Rp. 125

The Board of Commissioners (as of January 20, 2020)

- President Commissioner: Mr. Sebastian Ramon Arcuri
- Vice President Commissioner: Mr. Suparno Djasmin
- Commissioner: Mr. Mark Spencer Greenberg
- Commissioner: Mr. Ian Charles Anderson
- Independent Commissioner: Mr. David Allen Worth
- Independent Commissioner: Mr. Haryanto Sahari
- Independent Commissioner: Mr. Zulkifli Zaini
- Independent Commissioner: Mr. Rahmat Waluyanto

The Board of Directors (as of January 20, 2020)

- President Director: Mr. Ridha DM Wirakusumah
- Technology and Operations Director: Mr. Abdy Dharma Salimin
- Finance Director: Ms. Lea Setianti Kusumawijaya
- Wholesale Banking Director: Mr. Darwin Wibowo
- Legal and Compliance Director: Ms. Dhien Tjahajani
- Shariah Business Unit Director: Mr. Herwin Bustaman
- Retail Banking Director: Ms. Djumariah Tenteram
- Human Resources Director: Mr. Dayan Sadikin

Current Shareholders (as of September 30, 2019)

No.	Name	Number of Shares		Value		%
		Series A	Series B	Series A	Series B	
1	Astra	-	12,495,714,666	-	1,561,964,333,250	44.56
2	Standard Chartered	-	12,495,714,666	-	1,561,964,333,250	44.56
3	Public	26,880,234	3,024,429,639	336,002,925,000	378,053,704,875	10.88
	Total Shares	26,880,234	28,015,858,971	336,002,925,000	3,501,982,371,375	100.00
	Saham Dalam Portfolio	-	69,296,117,629	-	8,662,014,703,625	71.00

²IDR amounts for Permata's loans and deposits have been converted into THB at an exchange rate of THB 1 : IDR 463 and USD at an exchange rate of USD 1 : IDR 14,179 as of September 30, 2019

Key Financials³

Balance Sheet	IDR Bn			THB Bn		
	9M19	2018	2017	9M19	2018	2017
Gross Loan	108,407	107,411	98,615	234	232	213
Total Assets	155,080	152,893	148,318	335	330	320
Total Deposits	120,230	118,135	111,288	259	255	240
Shareholders' Equity	23,729	22,452	21,511	51	48	46

Income Statement	IDR Bn			THB Bn		
	9M19	2018	2017	9M19	2018	2017
Net Interest Income	4,107	5,400	5,224	8.9	11.7	11.3
Total Operating Income	5,607	7,361	8,580	12.1	15.9	18.5
Impairment Loss	(712)	(1,676)	(3,127)	(1.5)	(3.6)	(6.7)
Total Operating Expense	(3,432)	(4,466)	(4,502)	(7.4)	(9.6)	(9.7)
Net income to Owners	1,093	901	748	2.4	1.9	1.6

Total Consideration and Value of Assets Purchased

The Transaction will be effected on the basis of an agreed valuation of a 1.77 times of Permata's book value (subject to certain adjustments). This implies, on the basis of Permata's book value as at September 30, 2019, an indicative transaction value of IDR 37,430,974 million (approximately USD 2,674 million or THB 81,019 million⁴) for the 89.12% stake in Permata.

The price payable by the Bank for the 89.12% stake in Permata will be finalised on the basis of a 1.77 times of Permata's book value (subject to certain adjustments), as set out in the last financial statements published by Permata prior to the closing of the Transaction. The purchase price will be settled by cash.

5. Basis of Valuation

Value of assets purchased is determined based on Dividend Discount Model, by taking into consideration comparable Indonesian bank M&A transaction, comparable trading in Indonesia, trading valuation of Permata, due diligence adjustments and the potential of Permata's business which may continuously generate revenue in the future.

6. Calculation Criteria for the Total Consideration Value

The final consideration payable to each of Standard Chartered and Astra is calculated using the following formula:

$$\text{Standard Chartered's Consideration} = \text{Sale Share Price} \times \text{Standard Chartered's Sale Shares}$$

$$\text{Astra's Consideration} = \text{Sale Share Price} \times \text{Astra's Sale Shares}$$

and, Sale Share Price is calculated as follows:

$$\begin{aligned} \text{Sale Share Price} = & \text{Book Value (as set out in the last financial statements published prior to the} \\ & \text{date of confirmation of satisfaction of all conditions precedent in the CSPA} \\ & \text{(Confirmation of Satisfaction Date)} \\ & (-) \text{Net proceeds for any new Shares issued between the date of the CSPA and} \\ & \text{the Confirmation of Satisfaction Date which are included in the Book Value} \\ & (x) 1.77 \\ & (+) \text{Net proceeds for any new Shares issued between the date of the CSPA and} \\ & \text{the Confirmation of Satisfaction Date} \\ & (\div) \text{Total issued and sold shares as at the Confirmation of Satisfaction Date} \end{aligned}$$

³ Key Financials data have been converted into THB at an exchange rate of THB 1 : IDR 463 as of September 30, 2019

⁴ For the calculation of the transaction value, the IDR amount has been converted into THB at an exchange rate of THB 1 : IDR 462 and USD at an exchange rate of USD 1 : IDR 13,999 as of December 11, 2019

7. Transaction Rationale

- Deepens the Bank's presence in Indonesia, the largest ASEAN economy with GDP of USD 1.04 trillion⁵ and 267 million population with young working age population, growing middle and upper income class, rapid digital penetration, high credit growth⁶ and large unbanked population⁷
- Aligns with the Bank's international strategy to transform into a leading regional bank with larger presence in key ASEAN markets
- Establishes a strong foundational platform in a highly attractive and fast growing market through a quality bank of scale
- Uniquely positions the Bank to capture new and expanding opportunities arising from increasing ASEAN financial and economic integration
- Increases the Bank exposure towards high growth markets
- Generates significant synergies by leveraging the Bank's network and expertise as one of the largest ASEAN banks
- Enhances cross-border capabilities for Thai corporates in their increasing overseas expansion needs -Thai investment to Indonesia grew approximately 25% annually since 2008⁸. Also enhances the potential of connecting businesses of customers in other countries who are interested in expanding their businesses to Indonesia.
- Results in immediately (FY20E) accretive EPS and ROE for the Bank (assuming the Transaction completes within 2020), with the Bank's capital position expected to remain robust post acquisition

8. Sources of Funds to Finance the Purchase

The Bank expects the Transaction to be financed via combination of internal resources and financing through the Bank's routine funding sources. At this stage, the Bank does not expect to raise equity specifically for the purpose of funding this Transaction.

9. Conditions for the Completion of the Transaction

The completion of the Transaction is conditional upon the fulfilment or waiver of various conditions and requirements, including the following:

1. The acquisition approval from the Banking Division of OJK
2. The approval of the Bank of Thailand
3. The resolution of the general meeting of shareholders of the Bank approving the Transaction
4. The resolution of the Board of Commissioners (BOC) of Permata approving the acquisition plan and the draft deed of acquisition.
5. The resolution of the general meeting of shareholders of Permata approving:
 - 5.1. the acquisition plan and the draft deed of acquisition;
 - 5.2. the appointment of the representative(s) nominated by the Bank to be the members of the Board of Directors (BOD) and BOC; and
 - 5.3. the resignation, release and discharge of selected members of the BOD and BOC who were nominated by Standard Chartered and Astra, effective immediately after closing.

⁵ GDP data as of 2018 based on Euromonitor report

⁶ Sector loan CAGR of 15% (2008-18) based on Bank Indonesia statistics

⁷ 84.4 million unbanked population as of 2018 based on Euromonitor report

⁸ Bank of Thailand statistics, outflow of Thai direct investment to Indonesia in all sectors

6. There is no order, injunction, judgment, decree, regulation or court order issued by any governmental authority, regulatory body or court of competent jurisdiction which is in force, and no prohibitions, restraints or restrictions under applicable laws which are in effect, as at the closing, which would prohibit the Bank from acquiring the Sale Shares

10. Any Connected Person Hold Shares in the Business in Which the Bank Will Invest at 10% or More of the Voting Shares in Such Business

None.

11. Opinions from the Board of Directors Concerning the Decision to Enter into the Transaction

The Board of Directors has considered information and is of the view that the Transaction will benefit the Bank, and that the Transaction is reasonable and appropriate.

12. Approval of the Transaction by Board of Directors

With respect to the consideration and approval of various matters relating to the Transaction at the Board of Directors' Meeting No. 12/2562 and the Board of Directors' Meeting for proposal to the shareholders' meeting, there were no directors who were not entitled to vote present at the meeting because they were connected persons or had conflict of interest.

13. Opinions of the Audit Committee and/or the Directors Which Differs from the Opinion of the Board of Directors

None.

14. Approval of the Transaction

The completion of the Transaction is subject to approvals from relevant regulators both in Thailand and Indonesia and requires an approval from the shareholders' meeting of the Bank with the vote of not less than three-fourths of the total number of votes of the shareholders attending the meeting and entitled to vote.

Information Memorandum regarding the Acquisition of Assets by Bangkok Bank Public Company Limited (Schedule 2)

1. Information Disclosed under Schedule 1

Appears in the Information Memorandum regarding the Acquisition of Assets by Bangkok Bank Public Company Limited (Schedule 1)

2. Nature of Business and Business Prospects of the Bank

Nature of Business

Established in 1944, Bangkok Bank Public Company Limited (the Bank) is one of Southeast Asia's largest regional banks with total assets of THB 3,228,092 million as of September 30, 2019. The Bank is a leading provider of corporate finance and SME lending in Thailand, with approximately 240 business centers and business desks.

The Bank's domestic branch network – consisting of 1,148 domestic branches - covers all 77 provinces in Thailand and is among the most extensive networks of Thai banks. It currently has approximately 17 million deposit accounts, and has one of the largest deposit bases in Thailand. In addition, the Bank operates in 31 locations internationally, i.e., Cambodia, China, Indonesia, Hong Kong, Japan, Laos, Malaysia, Myanmar, the Philippines, Singapore, Taiwan, the United Kingdom, the United States and Vietnam. The Bank's international branch network is the largest among Thai commercial banks, enabling it to diversify its portfolio geographically and capture growth opportunities across Southeast Asia.

The Bank has six business units: Corporate, Commercial, Business, Consumer, International, and Investment Banking. The Bank's major subsidiaries are locally incorporated banks in Malaysia and China - Bangkok Bank Berhad and Bangkok Bank (China) Company Limited Other notable subsidiaries are Bualuang Securities Public Company Limited (BLS), BBL Asset Management Company Limited (BBLAM) and Bualuang Ventures Limited (BV). BLS provides brokerage, investment banking and fund management services; BBLAM provides mutual fund, private fund and provident fund products in Thailand; and BV is a venture capital company.

The Bank provides a wide range of financial services for both business and individual customers in Thailand and abroad. The Bank's business lending products include long-term and short-term loans, trade finance, working capital, letters of guarantee and aval/acceptance as well as other banking products and services, such as deposits, funds transfers, cash management, bancassurance, investment banking, debt securities, foreign exchange and derivatives. These services generate fee and service income for the Bank. The Bank also develops and enhances all banking services to cater to both Thai and international customers.

The Bank aims to provide quality financial services in line with customers' requirements, and to be well equipped with qualified human resources and world-class technology and updated working systems, while maintaining its status as a well-established international bank and a leading Asian bank.

Key Business Units

Corporate Banking: The Bank is the market leader in corporate banking with industry specialists serving large Thai corporations and multinationals across a wide range of industries. The Bank also provides transaction banking services, such as cash management, international trade finance services and supply chain financing, as well as innovative digital solutions including developing solutions that add value to corporate customers' businesses, such as payment services and credit lines that support their supply chains.

Commercial Banking: The unit works closely with medium-sized businesses, including family enterprises, providing services for their financial and business needs. As the country's only bank with a comprehensive regional network, the Bank facilitates companies with international business requirements such as import and export businesses and those with regional supply chains.

Business Banking: In addition to general financial services, the Bank provides customers with specialist financial and business advice and works with them as partners to create value for their

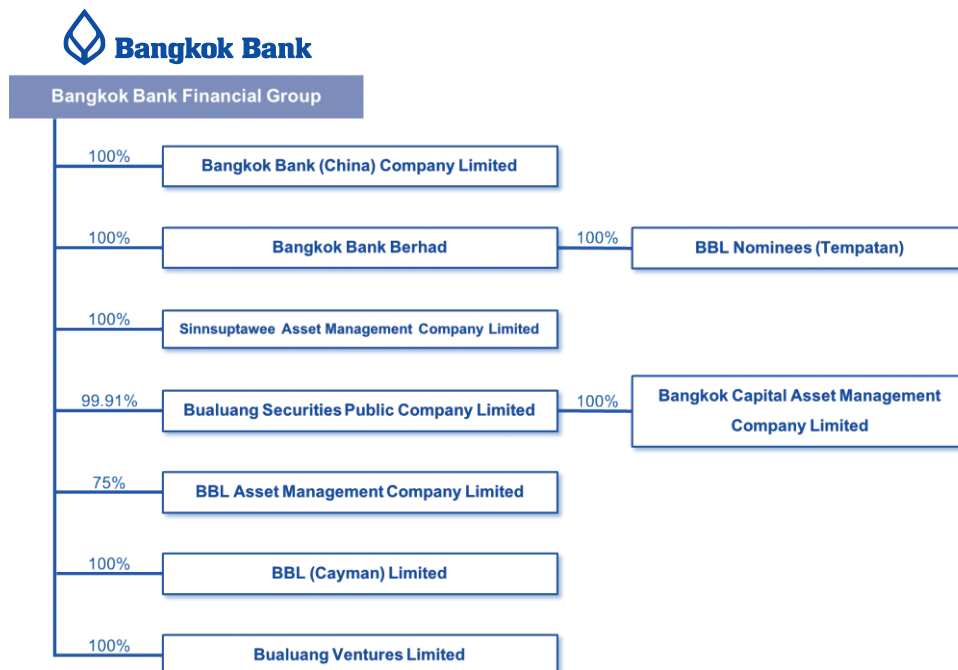
businesses. This includes assisting them to improve efficiencies in their business, manage risks, and to connect them with emerging opportunities.

Consumer Banking: The Bank offers its customers a wide range of consumer banking services to suit their stage of life through the Bank’s extensive nationwide branch network, ATMs and other self-service machines, as well as digital banking services such as internet banking (Bualuang iBanking), mobile banking (Bualuang mBanking) and payments via QR code.

International Banking: As Thailand’s market leader in corporate and SME banking with the most extensive international network comprising 31 overseas branches in 14 economies worldwide, the Bank has a unique role to play in facilitating international companies across ASEAN. In addition to financing, the Bank provides local knowledge and experience, as well as connections to other customers across our network

Investment Banking: In close cooperation with Corporate Banking unit, BLS and BBLAM, the Bank’s Investment Banking group is committed to offering clients innovative products and effective financing solutions in line with good corporate governance and corporate and social responsibility practices.

Structure of the Bank’s Financial Group before the Transaction



Management of Conflicts of Interest between the Bank and PT Bank Permata Tbk

The Bank and PT Bank Permata Tbk (“Permata”) operate businesses in the same industry with the majority of their business conducted in different countries. While Bangkok Bank has three branches in Indonesia, it intends to merge these three branches into Permata which will serve as the Bank’s main platform for growth in Indonesia going forward, thus mitigating any conflicts of interest.

Maintenance of Permata’s Listed Company Status

Permata is required to remain as a listed company pursuant to the applicable regulations that require an Indonesian bank in which a shareholder owns more than 40% to be listed on the Indonesian Stock Exchange (IDX). In order to remain listed on the IDX, Permata must comply with the minimum free float requirement which requires at least 7.5% of its total issued and paid-up capital to be held by public shareholders (at least 300 of whom hold an IDX-registered securities account).

Following completion of the Bank's acquisition of an 89.12% stake in Permata from Standard Chartered and Astra, the Bank will conduct a mandatory tender offer (MTO) to acquire the remaining shares in Permata from the other shareholders as per the relevant regulations (as detailed in the Information Memorandum regarding the Acquisition of the Assets by Bangkok Bank Public Company Limited (Schedule 1)). If as a result of the MTO Permata does not comply with the minimum free float requirement, Permata is then required, under the IDX listing regulations, to comply with the minimum free float requirement within 2 years after the completion of the MTO. Under the relevant regulations, if the transaction which triggers the MTO involves an acquisition of more than a 80% stake in the target company, the acquirer in such transaction must divest all of the shares acquired pursuant to the MTO within 2 years of the MTO so that the acquirer's shareholding is restored to that prior to the MTO. Accordingly, in the context of the Bank's acquisition of 89.12% of Permata, the Bank will need to divest all of the shares that it acquired pursuant to the MTO within 2 years of the MTO. After the divestment, the Bank's shareholding will be restored to 89.12%, and as such Permata will be in compliance with the minimum free float requirement to remain listed on the IDX.

3. Explanations and Analysis of the Financial Status and Performance for the Past 3 Years and the Current Accounting Year, Including Risk Factors that may have an Impact on the Bank's Profits

Financial Position	Change (%)							
	Unit: Million Baht	Dec-16	Dec-17	Dec-18	Sep-19	Dec-17 / Dec-16	Dec-18 / Dec-17	Sep-19 / Dec-18
Loans ⁽¹⁾	1,941,093	2,003,989	2,083,160	2,001,445		3.2%	4.0%	(3.9%)
Deposits	2,178,141	2,310,743	2,326,470	2,362,766		6.1%	0.7%	1.6%
LDR	89.1%	86.7%	89.5%	84.7%		(2.4%)	2.8%	(4.8%)
NPL	68,841	87,419	80,137	86,221		27.0%	(8.3%)	7.6%
NPL ratio	3.2%	3.9%	3.4%	3.6%		0.7%	(0.5%)	0.2%
LLR to NPL	174%	160%	191%	183%		(14.0%)	31.0%	(8.0%)
LLR to loan	6.2%	7.0%	7.3%	7.9%		0.8%	0.3%	0.6%
Liquid assets ⁽²⁾	956,840	1,051,975	1,018,448	1,180,661		9.9%	(3.2%)	15.9%
Liquid assets to total assets	32.5%	34.2%	32.7%	36.6%		1.7%	(1.5%)	3.9%
CASA	48.4%	50.7%	52.4%	52.0%		2.3%	1.7%	(0.4%)
CET1/Tier 1 ratio ⁽³⁾	16.4%	16.6%	16.4%	17.7%		0.2%	(0.2%)	1.3%
CAR ⁽³⁾	18.3%	18.2%	18.0%	20.7%		(0.1%)	(0.2%)	2.7%

Notes:

- Loans = Loans to customer less deferred revenue
- Liquid assets consist of cash, net interbank and money market items, trading securities and available-for-sale securities
- Under the principles of Basel III, the Bank of Thailand requires commercial banks registered in Thailand and their groups to maintain minimum levels of capital adequacy as measured by three ratios, these are the Common Equity Tier 1 ratio at no less than 4.50 percent, the Tier 1 ratio at no less than 6.00 percent, and the total capital ratio at no less than 8.50 percent - measured as a percentage of total risk-weighted assets. The Bank of Thailand also requires a capital conservation buffer, phasing in an additional capital ratio of more than 0.625 percent p.a. starting January 1, 2016 until completion of the increment to more than 2.50 percent from January 1, 2019 onwards. It also requires the Bank, which is identified as a Domestic Systemically Important Bank (D-SIB), to have additional capital to meet the Higher Loss Absorbency (HLA) requirement, which gradually raised the Common Equity Tier 1 ratio by 1.00 percent, beginning with a 0.50 percent increase from January 1, 2019, rising to 1.00 percent from January 1, 2020 onwards.

Financial Performance Unit: Million Baht	2016	2017	2018	Change (%)		9M18	9M19	Change (%) 9M19 / 9M18
				2017 / 2016	2018 / 2017			
Net interest income	63,998	66,625	71,376	4.1%	7.1%	52,953	53,878	1.7%
Net fees and service income	24,492	27,526	27,590	12.4%	0.2%	20,520	20,319	(1.0%)
Other operating income	17,368	18,317	22,435	5.5%	22.5%	18,865	15,826	(16.1%)
Total operating income	105,858	112,468	121,400	6.2%	7.9%	92,338	90,023	(2.5%)
Operating expenses	50,505	48,948	55,165	(3.1%)	12.7%	38,832	38,975	0.4%
Impairment loss of loans and debt securities	15,728	22,370	21,965	42.2%	(1.8%)	19,200	16,009	(16.6%)
Net profit ⁽¹⁾	31,815	33,009	35,330	3.8%	7.0%	27,229	27,814	2.1%
EPS ⁽¹⁾ (Baht per share)	16.67	17.29	18.51	3.7%	7.0%	14.26	14.57	2.1%
NIM	2.34%	2.32%	2.40%	(0.02%)	0.08%	2.38%	2.39%	0.01%
Net fees and service income ratio	23.1%	24.5%	22.7%	1.4%	(1.8%)	22.2%	22.6%	0.4%
Cost to income ratio	47.7%	43.5%	45.4%	(4.2%)	1.9%	42.1%	43.3%	1.2%
ROA ⁽¹⁾	1.09%	1.09%	1.13%	0.00%	0.04%	1.16%	1.18%	0.02%
ROE ⁽¹⁾	8.59%	8.49%	8.73%	(0.10%)	0.24%	9.04%	8.79%	(0.25%)

Notes: 1. Attributable to owners of the Bank

Analysis of Operating Results and Financial Positions

9 months of 2019

Statement of Financial Position

Assets

Total assets as of September 30, 2019 amounted to THB 3,228,092 million, an increase of THB 111,342 million from the end of December 2018. Significant items included net interbank and money market items of THB 575,970 million, an increase of THB 125,270 million or 27.8 percent mainly due to higher lending volume and loans to repurchase agreements. Net investments amounted to THB 614,339 million, an increase of THB 57,551 million or 10.3 percent from higher investments in all categories. Loans amounted to THB 2,001,445 million, a decrease of THB 81,715 million or 3.9 percent.

Loans

As of September 30, 2019, loans amounted to THB 2,001,445 million, a decrease of THB 81,715 million or 3.9 percent from the end of December 2018, due to a decrease in loans to businesses and loans made through the Bank's international network.

The Bank and its subsidiaries had loans distributed across business sectors with 37.6 percent in the manufacturing and commercial sector, 22.8 percent in the utilities and services sector, 12.3 percent in the housing sector, and 10.0 percent in the real estate and construction sector. The decrease in loans from the end of December 2018 was mainly due to the manufacturing and commercial sector, as well as the 'others' sector.

Classified Loans and Allowance for Doubtful Accounts

Non-performing loan (NPL) at the end of September 2019 amounted to THB 86,221 million, an increase of THB 6,084 million or 7.6 percent from the end of December 2018. The ratio of NPL to total loans stood at 3.6 percent. Total allowance for doubtful accounts at the end of September 2019 was THB 158,095 million or 246.8 percent of the minimum amount of THB 64,048 million required by the Bank of Thailand. The ratio of loan loss reserves to NPL at the end of September 2019 was 183.4 percent.

Net Investments

Net investments as of September 30, 2019 amounted to THB 614,339 million, an increase of THB 57,551 million from the end of December 2018 or 10.3 percent, due to increases in investments in all categories.

Most of the net investments were in government and state-enterprise securities. As of September 30, 2019, these amounted to THB 301,320 million, accounting for 49.0 percent of total investments. The remaining net investments were foreign debt securities of THB 119,598 million, private enterprise debt securities of THB 69,559 million, and net investment in equity securities of THB 116,027 million.

Liabilities

Total liabilities as of September 30, 2019 amounted to THB 2,797,654 million, an increase of THB 94,063 million or 3.5 percent from the end of December 2018. Deposits amounted to THB 2,362,766 million, an increase of THB 36,296 million or 1.6 percent. Debt issued and borrowings amounted to THB 147,375 million, an increase of THB 31,027 million or 26.7 percent.

Deposits

Total deposits as of September 30, 2019 amounted to THB 2,362,766 million, an increase of THB 36,296 million or 1.6 percent from the end of December 2018, due to increases in current and fixed deposits.

Debt Issued and Borrowings

Total debt issued and borrowings as of September 30, 2019 amounted to THB 147,375 million, an increase of THB 31,027 million from the end of December 2018, mainly due to the issuance of 15-year subordinated notes qualified as Tier 2 capital of USD 1,200 million in September 2019.

Shareholders' Equity

Shareholders' equity attributable to owners of the Bank as of September 30, 2019 amounted to THB 430,178 million, an increase of THB 17,364 million or 4.2 percent from the end of 2018. The increase was mainly due to net profit attributable to owners of the Bank for the first nine months of 2019 of THB 27,814 million, net of dividend payments in 2019 totaling THB 12,093 million. The payments consisted of the final dividend payment for the 2018 performance of THB 8,371 million (at THB 4.50 per share) following the resolution of the shareholders' meeting of the Bank held on April 12, 2019, and the interim dividend payment from net profit from operations in the first half of 2019 of THB 3,722 million (at THB 2.00 per share). At the same time, revaluation gains on available-for-sale investments increased by THB 7,099 million while losses on translation of financial statements of foreign operations rose by THB 5,459 million.

Contingent Liabilities

Contingent liabilities as of September 30, 2019 amounted to THB 660,109 million, an increase of THB 6,379 million from the end of December 2018 predominantly due to an increase in 'others' (under other commitments), while other guarantees and letters of credit decreased.

Sources and Utilization of Funds

The primary sources of funds as of September 30, 2019 were THB 2,362,766 million or 73.2 percent in deposits, THB 430,178 million or 13.3 percent in shareholders' equity attributable to owners of the Bank, THB 148,575 million or 4.6 percent in interbank and money market liabilities, and THB 147,375 million or 4.6 percent in debt issued and borrowings.

The utilization of funds comprised THB 2,001,445 million or 62.0 percent in loans, THB 616,071 million or 19.1 percent in net investments (including net investments in

associates), and THB 575,970 million or 17.8 percent in net interbank and money market assets.

Capital Reserves and Capital Adequacy Ratio

In 2019 the Bank is required to maintain the Common Equity Tier 1 ratio at more than 7.50 percent, the Tier 1 ratio at more than 9.00 percent, and the total capital ratio at more than 11.50 percent – measured as percentages of total risk-weighted assets.

As of September 30, 2019, the regulatory capital position was THB 487,730 million, Common Equity Tier 1 capital was THB 415,774 million, and Tier 1 capital was THB 415,837 million. The total capital adequacy ratio was 20.71 percent, the Common Equity Tier 1 capital adequacy ratio was 17.66 percent, and the Tier 1 capital adequacy ratio was 17.66 percent. This regulatory capital has already included subordinated notes qualified as Basel III-complaint Tier 2 capital of USD 1,200 million.

Liquid Assets

Liquid assets consisted of cash, net interbank and money market items, trading securities and available-for-sale securities. As of September 30, 2019, liquid assets totaled THB 1,180,661 million, an increase of THB 162,213 million or 15.9 percent from the end of December 2018. Significant items included an increase of THB 125,270 million in interbank and money market items and an increase of THB 38,908 million in available-for-sale securities.

Statement of Profit or Loss

Net Interest Income

In the first nine months of 2019, net interest income rose by THB 925 million from the same period of the previous year as a result of higher yield and volume of average earning assets in all categories. Consequently, interest income rose by THB 2,578 million, mainly due to an increase in interest income from loans of THB 1,035 million, while interest expenses rose by THB 1,653 million due to the expansion in deposits and borrowings. The net interest margin slightly increased to 2.39 percent.

Non-Interest Income

In the first nine months of 2019, non-interest income amounted to THB 36,145 million, a decrease of THB 3,240 million from the first nine months of 2018, due to lower gains on investments, gains on trading and foreign exchange transactions and other operating income, mainly from the recognition of profit sharing from the management of impaired assets by the Thai Asset Management Corporation (TAMC) in the previous year, while in 2019 gains on disposal of assets increased. Net fees and service income decreased as a result of exemption of transaction fees via digital channels and a decrease in fees from securities business in line with the capital market situation, while fees from bancassurance and mutual fund services grew well.

Operating expenses

In the first nine months of 2019, operating expenses amounted to THB 38,975 million, a slight increase of 0.4 percent from the same period of the previous year.

Impairment Loss of Loans and Debt Securities

In the first nine months of 2019, impairment loss of loans and debt securities amounted to THB 16,009 million, compared to THB 19,200 million in the same period of the previous year.

2018

Statement of Financial Position

Assets

Total assets, as of December 31, 2018, amounted to THB 3,116,750 million, an increase of THB 40,440 million from the end of December 2017. Significant items included an

increase of THB 79,171 million or 4.0 percent in loans, and a decrease of THB 34,932 million or 5.9 percent in net investments due to a decrease in available-for-sale securities.

Loans

As of December 31, 2018, loans amounted to THB 2,083,160 million, an increase of THB 79,171 million or 4.0 percent from the end of December 2017 due to increases in loans for large corporates and consumers and loans made through the Bank's international network.

The highest portion of lending was at 39.3 percent to the manufacturing and commercial sector, followed by 21.9 percent to the utilities and services sector, 11.5 percent to the housing sector, and 9.7 percent to the real estate and construction sector. The increase in loans from the end of December 2017 was mainly related to the utilities and services sector and the 'others' sector.

Classified Loans and Allowance for Doubtful Accounts

Non-performing loan (NPL) at the end of December 2018 amounted to THB 80,137 million, a decrease of THB 7,282 million or 8.3 percent from the end of December 2017. The ratio of NPL to total loans stood at 3.4 percent. Total allowance for doubtful accounts at the end of December 2018 was THB 153,003 million or 238.9 percent of the minimum amount of THB 64,035 million required by the Bank of Thailand. The ratio of loan loss reserves to NPL at the end of December 2018 was 190.9 percent.

Net Investments

Net investments as of December 31, 2018 amounted to THB 556,788 million, a decrease of THB 34,932 million or 5.9 percent from the end of December of 2017, due mainly to a decrease in available-for-sale securities.

Most of the net investments were in government and state-enterprise securities. As of December 31, 2018, these amounted to THB 314,541 million, accounting for 56.5 percent of total investments.

The remaining net investments were foreign debt securities of THB 86,799 million, private enterprise debt securities of THB 37,384 million, and net investment in equity securities of THB 110,571 million.

Liabilities

Total liabilities as of December 31, 2018 amounted to THB 2,703,591 million, an increase of THB 29,288 million or 1.1 percent from the end of December 2017, mostly from an increase of THB 15,727 million or 0.7 percent in deposits and an increase of THB 9,158 million or 8.5 percent in debt issued and borrowings.

Deposits

Total deposits as of December 31, 2018 amounted to THB 2,326,470 million, an increase of THB 15,727 million or 0.7 percent from the end of December 2017, due to an increase in savings deposits, while fixed deposits and current deposits decreased.

Debt Issued and Borrowings

The Bank issued and offered USD 1,200 million of senior unsecured debentures in foreign markets in September 2018 and redeemed senior unsecured debentures of USD 400 million which matured in March 2018 and of USD 500 million which matured in October 2018. As a result, total debt issued and borrowings as of December 31, 2018 amounted to THB 116,348 million, an increase of THB 9,158 million or 8.5 percent from the end of December 2017.

Shareholders' Equity

Shareholders' equity attributable to owners of the Bank as of December 31, 2018 amounted to THB 412,814 million, an increase of THB 11,090 million or 2.8 percent from the end of 2017. The increase was mainly due to the net profit attributable to owners

of the Bank for 2018 of THB 35,330 million net of two dividend payments in 2018 totaling THB 12,066 million. The payments consisted of the final dividend payment for 2017 performance of THB 8,350 million (at THB 4.50 per share) following the resolution of the shareholders' meeting of the Bank held on April 12, 2018, and the interim dividend payment made from the net profit from operations in the first half of 2018 (January to June) of THB 3,716 million (at THB 2.00 per share). At the same time, there was a decrease of THB 9,317 million in revaluation gains on available-for-sale investments and the loss on translation of the financial statements of foreign operations rose by THB 3,180 million due to the THB's appreciation.

Contingent Liabilities

Contingent liabilities as of December 31, 2018 amounted to THB 653,730 million, an increase of THB 53,784 million or 9.0 percent from the end of December 2017, due predominantly to an increase in 'others' (under other commitments).

Sources and Utilization of Funds

The primary sources of funds as of December 31, 2018 were THB 2,326,470 million or 74.6 percent in deposits, THB 412,814 million or 13.2 percent in shareholders' equity attributable to owners of the Bank, THB 136,862 million or 4.4 percent in interbank and money market liabilities, and THB 116,348 million or 3.7 percent in debt issued and borrowings.

The utilization of funds comprised THB 2,083,160 million or 66.8 percent in loans, THB 558,396 million or 17.9 percent in net investments (including net investments in associates), and THB 450,700 million or 14.5 percent in net interbank and money market assets.

Capital Reserves and Capital Adequacy Ratio

In 2018 the Bank was required to maintain the Common Equity Tier 1 ratio at more than 6.375 percent, the Tier 1 ratio at more than 7.875 percent, and the total capital ratio at more than 10.375 percent – measured as percentages of total risk-weighted assets.

As of December 31, 2018, the regulatory capital position was THB 426,563 million, Common Equity Tier 1 capital was THB 390,309 million, and Tier 1 capital was THB 390,369 million. The total capital adequacy ratio was 17.96 percent, the Common Equity Tier 1 capital adequacy ratio was 16.43 percent, and the Tier 1 capital adequacy ratio was 16.43 percent.

Liquid Assets

Liquid assets consisted of cash, net interbank and money market items, trading securities and available-for-sale securities. As of December 31, 2018, liquid assets totaled THB 1,018,448 million, a decrease of THB 33,527 million or 3.2 percent from the end of December 2017, due to a decrease of THB 35,813 million in available-for-sale securities, a decrease of THB 7,597 million in trading securities, whereas net interbank and money market items rose by THB 12,962 million.

Statement of Profit or Loss

Net Interest Income

In 2018, the net interest margin rose by 0.08 percent from the previous year to 2.40 percent due to an increase in yield on loans, combined with a decrease in cost of deposits following an expansion of low-cost deposits in savings and current accounts. Net interest income amounted to THB 71,376 million, an increase of THB 4,751 million or 7.1 percent from 2017, due predominantly to an increase of THB 5,305 million or 5.0 percent in interest income. The increase in interest income was largely due to interest income from loans which rose by THB 4,255 million, in line with the expansion of loan volume from loans to large corporates, consumers and loans made through the Bank's international network, and an increase in yield on loans. Interest expenses rose by THB 554 million or 1.4 percent, due to an increase of THB 1,103 million in interest expenses from interbank

and money market items due to the increases in costs and transaction volume. Interest expenses on debt issued and borrowings fell by THB 962 million largely due to the maturity of debentures.

Non-Interest Income

In 2018, non-interest income amounted to THB 50,025 million, an increase of THB 4,182 million or 9.1 percent from 2017, due to the increases of THB 2,043 million in gains on trading and foreign exchange transactions, and THB 1,581 million in gains on investments. Despite the exemption of transaction fees via digital channels, net fees and service income slightly rose from the previous year due to growth in fee income from bancassurance and mutual funds, and the securities business.

Operating Expenses

In 2018, operating expenses amounted to THB 55,165 million, an increase of THB 6,217 million or 12.7 percent from 2017, due mainly to an increase of THB 3,233 million in personnel expenses, primarily resulting from preparing for an increase in provision due to compensation in lieu of notice in the case of retirement and dismissal of employees according to the new Labor Protection Act (No. 7) B.E. 2562 (2019). Other expenses rose by THB 2,753 million partly due to expenses incurred to accommodate an environment of disruptive technologies, and continuously develop working systems and improve operational business efficiency.

Impairment Loss of Loans and Debt Securities

The impairment loss of loans and debt securities in 2018 amounted to THB 21,965 million, compared to THB 22,370 million in the previous year.

2017

Statement of Financial Position

Assets

Total assets as of December 31, 2017, amounted to THB 3,076,310 million, an increase of THB 132,080 million from the end of December 2016. Significant items included an increase of THB 62,896 million or 3.2 percent in loans, an increase of THB 45,106 million or 8.3 percent in net investments due to the investment in available-for-sale securities, and an increase of THB 43,126 million or 10.9 percent in net interbank and money market items due to an increase in lending volume.

Loans

Loans as of December 31, 2017 amounted to THB 2,003,989 million, an increase of THB 62,896 million or 3.2 percent from the end of December 2016 due to an increase in loans to large corporates, medium-sized businesses and consumers, as well as loans made through the Bank's international network.

The highest portion of lending was to various industries in the manufacturing and commercial sector, at 40.9 percent, followed by 21.0 percent to the utilities and services sector, 11.4 percent to the housing sector, and 9.6 percent to the real estate and construction sector. The main increase in loans from the end of December 2016 was mainly to the utilities and services sector, and the real estate and construction sector.

Classified Loans and Allowance for Doubtful Accounts

Non-performing loan (NPL) at the end of December 2017 amounted to THB 87,419 million and the ratio of NPL to total loans was 3.9 percent.

Total allowance for doubtful accounts at the end of December 2017 was THB 140,021 million or 200.0 percent of the minimum amount required by the Bank of Thailand of THB 70,017 million. The ratio of loan loss reserves to NPL as at the end of December 2017 was 160.2 percent.

Net Investments

Net investments as of December 31, 2017 amounted to THB 591,720 million, an increase of THB 45,106 million or 8.3 percent from the end of December 2016, due mainly to an increase in investment in available-for-sale securities.

Most of the net investments were in government and state-enterprise securities. As of December 31, 2017, these amounted to THB 315,830 million, accounting for 53.4 percent of total investments. Foreign debt securities were THB 99,413 million, private enterprise debt securities were THB 43,468 million, and net equity securities were THB 124,131 million.

Liabilities

Total liabilities as of December 31, 2017 amounted to THB 2,674,303 million, an increase of THB 109,318 million or 4.3 percent from the end of December 2016, mostly from deposits which rose by THB 132,602 million or 6.1 percent. Debt issued and borrowings fell by THB 30,625 million or 22.2 percent.

Deposits

Total deposits as of December 31, 2017 amounted to THB 2,310,743 million, an increase of THB 132,602 million or 6.1 percent from the end of December 2016 from all types of deposits: savings deposits rose by 11.2 percent, current deposits rose by 10.8 percent, and fixed deposits rose by 1.3 percent due to the cost management of deposits by increasing the proportion of low-cost deposits.

Debt Issued and Borrowings

Total debt issued and borrowings as of December 31, 2017 amounted to THB 107,190 million, a decrease of THB 30,625 million from the end of December 2016. The declines were due mainly to the early redemption of THB 20,000 million of Subordinated Debentures No. 1/2012 on December 7, 2017 and to a decrease in the value of foreign-denominated debentures as a result of the THB's appreciation.

Shareholders' Equity

Shareholders' equity attributable to owners of the Bank as of December 31, 2017 amounted to THB 401,724 million, an increase of THB 22,708 million or 6.0 percent from the end of 2016, due mainly to the net profit attributable to owners of the Bank for 2017 of THB 33,009 million, net of two dividend payments in 2017 totaling THB 12,056 million. The payments consisted of the final dividend payment for 2016 performance of THB 8,346 million (at THB 4.50 per share) following the resolution of the shareholders' meeting of the Bank held on April 12, 2017, and the interim dividend payment made from the net profit from operations for the first half of 2017 (January to June) of THB 3,710 million (at THB 2.00 per share). At the same time, there was an increase of THB 7,005 million in revaluation gains on available-for-sale investments. Loss on translation of the financial statements of foreign operations rose by THB 5,018 million due to the THB's appreciation.

Contingent Liabilities

Contingent liabilities as of December 31, 2017 amounted to THB 599,946 million, a decrease of THB 3,098 million or 0.5 percent from the end of December 2016, due to decreases in other guarantees and letters of credit, while 'others' (under other commitments) increased.

Sources and Utilization of Funds

The primary sources of funds as of December 31, 2017 were THB 2,310,743 million or 75.1 percent in deposits, THB 401,724 million or 13.1 percent in shareholders' equity attributable to owners of the Bank, THB 133,584 million or 4.3 percent in interbank and money market liabilities, and THB 107,190 million or 3.5 percent in debt issued and borrowings.

The utilization of funds comprised THB 2,003,989 million or 65.1 percent in loans, THB 437,738 million or 14.2 percent in interbank and money market assets, and

THB 593,180 million or 19.3 percent in net investments (including net investments in associates).

Capital Reserves and Capital Adequacy Ratio

In 2017 the Bank is required to maintain the Common Equity Tier 1 ratio at more than 5.75 percent, the Tier 1 ratio at more than 7.25 percent, and the total capital ratio at more than 9.75 percent - measured as percentages of total risk-weighted assets.

As of December 31, 2017, the regulatory capital position was THB 419,580 million, Common Equity Tier 1 capital was THB 383,841 million, and Tier 1 capital was THB 383,942 million. The total capital adequacy ratio was 18.17 percent, the Common Equity Tier 1 capital adequacy ratio was 16.62 percent, and the Tier 1 capital adequacy ratio was 16.63 percent.

Liquid Assets

Liquid assets consisted of cash, net interbank and money market items, trading securities and available-for-sale securities. As of December 31, 2017, liquid assets totaled THB 1,051,975 million, an increase of THB 95,135 million or 9.9 percent from the end of December 2016. Significant items included an increase of THB 70,909 million in available-for-sale securities and an increase of THB 43,126 million in interbank and money market items.

Statement of Profit or Loss

Net Interest Income

In 2017, net interest income amounted to THB 66,625 million, an increase of THB 2,627 million or 4.1 percent from 2016, due predominantly to an increase of THB 2,236 million or 36.5 percent in interest income from interbank and money market items, and an increase of THB 797 million or 0.9 percent in interest income on loans due to the expansion in loan volume. Interest expenses rose by THB 406 million or 1.1 percent mainly due to an increase in interest expenses on deposits and contributions to the Deposit Protection Agency and Financial Institutions Development Fund in line with an increase in deposit volume. The net interest margin decreased by 0.02 percent from the previous year to 2.32 percent as a result of lower yield on earning assets.

Non-Interest Income

In 2017, non-interest income amounted to THB 45,843 million, an increase of THB 3,983 million or 9.5 percent from 2016, due to an increase in net fees and service income of THB 3,034 million, due mainly to the increase in fee income from bancassurance and mutual funds, loan-related services, and transaction services. Gains on investments increased by THB 2,156 million while gains on trading and foreign exchange transactions decreased by THB 1,202 million. Consequently, the ratio of net fees and service income to operating income stood at 24.5 percent, compared to 23.1 percent in the previous year.

Operating Expenses

In 2017, operating expenses amounted to THB 48,948 million, a decrease of THB 1,557 million or 3.1 percent from 2016. Significant items included a decrease of THB 2,186 million in other expenses mainly due to lower provisions for contingencies.

Impairment Loss of Loans and Debt Securities

Impairment loss of loans and debt securities in 2017 was THB 22,370 million, compared to THB 15,728 million in the previous year.

2016

Statement of Financial Position

Assets

Total assets, as of December 31, 2016, amounted to THB 2,944,230 million, an increase of THB 108,378 million from December 31, 2015. Significant items included an increase

of THB 72,190 million or 3.9 percent in loans, an increase of THB 27,089 million or 5.2 percent in net investments mainly from available-for-sale securities, and an increase of THB 22,605 million or 6.1 percent in net interbank and money market items.

Loans

Loans, as of December 31, 2016, amounted to THB 1,941,093 million, an increase of THB 72,190 million or 3.9 percent from the end of December 2015, due to an increase in loans to large corporates and medium-sized businesses and consumers, and loans made through the Bank's international network.

The highest portion of lending was to various industries in the manufacturing and commercial sector, at 41.7 percent, followed by 20.6 percent to the utilities and services sector, 11.3 percent to the housing sector, and 9.3 percent to the real estate and construction sector. The main increase in loans from the end of December 2015 was mainly related to the utilities and services sector, and to the 'others' sector.

Classified Loans and Allowance for Doubtful Accounts

Non-performing loan (NPL) at the end of December 2016 amounted to THB 68,841 million and the ratio of NPL to total loans was 3.2 percent.

Total allowance for doubtful accounts at the end of December 2016 was THB 119,518 million, 205.0 percent of the minimum required by the Bank of Thailand of THB 58,304 million. The ratio of loan loss reserves to NPL was 173.6 percent.

Net Investments

Net investments as of December 31, 2016 amounted to THB 546,614 million, an increase of THB 27,089 million or 5.2 percent from the end of December 2015, due mainly to available-for-sale securities.

Most of the net investments were in government and state-enterprise securities. As of December 31, 2016, these amounted to THB 339,527 million, accounting for 62.1 percent of total investments. Foreign debt securities were THB 82,764 million, private enterprise debt securities were THB 18,905 million, and net equity securities were THB 104,731 million.

Liabilities

Total liabilities as of December 31, 2016 amounted to THB 2,564,985 million, an increase of THB 91,164 million or 3.7 percent from the end of December 2015, mostly from deposits which rose by THB 87,176 million or 4.2 percent. Interbank and money market items rose by THB 2,247 million or 1.7 percent, due mainly to borrowing transactions.

Deposits

Total deposits, as of December 31, 2016, amounted to THB 2,178,141 million, an increase of THB 87,176 million or 4.2 percent from the end of December 2015, mostly from savings deposits which rose by 12.6 percent, while fixed deposits fell by 2.5 percent as a result of managing the cost of deposits by increasing the proportion of low-cost deposits.

Debt Issued and Borrowings

Total debt issued and borrowings as of December 31, 2016 amounted to THB 137,815 million, a decrease of THB 587 million from the end of December 2015 mainly due to the decrease in the value of foreign-denominated debentures resulting from the THB's appreciation.

Shareholders' Equity

Shareholders' equity as of December 31, 2016 amounted to THB 379,016 million, an increase of THB 17,184 million or 4.7 percent from the end of 2015, due mainly to the net profit for 2016 of THB 31,815 million, net of two dividend payments during 2016 totaling THB 12,022 million. These consisted of the final dividend payment for 2015 performance of THB 8,310 million (at THB 4.50 per share) following the resolution of the shareholders' meeting of the Bank held on April 12, 2016, the interim dividend

payment made from the net profit from operations in the first half of 2016 (January to June) of THB 3,712 million (at THB 2.00 per share), and appropriation of the profit as legal reserves and as other reserves amounting to THB 6,000 million in total. Loss on translation of the financial statements of foreign operations rose by THB 2,117 million due to the THB's appreciation, surplus on revaluation of premises decreased by THB 947 million, and unrealized gains on available-for-sales investments decreased by THB 620 million.

Contingent Liabilities

Contingent liabilities, as of December 31, 2016, amounted to THB 603,044 million, an increase of THB 47,020 million from the end of December 2015, due predominantly to an increase in other guarantees.

Sources and Utilization of funds

The primary sources of funds, as of December 31, 2016, were THB 2,178,141 million or 74.0 percent in deposits, THB 379,016 million or 12.9 percent in shareholders' equity, THB 137,815 million or 4.7 percent in debt issued and borrowings, and THB 130,928 million or 4.4 percent in interbank and money market liabilities.

The utilization of funds comprised THB 1,941,093 million or 65.9 percent in loans, THB 547,941 million or 18.6 percent in net investments (including net investments in associates), and THB 394,612 million or 13.4 percent in net interbank and money market assets.

Capital Reserves and Capital Adequacy Ratio

In 2016, the Bank is required to maintain the Common Equity Tier 1 ratio at more than 5.125 percent, the requirement for the Tier 1 ratio at more than 6.625 percent, and the requirement for the total capital ratio at more than 9.125 percent - measured as percentages of total risk-weighted assets.

As of December 31, 2016, the regulatory capital position was THB 403,068 million, Common Equity Tier 1 capital was THB 360,702 million, and Tier 1 capital was THB 360,818 million. The total capital adequacy ratio was 18.32 percent, while the Common Equity Tier 1 capital adequacy ratio was 16.40 percent and the Tier 1 capital adequacy ratio was 16.40 percent.

Liquid Assets

Liquid assets consisted of cash, net interbank and money market items, trading securities and available-for-sale securities. As of December 31, 2016, liquid assets totaled THB 956,840 million, an increase of THB 50,220 million or 5.5 percent from the end of December 2015. Significant items included an increase of THB 22,605 million in interbank and money market items and an increase of THB 21,245 million in available-for-sale securities.

Statement of Profit or Loss

Net Interest Income

In 2016, net interest income amounted to THB 63,998 million, an increase of THB 6,488 million or 11.3 percent from 2015, due predominantly to a decrease of THB 7,495 million or 25.9 percent in interest expenses on deposits, resulting from an expansion of low-cost deposits in savings and current accounts and a decrease in the cost of fixed deposits, and interest income from investments increased by THB 1,401 million or 20.5 percent. Interest income from interbank and money market items fell by THB 3,393 million or 35.7 percent, due to the decrease in business volume and yield, in line with market yield. The net interest margin rose by 0.18 percent from the previous year to 2.34 percent.

Non-Interest Income

In 2016, non-interest income amounted to THB 41,860 million, a decrease of THB 3,359 million or 7.4 percent from 2015, with gains on disposal of assets declining by THB 2,009 million and gains on investments declining by THB 1,564 million. Net fees and service income rose by THB 421 million, due mainly to increases in fee income from electronic services and remittances, the securities business, loan-related services and securities services.

Operating Expenses

In 2016, operating expenses amounted to THB 50,505 million, an increase of THB 5,460 million or 12.1 percent from 2015. Significant items included an increase of THB 4,169 million in other expenses due predominantly to provisions for contingencies, an increase of THB 1,020 million in personnel expenses due to annual salary adjustments, and an increase in the number of employees.

Impairment Loss of Loans and Debt Securities

In 2016, impairment loss of loans and debt securities amounted to THB 15,728 million, compared with THB 14,654 million in 2015.

Risk Factors that may have an Impact on the Bank's Performance and Risk Management**1) Uncertainties in Global and Domestic Conditions**

Uncertainties surrounding global trade and supply chains remain a significant emerging risk, especially those relating to US and China trade policies. Although the US and China signed the Phase One trade agreement, tensions will likely persist given the fundamental differences between the two countries and unresolved issues such as forced technology transfer and China's industrial policies. Further escalation may harm global trade and investment as well as trigger dislocations within the global supply chain and financial market volatility. Moreover, trade barriers between Japan and South Korea have increased as both countries have strengthened export controls with one another. While these restrictions are likely to have limited impact, escalating tensions could significantly affect both economies and have regional repercussions especially through technology sector supply chains.

Geopolitical tensions and political uncertainties in both Europe and the Middle East pose additional headwinds to global growth. Notably, ongoing uncertainties about the UK leaving the European Union (EU) continue to drag on global sentiment. There is also a risk that the separation could be accompanied by interruptions in cross-border financial flows and weaker economic activities in the UK and, to some extent, in European countries. In the Middle East, rising tensions in the Persian Gulf following attacks on major oil refining facilities in Saudi Arabia have compounded broader conflict within the region. The accumulation of such tensions, combined with ongoing trade conflicts, could further weaken the current lackluster sentiment.

Asian emerging markets are also exposed to risks from a slower Chinese economy, given that the majority of their exports to China are for Chinese domestic consumption. The deleveraging process and trade tensions with the US present downside risks to China's growth, although the adverse effects are partially offset by fiscal and monetary policy stimulus.

Weaker-than-expected private consumption and the strong Thai Baht continue to pose risks to the domestic economy. Uneven income growth, rising household debt and declining exporters' income resulting from the strong Baht may continue to hinder SME growth and domestic consumption, particularly with middle- and low-income households.

The Bank realizes the uncertain global environment and domestic economy may affect its business operations and those of its customers. The Bank closely monitors each risk category so that it can make necessary adjustments to its business strategies and support its customers properly and promptly.

2) Regulatory Changes

- Principles of the Basel III Framework

The Bank of Thailand (BOT) has enforced its regulatory capital requirements for commercial banks according to the Basel III framework, which covers regulatory capital requirements and liquidity risk management standards, since 2013.

Under this framework the BOT requires banks to preserve additional capital, in both quantitative and qualitative terms, to support losses that may occur in normal times as well as under stressed scenarios in order to support and maintain the stability of the financial system. Significant recent revisions to the requirements include: a new minimum capital ratio, an increase in the quality of capital to an appropriate level, and an expansion of the coverage of risk-weighted assets so that they are more comprehensive and reflect real risks. From January 1, 2016, the BOT has required commercial banks to gradually set aside additional capital as part of the Capital Conservation Buffer of more than 0.625 percent per annum until completion of the increment to more than 2.50 percent in 2019. Moreover, the BOT requires the Bank, which is classified as a domestic systemically important bank (D-SIB), to have additional Common Equity Tier 1 capital to meet the Higher Loss Absorbency (HLA) requirement by 1.00 percent, beginning with a 0.50 percent increase from January 1, 2019 followed by an increase to 1.00 percent from January 1, 2020 onwards. As at September 30, 2019, the Bank and Group had adequate capital for such buffers.

The Leverage Ratio guidelines, which will take effect in 2022, aim to control on- and off-balance sheet transaction volumes by ensuring Tier 1 capital as a percentage of total exposures to be no lower than 3 percent. The Bank has already prepared for compliance with the guidelines.

With regards to the Basel III Liquidity Framework, the BOT has imposed the guidelines on Liquidity Coverage Ratio (LCR) since January 1, 2016. The minimum requirement for LCR was set at 60 percent for 2016 and mandated to rise in equal annual steps until reaching 100 percent on January 1, 2020. The BOT recently imposed guidelines for the Net Stable Funding Ratio (NSFR) with the minimum requirement of 100 percent, effective on July 1, 2018. As at September 30, 2019, the Bank and the Group had maintained both ratios above the minimum requirements.

Apart from the guidelines mentioned above, the Bank has closely monitored the revision of other risk management guidelines proposed by the Basel Committee on Banking Supervision (BCBS) and/or any other regulators, including guidelines that BCBS had already announced and which the BOT is considering adopting in Thailand, such as Basel III: the Countercyclical Buffer, Finalizing Post-crisis Reforms, Fundamental Review of the Trading Book, Operational Risk - Revisions to the Simpler Approaches, Interest Rate Risk in the Banking Book, and the Standardised Approach for Measuring Counterparty Credit Risk Exposures. These guidelines may impact the Bank's capital requirements and business strategy. The Bank has therefore continuously monitored these revisions and the enforcement schedule from the BOT, and has studied and assessed their impacts, in order to properly prepare for the new guidelines.

- New or Revised Financial Reporting Standards

The Bank's financial statements have been prepared under Thai Financial Reporting Standards (TFRS). The financial reporting standards that relate to the Bank, which have taken effect in 2020, have been amended by the Thai Federation of Accounting Professions (TFAC) to bring them up to date with International Financial Reporting Standards (IFRS). The significant changes in principle can be summarized as follows:

A pack of Thai Financial Reporting Standards relating to financial instruments (TFRS9 Pack)

This standard establishes the principle in relation to the classification and measurement of financial instruments based on the consideration of the contractual cash flow characteristics and the business model. It extends the scope of the items which are subject to expected credit losses to cover loan commitments and financial guarantee contracts. Recognition of allowance for doubtful accounts uses expected credit loss model. As a result of this, the allowance for doubtful accounts is recognized at the initial date of transaction rather than waiting until the impairment indicator incurred (Incurred Loss). The measurement of expected credit loss is derived from the historical loss on an unbiased basis and takes into account forward-looking factors throughout the transaction's lifetime. The expected credit loss measurement concept may lead to volatility of impairment loss in accordance with the model in each accounting period. In addition, it establishes the hedge accounting principle to align with the risk management strategy and establishes the disclosure requirement on financial instruments in order to enable the users of financial statements to evaluate how significant financial instruments may impact the financial position and performance.

TFRS9 Pack will have a broad impact on financial institutions, particularly in terms of their lending business and risk management. The Bank has prepared itself to comply with such accounting standards in terms of its lending business and risk management, especially regarding credit risk and information technology, so as to implement effective change management and enhance related policies and processes.

Thai Financial Reporting Standard No. 16 Leases

This standard replaces the existing lease accounting standard under Thai Accounting Standard No. 17 by introducing a single lessee accounting model which requires the lessee to recognize all long-term leases in the statement of financial position as a right-of-use asset and lease liability. However, there is no impact on lessor accounting as a lessor continues to recognize the leases as a finance lease or operating lease.

There will not be a material impact on the Bank's financial statements as a result of these standards as the Bank has already prepared itself to comply with the standards.

3) Credit Risk

Credit risk is the risk that arises from the inability of borrowers or counterparties to perform their obligations under contractual agreements in relation to the Bank's lending, investment and other contractual commitments – for example, the borrower's failure to repay principal and/or interest as agreed with the Bank. In addition, there are other related risks under credit risk such as credit concentration risk, reflecting large borrower concentration, industry concentration risk, and country and transfer risk. The Portfolio Management Unit is responsible for managing these risks.

Credit risk factors are those factors which may affect the ability of borrowers to fully repay loans, and include factors which may affect the Bank's ability to resolve non-performing loan.

The major risk factors from 2020 to 2021 will be the global economic slowdown and the further effects from international political conflicts which have resulted in protectionist trade measures, especially the conflict between the US and China. The US measures to raise tariffs on imported goods from China have affected world trade volumes and global economic growth. Such measures have also caused fluctuations in financial and capital markets as investors have lost confidence leading them to reduce their investments in risk assets and move funds to low-risk assets such as gold. Another risk factor hindering global economic growth is the uncertainty surrounding Brexit which continues to weigh on global business confidence. Since the UK has long been an economic and financial center of Europe and the world, its separation from the EU will impact the global economic and financial structure.

The Thai economy is at risk from the global economic slowdown as it relies on the export sector which has suffered from the reduction in world trade volumes. The Baht's strength against other regional currencies is also affecting export volume. In addition, private consumption remains under pressure from decreased purchasing power resulting from high levels of household debt. Therefore, the Thai economy going forward must rely heavily on domestic consumption and government investment.

Given all these factors, the Bank must therefore closely monitor the risks that might adversely affect debtors and their counterparties, particularly those whose financial status is weak and/or who are vulnerable to the risk factors which will eventually affect their repayment ability.

In managing credit risk, the Bank has established credit underwriting processes which include the formulation of credit policy, credit risk ratings for customers, and the establishment of different levels of delegation of authority for credit approval, depending upon the type of business and/or the size of the credit line. In considering the approval of loans in general, the Bank considers the purpose of the loan and assesses the repayment ability of the applicant, taking into account the applicant's operating cash flows, business feasibility, management capability, and collateral coverage. The Bank performs credit reviews which include reviewing credit risk ratings on a regular basis.

The Bank has established different measures to control credit risk. For example, the Bank has instituted limits on the amount of total credit extended, contingent liabilities and investment in a group of borrowers, an industry and a country. All of this will limit the loss of capital due to an economic downturn. Moreover, the Bank monitors and reports on these aspects to the senior management, the Board of Executive Directors and the Risk Oversight Committee to ensure that there will be adequate capital to safeguard the continuity of business operations in difficult times.

The ratios of the Group's asset quality show the Bank's stability compared to the industry, with adequate reserves for losses from credit risk. The ratios as at September 30, 2019 and December 31, 2018 were as follows:

	Sep 30, 2019	Dec 31, 2018
Ratio of loan loss reserves to total loans *	7.9%	7.3%
Ratio of loans written off to total loans *	0.5%	0.4%
Ratio of non-performing loan to total loans **	3.6%	3.4%
Ratio of accrued interest to total loans*	0.2%	0.3%
Ratio of loan loss reserves to non-performing loans **	183.4%	190.9%

* Including accrued interest

** As per the Bank of Thailand requirements

In addition, the TFAC has announced the introduction of Thai Financial Reporting Standard No. 9 "Financial Instruments" (TFRS9), which has been effective from January 1, 2020, which replaced the "incurred loss" model or provision reserved from damage that has occurred, with an "expected loss" model or provision reserved from "expected" damage that may occur. This means that although the debtor has not yet started to become overdue if there are any signs that credit risk has increased significantly, the new model requires the Bank to have provisions for the expected lifetime credit loss (ECL). Also it requires the Bank to consider economic and other factors that may affect the debtors' repayment, and may result in changes to the Bank's provisioning in any period of time even though the overall asset quality of the Bank is unchanged.

This classification has been amended in 2020 to three stages according to TFRS9. Stage 1 (Performing) covers loans with no significant increase in credit risk. Stage 2 (Under-Performing) covers loans where credit risk has increased significantly. Stage 3 (Non-Performing) covers loans considered to be impaired or to be NPL. The more stringent rules result in the definition of loans in Stage 2 (Under-Performing) having a wider scope than Special Mention (SM) loans, which cover debtors who have not yet started to become overdue. It is therefore possible to see how changes in classification

resulting from the amendment of the standard will affect the asset quality ratio. The Bank continuously closely monitors risks of debtors and counterparties in accordance with the Bank's credit risk management principles.

Credit Concentration Risk

Credit concentration risk is the risk of the Bank making lending, investment and other contractual commitments to any borrower or any sector at very high volumes. If losses occur, this will significantly affect the status and operations of the Bank. There are 3 types of concentration risks: large borrower concentration, industry concentration, and country and transfer risk.

Large borrower concentration is controlled by limiting the lending, investment and other contractual commitments to any one borrower or any one project to no more than 25 percent of the Bank's total capital. The Bank also sets a limit of three times its total capital on the total sum of lending, investment and other contractual commitments to any group of borrowers that exceeds 10 percent of the Bank's total capital. These two limits are required by the BOT and the Bank is in compliance.

To control industry concentration risk, the Bank aggregates exposures into industry and sub-industry categories based on economic factors, determines the worst-case scenario level of loss in each industry, and then calculates the lending limit to any industry to be at an acceptable level to limit damages to the Bank's capital in the event of a serious incident with major implications on certain sectors. The Bank also monitors, reviews and reports exposures and business conditions of each industry to ensure that the diversification in the portfolio will support the Bank's solid business growth.

For country and transfer risk, the Bank evaluates the riskiness of a counterparty's country with an assumption that their economic, social and political problems are worse than usual conditions. Then, together with business requirements, the Bank determines the country limit to limit damages to the Bank's capital in cases where events in a foreign country adversely affect the Bank's financial interests. The Bank also monitors, reviews and reports exposures and business conditions of every major country regularly to ensure the Bank has optimal exposure allocations.

4) Market Risk

Market risk is the risk of losses in on- and off-balance sheet positions of the Bank arising from movements in market prices such as interest rates, foreign exchange rates, equity prices and commodity prices.

The Bank's market risk arises from financial services activities provided to customers and/or financial institutions. These involve buying and selling foreign exchange and debt securities, as well as financial derivative transactions, such as foreign exchange forward contracts, cross currency swaps and interest rate swaps. The Bank manages market risk arising from customer-driven transactions to be at acceptable levels by hedging or reducing the risk exposure. Market risk exposures also arise from the Bank's own asset and liability positions.

The primary objective of market risk management is to manage the risks resulting from changes in market factors to be at acceptable levels and in line with the overall risk management policy of the Bank. The Bank has established a market risk management policy and specified market risk measurement metrics and limits, taking into consideration the nature and complexities of various financial activities.

The Bank segregates market risk management into two parts, the trading book and the banking book, which are classified according to the purpose of entering into the transaction.

4.1) Market Risk in the Trading Book

The trading book position includes positions of financial instruments that the Bank holds for a short period with an intention to trade, resell, and benefit from the difference between the buying and selling prices; to benefit from arbitrage opportunities;

or to hedge other positions in the trading book. The Bank's main traded market risks are interest rate risk and foreign exchange risk.

Interest rate risk in the trading book arises when the Bank holds interest rate-related financial instruments with an intention to trade, speculate for a short-term profit, or hedge other positions in the trading book. These trading exposures include debt securities, foreign exchange forward contracts, interest rate swaps and currency swaps, etc. Changes in interest rates affect the fair value of these positions and may result in gains or losses for the Bank.

Foreign exchange risk arises when the Bank executes a foreign currency transaction which may lead to an overbought or oversold position in a particular currency. These transactions include foreign currency exchange, investments, loans, borrowings, financial commitments, and foreign exchange-related derivatives. The Bank may incur gains or losses as a result of movements in foreign exchange rates.

Factors which affected the trading book position in the past year and that will need to be monitored going forward include (1) Prolonged trade war and friction between the US and China which will soften global economic growth in 2020, (2) Central bank policy directions towards further monetary easing via policy rate cut and liquidity injection, to help sustain their economic conditions, as well as accommodative fiscal policies, (3) The ongoing Brexit negotiation without a clear path for leaving the EU, (4) Slowdown in the Chinese economy driven by US-China trade conflict, (5) Geopolitical risk, such as friction between Japan and South Korea, US-EU trade disputes, denuclearization in North Korea and the ongoing protests in Hong Kong, and (6) The strengthening Thai Baht, which may adversely affect Thai economic growth especially on the export and tourism sectors. These factors may increase the volatility of international fund flows and subsequently cause volatilities in exchange rates, interest rates and commodity prices.

The Bank manages traded market risk primarily through a series of limits, such as Value-at-Risk (VaR) Limit, Present Value of a Basis Point Change (PV01) Limit and Maximum Loss Limit. Risk exposures are monitored and reported to senior management, the Board of Executive Directors and the Risk Oversight Committee on a regular basis. VaR is a statistical technique for estimating the potential losses on risk exposures as a result of movements in market rates and prices over a specified time horizon and at a given level of confidence.

The Bank also performs market risk stress testing on its trading book position on at least a quarterly basis to determine the potential losses from extreme market movements or crisis events. This stress testing enhances the Bank's understanding of its risk exposures and vulnerability as well as facilitating proactive risk management.

By using the historical simulation approach, the average VaR of the trading book for a one-day holding period, with a 99 percent confidence level, was Baht 110 million during the first three quarters of 2019.

4.2) Market Risk in the Banking Book

The Bank's banking book is subject to interest rate risk and equity price risk which can be described as follows:

(1) Interest Rate Risk in the Banking Book

Interest rate risk in the banking book normally arises when the repricing and/or maturity schedule of assets, liabilities and off-balance sheet positions are not matched, or when the movements of reference interest rates on assets and liabilities are not correlated, negatively affecting net interest income (NII) and/or economic value of equity (EVE).

Primary factors affecting the trend and level of interest rates and eventually net interest income of commercial banks include the global economic

slowdown, low inflation rates, as well as the easing monetary policies adopted by the BOT and central banks of major countries via policy rate cuts. Moreover, competition among banks to increase or maintain market share on deposits and loans may also put pressure on the Bank's net interest margin.

To control interest rate risk in the banking book, the Bank has established a NII Impact Limit (being the Cumulative NII Impact within one year) and an EVE Impact Limit, assuming interest rates rise and decrease immediately by one percent.

The Bank manages interest rate risk by adjusting its asset and liability structure in line with forecast interest rate trends, taking into consideration the changes in NII and EVE. The Bank may deploy plain vanilla derivatives, such as interest rate swaps and cross currency interest rate swaps, to hedge or mitigate interest rate risks to be within the risk tolerance limit, based on ALCO's risk management guidelines. The Bank also performs stress testing for interest rate risk in the banking book on a quarterly basis in order to understand its vulnerability and potential negative impact on NII under various stress scenarios. Results of the stress testing are used to determine alternative balance sheet strategies more suited to the business environment in order to achieve the business return target under an acceptable level of risk.

The impact of a one percent interest rate increase on the Group's NII as at June 30, 2019 and December 31, 2018 was as follows:

Currency	Unit: Million Baht	
	Jun 30, 2019	Dec 31, 2018
Thai Baht	733	-305
US Dollar	1,499	1,563
Euro	115	276
Other currencies	582	578
Total net interest income impact	2,929	2,111

(2) Equity Exposure in the Banking Book

Equity price risk is the risk associated with equity price changes resulting in the deterioration of investment value affecting the Bank's capital.

Objectives of the Bank's equity investment in the banking book are to enhance income in terms of dividends and capital gains under a medium to long-term investment horizon, and to support its core banking business by establishing good relationships with customers and creating networks of strategic investment partners, as well as using securities for debt repayment under debt restructuring agreements. The Bank's equity price risk arises from various types of investments in both domestic and overseas markets in order to diversify risk, to enhance returns, and to support the development of the Thai capital market, such as investments in property funds and infrastructure funds.

The Bank has established an equity investment and risk management policy as a guideline for assessing, monitoring and controlling equity price risk. Risk measurement techniques for the assessment of equity price risk are categorized by equity type. The Bank performs equity price risk stress testing on at least a quarterly basis in order to assess maximum potential losses from extreme market movements or crisis situations, as well as controlling the ratio of equity investment exposures to total capital in accordance with BOT regulations and the Bank's internal guidelines.

5) Liquidity Risk

Liquidity risk is the risk that the Bank is not able to meet financial obligations when they fall due. The purpose of the Bank's liquidity risk management is to maintain sufficient funds to meet present and future financial obligations while managing the use of the funds to generate an appropriate return in line with prevailing market conditions.

Liquidity risk factors mainly comprise the structure of the sources and use of funds, competition among banks to increase market share of deposits especially low-cost deposits and retail deposits, and the shift of investment behaviour towards search for yield amid a low interest rate environment where depositors tend to put their money into other financial products for higher returns. Additionally, changes in the monetary policy directions of central banks given the global economic recovery might lead to tighter liquidity in the financial system and higher funding cost.

The Bank manages liquidity risk in accordance with policies and principles established internally by ALCO and with relevant regulatory requirements. The Treasury Division is in charge of managing the Bank's day-to-day cash flow and liquidity position, monitoring money market conditions and interest and exchange rate movements and forecasting rate trends, as well as executing liquidity management strategies in accordance with ALCO guidelines. The Market Risk unit of the Risk Management Division is responsible for identifying, assessing, monitoring, reporting and controlling liquidity risks against specified limits. The Market Risk unit reports to ALCO regularly, at least once a month.

The Bank has diversified funding sources. Its major funding source is customer deposits which are well diversified in terms of customer type, deposit type and maturity. Moreover, the Bank manages liquidity in major currencies such as the Thai Baht and US dollar by using domestic and international money and capital markets, including swap and repurchase markets. The Bank aims to balance the cost of liquidity against liquidity risks as deemed appropriate, based on market conditions and acceptable risk levels. The Bank also closely manages short-term and long-term liquidity positions, including the consideration of foreign short-term and long-term borrowings to meet customers' foreign currency loan demands in both domestic and overseas operations, as well as planning for capital fundraising as market conditions permit.

In addition to funding diversification, the Bank maintains high-quality liquid assets which can be liquidated or realized as needed in order to meet its financial obligations under both business-as-usual and crisis situations. The Bank maintains a liquidity reserve ratio in accordance with the requirements of the BOT and other regulatory authorities in the countries where it has an international presence, as well as in accordance with the ALCO guidelines.

The Bank assesses, monitors and controls liquidity risk through a variety of measurements such as the loan-to-deposit ratio, cumulative cash flow positions under business-as-usual and crisis scenarios, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). The Bank's average LCR in the third quarter of 2019 was 322 percent, which was computed from month-end LCR in the quarter. The Bank's LCR is above the regulatory minimum requirement of 100 percent due in 2020.

The Bank also has in place an early warning system which provides alerts of any looming liquidity crisis, from both internal and external factors, that will allow for the prevention of liquidity risk crises and/or for proactive liquidity risk management. The Bank conducts liquidity-risk stress tests whereby the stress scenarios incorporate both internal and external liquidity risk factors. Liquidity-risk stress scenarios can be classified into three categories: (i) bank-specific crisis, (ii) market-wide crisis, and (iii) a combination of both. Under each stress scenario, the assumptions of cash inflows and outflows are specified differently from those under the business-as-usual scenario, such as abnormal customer deposit withdrawals and overdraft drawdowns, inaccessibility to the money market, sales of the Bank's liquid assets at below-market prices due to the decrease in market liquidity of such assets, and contingent support for companies in the financial group. The results of

liquidity-risk stress tests performed in 2019 showed that the Bank has continued to maintain a sufficient amount of excess liquidity under all three crisis scenarios.

The Bank has a liquidity contingency plan that outlines the roles and responsibilities of management and relevant departments, as well as having early-warning indicators and an action plan that enables the Bank to promptly cope with crisis events and successfully restore the situation to normal. In addition, the Bank has its Global Medium Term Notes (GMTN) Program which enables the Bank to access medium and long-term funding from the capital market in a timely and flexible manner.

6) Operational Risk

Operational risk is the risk of loss from inadequate or failed internal processes, people and systems, or from external events. This includes legal risk, but does not include strategic risk and reputation risk.

Operational risk factors are primarily composed of internal factors and external factors.

Internal factors are:

- The efficiency of the Bank's internal processes and internal control systems, including operational processes supporting business operations and processes for taking care of its personnel.
- The adequacy, qualifications and efficiency of the Bank's personnel, including the quality of customer service and customer care, understanding of the Bank's products and services that tend to be more complex, and the suitability of products and services sold to customers.
- The Bank's operating systems, in terms of their capability to support the Bank's business operations; and their complexity which may inflict risks.

External factors are:

- Actions by outsiders such as theft or embezzlement of assets or data, money laundering, etc.
- Catastrophes, natural disasters and civil disorders that might cause damage to the Bank's assets.
- New laws and regulations, or changes to laws and regulations, in Thailand and overseas which are likely to become more demanding.

The Bank understands that good operational risk management is vital to sustainable business success, particularly in the current environment where uncertainties, both domestic and international, prevail. The Bank therefore places great importance on effective operational risk management that provides sufficient coverage for all aspects of its operations, and is well prepared to deal promptly with any unpredictable event, including compliance with regulations in Thailand and overseas which have become more demanding.

Furthermore, the Bank pays close attention to the quality of customer service and customer care, suitability of products and services sold, reinforcement in system security, information systems, and all electronic/digital channels as well as risk management of fraud related to bank products and services such as credit cards, ATM cards and electronic services to ensure customer confidence. In relation to new product and service launches, the product and service risks must be well analyzed, assessed and controlled to be at the acceptable level, and the appropriate risk control procedures must be in place.

The Bank's operational risk management includes defining, assessing, monitoring, mitigating and controlling risk. Each unit in the Bank is directly responsible for managing its operational risk and for establishing measures to mitigate, monitor and control the risk to the designated level by allocating appropriate resources and establishing an organizational culture for managing operational risk.

A key principle underlying the Bank's operational risk management is to educate staff throughout the Bank by providing them with a consistent understanding of operational risk, and to cultivate a sustainable operational risk culture as part of day-to-day business activities across the Bank through Operational Risk Management Tools, e.g. Risk Control Self-assessment (RCSA), so that they are able to accurately and completely identify the operational risks, assess the risks, analyze details of the risks, assess the effectiveness of controls, find appropriate solutions to mitigate risks, and implement the selected solutions to minimize risks. This is followed by the systematic monitoring of progress, the measurement of potential risks, e.g. Risk Monitoring Information (RMI) and Loss Data collection, and the use of reporting systems as key elements of compiling and analyzing preventive and control measurements, and/or effectively diminishing the Bank's operational risk, and regular reviews of the entire process.

The Bank has implemented Business Continuity Management (BCM) to enhance its resilience and its capability in responding to unexpected interruptions. The Bank has adopted a BCM Policy which has been approved by the Board of Directors and has also defined standards and a BCM framework for developing a Business Continuity Plan which is reviewed and updated in accordance with potential threats, as well as being tested on a regular basis.

7) Information Technology Risk

Information Technology (IT) Risk is the potential risk from using technology which will have an impact on the systems or operation, and the risk from cyber threats.

Key IT risk factors of the Bank are composed of internal factors and external factors. Internal factors are the Bank's systems, in terms of their capability, their complexity and the adoption of technology for the Bank's business operations; the issue of system and data security; the accuracy and completeness of data processing; the development of, and changes in, technologies; and the adequacy of the Bank's personnel regarding IT risk awareness and understanding, including malicious and inadvertent insiders. External factors are more diversified, rapid and complex forms of IT risk and Cyber threat. Moreover, current risks from changes in the business-chain environment that rely on technology and data security management in operating businesses become factors for creating business opportunity as well as risk due to the business landscape transforming in the era of digitalization.

The Bank is aware of the risks arising from the use of IT and the importance of information security and cyber security. The Bank has developed an IT Risk Management Policy and updated the Information Security Policy to cover cyber security. Moreover, the Bank has enhanced the readiness of its IT governance and IT risk management throughout the Bank by putting in place a framework for the following areas: Strengthening cyber security to meet the most up-to-date standards; Assessing cyber risk and making appropriate adjustments to the assessment framework according to each situation; Regularly building awareness and understanding of cyber security with its staff and customers; Developing contingency plans to rapidly and effectively handle different forms of cyber risk to reduce its impact; and Collaborating with external organizations to further strengthen the Bank's readiness to both effectively prevent and handle cyber risk.

8) Capital Adequacy Risk

Capital is an important source of funding for any financial business. Therefore, effective capital management reflects the financial strength, and reliability of financial institutions.

In adopting Basel III, the BOT has relaxed the new requirements for subordinated debt instruments classified as Tier 2 which do not meet the criteria for qualification under Basel III regarding capability for loss absorbency of the Bank at the point of non-viability, i.e. they are not convertible to common shares or cannot be written off upon the authority's decision to provide financial support to the Bank, the BOT requires capital to be phased out at 10 percent p.a. from 2013 to 2022.

The Group's capital position as at September 30, 2019 and December 31, 2018 were as follows:

	Unit: Million Baht	
	Sep 30, 2019	Dec 31, 2018
Tier 1 capital	415,837	390,369
Common Equity Tier 1 capital	415,774	390,309
Additional Tier 1 capital	63	60
Tier 2 capital	71,893	36,194
Total capital	487,730	426,563

Capital adequacy risk factors cover the type, quantity and quality of the Bank's risk assets as well as the Bank's earnings' capacity. In times of severe economic and financial difficulties, the quality of the Bank's assets, including its investments, may deteriorate. The value of the Bank's assets and/or investments and/or collateral may also decline, thereby increasing the Bank's risk weighted assets. As a consequence, the Bank's earnings may also be affected, resulting in a reduction of capital and leading to a corresponding decline in its capital adequacy ratio.

The objective of the Bank's capital management policy is to maintain an adequate level of capital to support growth strategies within an acceptable risk framework, as well as to meet regulatory requirements and market expectations.

In compliance with the BOT's supervisory review process guidelines, the Bank's capital management process assesses the overall risk and capital adequacy under the Internal Capital Adequacy Assessment Process (ICAAP). The process covers projected assessments of all substantial risks to the Bank's operations, so that the Bank can effectively manage its risks and have a sound capital base for business operations under normal and stress scenarios.

The Standardized Approach (SA) is currently used to measure credit risk, market risk and operational risk for computing regulatory capital requirements under the BOT's Basel III.

Under the principles of Basel III, the BOT requires that commercial banks registered in Thailand and their groups must maintain three minimum capital adequacy ratios: a Common Equity Tier 1 capital adequacy ratio of no less than 4.50 percent, a Tier 1 capital adequacy ratio of no less than 6.00 percent, and a total capital adequacy ratio of no less than 8.50 percent. The aforementioned minimum ratios have yet to include the Capital Conservation Buffer of more than 2.50 percent which came into effect on January 1, 2019. Moreover, the BOT requires the Bank, which is classified as a domestic systemically important bank (D-SIB), to have additional capital to meet the Higher Loss Absorbency (HLA) requirement, which raises the required Common Equity Tier 1 ratio by 1.00 percent, beginning with a 0.50 percent increase from January 1, 2019 followed by a 1.00 percent increase from January 1, 2020 onwards. Consequently, a Common Equity Tier 1 capital adequacy ratio of more than 7.50 percent, a Tier 1 capital adequacy ratio of more than 9.00 percent, and a total capital adequacy ratio of more than 11.50 percent are required to be maintained from January 1, 2019. And from January 1, 2020, Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio must be more than 8.00, 9.50 and 12.00 percent, respectively, of the total risk-weighted assets.

As at September 30, 2019, the Group's Common Equity Tier 1 capital adequacy ratio, its Tier 1 capital adequacy ratio and its total capital adequacy ratio were 17.66 percent, 17.66 percent and 20.71 percent, respectively, whereas at December 31, 2018 the ratios were 16.43 percent, 16.43 percent and 17.96 percent, respectively. Consequently, the Bank's capital is at a level that provides such additional buffers.

Based on financial statement as at September 30, 2019, after the completion of the proposed purchase of shares in Permata, the Group's pro-forma Common Equity Tier 1 capital adequacy ratio, its Tier 1 capital adequacy ratio and its total capital adequacy ratio will be 14.45 percent, 14.45 percent and 17.22 percent, respectively. The Group's pro-forma Common Equity Tier 1 capital adequacy ratio, its Tier 1 capital adequacy ratio and its

total capital adequacy ratio will remain above the regulatory requirements which are 8.00 percent, 9.50 percent and 12.0 percent, respectively.

The purchase of shares in Permata will not result in a material change in the overall risk profile of the Bank.

4. Current and Future Obligations of the Bank

As of September 30, 2019 and December 31, 2018, the Bank and subsidiaries had liabilities as follows:

	Unit: Million Baht	
	Sep 30, 2019	Dec 31, 2018
Deposits	2,362,766	2,326,470
Interbank and money market items*	148,575	136,862
Debt issued and borrowings	147,375	116,348
Others	138,938	123,911
Total liabilities	2,797,654	2,703,591

* Have investments in government securities and state enterprise securities as collateral for repurchase agreements amounted to Baht 24,287 million and Baht 16,207 million, respectively.

Total debt issued and borrowings classified by type of instruments, currency, maturity and interest rate as at September 30, 2019 and December 31, 2018 are as follows:

Type	Currency	Maturity	Interest Rate	Unit: Million	
				Sep 30, 2019	Dec 31, 2018
Senior unsecured notes	USD	2020 - 2028	3.875% - 5.00%	101,007	107,027
Subordinated notes	USD	2029 - 2034	3.733% - 9.025%	50,495	14,587
Bills of exchange	THB	2019	1.00%	8	23
Others	THB	2019 - 2024	0.00%	1,394	456
Less: Discount on borrowings				(5,529)	(5,745)
Total				147,375	116,348

Details of Debt Issued and Not Yet Issued According to the Resolution of the Shareholders' Meeting

On September 25, 2019, the Bank issued and offered USD 1,200 million of subordinated notes qualified to be included in Tier 2 capital of the Bank, containing the write-down/write-off provision, in accordance with the terms thereof, with a maturity of 15 years, at a coupon rate of 3.733% per annum for sale to foreign investors. The Bank received net proceeds from the sale of subordinated notes amounting to USD 1,200 million, which the Bank of Thailand had approved to include in Tier 2 capital on September 25, 2019.

On September 19, 2018, the Bank issued and offered USD 600 million aggregate principal amount of senior unsecured notes with a maturity of 5.5 years due in 2024 at an interest rate of 4.05% per annum and USD 600 million aggregate principal amount of senior unsecured notes with a maturity of 10 years due in 2028 at an interest rate of 4.45% per annum, under our Global Medium Term Note Program.

On October 3, 2013, the Bank issued and offered USD 500 million aggregate principal amount of senior unsecured notes with a maturity of 5 years due in 2018 at an interest rate of 3.3% per annum, which has been repaid in full, and USD 500 million aggregate principal amount of senior unsecured notes with a maturity of 10 years due in 2023 at an interest rate of 5.0% per annum, under our Global Medium Term Note Program.

On September 27, 2012, the Bank issued and offered USD 400 million aggregate principal amount of senior unsecured notes with a maturity of 5.5 years due in 2018 at an interest rate of 2.75% per annum, which has been repaid in full, and USD 800 million aggregate principal amount of senior unsecured notes with a maturity of 10 years due in 2022 at an interest rate of 3.875% per annum.

On October 18, 2010, the Bank issued and offered USD 400 million aggregate principal amount of senior unsecured notes with a maturity of 5 years due in 2015 at an interest rate of 3.25% per annum, which has been repaid in full, and USD 800 million aggregate principal amount of senior unsecured notes with a maturity of 10 years due in 2020 at an interest rate of 4.80% per annum.

On January 28, 1999, the Bank issued and offered USD 450 million aggregate principal amount of unsecured subordinated notes with a maturity of 30 years due in 2029 at an interest rate of 9.025% per annum. These unsecured subordinated notes were issued for sale to foreign investors in exchange for our existing USD 150 million of unsecured subordinated notes due in 2016 at an interest rate of 8.25% per annum and USD 300 million of unsecured subordinated notes due in 2027 at an interest rate of 8.375% per annum, which were redeemed prior to their maturities and for which approvals were already obtained from the Bank of Thailand.

On March 26, 1997, the shareholders passed a resolution for the Bank to issue and offer bonds including subordinated bonds and unsubordinated bonds under the Medium Term Note Program in an amount of not exceeding USD 1,500 million or its equivalent in other currencies. The bonds shall have a maturity of not exceeding 30 years and be offered and sold in foreign markets and/or domestic markets. The Bank may be given the right to redeem the bonds prior to their maturity and/or the bondholders may be given the right to call the Bank to redeem the bonds prior to their maturity in accordance with the condition of the bonds. The Board of Directors was authorized to proceed with the issue. As at September 30, 2019, the Bank had not yet issued bonds according to the aforementioned resolution.

On April 12, 2005, the shareholders reconsidered the resolutions of the shareholders' meeting, convened on April 9, 2004, approving to issue bonds of the Bank and passed a resolution for the Bank to issue and offer subordinated bonds and/or unsubordinated bonds and/or perpetual bonds, both subordinated and unsubordinated, and/or subordinated convertible bonds and/or convertible bonds (together the "Bonds") in an amount not exceeding USD 3,000 million or its equivalent in other currencies, offered and sold in foreign markets and/or domestic markets to general public and/or institutional investors or investors with specific characteristics defined in the Notification of the Securities and Exchange Commission. The Bank may issue different types of Bonds in one issue simultaneously or in several issues at different times. The non-perpetual bonds shall have a maturity of not exceeding 100 years. The subordinated convertible bonds and/or convertible bonds shall have a maturity of not exceeding 30 years, and the amount of not exceeding USD 1,000 million or its equivalent in other currencies. The Board of Directors or the Executive Board of Directors shall be empowered to consider terms and conditions and other details for the issue and offering of the bonds. As at September 30, 2019, the Bank had issued bonds according to the aforementioned resolution on October 18, 2010 and September 27, 2012 according to abovementioned.

On April 12, 2007, the shareholders passed a resolution for the issuance of bonds, whether subordinated or unsubordinated and/or secured or unsecured, including but not limited to short-term bonds, derivative bonds and non-cumulative hybrid debt instruments with non-payment of interest in the years where the Bank does not report any profit (together the "Bonds") in the amount not exceeding THB 150,000 million or its equivalent in other currencies to be offered for sale in domestic markets and/or in foreign markets to the general public, and/or institutional investors or investors with specific characteristics as defined in the Notification of the Securities and Exchange Commission. At any point in time, the Bank may offer for sale Bonds in an amount within such limit less the amount of Bonds already issued under such limit but not yet redeemed at that point in time. The Bank may issue and offer for sale different types of Bonds simultaneously in one issue at the same time or in several issues at different times and/or as a program and/or on a revolving basis and may issue and offer for sale Bonds in conjunction with or at the same time with other securities, provided that the Bonds, other than perpetual bonds, shall have a maturity of not exceeding 100 years. The Bank may be granted the right to redeem the Bonds prior to their maturities, and/or the bondholders may be granted the right to call the Bank to redeem the Bonds prior to their maturities, in accordance with the condition of the Bonds. The Board of Directors or the Board of Executive Directors shall be empowered to consider terms and conditions and other details for the issue and offering of the bonds. As of September 30, 2019, the Bank had issued bonds according to the aforementioned resolution on October 3, 2013, September 19, 2018 and September 25, 2019.

Contingent Liabilities

As of September 30, 2019 and December 31, 2018, the Bank and subsidiaries had contingent liabilities as follows:

	Unit: Million Baht	
	Sep 30, 2019	Dec 31, 2018
Avals to bills	7,259	5,800
Guarantees of loans	28,774	32,236
Liability under unmatured import bills	20,510	19,041
Letters of credit	27,006	35,822
Other commitments		
Underwriting commitment	324	-
Amount of unused bank overdraft	167,906	170,329
Other guarantees	261,309	270,320
Others	147,021	120,182
Total contingent liabilities	660,109	653,730

5. Board of Directors, Committees and Top 10 Major Shareholders

The Board of Directors comprises directors with a wide range of knowledge, capability, skills and expertise covering banking and finance, business administration, law, and information technology, which are beneficial to the Bank's business.

Board of Directors

As of December 31, 2019, the Bank's Board of Directors comprised seventeen members, including seven independent directors. The members of the Board of Directors are as follows:

- Mr. Piti Sithi-Amnuai (Chairman of the Board of Directors)
- Mr. Deja Tulananda
- Admiral Prachet Siridej (Independent Director)
- Mr. Kovit Poshyananda (Independent Director)
- Mr. Arun Chirachavala (Independent Director)
- Mr. Singh Tangtatswas
- Mr. Amorn Chandarasomboon
- H.S.H. Prince Mongkolchaleam Yugala (Independent Director)
- Mr. Phornthep Phornprapha (Independent Director)
- Mrs. Gasinee Witoonchart (Independent Director)
- Mr. Chokechai Niljianskul (Independent Director)
- Mr. Chartsiri Sophonpanich
- Mr. Suvarn Thansathit
- Mr. Chansak Fuangfu
- Mr. Charnporn Jotikasthira
- Mr. Boonsong Bunyasanand
- Mr. Thaweelap Rittapirom

The Board of Directors has set up committees to screen matters to be submitted and provide opinions to the Board of Directors as well as monitor and oversee the Bank's operations as assigned by the Board of Directors for the purpose of the Board of Directors' effective performance of its duties. The committees must report their progress to the Board of Directors on a regular basis. These committees include the Board of Executive Directors, the Audit Committee, the

Nomination and Remuneration Committee, the Risk Oversight Committee and the Corporate Governance Committee.

(a) The Board of Executive Directors

As of December 31, 2019, the Board of Executive Directors comprised eight members from the Board of Directors. The members of the Board of Executive Directors are as follows:

Mr. Deja Tulananda (Chairman of the Board of Executive Directors)
 Mr. Amorn Chandarasomboon
 Mr. Singh Tangtatswas
 Mr. Chartsiri Sophonpanich
 Mr. Suvarn Thansathit
 Mr. Charamporn Jotikasthira
 Mr. Chansak Fuangfu
 Mr. Thaweelap Rittapirom

(b) The Audit Committee

As of December 31, 2019, the Audit Committee comprised four members from the Board of Directors. The members of the Audit Committee are as follows:

Admiral Prachet Siridej (Independent Director and Chairman)
 H.S.H. Prince Mongkolchaleam Yugala
 Mrs. Gasinee Witoonchart
 Mr. Arun Chirachavala

(c) The Nomination and Remuneration Committee

As of December 31, 2019, the Nomination and Remuneration Committee comprised two members from the Board of Directors. The members of the Nomination and Remuneration Committee are as follows:

Mr. Kovit Poshyananda (Independent Director and Chairman)
 Mr. Phornthep Phornprapha
 H.S.H. Prince Mongkolchaleam Yugala⁹

(d) The Risk Oversight Committee

As of December 31, 2019, the Risk Oversight Committee comprised four members from the Board of Directors. The members of the Risk Oversight Committee are as follows:

Mr. Arun Chirachavala (Independent Director and Chairman)
 Mr. Amorn Chandarasomboon
 Mr. Chokechai Niljianskul
 Mr. Suvarn Thansathit

(e) The Corporate Governance Committee

As of December 31, 2019, the Corporate Governance Committee comprised three members from the Board of Directors. The members of the Corporate Governance Committee are as follows:

Mr. Piti Sithi-Amnuai (Chairman)
 Mr. Chokechai Niljianskul
 Mr. Thaweelap Rittapirom

⁹ H.S.H. Prince Mongkolchaleam Yugala was appointed to be a member of the Nomination and Remuneration Committee in replace of Mr. Charn Sophonpanich on January 23, 2020.

Top 10 Major Shareholders (as of September 5, 2019)

No.	Shareholders	Amount (shares)	Proportion (%)
1	THAI NVDR COMPANY LIMITED	593,959,154	31.12%
2	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	77,555,250	4.06%
3	SOCIAL SECURITY OFFICE	65,464,800	3.43%
4	THAILAND SECURITIES DEPOSITORY	47,544,315	2.49%
5	THE BANK OF NEW YORK MELLON	41,333,600	2.17%
6	STATE STREET EUROPE LIMITED	35,686,774	1.87%
7	UOB KAY HIAN (HONG KONG) LIMITED - Client Account	34,817,270	1.82%
8	BANGKOK INSURANCE PUBLIC COMPANY LIMITED	34,097,030	1.79%
9	STATE STREET BANK AND TRUST COMPANY	25,690,400	1.35%
10	MORGAN STANLEY & CO. INTERNATIONAL PLC	25,421,229	1.33%
	OTHERS	927,273,072	48.57%
	TOTAL PAID-UP CAPITAL	1,908,842,894	100.00%

6. Other information that May have Material Effect on the Shareholders' Decision

None

7. Opinion of the Bank's Board of Directors Regarding the Sufficiency of Funds

The Bank expects the Transaction to be financed via a combination of internal resources and the Bank's funding activities. The Bank does not intend to raise equity for the Transaction, although the Bank will opportunistically consider raising Tier 2 or Additional Tier 1 capital.

8. Ongoing Material Lawsuits or Claims

As at September 30, 2019 and December 31, 2018, a number of civil proceedings have been brought against the Bank and subsidiaries in the ordinary course of business. The Bank and subsidiaries believe that such proceedings, when resolved, will not materially affect the Bank and subsidiaries' financial position and result of operations.

9. Benefits or Related Party Transactions between the Bank and Directors, Management and Shareholders holding both directly and indirectly of 10% or more

As at September 30, 2019 and December 31, 2018, related parties of the Bank consisted of subsidiaries, associates, key management personnel that are directors, executives at the level of executive vice president and higher or equal, any parties related to key management personnel, including the entities in which key management personnel and any parties related which are controlled or significantly influenced.

The Bank and subsidiaries had significant assets, liabilities and commitments with related parties as follows:

	Unit: Million Baht	
	Sep 30, 2019	Dec 31, 2018
Loans		
Associate		
BSL Leasing Co., Ltd.	120	80
Other related parties	34	72
Total	154	152
Allowance for doubtful accounts		
Associate		
BSL Leasing Co., Ltd.	2	1
Total	2	1

Other assets		
Associates		
Processing Center Co., Ltd.	7	38
Thai Payment Network Co., Ltd.	21	13
Other related parties	9	6
Total	37	57
Deposits		
Associates		
BSL Leasing Co., Ltd.	40	30
Processing Center Co., Ltd.	108	99
National ITMX Co., Ltd.	73	80
Thai Payment Network Co., Ltd.	93	145
BCI (Thailand) Co., Ltd.	60	-
Other related parties	8,803	7,730
Total	9,177	8,084
Other liabilities		
Associates		
Processing Center Co., Ltd.	1	1
National ITMX Co., Ltd.	21	10
BCI (Thailand) Co., Ltd.	6	-
Other related parties	30	73
Total	58	84
Commitments		
Associates		
BSL Leasing Co., Ltd.	63	19
National ITMX Co., Ltd.	1	-
Other related parties	4	3
Total	68	22

For the nine-month period ended September 30, 2019, the Bank and subsidiaries charged interest at rates between 1.75% and 13.00% on loans to these related parties depending on the types of loans and collateral.

For the year ended December 31, 2018, the Bank and subsidiaries charged interest at rates between 1.62% and 13.00% on loans to these related parties depending on the types of loans and collateral and charged interest at rate of 1.62% on loans to Sinnsuptawee Asset Management Company Limited.

The Bank follows the Bank of Thailand guidelines in estimating the minimum allowance for doubtful accounts on loans to related parties similar to loans to normal debtors.

Significant accounting transactions between the Bank and subsidiaries, associates and other related parties were transacted under normal business practices. The prices, interest rates, commission charges, terms and conditions are determined on an arm's length basis.

The Bank and subsidiaries had significant income and expenses with related parties as follows:

	Unit: Million Baht	
	For the ninth-month periods ended Sep 30, 2019	For the ninth-month periods ended Sep 30, 2018
Interest and discount received		
Associate		
BSL Leasing Co., Ltd.	3	3
Other related parties	1	1
Total	4	4

Fees and service income		
Associate		
Processing Center Co., Ltd.	6	7
Other related parties	46	61
Total	52	68
Dividend income		
Associates		
BSL Leasing Co., Ltd.	18	18
Processing Center Co., Ltd.	60	109
National ITMX Co., Ltd.	11	3
Total	89	130
Other income		
Associates		
National ITMX Co., Ltd.	4	4
Thai Payment Network Co., Ltd.	8	7
Total	12	11
Interest paid		
Associates		
Processing Center Co., Ltd.	1	1
Thai Payment Network Co., Ltd.	1	-
Other related parties	50	57
Total	52	58
Commission paid		
Other related parties	48	48
Total	48	48
Other expenses		
Associates		
Processing Center Co., Ltd.	4	55
National ITMX Co., Ltd.	96	63
Thai Payment Network Co., Ltd.	1	-
BCI (Thailand) Co., Ltd.	5	-
Other related parties	93	74
Total	199	192

10. Material Agreement over the Last 2 Years

None

11. Other Reports from Experts to Present to Shareholders for Consideration

The Bank has engaged Discover Management Company Limited as Independent Financial Advisor to produce an independent fairness opinion of the proposed acquisition of assets for the shareholders.

12. Responsibility of the Board of Directors for the Information Memorandum

The Board of Directors of the Bank is responsible for information specified in this information memorandum and all documents submitted to shareholder. The information contained in this information memorandum is accurate, complete without false information and there is no omission of material facts which are required to be disclosed as well as containing no material misstatements.

13. Proxy Forms

Shareholders may appoint a person you deem appropriate or one of the following persons as proxy to attend the meeting on your behalf at the Extraordinary General Meeting of Shareholders No. 1/2563 as detailed in the Proxy Form:

1. Mr. Piti Sithi-Amnuai Chairman of the Board of Directors and Chairman of the Corporate Governance Committee; or
2. Mr. Kovit Poshyananda Independent Director, and Chairman of the Nomination and Remuneration Committee; or
3. Mr. Chartsiri Sophonpanich President, and Member of the Board of Executive Directors

Guidelines for proxy holder appointment, registration and documents required in order to attend the shareholders' meeting

Appointment of proxy holder

Proxy form to use

In the event that a shareholder is not able to attend the shareholders' meeting in person, such shareholder may appoint any other person as proxy holder to attend the meeting.

In this regard, the Ministry of Commerce has determined 3 types of proxy forms that are to be used to appoint a proxy holder, as follows:

1. Form A - is the general form which is not complicated and involves only the indication of the name and details of the proxy holder. Form A will give the proxy holder the right to consider and vote on behalf of the proxy grantor in every case as deemed appropriate.
2. Form B - is a form which provides details on how to vote for each agenda, whereby the proxy grantor may choose to either give the proxy holder the right to consider and vote on behalf of the proxy grantor in every case as deemed appropriate or require the proxy holder to vote on each agenda as determined by the proxy grantor. Form B consists of two documents, namely, the Proxy Form and the Annex to the Proxy Form.
3. Form C - is the form for the use of custodians, trustees or fund managers (hereinafter called "Custodians").

The Bank has provided shareholders with the Proxy Form B which provides the proxy grantor with the right to determine how the proxy holder votes on each agenda. However, if a shareholder wishes to use another form, all three forms may be accessed and downloaded for use through our website at www.bangkokbank.com.

Filling out the Proxy Form

Proxy Form

- No. (1) - (2) - the Proxy Form sent to shareholders together with the notice of the shareholders' meeting has been pre-printed individually with the information of each shareholder regarding the name, nationality, address and the number of shares held, and has also been barcoded to provide greater convenience in the registration process. In the event that a shareholder uses any other Proxy Form, please ensure that all the information is correctly provided in full.
- No. (3) - a shareholder may appoint only one proxy holder to attend and vote at the shareholders' meeting, and may not split the shares and appoint multiple proxy holders to cast votes separately. The appointment of the proxy holder must be for the exact number of shares held by the proxy grantor and cannot be an appointment for less than the total number of shares held (except in the case of Custodians). In the event that several proxy holders are appointed, the Bank shall allow only the proxy holder who holds the original Proxy Form to attend and vote at the shareholders' meeting. The name, age and address of the proxy holder are to be provided correctly in full. In the event that the shareholder wishes to appoint either the Independent Director or the President as proposed by the Bank, the relevant information has already been pre-printed and the shareholder is requested to mark the box in front of the name of only one person who is the desired proxy holder.
- No. (4) - for each agenda, the shareholder shall indicate, by marking the box, whether to give the proxy holder the right to consider and vote on behalf of the proxy grantor as deemed appropriate or to require the proxy holder to vote on each agenda as determined by the proxy grantor. In the latter case, the shareholder is requested to indicate the desired voting for each agenda by marking one of the boxes, whether *Approve* or *Disapprove* or *Abstain*. Please note that the vote for each agenda may not be split (except in the case of Custodians).
- Signature - both the proxy grantor and the proxy holder are to sign the proxy form as indicated.
- Stamp duty - Stamp duty of Baht 20 is to be affixed to the proxy form (as required by the relevant laws).

Annex to the Proxy Form

In the event that there are items tabled for consideration outside of the agenda, the proxy grantor may indicate the details of such items, consisting of the item number, the item heading, and how the vote is to be cast in the Annex to the Proxy Form as attached.

Registration to attend the shareholder's meeting

Shareholders may register to attend the shareholders' meeting on March 5, 2020 beginning at 13.30 hours at the 29th floor of the Head Office at 333 Silom Road, Silom Sub-district, Bang Rak District, Bangkok, Thailand as shown on the map sent with this notice of the shareholders' meeting. The barcode

system will be used to facilitate the registration process for those attending the shareholders' meeting. Therefore, shareholders and proxy holders are kindly requested to present the barcoded registration form, and/or the proxy form, that are sent to shareholders together with this notice of the shareholders' meeting and which had been pre-printed with a barcode, together with the relevant identification documents for registration on the date of the meeting.

Identification documents required for registration ^{*} :

1. For shareholders who are individuals:
 - 1.1. For shareholders who are individuals attending the meeting in person -
 - (1) Registration form as sent to shareholders, duly signed by the shareholder; and
 - (2) Identification documents of the shareholder, namely, Thai National ID card or Civil servant identification card or Passport (for non-Thai citizens)
 - 1.2. For proxy holders representing shareholders who are individuals -
 - (1) Original copy of the Proxy Form and Annex to the Proxy form, duly and correctly filled out and signed by the shareholder as proxy grantor and the proxy holder;
 - (2) Certified copy of the identification documents of the shareholder, namely, Thai National ID card or Civil servant identification card or Passport (for non-Thai citizens);
 - (3) Registration Form as sent to shareholders, duly signed by the proxy holder; and
 - (4) Certified copy of the identification documents of the proxy holder, namely, Thai National ID card or Civil servant identification card or Passport (for non-Thai citizens)
 - 1.3. For individual shareholders wishing to appoint either the Independent Director or the President as their proxy holder, the following documents are to be sent by mail in the enclosed prepaid envelope by February 27, 2020 -
 - (1) Original copy of the Proxy Form and Annex to the Proxy Form, duly and correctly filled out and signed by the shareholder as proxy grantor;
 - (2) Certified copy of the identification documents of the shareholder, namely, Thai National ID card or Civil servant identification card or Passport (for non-Thai citizens); and
 - (3) Registration Form as sent to shareholders which has not been signed.
2. For shareholders who are juristic persons:
 - 2.1. For authorized directors of shareholders attending the meeting in person -
 - (1) Registration form as sent to shareholders, duly signed by the juristic person's authorized director(s) attending the meeting and affixed with the seal (if any);
 - (2) Certified copy of the identification documents of the juristic person's authorized director(s) attending the meeting, namely, Thai National ID card or Civil servant identification card or Passport (for non-Thai citizens); and
 - (3) Certified copy of the company registration certificate of the juristic person who is the shareholder, issued by the Ministry of Commerce not more than 1 year before the date of the meeting (*for juristic persons incorporated in Thailand*); or Certified copy of the company registration certificate issued by the relevant authorities in the country of incorporation or the document from the juristic person showing the juristic person's name, the address of the head office, and the names of the individuals authorized to sign on behalf of the juristic person as well as conditions or limitations pertaining to such authority. In the event that such documents are in a language other than Thai or English, an English translation certified as correct is to be provided by the juristic person (*for juristic persons incorporated in other countries*).
 - 2.2. For shareholders who are juristic persons appointing a proxy to attend the meeting -
 - (1) Original copy of the Proxy Form and Annex to the Proxy Form, duly and correctly filled out and signed by the authorized director on behalf of the juristic person who is the shareholder and affixed with the seal (if any) as proxy grantor and signed by the proxy holder;

* The Bank may relax any such requirements as the Bank may deem appropriate.

- (2) Certified copy of the identification documents of the authorized director of the juristic person who signed on behalf of the juristic person as proxy grantor, namely, Thai National ID card or Civil servant identification card or Passport (for non-Thai citizens);
 - (3) Certified copy of the company registration certificate of the juristic person who is the shareholder, issued by the Ministry of Commerce not more than 1 year before the date of the meeting (*for juristic persons incorporated in Thailand*); or Certified copy of the company registration certificate issued by the relevant authorities in the country of incorporation or the document from the juristic person showing the juristic person's name, the address of the head office, and the names of the individuals authorized to sign on behalf of the juristic person as well as conditions or limitations pertaining to such authority. In the event that such documents are in a language other than Thai or English, an English translation certified as correct is to be provided by the juristic person (*for juristic persons incorporated in other countries*);
 - (4) Registration Form as sent to shareholders, duly signed by the proxy holder; and
 - (5) Certified copy of the identification documents of the proxy holder, namely, Thai National ID card or Civil servant identification card or Passport (for non-Thai citizens)
- 2.3. For shareholders who are juristic persons wishing to appoint either the Independent Director or the President as their proxy holder, the following documents are to be sent by mail in the enclosed prepaid envelope by February 27, 2020 -
- (1) Original copy of the Proxy Form and Annex to the Proxy Form, duly and correctly filled out and signed by the authorized director on behalf of the juristic person who is the shareholder and affixed with the seal (if any) as proxy grantor;
 - (2) Certified copy of the identification documents of the authorized director of the juristic person who signed on behalf of the juristic person as proxy grantor, namely, Thai National ID card or Civil servant identification card or Passport (for non-Thai citizens);
 - (3) Certified copy of the company registration certificate of the juristic person who is the shareholder, issued by the Ministry of Commerce not more than 1 year before the date of the meeting (*for juristic persons incorporated in Thailand*); or Certified copy of the company registration certificate issued by the relevant authorities in the country of incorporation or the document from the juristic person showing the juristic person's name, the address of the head office, and the names of the individuals authorized to sign on behalf of the juristic person as well as conditions or limitations pertaining to such authority. In the event that such documents are in a language other than Thai or English, an English translation certified as correct is to be provided by the juristic person (*for juristic persons incorporated in other countries*); and
 - (4) Registration form as sent to shareholders which has not been signed.
3. In case of the deceased shareholders
The executor or administrator attending the meeting in person or appointing a proxy to attend the meeting shall also present a court order appointing an executor or an administrator certified by authorized officer.
 4. In the case where the shareholders are incompetent persons or quasi-incompetent persons
The curator or guardian attending the meeting in person or appointing a proxy to attend the meeting shall also present a court order appointing a curator or a guardian certified by authorized officer.
 5. In the case where the shareholders are minors
The parent or legal guardian attending the meeting in person or appointing a proxy to attend the meeting shall also present a copy of minor's house registration.

For those shareholders or individuals attending the meeting who have changed the title preceding the name or changed the name or surname, documentary evidence of such change shall be presented for registration purposes.

Articles of Association (only those Articles relating to the shareholders' meeting)

Article 14. During the period of twenty-one days prior to the date of each general meeting of shareholders, the Company may suspend the registration of share transfers by notifying the shareholders at the head office and at every branch office not less than fourteen days before the date the Company commences the suspension of the registration of share transfers.

Article 15. The Board of Directors of the Company shall comprise at least five directors. Not less than half of the total number of directors shall have residence within the Kingdom of Thailand, and not less than three-fourths of the total number of directors shall be persons of Thai nationality.

Article 16. Election of directors shall be conducted in accordance with the following rules and procedures :

(1) Each shareholder shall have one vote for each share held.

(2) At any shareholders meeting to elect directors, each shareholder may exercise his voting right by electing candidates one by one or by electing a whole group comprising a number of candidates which is equal to the number of directors to be elected at the meeting at one time, as the general meeting of shareholders may deem appropriate. In exercising the right to vote in either of the two options as aforesaid, each shareholder shall give all the votes that he is entitled to exercise as specified in (1) above to each candidate, and each shareholder may not divide his votes into portions to various candidates.

(3) The candidates who receive the highest votes in their respective order of the votes shall be elected as directors in the number equal to the number of the directors of the Company or the number of the directors to be elected at such meeting. In the event of a tie of votes which causes the number of candidates to be elected to exceed the number of the directors of the Company or the number of the directors to be elected at such meeting, the chairman shall have a casting vote.

Article 17. At every annual ordinary meeting of shareholders, one-third of the total number of the directors of the Company shall retire. If the number of directors is not a multiple of three, the number of directors nearest to one-third shall retire.

The directors to retire from their offices in the first and second years following the registration of the Company shall be determined by drawing lots. In every subsequent year, the directors who have been in office longest shall retire.

Retired directors may be re-elected.

Article 26. The directors shall have the right to receive remuneration from the Company in the form of rewards, meeting allowances, gratuity, bonus or benefits in any other manner under these Articles of Association or in accordance with the resolution of the general meeting of shareholders. For that purpose, the general meeting of shareholders may determine the remuneration by fixing a certain amount of money or by prescribing rules and may fix it from time to time or with continuous effect until amended. Furthermore, the directors shall receive per diem allowances and welfare benefits according to the Company's rules and regulations.

Article 30. The Board of Directors shall arrange for an annual ordinary meeting of shareholders within four months from the last day of the fiscal year of the Company. Meetings other than that mentioned above shall be called extraordinary meetings. The Board of Directors may call an extraordinary meeting of shareholders whenever the Board deems appropriate.

Article 32. In calling a general meeting of shareholders, the Board of Directors shall send notices of the meeting specifying the place, date, time, and agenda of the meeting, as well as the subject matters to be submitted to the meeting with reasonable details, and clearly stating which one will be for information, for approval or for consideration, as the case may be, together with the opinions of the Board of Directors in such matters, and shall send notices to the shareholders and the Registrar for their information not less than seven days before the date of meeting. Furthermore, publication of notices calling a meeting shall also be made in a newspaper for a period of three consecutive days, which shall end not less than three days before the date of meeting.

Article 33. At a general meeting of shareholders, there shall be shareholders and proxies (if any) present at the meeting in a number of not less than twenty-five persons or not less than one-half of the total number of shareholders, whichever is the lesser number, and in either case such shareholders shall

hold shares totaling not less than one-third of the total number of shares sold, in order to constitute a quorum, unless otherwise stipulated by the Acts.*

In the event that after one hour from the time fixed for any general meeting of shareholders, the number of shareholders present is still inadequate to form a quorum, and if such general meeting of shareholders was requested by the shareholders, such meeting shall be cancelled. If such meeting of shareholders was not called by the shareholders' request, the meeting shall be called again, and, in this case, notices calling the meeting shall be sent to shareholders not less than seven days before the meeting. In the second meeting, a quorum is not required.

Article 34. Unless otherwise stipulated by these Articles of Association or by the Acts, the decision or the resolution of the general meeting of shareholders shall be passed by the majority vote of the shareholders who attend the meeting and have the right to vote.

For the purpose of voting, each share shall be counted one vote. If any shareholder has interests in any matter on which the meeting shall pass resolution, he shall have no right to vote on such matter, except to vote on the election of directors.

Where any shareholder holds more than five percent of the total number of shares sold without having been granted an exception or permission under the Acts, he shall only be entitled to vote at the general meetings of shareholders on account of the portion of shares that is not in excess of five percent of the total number of shares sold.

In case of a tie of votes, the chairman of the meeting shall have a casting vote.

Article 35. The annual ordinary general meeting of shareholders shall consider the following matters :

- (1) Acknowledgement of the report of the Board of Directors concerning the Company's operating performance during the preceding year, together with opinions on the future business operation.
- (2) Consideration and approval of the balance sheet, and the profit and loss statement.
- (3) Consideration and approval of the profit allocation.
- (4) Election of directors in place of those directors retiring by rotation.
- (5) Appointment of an auditor and fixing of his remuneration.
- (6) Other matters.

Article 36. The chairman of the Board shall be the chairman of the general meeting of shareholders. If the chairman is absent or is unable to discharge his duties, and if a vice-chairman is present, he shall act as chairman. If there is no vice-chairman or if there is one but he is not able to discharge his duties, the shareholders shall elect one among themselves to be chairman of that general meeting.

Article 37. The chairman of the general meeting of shareholders has the duty to conduct the meeting in compliance with these Articles of Association and in the order of the agenda stated in the notices calling a meeting, unless the general meeting passed a resolution changing the order of priority in the agenda with a vote of not less than two-thirds of the number of the shareholders attending the meeting.

Article 38. Shareholders may authorize other persons as proxies to attend and vote at any meeting of shareholders on their behalf, provided that the instrument appointing proxies shall be submitted to the chairman of the Board of Directors or to the person designated by the chairman of the Board of Directors at the place of and prior to the meeting. The instrument for appointing proxies shall be made in the form specified by the Registrar.

Article 41. The Board of Directors shall arrange for the preparation of the balance sheet and the profit and loss statement as of the last day of the accounting period of the Company, and submit them to the annual ordinary meeting of shareholders for approval.

The Board of Directors shall arrange for the auditor to examine the balance sheet and the profit and loss statement prepared in accordance with the foregoing paragraph, so that the audit thereof shall be completed before submission to the meeting of shareholders.

Article 43. Dividends shall be paid out of profit only. The profits remaining after the payment of dividends may be allocated as reserves of various kinds, as the Board of Directors may deem proper.

* "Acts" refers to the act on public limited companies, the act on commercial banking, the act on securities exchange and any other acts of legislations related to the operation of the Bank.

The Board of Directors may from time to time pay to the shareholders such interim dividend as appeared to the Directors to be justified by the profits of the Company. After the distribution of the dividends, the shareholders shall be informed of such distribution at the next general meeting.

The payment of dividends shall be made within the period prescribed by the Acts. A written notice shall be sent to the shareholders and a publication of the notice of such payment of dividends shall also be made in a newspaper.

Article 44. Where any shareholder holds more than five percent of the total number of shares sold without having been granted an exception or permission under the Acts, the Company shall not pay dividend or any other form of money as bonus to such shareholder on account of the portion of shares in excess of five percent of the total number of shares sold.

Article 45. The Company shall allocate to a reserve fund a portion of the annual net profit, which amount must not be less than ten percent of the annual net profit deducted by the accumulated losses brought forward (if any) until the reserve fund reaches an amount of not less than twenty five percent of the registered capital.

Article 47. The auditor shall not be a director, staff member, employee or officer holding any position in the Company.

Article 49. The auditor has the duty to attend every general meeting of shareholders at which the balance sheet, the profit and loss statement and the problems relating to the accounts of the Company are to be considered in order to give explanations to the shareholders about the auditing of accounts. The Company shall also send to the auditor the reports and documents of the Company that are to be sent to the shareholders for such general meeting of shareholders.

Article 50. The annual ordinary meeting of shareholders shall appoint an auditor and fix the auditing fee to be paid by the Company every year. A former auditor may be re-appointed.

Head Office

Bangkok Bank Public Company Limited

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