

**The Opinion of the Independent Financial Advisor
On the Disposition of Assets and the Connected Transaction
Regarding the Divestment of CIMB Securities (Thailand) Company Limited**

by



CIMB Thai Bank Public Company Limited

Proposed to

The Shareholders of CIMB Thai Bank Public Company Limited

by



JayDee Partners Limited

March 20, 2012

March 20, 2012

Subject : The Opinion of the Independent Financial Advisor regarding the Disposal of Assets and the Connected Transaction of CIMB Bank Thai Public Company Limited

To : The shareholders of
CIMB Thai Bank Public Company Limited

As of March 6, 2011 whereas the Board of Directors' Meeting No.3/2012 of CIMB Thai Bank Public Company Limited ("CIMBT" or "the Bank") has approved on the divestment of its wholly owned subsidiary, CIMB Securities (Thailand) Company Limited ("CIMBS") which comprises of 109,999,993 ordinary shares at a par value of THB 10 per share, representing 99.99% of the total registered and paid-up capital of CIMBS to CIMB Securities International Pte Ltd. ("CSI"), a wholly owned subsidiary of CIMB Group Sdn Bhd ("CIMB Group") at the price ranging between THB 1,066.80 – 1,117.60 million, equivalent to THB 9.70 – 10.16 per share.

The sale of CIMBS shares to CSI by the Bank ("the Transaction") is considered to be a disposal of asset as prescribed in the Notification of the Capital Market Supervisory Board Thor Chor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposition of Assets and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposition of Assets B.E. 2004 dated October 29, 2004, and its amendments ("the Notification of Acquisition and Disposition of Assets"). The size of disposal transaction is 7.74% of net tangible assets ("NTA") of the Bank and its subsidiaries as of December 31, 2011.

In this regard, CSI, as the buyer of CIMBS shares, and the Bank, as the seller of CIMBS shares, are considered connected parties as both parties share a common ultimate shareholder in CIMB Group. As a result, the Transaction is considered a connected transaction as prescribed in the Notification of the Capital Market Supervisory Board Tor Chor 21/2551 re: Related Parties Transactions and the Notification of the Board of Governors of the Securities Exchange of Thailand re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, 2003 ("the Notification of Connected Transactions"). The size of connected transaction is 8.30% – 8.70% of NTA as of December 31, 2011.

When combining such transaction size with other connected transaction with other connected party of CIMB Group during the past 6 months prior to the Transaction, including the in-sourcing of supporting and other services by the Bank to Sathorn Asset Management Co., Ltd. from which the Bank received service fee of THB 32.00 million. The combined transaction size is 8.55% – 8.95% of NTA of the Bank and its subsidiaries as of December 31, 2011. Thus, the Bank is required to seek approval from its shareholders in the Annual General Meeting No.18/2012 to be held on April 12, 2012 with affirmative votes of not less than three-fourths of the total number of votes of the shareholders attending the meeting and having the right to vote, excluding the votes of the shareholders who have conflict of interest.

The Bank has approved the appointment of JayDee Partners Limited ("the Independent Financial Advisor" or "the IFA"), the approved financial advisor by the Office of the Securities and Exchange Commission ("the SEC"), as the independent financial advisor of the Bank to render the opinion to the Bank's shareholders as supporting information for their voting consideration in respect to the Transaction.

In rendering the opinion on the fairness and reasonableness of the Connected Transaction, the IFA has studied and reviewed various sources of information and documents both prepared by the management of the Bank and CIMBS, information disclosed by the Bank to the Stock Exchange of Thailand ("the SET") as well as other information available in public domain. In addition, the IFA has also relied upon the interviews with management, external industry forecasts and information on future economic condition to be used in this analysis. In performing the valuation, the IFA assumed that the aforementioned information and documents are accurate and reliable as of the conduction date of this report. The IFA has not performed a due diligence upon such information and unable to provide any certification or guarantee on the accuracy or the completeness of the information and materials

Opinion of the Independent Financial Advisor on the Connected Transaction
and Disposition of Assets of CIMBT

supplied by the Bank and CIMBS. In the event there is any change in business circumstances, the opinion provided by the IFA may differ accordingly.

The IFA certified that this report has been independently prepared with the generally accepted professional standard and that the opinion rendered is based on an unbiased analysis.

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Glossary

CIMBT or the Bank	CIMB Thai Bank Public Company Limited
CIMB Group	CIMB Group Sdn Bhd
CIMBS	CIMB Securities (Thailand) Company Limited
CSI	CIMB Securities International Pte Limited
CIMB Bank	CIMB Bank Berhad
BTSEC	BT Securities Company Limited
CIMB-GK	CIMB-GK Securities (Thailand) Limited
The Transaction	The sale of CIMBS shares to CSI by CIMBT
STAMC	Sathorn Asset Management Company Limited
IFA	Independent Financial Advisor or JayDee Partners Limited
TFEX	Thailand Futures Exchange
SET	Stock Exchange of Thailand
mai	Market for Alternative Investment
SEC	The Office of Securities and Exchange Commission
BOT	The Bank of Thailand
TSD	Thailand Securities Depository
TCH	Thailand Clearing House
KEST or MBKET	Maybank Kim Eng Securities (Thailand) PCL
CGS	Country Group Securities PCL
ASP	Asia Plus Securities PCL
KGI	KGI Securities PCL
FSS	Finansia Syrus Securities PCL
BLS	Bualuang Securities PCL
PHATRA	Phatra Capital PCL
UOBKH	UOB Kay Hian Securities (Thailand) PCL
CNS	Capital Nomura Securities PCL
GBX	Globex Holding Management PCL
SSEC	Sicco Securities PCL
OSK	OSK Securities (Thailand) PCL
TNITY	Trinity Watthana PCL
US	United Securities PCL

Executive Summary

CIMBT intends to divest its investment in CIMBS to CSI. CIMBS operates a securities business by offering a wide range of services from securities brokerage, selling agents, securities underwriting as well as financial advisory services to its retail and institutional clients. According to the Board of Directors' meeting No.3/2012 held on March 6, 2012, had approved the Transaction and passed the resolution to propose the Transaction to the Bank's Annual General Shareholders' Meeting No. 18/2012 to be held on April 12, 2012 to consider and approve.

At present, the Bank's investment in CIMBS comprises of 109,999,993 ordinary shares at a par value of THB 10 per share, accounting for 99.99% of CIMBS's total 110,000,000 ordinary shares. As the Transaction entails the Bank to selling its entire shareholding in CIMBS to CSI, a wholly-owned subsidiary of CIMB Group, upon completion of the Transaction, the Bank will no longer hold any shares in CIMBS. Details of the CIMBS shares to be sold to CSI in this divestment transaction are as shown in the following Table.

Table 1: Details of CIMBS shares to be sold to CSI

Name of shareholders	Before the Transaction		No. of Shares to be Sold		After the Transaction	
	No. of Shares	% of Total	No. of Shares	% of Total	No. of Shares	% of Total
1. CIMB Thai Bank PCL	109,999,993	99.99%	109,999,993	99.99%	-	-
2. Other minority shareholders	7	0.01%	-	-	7	0.01%
3. CIMB Securities International Pte Limited	-	-	-	-	109,999,993	99.99%

The proposed transaction price ranges between THB 1,066.80 – 1,117.60 million, equivalent to THB 9.70 – 10.16 per share in CIMBS. This represents a price-to-book multiple of 1.05x – 1.10x the audited book value of CIMBS as at December 31, 2011. In this regards, the exact transaction price will be determined after the Bank obtained the approval from the shareholders' meeting, to be held on April 12, 2012. The Bank is expected to receive the payment in cash upon the completion of the Transaction. In this regards, on March 16, 2011, the Board of Directors of CIMBT had approved the divestment of its entire stakes in CIMBS, comprising of 49,999,993 ordinary shares, to CSI at the price of THB 510,337,881.25, equivalent to THB 10.21 per share or 1.05x the audited book value of equity of CIMBS as of December 31, 2010. Nonetheless, the Bank's shareholders' meeting No. 17/2011, held on April 20, 2011 did not approve such transaction.

Post-Transaction, the Bank and its subsidiaries do not intend to undertake any securities brokerage-related businesses, with the exception of corporate finance advisory, which is proposed to be undertaken at the Bank or its subsidiaries upon obtaining the necessary approvals from BOT, SEC and other regulators (if required) so as to create synergy with the Bank's business such as corporate banking and treasury.

In this regard, CSI, as the buyer of CIMBS shares, and the Bank, as the seller of CIMBS shares, are considered connected parties as both parties share a common ultimate shareholder in CIMB Group. As a result, the Transaction is considered a connected transaction as prescribed in the Notification of Connected Transactions.

The size of connected transaction is between 8.30% – 8.70% of NTA as of December 31, 2011. When combining such transaction size with other connected transaction with the connected party of CIMB Group during the past 6 months prior to the Transaction, including the in-sourcing of supporting and other services by the Bank to Sathorn Asset Management Co., Ltd. from which the Bank received service fee of THB 32.00 million. The combined transaction size is between 8.55% – 8.95% of NTA of the Bank and its subsidiaries as of December 31, 2011. Thus, the Bank is required to seek approval from its shareholders in the Annual General Meeting No.18/2012 to be held on April 12, 2012 with affirmative votes of not less than three-fourths of the total number of votes of the shareholders attending the meeting and having the right to vote, excluding the votes of the shareholders who have conflict of interest. As CIMB Bank, the major shareholder of the Bank at 93.15% and a wholly-owned subsidiary of CIMB Group, is considered a party with conflict of interest, CIMB Bank shall abstain from voting on this agenda.

In addition, the Bank is required to appoint an Independent Financial Advisor to provide an opinion regarding the fairness and reasonableness of the transaction price and condition to be presented to the Board of Directors and the shareholders of the Bank. In this regard, the Bank has appointed JayDee Partners Limited to be the IFA in rendering its opinion on the Transaction. The summary of the opinion of the IFA are presented as follows:

1. Opinion on the appropriateness of the Transaction

Based on the IFA's consideration, the disposal of the entire portion of CIMBS shares currently held by the Bank is appropriate and reasonable due to the following reasons:

- a) Subsequent to the securities brokerage market liberalization in 2012, the industry is expected to be highly competitive and small brokerage companies may potentially encounter tough competition, together with the continuous fall of brokerage fee. With that, the Transaction will prevent the Bank from being exposed to future market risk in this area.
- b) The divestment will potentially reduce the burden of the Bank to further inject capital into CIMBS in order to maintain CIMBS's competitiveness upon the liberalization of the industry. In 2011, the Bank had injected new capital into CIMBS at THB 600.00 million. Even so, CIMBS has planned to further increase its capital by another THB 700.00 million in 2012.
- c) Upon completion of the transaction and obtaining of the necessary licenses and/or approvals, the corporate finance business undertaken by CIMBS shall be operated at the Bank or its subsidiaries, which will increase the Bank's revenue from advisory service and fee income.
- d) The proceeds totaling between THB 1,066.80 – 1,117.60 million received upon completion of the Transaction may be used to further invest in other businesses (at the portion and condition allowed by relevant authorities such as the BOT) that may potentially yield a higher rate of return. The proceeds may also be used to support the Bank's core banking business.

2. Opinion on the fairness of the price, terms and conditions of the Transaction

The IFA has evaluated the fair value of CIMBS share price as of March 1, 2012. The summary of CIMBS share price derived from the 4 valuation approaches are presented in the following Table.

Table 2: Fair value of CIMBS shares based on each valuation approach

Valuation Approach	Proposed Transaction Price (THB per share)	Fair Value (THB per Share)	Appropriateness of the Approach	The Proposed Transaction is Higher (Lower) than the Price by IFA (%)
1. Book Value Approach	9.70 – 10.16	9.24	<u>Appropriate</u> as lower bound	4.98% – 9.96%
2. Precedent Transaction Comparable Approach	9.70 – 10.16	9.24 – 10.81	<u>Appropriate</u>	(10.27%) – 9.96%
3. Price to Book Value Ratio Approach	9.70 – 10.16	6.29 – 6.74	Inappropriate	43.92% – 61.53%
4. Discounted Cash Flow Approach	9.70 – 10.16	7.99 – 8.48	Inappropriate	14.39% – 33.86%

The IFA views that the appropriate range of CIMBS share price could be obtained from using Book Value Approach and Precedent Transaction Comparable Approach. Since the value of CIMBS is primarily derived from the value of its current assets with high liquidity. Therefore, the IFA views that the book value of equity is the appropriate measure to reflect the value of CIMBS, assuming a liquidation scenario, to ascertain the lower bound of valuation.

In addition, the IFA used Precedent Transaction Comparable Approach as it reflects the premium (from the book value), in general practice, to be incorporated in the transaction price based on previous acquisition transactions of selected securities firms, which have comparable trading volume to CIMBS. Therefore, the IFA views that the range of the appropriate transaction price should be between THB 9.24 – 10.81 per share. Taking into consideration other qualitative factors such as amongst others profitability, future performance, size of the business and competition, the IFA considers the transaction price between 9.70 – 10.16 per share to be appropriate because:

1. The proposed transaction price is higher than the book value, which is the lower bound of the appropriate share price by the IFA.
2. Due to the anticipated intense competition subsequent to the liberalization, fully commenced in January 2012, the operating performance of CIMBS is expected to decline.
3. The proposed transaction price incorporated similar premium to those of the latest precedent transactions, involving securities companies with comparable trading volume to CIMBS, occurred after the announcement of Ministerial Regulations in 2008. The premium paid were around the book value since the company intends to operate securities business could file for the license itself as the SEC will no longer limit the number of licenses to operate securities business.

Based on the above rationales, the IFA views that the price and conditions of the Transaction are reasonable and that the shareholders of the Bank will benefit from the Transaction. Therefore, the IFA views that the shareholders of the Bank should vote in favor of the Transaction. Nonetheless, the decision to vote is solely dependable on the consideration and at the discretion of the shareholders. Shareholders should take into consideration the advantages, disadvantages and the risks associated with the Transaction as well as to carefully consider the attached documents submitted to the shareholders along with the invitation letter to shareholders' meeting so as to make the most appropriate decision.

3. Sources of information

The opinion regarding the reasonableness of the price and condition of the Transaction provided by the IFA are based upon the analysis of the information and data provided by the Bank and CIMBS executives, information from the interviews with CIMBS management as well as relevant documents provided by CIMBS and other publicly available information. In addition, the IFA has incorporated the study of current economic situation into the share valuation. Any significant change in the data and/or information used in the analysis in the future may have a significant impact on the opinion hereby provided in this IFA report. In conducting this IFA report, the IFA has diligently performed the following analysis:

- a) Studied on CIMBS business and its financial statements as well as securities brokerage industry and other publicly available related economic factors;
- b) Compared the operating performance of CIMBS to those of peer comparables in the market through the use of publicly available information;
- c) Reviewed the operating budget of CIMBS during 2012 – 2014 for the purpose of conducting the valuation of CIMBS shares;
- d) Analyzed other financial information as it is considered appropriate and relevant in rendering an appropriate opinion;
- e) Performed the valuation of CIMBS shares using various valuation methods; and
- f) Analyzed the pros and cons of the Transaction and considered the impact of the Transaction to the Bank and its shareholders.

4. Overall Assumptions

The opinion expressed herein has been based on the following assumptions:

- a) All information and documents obtained from CIMBS are complete, adequate and truthful and that the opinion from the interview of the management are reflective of the current situation;
- b) There is no event (which had occurred, is going to occur or is likely to occur) which may materially affect the operating results and financial performances of CIMBS;
- c) All business contracts related to CIMBS business operations with its counterparties are still legal, valid and binding on CIMBS and the counterparties, and have not been amended, revoked or terminated;
- d) As the Bank is likely to undertake the corporate finance business at the Bank post-Transaction, the IFA disregarded income and cost from corporate finance business when evaluating the future revenue of CIMBS from the second half of 2012 onwards.
- e) The valuation date of CIMBS shares is as of March 1, 2012;
- f) The valuation conducted is based on the audited financial statements of CIMBS for the year ended December 31, 2009 – 2011.

Section 1 Characteristic and Details of the Transaction

1.1 Details of the Transaction

CIMBT intends to divest its investment in CIMBS to CSI. CIMBS operates a securities business by offering a wide range of services from securities brokerage, selling agents, securities underwriting as well as financial advisory services to its retail and institutional clients. According to the Bank's Board of Directors meeting No.3/2012 held on March 6, 2012, where the directors who may be deemed conflicted, Dato' Robert Cheim Dau Meng and Mr. Kenny Kim, had abstained from voting. The Board of Directors had approved to divest the Bank's investment in CIMBS to CSI at the price ranging between THB 1,066.80 – 1,117.60 million and passed the resolution to propose the Transaction to the Bank's Annual General Shareholders' Meeting No. 18/2012 to be held on April 12, 2012 to consider and approve.

On March 16, 2011, the Board of Directors had approved the divestment of its entire stakes in CIMBS, comprising of 49,999,993 ordinary shares, to CSI at the price of THB 510,337,881.25, equivalent to THB 10.21 per share or 1.05x the audited book value of equity of CIMBS as of December 31, 2010. Nonetheless, the Bank's shareholders' meeting No. 17/2011, held on April 20, 2011 did not approve such transaction. Later on September 7, 2011, the Bank injected new capital into CIMBS at THB 600.00 million, comprising of 60 million shares at par value of THB 10.00 per share.

At present, the Bank's investment in CIMBS comprises of 109,999,993 ordinary shares at a par value of THB 10 per share, accounting for 99.99% of CIMBS's total 110,000,000 ordinary shares. As the Transaction entails the Bank selling its entire shareholding in CIMBS to CSI, a wholly-owned subsidiary of CIMB Group, upon completion of the Transaction, the Bank will no longer hold any shares in CIMBS. The details of the CIMBS shares to be sold to CSI in this divestment transaction are as shown in the following Table.

Table 3: Shareholding structure of CIMBS before and after the Transaction

Name of shareholders	Before the Transaction		No. of Shares to be Sold		After the Transaction	
	No. of Shares	% of Total	No. of Shares	% of Total	No. of Shares	% of Total
1. CIMB Thai Bank PCL	109,999,993	99.99%	109,999,993	99.99%	-	-
2. Other minority shareholders	7	0.01%	-	-	7	0.01%
3. CIMB Securities International Pte Limited	-	-	-	-	109,999,993	99.99%

Post-Transaction, CIMBT and its subsidiaries do not intend to undertake any securities brokerage-related businesses, with the exception of corporate finance advisory, which is proposed to be undertaken at the Bank or its subsidiaries upon obtaining the necessary licenses and/or approvals from the SEC, BOT and other regulators (if required). With this regards, the corporate finance advisory business is expected to create synergy with the core banking business of the Bank.

1.2 Relevant parties and relationship

Buyer	:	CIMB Securities International Pte Ltd
Seller	:	CIMB Thai Bank Public Company Limited
Relationship	:	Both CSI and CIMBT share the same ultimate shareholder which is CIMB Group Sdn Bhd ("CIMB Group") (CIMB Group is the indirect major shareholder of the Bank through its shareholding in CIMB Bank Berhad at 99.99% and CIMB Bank holds shares in CIMBT at 93.15%)

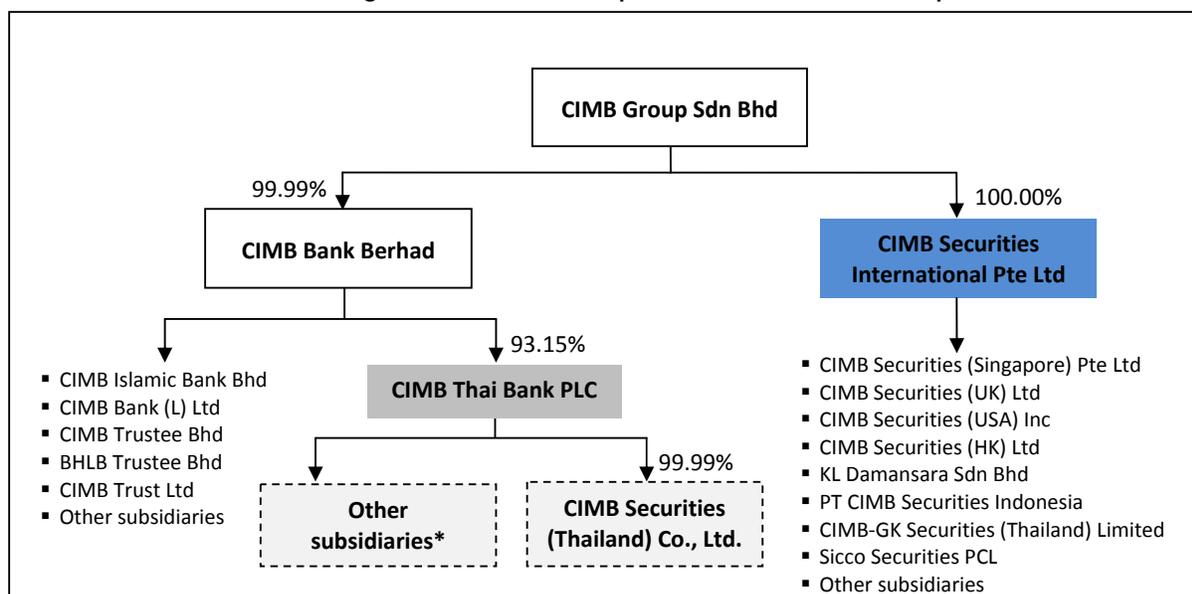
Business overview of CIMB Group

CIMB Group Holdings Berhad, the holding company of CIMB Group, has been listed on the main board of Bursa Malaysia Securities Berhad (the Stock Exchange of Malaysia) since 1987 and is currently the second largest financial service provider in Malaysia in terms of total assets as well as one of Southeast Asia’s leading universal banking groups. CIMB Group offers a wide range of financial products and services through its 3 main brand entities namely CIMB Bank, CIMB Investment Bank and CIMB Islamic. The financial products and services provided include corporate and investment banking, consumer banking, treasury, insurance, asset management and etc.

CIMB Group’s headquarters is located in Kuala Lumpur, Malaysia and currently has its presence across 14 countries both in South East Asia and other major global financial centers. Nonetheless, its main markets comprise of Indonesia, Singapore and Thailand.

Currently, CIMB Group is the single largest indirect shareholder of the Bank through its 99.99% shareholding in CIMB Bank. The summarized organizational structure of CIMB Group with regards to the Transaction is shown in the following Diagram.

Diagram 1: Summarized Corporate Structure of CIMB Group



Remark * other subsidiaries comprise of Center Auto Lease Co., Ltd. (formerly known as BT Leasing Co., Ltd), C.T. Coll Co., Ltd. (formerly known as BT Business Consulting Co., Ltd.), Worldlease Co., Ltd. (formerly known as BT Worldlease Co., Ltd.) and Krungthai Thanakit PCL (under liquidation process)

Source: www.cimb.com

There are 2 directors who hold positions within CIMB Group and are thus considered to be persons with conflict of interest and had abstained from voting to approve the Transaction in the Board of Directors’ Meeting No.3/2012, held on March 6, 2012. The list of directors who are deemed interested in the Transaction are presented in the following Table.

Table 4: List of directors with deemed interest in the Transaction

Name	Position in		Proportion of shareholding in CIMBT
	CIMBT	CIMB Group	
1. Dato’ Robert Cheim Dau Meng	Director	Director in CIMB Group Sdn Bhd	-
2. Mr. Kenny Kim	Director	Group Chief Finance Officer	-

Source: the Bank

CSI (formerly known as CIMB-GK Pte Ltd) is an entity incorporated in Singapore and currently a holding company that has investment in other securities companies within CIMB Group, which comprises CIMB Securities (Singapore) Pte Limited, CIMB Securities (UK) Limited, CIMB Securities (USA) Inc, CIMB Securities (HK) Limited, CIMB-GK Securities (Thailand) Limited, PT CIMB Securities Indonesia and Sicco Securities PCL. Such shareholding structure is shown in Diagram 1. Upon completion of the Transaction, CIMB Securities (Thailand) Company Limited will be 99.99% held by CSI.

In this regard, CSI as the buyer of CIMBS shares, and the Bank as the seller of CIMBS shares are considered connected parties as both parties share a common ultimate shareholder which is CIMB Group. As such, CIMB Bank, the major shareholder of the Bank at 93.15%, is considered a person with conflict of interest and thus shall abstain from voting on this agenda.

1.3 The proposed transaction value

The proposed transaction price for the sale of CIMBS share ranges between THB 1,066.80 – 1,117.60 million, equivalent to THB 9.70 – 10.16 per share in CIMBS. This represents a price-to-book multiple of around 1.05x – 1.10x the audited book value of CIMBS as at December 31, 2011. In this regards, the Bank is expected to receive the payment in cash upon the completion of the Transaction. As of the date of this report, the transaction price is determined as a range, however, the exact transaction price will be determined after the Bank obtained the approval from the shareholders' meeting, to be held on April 12, 2012.

1.4 Date of the Transaction

The Bank will enter into the Transaction after obtaining the approval from the shareholders' meeting No.18/2012 to be held on April 12, 2012 as well as the approval from relevant authorities which includes the BOT (if required).

1.5 Type and size of the Transaction

The sale of CIMBS shares by the Bank to CSI is considered a disposal of asset as prescribed in the Notification of Acquisition and Disposition of Assets and considered a connected transaction as prescribed in the Notification of Connected Transactions. The calculation of transaction size is illustrated below.

Calculation of the transaction size regarding the disposal of asset

1. Transaction size based on the value of assets disposed

$$\begin{aligned}\text{Transaction size} &= \text{NTA of CIMBS} / \text{NTA of the Bank and its subsidiaries} \\ &= 994,157,917 / 12,851,022,359 \\ &= 7.74\%\end{aligned}$$

2. Transaction size based on value of consideration received

$$\begin{aligned}\text{Transaction size} &= \text{Transaction value} / \text{Total assets of the Bank and its subsidiaries} \\ &= 1,066,800,000 / 168,023,094,060 \text{ and} \\ &= 1,117,600,000 / 168,023,094,060 \\ &= 0.63\% - 0.67\%\end{aligned}$$

From the above calculation, the highest transaction size is 7.74% of NTA of the Bank and its subsidiaries, based on the value of assets disposed (transaction size cannot be calculated using net profit as CIMBS incurred a net loss in 2011). Therefore, the Transaction is considered a disposal of assets class 1 with transaction size less than 15.00% of NTA. According to the SET's regulation, the Bank is not required to seek approval from shareholders of the Bank.

Calculation of transaction size regarding the connected transaction

According to the audited consolidated financial statements of CIMBT for the year ended December 31, 2011, NTA of the Bank and its subsidiaries can be calculated as follows:

$$\begin{aligned}
 \text{NTA of the Bank and its subsidiaries} &= \text{Total assets} - \text{Total liabilities} - \text{Intangible assets} - \text{Minority shareholders' equity} \\
 &= 168,023,094,060 - 154,612,171,390 - 470,613,974 - 89,286,337 \\
 &= 12,851,022,359
 \end{aligned}$$

The Bank will receive a total consideration ranging between THB 1,066.80 – 1,117.60 million for the sale of its entire shares held in CIMBS. Moreover, the calculation of transaction size includes connected transactions that have taken place in the past 6 months prior to the Transaction, including the in-sourcing of supporting and other services by the Bank to Sathorn Asset Management Co., Ltd. from which the Bank received service fee of THB 32.00 million.

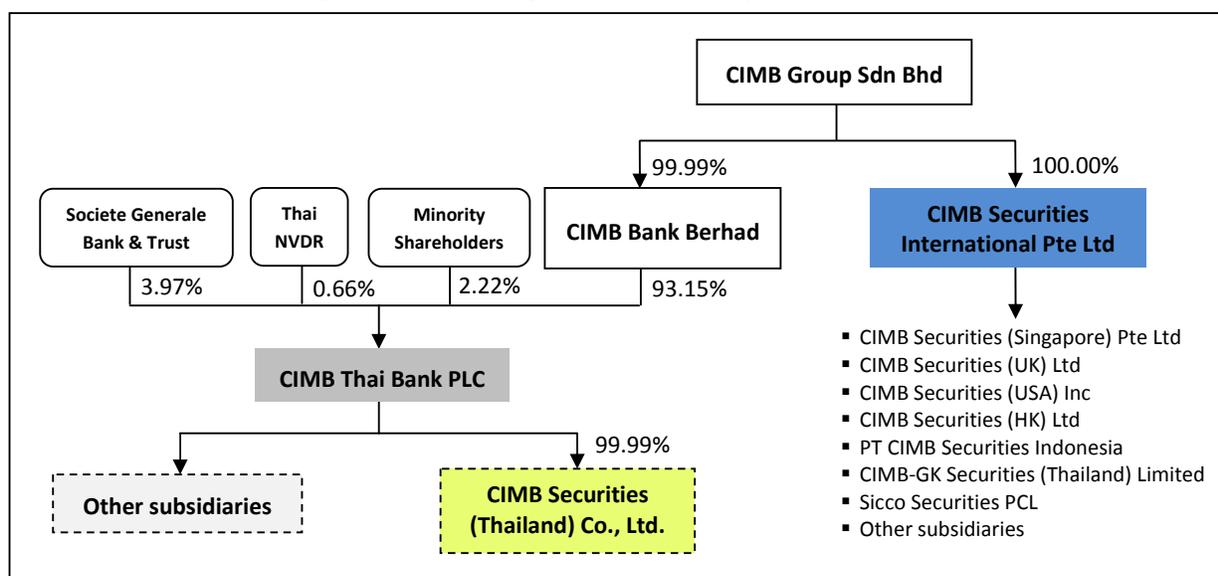
$$\begin{aligned}
 \text{Transaction size} &= (\text{Transaction value} + \text{Other connected transactions within the past 6 months}) / \text{NTA of the Bank and its subsidiaries} \\
 &= (1,066,800,000 + 32,000,000) / 12,851,022,359 \text{ and} \\
 &= (1,117,600,000 + 32,000,000) / 12,851,022,359 \\
 &= 8.55\% - 8.95\%
 \end{aligned}$$

From the calculation shown above, the total connected transaction size is between 8.55 – 8.95% of NTA in which is greater than 3.00% of NTA. As a result, according to the SET’s regulation, the Bank is obliged to seek approval from the shareholders’ meeting with affirmative votes of not less than three-fourths of the total number of votes of the shareholders attending the meeting and having the right to vote, excluding the votes of the shareholders who have conflict of interest.

1.6 Shareholding structure before and after entering into the Transaction

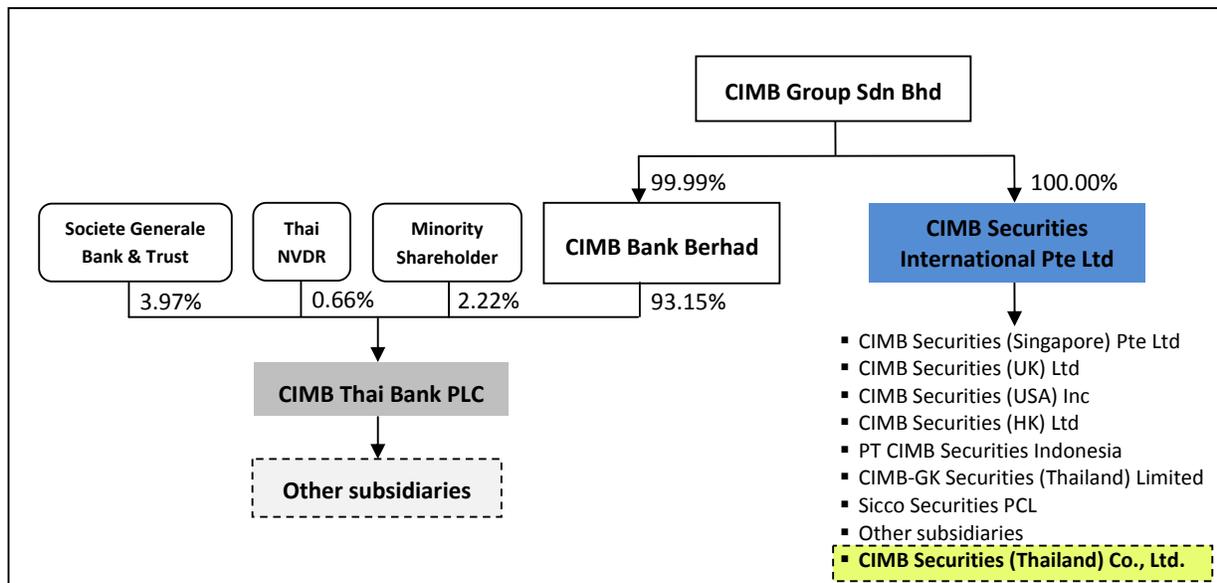
The shareholding structure of CIMBS prior to the Transaction can be shown as follows:

Diagram 2: Shareholding structure of CIMBS prior to the Transaction



The shareholding structure of CIMBS after the completion of the Transaction can be shown as follows:

Diagram 3: Shareholding structure of CIMBS after the Transaction



1.7 Future plan of CIMBT after the Transaction

Post-Transaction, the Bank does not intend to undertake any securities brokerage-related businesses, with the exception of corporate finance advisory, which is proposed be undertaken at the Bank or its subsidiaries upon obtaining the necessary licenses and/or approvals from SEC, BOT and other regulators (if required). The corporate finance advisory business is expected to create synergy with the core banking business of the Bank. In addition, CIMBS does not intend to undertake any corporate finance advisory for the time being.

Section 2 Overview of CIMB Securities (Thailand) Company Limited

2.1 Background

CIMB Securities (Thailand) Company Limited, formerly named Krung Thai Thanakit Securities Company Limited, was established on February 1, 2000 as a result of the separation between securities business and finance business of Krung Thai Thanakit Finance and Securities Company Limited according to the policy of the Ministry of Finance and the SEC. Later on, it changed its name to BT Securities Company Limited (“BTSEC”) and was held 99.99% by Bank Thai Public Company Limited (“Bank Thai”), currently known as CIMBT.

At the end of 2008, CIMB Bank, a subsidiary of CIMB Group, acquired Bank Thai and became the major shareholder of Bank Thai. As a result, there are 2 Thai companies operating securities business under CIMB Group which are (1) BTSEC, a wholly owned subsidiary of CIMBT, and (2) CIMB-GK Securities (Thailand) Limited (“CIMB-GK”), a subsidiary of CIMB Securities International Pte Limited. Thereafter, in 2009, CIMB-GK had requested for a suspension of its securities brokerage license and sold most of its fixed assets as well as transferred its employees and clients’ accounts to BTSEC. At present, CIMB-GK is no longer in operation. In September 2009, BTSEC changed its name to CIMB Securities (Thailand) Company Limited.

CIMBS currently offers a wide range of professional securities services as stipulated in the licenses to operate securities business issued by the SEC. An overview of business operation of CIMBS can be summarized in the following Table.

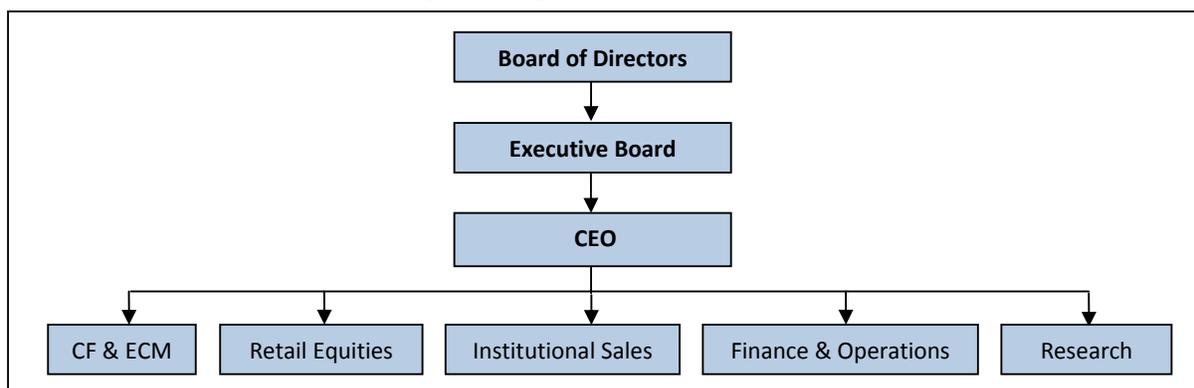
Table 5: Overview of business operation of CIMBS

Business Operation	Possess the License to Operate	Currently in Operation
a) Securities business		
- Securities brokerage	✓	✓
- Securities dealing	✓	X
- Investment advisory services	✓	✓
- Securities underwriting	✓	✓
- Bond dealer	✓	X
b) Derivatives Broker	✓	✓
c) Financial advisory services	✓	✓
d) Selling agent	✓	✓
e) Member of Thai Bond Market Association	✓	X

Source: CIMBS

Currently, CIMBS operates through 5 Departments: 1) Corporate Finance (“CF”) and Equity Capital Market (“ECM”) 2) Retail Equities 3) Institutional Sales 4) Finance and Operations and 5) Research Department. Organization structure of CIMBS is illustrated in the following Diagram.

Diagram 4: Organization Structure of CIMBS



Source: CIMBS

2.2 Details of business operation

The details of each service provided by CIMBS to its clients are presented as follows:

Table 6 : Details of services provided by CIMBS

Type of Service Provided	Detail																																																								
1) Securities brokerage	<p>CIMBS is broker member no. 7 of the SET providing securities brokerage service to both institutional and retail clients. As of February 2012, CIMBS has brokerage branches as follows:</p> <ol style="list-style-type: none"> 1) Headquarter located in CIMB Thai Bank Building, Bangkok 2) Sindhorn brokerage branch, Bangkok 3) Sermmitr brokerage branch, Bangkok 4) Pinklao brokerage branch, Bangkok 5) Samut Songkharm brokerage branch 6) Hadyai Lee Garden brokerage branch, Songkla Province 7) Hadyai Napalai brokerage branch, Songkla Province 8) Park Venture Building brokerage branch, Bangkok <p>To complement its brokerage service, CIMBS has a research team comprising 14 licensed analysts to conduct research on major listed companies. In addition, the research team of CIMBS collaboratively works with CIMB Group's regional research team in areas such as organizing analysts' road shows for clients throughout the region. In 2011, CIMBS has a trading value in both the SET and mai of approximately THB 143,942.31 million, representing the market share of 1.15% (ranked 27th in the market). Further details of CIMBS trading value during 2009 – 2011 is shown in the following Table.</p> <p style="text-align: center;">Table 7: Details of CIMBS trading value for securities during 2009 – 2011</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #000080; color: white;">Item (THB : million)</th> <th style="background-color: #000080; color: white;">2009</th> <th style="background-color: #000080; color: white;">2010</th> <th style="background-color: #000080; color: white;">2011</th> </tr> </thead> <tbody> <tr> <td>CIMBS's trading value</td> <td style="text-align: center;">62,094</td> <td style="text-align: center;">114,625</td> <td style="text-align: center;">143,942</td> </tr> <tr> <td>Market share of CIMBS</td> <td style="text-align: center;">0.82%</td> <td style="text-align: center;">0.93%</td> <td style="text-align: center;">1.15%</td> </tr> <tr> <td>Ranking in the market</td> <td style="text-align: center;">37</td> <td style="text-align: center;">29</td> <td style="text-align: center;">27</td> </tr> </tbody> </table> <p>Source: www.setsmart.com</p> <p>In 2011, the proportion of retail clients to institutional clients of CIMBS based on trading value was 67.54% to 32.46%. CIMBS currently has 147 employees responsible for retail sales and 10 employees responsible for institutional sales with most of its institutional sales derived mainly from regional clients from Singapore, Hong Kong and Malaysia. The breakdown of CIMBS trading value based on type of customers and trading accounts is shown in the following Table.</p> <p style="text-align: center;">Table 8: Breakdown of the CIMBS average trading value during 2009 – 2011</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #000080; color: white;">Item (THB : million)</th> <th style="background-color: #000080; color: white;">2009</th> <th style="background-color: #000080; color: white;">2010</th> <th style="background-color: #000080; color: white;">2011</th> </tr> </thead> <tbody> <tr> <td colspan="4" style="background-color: #000080; color: white;">Trading value by type of customers</td> </tr> <tr> <td>CIMB's accounts*</td> <td style="text-align: center;">282</td> <td style="text-align: center;">57,284</td> <td style="text-align: center;">256,158</td> </tr> <tr> <td>Institutional clients' accounts</td> <td style="text-align: center;">7,718</td> <td style="text-align: center;">32,286</td> <td style="text-align: center;">46,703</td> </tr> <tr> <td>Retail clients' accounts</td> <td style="text-align: center;">54,142</td> <td style="text-align: center;">82,275</td> <td style="text-align: center;">97,166</td> </tr> <tr> <td colspan="4" style="background-color: #000080; color: white;">Trading value by type of accounts</td> </tr> <tr> <td>Cash account</td> <td style="text-align: center;">51,633</td> <td style="text-align: center;">154,325</td> <td style="text-align: center;">360,307</td> </tr> <tr> <td>Credit balance account</td> <td style="text-align: center;">1,415</td> <td style="text-align: center;">3,248</td> <td style="text-align: center;">1,147</td> </tr> <tr> <td>Cash balance account</td> <td style="text-align: center;">154</td> <td style="text-align: center;">561</td> <td style="text-align: center;">6,228</td> </tr> <tr> <td>Internet account**</td> <td style="text-align: center;">8,942</td> <td style="text-align: center;">13,712</td> <td style="text-align: center;">32,345</td> </tr> </tbody> </table> <p>Remark * Proprietary trading ** Internet account includes cash account, credit balance account and cash balance account</p> <p>Source: CIMBS</p>	Item (THB : million)	2009	2010	2011	CIMBS's trading value	62,094	114,625	143,942	Market share of CIMBS	0.82%	0.93%	1.15%	Ranking in the market	37	29	27	Item (THB : million)	2009	2010	2011	Trading value by type of customers				CIMB's accounts*	282	57,284	256,158	Institutional clients' accounts	7,718	32,286	46,703	Retail clients' accounts	54,142	82,275	97,166	Trading value by type of accounts				Cash account	51,633	154,325	360,307	Credit balance account	1,415	3,248	1,147	Cash balance account	154	561	6,228	Internet account**	8,942	13,712	32,345
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		As of 2011, CIMBS has a total of approximately 15,984 client accounts, comprising of approximately 6,156 active accounts.																				
2) Securities underwriting and financial advisory service	:	<p>CIMBS provides securities underwriting and financial advisory services under the license issued by the SEC with an experienced team comprising investment bankers, financial advisors and administrative officer, totaling 7 persons (as of February 2012). The breakdown of revenue from securities underwriting and financial advisory service of CIMBS during 2009 – 2011 is shown in the following Table.</p> <p style="text-align: center;">Table 9: Breakdown of CIMBS fee and service income during 2009 – 2011</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #000080; color: white;">Fee and Service Income (THB : 000)</th> <th style="background-color: #000080; color: white;">2009</th> <th style="background-color: #000080; color: white;">2010</th> <th style="background-color: #000080; color: white;">2011</th> </tr> </thead> <tbody> <tr> <td>Underwriting fee</td> <td>20,624</td> <td>27,282</td> <td>26,265</td> </tr> <tr> <td>Financial advisory fee</td> <td>9,980</td> <td>36,642</td> <td>20,811</td> </tr> <tr> <td>Other income</td> <td>485</td> <td>1,413</td> <td>200</td> </tr> <tr> <td>Total</td> <td>31,089</td> <td>65,337</td> <td>47,275</td> </tr> </tbody> </table> <p>Source: CIMBS</p>	Fee and Service Income (THB : 000)	2009	2010	2011	Underwriting fee	20,624	27,282	26,265	Financial advisory fee	9,980	36,642	20,811	Other income	485	1,413	200	Total	31,089	65,337	47,275
Fee and Service Income (THB : 000)	2009	2010	2011																			
Underwriting fee	20,624	27,282	26,265																			
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Other income	485	1,413	200																			
Total	31,089	65,337	47,275																			
3) Future contracts brokerage	:	<p>CIMBS was approved by the SEC to be the sale agent of future contracts traded in Thailand Futures Exchange (“TFEX”) on February 11, 2005. As of December 31, 2011, CIMBS has 39 licensed sale agents providing futures contract brokerage services for various types of products available in TFEX such as SET 50 Index futures, SET 50 Index Options, Stock Futures, Gold Futures and Interest Rate Futures. In 2011, the market share of CIMBS based on number of contracts traded was approximately 0.52% with the number of contracts traded of approximately 51,925 contracts in that year. The details of CIMBS’s future contracts traded in TFEX during 2009 – 2011 is presented in the following Table.</p> <p style="text-align: center;">Table 10: Details of CIMBS futures contracts traded in TFEX during 2009 – 2011</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #000080; color: white;">Item</th> <th style="background-color: #000080; color: white;">2009</th> <th style="background-color: #000080; color: white;">2010</th> <th style="background-color: #000080; color: white;">2011</th> </tr> </thead> <tbody> <tr> <td>No. of futures contracts of CIMBS traded in TFEX</td> <td>15,278</td> <td>17,244</td> <td>51,925</td> </tr> <tr> <td>Market share of CIMBS</td> <td>0.50%</td> <td>0.38%</td> <td>0.52%</td> </tr> </tbody> </table> <p>Source: TFEX and CIMBS</p> <p>In 2011, CIMBS has approximately 511 clients’ accounts of futures contracts traded in TFEX, comprising of approximately 191 active accounts.</p>	Item	2009	2010	2011	No. of futures contracts of CIMBS traded in TFEX	15,278	17,244	51,925	Market share of CIMBS	0.50%	0.38%	0.52%								
Item	2009	2010	2011																			
No. of futures contracts of CIMBS traded in TFEX	15,278	17,244	51,925																			
Market share of CIMBS	0.50%	0.38%	0.52%																			
4) Investment in securities	:	As of February 2012, CIMBS has 20 proprietary dealers to undertake proprietary trading on CIMBS’ owned accounts. For the year ended December 31, 2011, CIMBS had a total gain on trading from its proprietary account of THB 82.51million.																				

2.3 Revenue structure

The revenue structure of CIMBS for the year ended December 31, 2009 – 2011 are presented in the following Table.

Table 11: Revenue structure of CIMBS for the year ended December 31, 2009 – 2011

(Unit : THB '000)	2009		2010		2011	
	Revenue	%	Revenue	%	Revenue	%
Brokerage fee from securities trading	149,410	72.28%	234,161	66.62%	272,708	59.42%
Brokerage fee from future contract trading	6,012	2.91%	5,325	1.51%	11,144	2.43%
Fee and service income	31,089	15.04%	65,337	18.59%	47,275	10.30%
Profit (loss) from securities trading	2,913	1.41%	29,772	8.47%	82,514	17.98%
Interest and dividend income	16,676	8.07%	13,621	3.88%	33,279	7.25%
Other income	605	0.29%	3,274	0.93%	12,039	2.62%
Total	206,705	100.00%	351,491	100.00%	458,959	100.00%

Source: CIMBS

As CIMBS is a securities company with its core business of providing securities brokerage service, its revenue stream comprises mainly of brokerage fee from securities trading in which accounted for 72.28%, 66.62% and 59.42% of total revenue from 2009 – 2011, respectively. Another main source of revenue for CIMBS is from fee and service income, which mostly obtained from providing underwriting and financial advisory services, accounted for 15.04%, 18.59% and 10.39% of total revenue, respectively.

2.4 Cost structure

Cost structure of CIMBS for the year ended December 31, 2009 – 2011 are presented in the following Table.

Table 12: Cost structure of CIMBS for the year ended December 31, 2009 – 2011

(Unit : THB '000)	2009		2010		2011	
	Expenses	%	Expenses	%	Expenses	%
Expense on borrowing	5,985	2.72%	9,186	2.62%	19,145	3.85%
Fees and service expenses	11,207	5.09%	20,373	5.82%	46,905	9.43%
Reversal of allowance for doubtful accounts	-6,414	-2.91%	-14,339	-4.09%	-2,304	-0.46%
Reversal of allowance for impairment of investment in receivables	-521	-0.24%	-219	-0.06%	-	-
Operating expenses	210,126	95.34%	335,231	95.72%	433,409	87.18%
Total	220,383	100.00%	350,231	100.00%	497,156	100.00%

Source: CIMBS

The nature of securities business requires human resources to conduct research, provide financial advice as well as execute tasks for clients. As a result, CIMBS cost structure comprises mainly of personnel expenses which are from salary and commission expenses, accounted for more than 50% for each of years 2009, 2010 and 2011, respectively.

2.5 Registered and paid-up capital

On August 26, 2011, the Extraordinary Shareholders' Meeting No.2/2011 of CIMBS had resolved to increase its registered capital from THB 500.00 million by THB 1,300.00 million (comprising of 130 million shares at par value of THB 10.00 per share) to be THB 1,800 million. On September 7, 2011, CIMBS had increase its paid-up shares by THB 600.00 million (comprising of 60 million shares at par value of THB 60.00 per share). As a result, as of December 31, 2011, CIMBS had a paid-up capital of THB 1,100.00 million, comprising of 110 million shares at par value of THB 10.00 per share.

2.6 Shareholders

The major shareholders of CIMBS as of December 31, 2011 are listed in the following Table.

Table 13: List of major shareholders of CIMBS as of December 31, 2011

Name of shareholders	Shareholding	
	Number of Shares	% of Total
1. CIMB Bank Thai PCL	109,999,993	99.99%
2. Minority Shareholders	7	0.01%
Total	110,000,000	100.00%

Source: CIMBS

2.7 The Board of Directors

The Board of Directors of CIMBS as of December 31, 2011 is listed in the following Table.

Table 14: Board of Directors of CIMBS as of December 31, 2011

Name	Position
1. Mrs. Chan Yuen May	Director
2. Mrs. Julia Hashim	Director
3. Mr. Suchai Sutasthunkul	Director
4. Mr. Kittisak Amornchairojkul	Director
5. Ms. Yuwana Ratanawichien	Director
6. Mr. Kasem Prunratnamala	Director
7. Mr. Sutee Losoponkul	Director

Source: CIMBS

2.8 Management

The management of CIMBS as of December 31, 2011 are listed in the following Table.

Table 15: The management of CIMBS as of December 31, 2011

Name	Position
1. Mr. Suchai Sutasthunkul	Chief Executive Officer
2. Mr. Kittisak Amornchairojkul	Head of Retail Equities
3. Mr. Kasem Prunratnamala	Head of Research
4. Ms. Yuwana Ratanawichien	Chief Operating Officer
5. Mr. Sittichai Mahaguna	Head of CF & ECM
6. Ms. Kanyarat Kallayawarat	Head of Institutional Sales

Source: CIMBS

2.9 Historical financial information

The summarized audited financial statements of CIMBS for the year ended December 31, 2009 – 2011 are presented in the following Table.

Table 16: Summary of financial status of CIMBS for the year ended December 31, 2009 – 2011

(Unit : THB '000)	2009	2010	2011
Assets			
Cash and cash equivalents	337,713	382,323	464,201
Long-term deposits at financial institutions	45,079	45,080	45,080
Investments in debt and equity securities - net	31,033	71,979	42,685
Investment in receivables - net	11,581	8,205	8,205
Receivable from clearing house	206,238	216,334	128,961
Securities and derivatives business receivables - net	355,393	330,065	692,997
Building and equipment - net	40,531	40,213	87,881
Intangible assets - net	6,024	6,066	21,921
Other assets	43,338	73,818	78,857
Total assets	1,076,930	1,174,084	1,570,788
Liabilities and shareholders' equity			
Liabilities			
Borrowings	55,000	125,000	-
Payable to clearing house	32,472	467	58,405
Securities and derivatives business payables	384,707	383,214	266,491
Subordinated debentures	95,569	100,347	105,365
Other liabilities	30,892	79,019	124,449
Total liabilities	598,640	688,048	554,709

(Unit : THB '000)	2009	2010	2011
Shareholders' equity			
Registered capital	500,000	500,000	1,100,000
Issued and paid-up capital	500,000	500,000	1,100,000
Unrealized gain (loss) on change in fair value of available for sale investments	13,289	19,775	14,598
Retained earnings (loss)	-34,999	-33,739	-98,519
Total shareholders' equity	478,289	486,036	1,016,079
Total liabilities and shareholders' equity	1,076,930	1,174,084	1,570,788

Source: CIMBS

**Table 17: Summary of operating performance of CIMBS
For the year ended December 31, 2009 – 2011**

(Unit : THB '000)	2009	2010	2011
Revenue			
Brokerage fees	155,422	239,486	283,852
Fees and service income	31,089	65,337	47,275
Interest and dividend	5,740	5,441	15,186
Interest on margin loans	10,936	8,180	18,093
Other income	3,519	33,046	94,554
Total revenue	206,706	351,491	458,959
Expenses			
Expenses on borrowing	5,985	9,186	19,145
Fees and service expenses	11,207	20,373	46,905
Reversal of allowance for doubtful accounts	-6,414	-14,339	-2,304
Reversal of allowance for impairment of investment in receivables	-521	-219	-
Operating expenses	210,126	335,230	433,410
Total expenses	220,383	350,231	497,156
Net income (loss) for the year	-13,677	1,260	-38,197

Source: CIMBS

Table 18: Summary of cash flow statement of CIMBS for the year ended December 31, 2009 – 2011

(Unit : THB '000)	2009	2010	2011
Cash flows from (used in) operating activities	-191,167	-33,261	-332,118
Cash flows from (used in) investing activities	301,343	7,871	-61,005
Cash flows from (used in) financing activities	64,023	70,000	475,000
Net increase (decrease) in cash equivalents	174,200	44,610	81,877

Source: CIMBS

Table 19: Analysis of CIMBS operating performance and operating results for 2009 – 2011

Financial Ratio	2008	2009	2010
Profitability Ratio			
Net profit margin	-6.62%	0.36%	-8.32%
Return on equity	-2.86%	0.26%	-3.76%
Efficiency Ratio			
Return on assets	-1.27%	0.11%	-2.43%
Asset turnover ratio	0.19	0.30	0.29
Financial Policy Ratio			
Debt to Equity ratio	1.25	1.42	0.55

Operating performance of CIMBS

Revenue

Total revenue of CIMBS for the year ended December 31, 2009 – 2011 were THB 206.71 million, THB 351.49 million and 458.96 million, respectively. Major source of revenue for CIMBS were revenue from brokerage fees from securities and futures contracts trading which were THB 155.42 million, THB 239.49 million and THB 283.85 million for 2009 – 2011, respectively, representing a growth rate of 54.09% and 18.53% in 2010 and 2011 accordingly. Such increase was due to an increase in CIMBS trading value as the overall market trading value rise. Another source of revenue of CIMBS was from fees and service income which were in total of THB 31.09 million, THB 65.34 million and 47.28 million in 2009 – 2011, respectively. These fees and service income were derived from underwriting and financial advisory services provided to clients. The substantial rise in fees and service income during 2010 were from the increasing amount of deals as well as deal's value undertaken by CIMBS, representing a growth rate of 110.16%. While in 2011, revenue from fees and service was decreased by 27.64%. Other income of CIMBS comprised mainly of gain on trading securities from its owned proprietary accounts which were THB 2.91 million, THB 29.77 million and THB 82.51 million, accounted for 1.41%, 8.47% and 17.98% of total revenue for 2009 – 2011, respectively.

Cost and expenses

Total cost of CIMBS for the year ended December 31, 2009 – 2011 were THB 220.38 million, THB 350.23 million and THB 497.16 million, respectively. Major item in the cost structure of CIMBS was personnel expenses. The notable rise of total expenses in 2010 was due to an increasing number of its employees that were transferred from CIMB-GK as well as new employees were hired by CIMBS. While in 2011, the substantial increase in total expense was due to additional employment of retail equities team in order to enhance competitiveness and increase market shares of CIMBS. Another source of expenses of CIMBS were operating expenses, mainly from premises and equipment expenses in which accounted for THB 41.30 million, THB 45.08 million and THB 55.93 million in 2009 – 2011, respectively. Such expenses comprise mainly of rental paid for its office and other brokerage branches as well as depreciation and amortization expenses, these expenses were higher due to increase in number of brokerage branches.

Profit

In 2009, net loss of CIMBS was THB 13.68 million. Thereafter, CIMBS generated a net income of THB 1.26 million in 2010 and incurred a net loss again in 2011 at THB 38.20 million. These reflected a net loss margin of 6.62% in 2009, a net profit margin of 0.36% in 2010 and a net loss margin of 8.32% in 2011. The fluctuation of net income of CIMBS was due primarily to the fluctuation in stock market in which consequently caused the fluctuation in CIMBS revenue stream, together with the continuously declining brokerage fees. The average brokerage fees in 2009 – 2011 were 0.24%, 0.20% and 0.19% of trading value, respectively. Returns on equity of CIMBS for the year ended 2009 – 2011 were -2.86%, 0.26% and -3.76%, respectively.

Financial position of CIMBS

Total assets

For the year ended December 31, 2009 – 2011, total assets of CIMBS were THB 1,076.93 million, THB 1,174.08 million and THB 1,570.79 million, respectively. Major current assets of CIMBS were cash and cash equivalents which were THB 337.71 million, THB 382.32 million and THB 464.20 million for 2009 – 2011, respectively accounted for 31.36%, 32.56% and 29.55% of total assets each year. The high level of cash held by CIMBS was due to the requirement of Securities and Exchange Commission for the brokers to maintain its Net Capital Ratio (the ratio of net liquid assets to total liabilities) and cash available on hand at a certain level. In the event such ratio does not conform with SEC's requirement, they will require some cash contribution from brokers to cover such risk. The increase in cash and cash equivalents during 2009 by THB 174.20 million was due to the proceeds received from the sale of its investment in Bank Thai and from the issuance of subordinated debentures. Another main item of total assets of CIMBS was net securities and derivative business receivables and receivables from clearing house which were altogether THB 561.63 million, THB 546.40 million and THB 821.96 million, respectively. The total values of receivables from brokerage business were due to CIMBS trading value as at year end.

Total liabilities

Total liabilities of CIMBS for the year ended December 31, 2009 – 2011 were THB 598.64 million, THB 688.05 million and THB 554.71 million, respectively. The main item in total liabilities of CIMBS were securities and

derivatives business payables which were THB 384.71 million, THB 383.21 million and THB 266.49 million for 2009 – 2011, respectively or representing 64.26%, 55.70% and 48.04% of total liabilities of CIMBS each year. The value of such item depends on CIMBS trading value at year end. In addition, CIMBS had the outstanding amount of borrowings from CIMBT at 55.00 THB million and THB 125.00 million in 2009 – 2010, respectively, in a form of promissory notes, which CIMBS had repaid the entire amount. The objective of such borrowing is to support CIMBS business operation. Moreover, CIMBS had issued subordinated debentures in 2009 to CIMB-GK with a face value of THB 120.00 million to be matured in 2014.

Shareholders' equity

As of December 31, 2009 – 2011, shareholders' equity of CIMBS were THB 478.29 million, THB 486.04 million and THB 1,016.08 million, respectively. In 2009, CIMBS had decreased its registered and paid-up capital to THB 500.00 million, comprising of 50 million ordinary shares at a par value of THB 10 per share, from THB 1,200 million. The decrease in registered capital was with the objective to offset the retained loss which was THB 721.32 million in 2008. In 2010, CIMBS had retained losses of THB 33.74 million, decreased from a retained loss at the end of 2009 at THB 35.00 million. This was due to a net income of THB 1.26 million generated by CIMBS during 2010. Later in 2011, CIMBS had increased its paid-up capital by THB 600.00 million and regained loss of THB 98.52 million, due to a net loss of THB 38.20 million in 2011. As a result, shareholder's equity of CIMBS was THB 1,016.08 million.

Capital structure

Debt to equity ratio of CIMBS as at the end of 2009 – 2011 were 1.25, 1.42 and 0.55 times, respectively. During 2009 – 2010, the source of fund for CIMBS was mainly from cash flows from financing activities, which were THB 64.02 million and THB 70.00 million, respectively. Such cash flows from financing were mainly used as CIMBS's working capital. In 2011, CIMBS issued new ordinary shares of THB 600.00 million, to be used as working capital, investment in business expansion as well as debt repayment.

2.10 Future Investment Plan

CIMBS has planned to increase its paid-up capital by another THB 700.00 million of which based on our interviews with CIMBS management, CIMBS plans to expand its business operation in order to strengthen its competitiveness for the industry liberalization via investment in new brokerage branches with an aim to widen the market coverage of CIMBS, the recruitment of additional marketing personnel, as well as to support future trading volume, in which the management expects to be higher.

2.11 Industry Overview

2.11.1 Securities brokerage business

Based on the information of the SET, Thai capital market faced many negative factors during 2011, both domestically and internationally, including the slowdown of private investments and exports, causing by flooding situation in Thailand, as well as the expansion of European debt crisis and the unrecovery of US economy. All of those factors had adversely affected investors' confidence. With that, overall SET index had improved and closed at 1,025.32 points at year end, representing a decline of 0.72% from year end of 2010. However, such fall is considered the lowest among other markets in South East Asia. In addition, SET and mai had reached the new high at 1,144.14 points and 319.60 points with the market capitalization of THB 9,360 billion and THB 86,079.17 million, respectively. In addition, average daily trading value in SET and mai were altogether THB 29,473.28 million which is the new record high, representing an increase of 1.4% from 2010, and also considered to be the second largest volume in South East Asia, after Singapore Exchange which is the financial hub of the region.

Table 20: SET and mai Index Series during 2009 – 2011

Index Series	2009	2010	2011
SET Index	734.54	1,032.76	1,025.32
SET 50 Index	520.69	720.76	718.4
SET 100 Index	1,120.26	1,573.02	1,559.38
MAI	215.30	272.79	264.23

Source: Association of Securities Companies

Table 21: Trading value in SET and mai during 2009 – 2011

(Unit : THB million)	2009	2010	2011
Market Capitalization	5,912,230	8,389,812	8,485,006
- SET	5,873,100	8,334,684	8,407,696
- MAI	39,130	55,128	77,310
Average Daily Trading Value	18,226	29,066	29,473
- SET	17,854	28,669	28,854
- MAI	372	397	619

Source: Association of Securities Companies

Average daily trading value in SET and mai during 2011 had improved by 1.40% from 2010, rendering operating performances of securities companies to improve with the rise of market volume. However, during 2010 – 2011 when sliding scale fees were enforced (prior to the full liberalization on January 1, 2012), average brokerage fee during 2010 till the first half of 2011 had declined from 0.20% in 2009 to 0.16%, based on information of Association of Securities Companies on June 30, 2011. Nonetheless, higher trading volume in the market had compensated such falling fee, making revenue of securities companies to be higher.

As for the competition in securities brokerage business, there are in total of 38 securities companies providing brokerage services in 2011. Among all that, Maybank Kim Eng Securities (Thailand) PCL is the market leader, having the market share of 11.86%. The details of the top 10 players with the highest trading value in 2011 and CIMBS are shown in the following Table.

Table 22: List of top 10 brokerage companies operating in SET and mai in 2011

No.	Name	Symbol	Trading Value* (THB million)	Market Share (%)
1	Maybank Kim Eng Securities (Thailand) PCL	MBKET	1,480,776.02	11.86
2	Finansia Syrus Securities PCL	FSS	645,449.93	5.17
3	Country Group Securities PCL	CGS	641,153.51	5.13
4	Credit Suisse Securities (Thailand) Limited	CS	615,774.18	4.93
5	Asia Plus Securities PCL	ASP	603,393.99	4.83
6	UBS Securities (Thailand) Limited	UBS	601,134.02	4.81
7	Bualuang Securities PCL	BLS	596,708.47	4.78
8	Phatra Capital PCL	PHATRA	594,119.95	4.76
9	KGI Securities PCL	KGI	566,460.09	4.54
10	Thanachart Securities PCL	TNS	553,069.59	4.43
27	CIMB Securities (Thailand) Company Limited	CIMBS	143,942.31	1.15

Remark * Based on buy and sell value, exclude proprietary trading

Source: www.setsmart.com

For SET outlook in 2012, based on the research conducted by Securities Analysts Association, it appears that the consensus shows that the SET will be on average of 1,130 points at the end of 2012, representing an increase from the year ended 2011 at 1,025.32 point. Positive factors for the market in 2012 include the potential economic growth on average of 4.1%, comparing to 1.4% in 2011 as well as tax reduction regime of the government, the decline of interest rate in the country, the progress of government's preventive measure on flooding situation and the slow down of US economy.

For business outlook of securities brokerage in 2012 when the liberalization period had commenced, there is the possibility of new players entering the market as well as additional merger transactions among securities companies aside from those occurred in 2011 (details are presented in Section 5.1.2 of this report). Furthermore, price competition is expected to rise as players attempt to expand their customers' base, evidenced by the continuously declining brokerage fee. According to the information of the SET, during the first 11 months in 2011, monthly active accounts were on average 172,071 accounts. Survival strategies currently being employed by those securities companies in order to maintain its competitiveness are 1) expanding its brokerage services to cover

wider range of products such as future contracts, agricultural commodities, etc 2) complementing its main revenue stream from brokerage fee with revenue from providing other type of services such as investment banking and financial advisory services and 2) merger with other larger player.

2.11.2 Securities underwriting and financial advisory service

There are many factors contributing to the decision of companies to be listed in the Stock Exchange such as economic environment, stock market condition, and political instability of the country as well as the readiness of the company to be listed itself. Furthermore, the incentive provided by the SET such as tax reduction scheme for listed companies commenced in 2007 is also a major factor influencing such decision. The details of newly listed companies in the SET and mai during 2009 – 2011 are presented in the following Table:

Table 23: Details of newly listed companies during 2009 – 2011

Items	2009	2010	2011
Number of newly listed companies in SET*	6	4	3
Number of newly listed companies in mai*	11	7	7
Total amount of capital raised (THB mill)	6,169	6,717	4,954
No. of listed companies in SET and mai	535	540	545

Remark * excluding the companies that were relisted as a result of organization restructure or that no capital was being raised

Source: www.set.or.th

As for financial advisory service, competition within the industry is expected to be more aggressive as more securities companies are now also providing financial advisory services to complement its core business of securities brokerage, also the existence of many other small and large financial advisory companies within the market. As of December 31, 2011, there were in total of 75 companies with financial advisory licenses issued by the SEC to operate such business.

In addition, due to the expected economic growth together with the recovery of business sector from flooding situation, it is anticipated that the number of IPO deal as well as other types of financial advisory deals such as equity and debt financing, debt restructuring and M&A transactions will further grow. Financial advisory firms that are the subsidiaries of commercial banks will have a huge advantage over the others as banks could provide such firms with more business referrals.

2.11.3 Derivative brokerage business

Thailand Future Exchange (“TFEX”) was firstly opened in April 28, 2006 with the continuously growing trading value and number of futures contracts traded onwards. During 2011, TFEX had the new high volume of 10,027,116 contracts, representing an average daily volume of 41,095 contracts, or 120.31% growth from 2010, as a result of the volume of Gold Futures and SET 50 Index Future. Additionally, during 2010 – 2011, TFEX launched new products which include Mini Gold Futures, Interest Rate Futures, Silver Futures, Oil Futures, etc. Further details of TFEX for 2009 – 2011 is shown in the following Table.

Table 24: Performance of TFEX during 2009 – 2011

	2009	2010	2011
Number of contracts traded	3,075,318	4,519,436	10,027,116
Average number of contracts per day	12,655	18,675	41,095

Source: www.set.or.th

In terms of the competition within futures contracts brokerage industry in 2011, there are in total of 41 licensed derivatives brokers by the SEC. The details of the top 10 players with the highest volume of contracts traded in 2011 are as shown in the following Table.

Table 25: List of top ten future contract brokers in 2011

Ranking	Name	Trading Symbol	Contract Volume (No. of Contracts)	Market Share (%)
1	Globlex Securities Company Limited	GBS	897,836	10.13
2	Phillip Securities (Thailand) PCL	PST	833,220	9.40
3	Maybank Kim Eng Securities (Thailand) PCL	MBKET	769,195	8.68
4	Trinity Watthana PCL	TNITY	453,642	5.12
5	MTS Gold Future Company Limited	MTSGF	442,160	4.99
6	Finansia Syrus Securities PCL	FSS	433,809	4.89
7	KGI Securities (Thailand) PCL	KGI	413,059	4.66
8	KT ZMICO Securities Company Limited	KTZ	397,835	4.49
9	Country Group Securities PCL	CGS	383,615	4.33
10	Bualuang Securities PCL	BLS	349,349	3.94

Source: www.setsmart.com

As for the tendency of TFEX in 2012, the growth is expected to continue from 2011, both in terms of number of contracts and TFEX's trading value. This is because investors are becoming more sophisticated in using futures contracts as their risk management tools when investing in a highly volatile stock market. Moreover, TFEX has announced that it will further launch new products such as US Dollar Futures. These could be significant factors contributing to the growth of TFEX in the future. According to the industry liberalization of the SEC, TFEX has expanded its member base as well as allowing brokers, formerly limited to trading of precious metals, to trade all types of future contracts. With this regards, number of players in TFEX is expected to rise, together with the highly competitive market environment subsequent to the liberalization, similar to securities brokerage business, brokerage fee in 2012 is estimated to decline from THB 297.40 per contract during the first half of 2011 and THB 336.55 per contract during 2010.

Section 3 Overview of CIMB Thai Bank Public Company Limited

3.1 Background

CIMB Thai Bank Public Company Limited (“CIMBT” or “the Bank”), previously known as Bank Thai Public Company Limited, was established in 1998 as a result of the consolidation among Union Bank PCL, 12 foreclosed finance companies and Krungthai Thanakit Finance PLC according to the Ministry of Finance and the BOT’s announcement of the restructuring policy for financial sector on August 14 1998, the Cabinet resolution in October 1998 and the announcement of the Ministry of Finance on December 22, 1998. Consequently, the new commercial bank was established and renamed as “Bank Thai Public Company Limited.” on December 21, 1998 with Financial Institutions Development Fund (“FIDF”) as its major shareholder. Later on, Bank Thai submitted its proposal to list its shares on the SET and the SET approved the proposal on March 30, 2001 and that its trading symbol was “BT”.

On November 5, 2008, CIMB Bank Berhad, on behalf of CIMB Group, the leading financial institution in Southeast Asia, offered to purchase ordinary shares of Bank Thai from the FIDF. Afterwards, CIMB Bank became the major shareholder of Bank Thai by holding 42.13% of total paid-up capital of Bank Thai. On May 4, 2009, Bank Thai Co., Ltd. was renamed to “CIMB Thai Bank Public Company Limited” and its trading symbol was changed to “CIMBT”. As of February 15, 2011, CIMB Bank held in total of 15,198,418,595 shares in CIMBT, accounted for 93.15% of total issued and paid-up capital.

CIMBT is licensed by the Ministry of Finance and related authorities to engage in commercial banking, which constitutes primary businesses of the Bank. Main businesses of CIMBT can be summarized as follows:

- (i) Commercial banking: the Bank provides a full suite of commercial banking products and services, such as deposits, loans, discounting, aval/acceptance of bills of exchange, letters of guarantee, foreign exchange trading, letter of credit, tele-banking and ATM services;
- (ii) Insurances: life and non-life insurance brokerage with licenses issued by the Office of Insurance Commission, Ministry of Finance;
- (iii) Securities businesses and other related businesses as licensed by the SEC and/or Ministry of Finance such as:
 - (a) Financial advisory;
 - (b) Registrar and paying agent services;
 - (c) Debt securities dealing and underwriting;
 - (d) Bondholders’ representative;
 - (e) Brokerage, dealing and underwriting of investment unit trusts;
 - (f) Custodian services and
 - (g) Derivatives dealing
- (iv) Business consultancy; and
- (v) Asset management

Revenue structure of the Bank for the year ended December 31, 2009 – 2011 are presented in the following Table.

Table 26: Revenue structure of CIMBT Group for the year ended December 31, 2009 – 2011

(Unit: THB million)	2009		2010		2011	
	Amount	%	Amount	%	Amount	%
Interest income						
1. Interest on Loans	5,572.3	107.8	5,066.3	85.5	6,467.2	98.9
2. Interbank and money market items	416.4	8.1	129.3	2.2	267.1	4.1
3. Investments	1,110.8	21.5	587.3	9.9	689.4	10.5
4. Others	0.7	0.0	0.9	0.0	1.7	0.0
Total interest income	7,100.1	137.3	5,783.9	97.6	7,425.4	113.5
Interest expenses						
1. Deposits	2,511.0	48.6	1,020.3	17.2	2,014.4	30.8
2. Interest on Interbank and money market items	126.3	2.4	82.2	1.4	94.2	1.4
3. Contribution fee to the deposit protection agency (DPA)	598.6	11.6	350.0	5.9	385.8	5.9

(Unit: THB million)	2009		2010		2011	
	Amount	%	Amount		Amount	%
4. Debt securities issued and borrowings	348.0	6.7	477.5	8.1	943.1	14.4
5. Fee on borrowings	0.0	0.0	0.0	0.0	0.0	0.0
6. Others	1.2	0.0	3.5	0.1	3.6	0.1
Total interest expenses	3,585.1	69.3	1,933.5	32.6	3,441.1	52.6
Net interest income	3,515.0	68.0	3,850.4	65.0	3,984.3	60.9
Operating income	1,656.0	32.0	2,074.6	35.0	2,556.9	39.1
Total income	5,171.0	100.0	5,925.0	100.0	6,541.2	100.0

Source: CIMBT's draft Form 56-1 as of 2011

The companies that CIMBT directly and indirectly held shares at the proportion of 10% or more of the total issued and paid-up shares as of December 31, 2011 are presented in the following Table.

Table 27: Subsidiaries of CIMBT in which CIMBT directly and indirectly held shares of 10% or more of the total paid-up shares (as of December 31, 2011)

Company Name	Type of Business	Paid-up Capital (THB million)	%
CIMB Securities (Thailand) Co., Ltd.	Securities	1,100	99.99
Worldlease Co., Ltd.*	Leasing of motorcycles	248	75.04
CT Coll Co., Ltd.	Consulting	38.5	99.99
Center Auto Lease Co., Ltd.**	Leasing of automobiles	525	99.99

Remark * previously known as BT Worldlease Co., Ltd.

** previously known as BT Leasing Co., Ltd.

Source: CIMBT's draft Form 56-1 as of 2011

3.2 Registered and paid-up capital

As of December 31, 2011, the Bank's registered capital was THB 8,157.97 million, comprising of 16,315.93 million ordinary shares at a par value of THB 0.50 per share, and paid-up capital was THB 8,157.97 million, comprising of 16,315.93 million ordinary shares at a par value of THB 0.50 per share.

3.3 Shareholders

Major shareholders of the Bank as of March 31, 2011 are listed in the following Table.

Table 28: List of major shareholders of CIMBT as of March 31, 2011

Name of shareholders	Shareholding	
	Number of Shares	% of Total
1. CIMB Bank Berhad	15,198,418,595	93.15
2. Societe Generale Bank & Trust, Singapore Branch	647,452,040	3.97
3. Thai NVDR Company Limited	108,034,420	0.66
4. Minority shareholders	362,029,701	2.22
Total	16,315,934,756	100.00

Source: CIMBT

3.4 The Board of Directors

The Board of Directors of the Bank as of December 31, 2011 are listed in the following Table.

Table 29: Board of Directors of CIMBT as of December 31, 2011

Name	Position
1. Mr. Chakramon Phasukavanich	Chairman of the Board
2. Mr. Subhak Siwaraksa	Chief Executive Officer and the President
3. Dato' Robert Cheim Dau Meng	Vice Chairman
4. Mr. Preecha Oonchitti	Director

Name	Position
5. Mr. Kenny Kim	Director
6. Mr. Sukont Kanjana-Huttakit	Independent Director and Chairman of the Audit Committee
7. Dato' Shaarani Bin Ibrahim	Independent Director and Member of the Audit Committee
8. Mrs. Watanan Petersik	Independent Director and Member of the Audit Committee

Source: www.set.or.th

3.5 Historical financial Information

Summarized financial statements of CIMBT for the year ended December 31, 2009 – 2011 based on the audited consolidated financial statements are presented in the following Table.

**Table 30: Summary of consolidated financial status and operating performance of CIMBT
for the years ended December 31, 2009 – 2011**

(Unit: THB million)	2009 (Restated)	2010 (Restated)	2011
Financial Performance			
Total Assets	126,981	140,475	168,023
Cash	2,822	2,745	3,123
Interbank and money market items – net	15,392	15,248	5,205
Derivatives assets	1,592	2,476	2,527
Investments – net	20,509	21,478	32,543
Investments in subsidiaries – net	206	154	154
Loans and accrued interest receivables – net	78,299	91,403	116,212
Other assets – net	8,161	6,971	8,259
Total liabilities	119,037	128,539	154,612
Deposits	88,358	94,656	101,574
Interbank and money market items-net	9,877	3,612	4,787
Derivatives liabilities	1,183	1,941	2,271
Debt issued and borrowings	15,262	22,654	40,316
Other liabilities	4,357	5,676	5,664
Shareholders' equity	7,944	11,936	13,411
Issued and paid-up share capital	6,675	8,158	8,158
Premium on share capital	-	1,483	1,483
Retained earnings and other reserves	1,199	2,213	3,681
Equity attributable to non-controlling interest	70	82	89
Operating results			
Interest income	7,345	6,273	8,112
Interest expenses	(3,602)	(1,947)	(3,459)
Net interest income	3,743	4,326	4,653
Net fee and service income	698	919	874
Operating income	1,146	1,114	2,245
Total operating income	5,587	6,359	7,772
Other operating expenses	(4,544)	(4,822)	(5,321)
Bad and doubtful debts and impairment losses	(1,168)	(827)	(1,075)
Profit from continuing operation before income tax expenses	(125)	710	1,376
Income tax expenses	(3)	(23)	(51)
Net profit from continuing operation	(128)	687	1,325
Profit after tax of discontinued operation	132	154	-
Net profit for the year	4	841	1,325
Non-controlling interests	2	12	9
Owners of the Bank	2	829	1,316

(Unit: THB million)	2009 (Restated)	2010 (Restated)	2011
Basic earnings per share (Baht per share)	0.00	0.06	0.08
Financial Ratios			
Net Interest Margin (%)	2.8	3.8	3.5
Return to Equity (%)	0.0	9.1	11.1
Return to Assets (%)	0.0	0.7	0.9
Capital Fund per Risk Assets (%)	11.9	14.9	13.2
1st Tier Capital Funds per Risk Assets (%)	5.9	9.3	7.8

Source: CIMBT

Operating performance of CIMBT

Overall operating results

For the financial year ended December 31, 2011, the Bank and its subsidiaries (“CIMB Thai Group”) reported a net income attributed to equity holder of the Bank of THB 1,316 million, increased by THB 484 million from income attributed to equity holder of the Bank in 2010 at THB 829 million. The notable improvement was mainly from the share of profit from Thai Asset Management Corporation (“TAMC”) and gain from the sale of unsecured NPL to an affiliate company in the fourth quarter of 2011.

Income

On a year-on-year basis, consolidated CIMB Thai group FY2011 total operating income increased by THB 1,413 million, or 22.2% from THB 6,359 million to THB 7,772 million. The higher operating income was mainly due to higher net interest income, gains on trading and foreign exchange transactions and other operating income arising from TAMC and the NPL sale to an affiliate company, which were offset by lower gains on investments and net fee and service income.

On the net interest income side, FY2011 recorded an increase of THB 327 million or 7.6%, largely underlined by loan expansion. On the net fee and service income side, there was a decrease of THB 45 million or 4.9%, due to the increase in collection fee expenses in 2011. Meanwhile, there was an increase of THB 1,131 million on the non interest and fee income side or 101.5%, largely due to the exceptional gain sharing from TAMC and gains from the sale of NPL in the fourth quarter of 2011.

Cost of Funds and Operating Expenses

CIMB Thai Group’s interest expenses for 2011 was THB 3,459 million, an increase of THB 1,512 million or 77.6% from 2010, mainly due to the increase in deposit and borrowing (Bill of Exchanges) rates as a result of intense competition in deposit market.

On a year-on-year basis, FY2011 operating expenses were higher by THB 499 million or 10.4% from FY2010, mainly due to increased personnel costs, taxes and duties expenses and other operating costs, especially from losses on properties foreclosed, offset by the decrease in premises and equipment expenses and lower commission expenses and consultancy fees. However, cost to income ratio improved to 68.5% in FY2011 compared to 75.8% in FY2010.

Net Profit

CIMB Thai Group’s net profit for FY2011 was THB 1,316 million, compared to THB 829 million last year, represents an increase of THB 488 million or 58.8%. The increase in net profit was mainly due to increase in net interest income and from the other operating income especially from the shared gain from TAMC and gain from the sale of NPL.

Financial position of CIMBT

Assets

CIMB Thai Group’s primary assets consist of loans, investments, interbank and money market items. As at December 31, 2011, CIMB Thai Group had total assets of THB 168.0 billion, showing an increase of THB 27.5 billion

or 19.6% as compared to 2010. Net loan and accrued interest receivables outstanding were THB 116.2 billion, an increase of THB 24.8 billion or 27.1%. Net Investments were at THB 32.5 billion, an increase of THB 11.1 billion or 51.5% from 2010. The cash balances were at THB 3.1 billion, up THB 378.3 million or 13.8% whilst interbank and money market items were at THB 5.2 billion, a drop of THB 10.0 billion or 65.9%.

Liabilities and Shareholders' Equity

As at December 31, 2011, CIMB Thai Group had total liabilities of THB 154.6 billion, representing an increase of THB 26.1 billion or 20.3% from 2010. The major component contributing to the increase was the increase of total deposit by THB 7 billion or 7.3% to THB 101.6 billion, while borrowings increased by THB 17.7 billion or 80.0% to THB 40.3 billion, mainly from the short-term borrowings. The interbank and money market liabilities was THB 4.8 billion, an increased of THB 1.2 billion or 32.5%.

As at December 31, 2011, the total equity stood at THB 13.4 billion, representing an increase of THB 1.5 billion or 12.4% compared to 2010. The Bank's Board of Directors also approved the appropriation of THB 67.5 million out of the Bank's net profit for the year of THB 1,316 million into statutory reserve and to carry forward the remaining net profit into retained earnings as well as no declaration of dividends for the year ended 2011.

Liquidity

Cash and cash-equivalent items, as indicated in the cash flow statement of the Bank and its subsidiaries at December 31, 2011, were THB 3.1 billion, showing an increase of THB 0.4 billion from 2010. Details of the changes are as follows:

Net cash from operations in 2011 was THB 7.8 billion. The losses from operations before changes in operating assets and liabilities were THB 2.2 billion, including THB 1.4 billion being the net profits for the year, adjustments of non-cash items to net profit, mainly from net interest and dividend income, gain sharing from TAMC and bad debts and doubtful accounts. Operating assets for the year increased by THB 16.8 billion due to the increase in loans and investments held for trading offset by decrease in interbank and money market items (asset) and properties foreclosed. Meanwhile, operating liabilities increased by THB 23.2 billion, resulting from the increase in short-term borrowings, deposits and interbank and money market items (liabilities).

Net cash used in investing activities was THB 9.0 billion mainly due to increase in net investments for securities held to maturity and available for sale and purchases of premises and equipments, offset by dividends and interest received from investing activities.

The net cash from financing activities was THB 1.5 billion, arising from the proceeds from issuing of THB subordinated debenture and offset by cash paid for redemption of USD subordinated debenture.

Section 4 Reasonableness of the Transaction

4.1 Objective and necessity of the Transaction

The Bank intends to dispose its entire investment in CIMBS which comprises of 109,999,993 ordinary shares at a par value of THB 10 per share, representing 99.99% of CIMBS total 110,000,000 paid-up shares due to insignificant business synergy between the bank and CIMBS. Additionally, subsequent to the completion of securities brokerage market liberalization in 2012, the industry is expected to be highly competitive and small brokerage companies may potentially encounter tough competition. With that, the Transaction will prevent the Bank from being exposed to future market risk in this area. Moreover, the divestment will potentially reduce the burden of the Bank to further inject capital into CIMBS in order to strengthen CIMBS's competitiveness.

Upon completion of the Transaction, the Bank will no longer hold any stake in CIMBS and shall have no participation in the securities brokerage business. Nonetheless, corporate finance advisory business of CIMBS is proposed to be undertaken at the Bank or its subsidiaries, upon obtaining the necessary licenses and/or approvals from the SEC, BOT and other regulators (if required). The corporate finance advisory business is expected to create synergy with the core banking business of the Bank.

4.2 Advantages and disadvantages of Transaction

4.2.1 Advantages and disadvantages of entering into the Transaction

Advantages of entering into the Transaction

a) Reduce risk from potentially intense competition within securities business in the future

According to the SEC's Board of Directors' meeting in November 2006, there are 3 phases in the liberalization of the brokerage business in Thailand. The first phase, which was between January 2007 – 2010, is the phase where minimum brokerage fee is maintained. The second phase, which was between January 2010 till the end of 2011, is the phase where sliding scale brokerage fee is used. As for the third phase, which began in January 2012, it is the phase where brokerage fee will no longer be regulated and the SEC shall no longer limit the number of licenses to operate the brokerage business.

With the increasing open market environment, the level of competition is anticipated to be heightened. Brokerage fees are expected to be significantly declined according to market prices. Consequently, with small retail accounts comprising the main customers' base of CIMBS, and its small current market share, CIMBS could potentially face tough competition in the near future if it is unable to keep up with other leading players within the market. Nonetheless, through the divestment of CIMBS, the Bank will no longer expose itself to the potential loss that could arise from such uncertainty of the business in the future.

b) Reduce the burden of the Bank to inject more capital into CIMBS

As aforementioned, in order to strengthen CIMBS' competitiveness as well as market share, the Bank may have to inject the additional investment capital in CIMBS so that the proceeds could be used to support the future growth as well as to prepare CIMBS for a highly competitive environment within the industry in the near future. Based on the interview with the management, such capital will be used for the expansion of brokerage branches to increase market coverage, the expansion of sales and proprietary traders, the investment in highly efficient trading platform as well as to increase underwriting capacity and to maintain net capital ratio, based on the SEC Notification.

In August 2011, the Extraordinary Shareholders' Meeting of CIMBS had resolved to increase its registered capital by THB 1,300.00 million and in September 2011, the Bank has paid for such capital increase shares by THB 600.00 million. With that, there is the remaining unpaid capital of THB 700.00 million, which CIMBS plans to increase such capital in 2012. Upon the completion of the Transaction, the potential burden of the Bank to allocate financial resources to CIMBS shall be passed on to the incoming shareholder.

c) Enable the Bank to concentrate on its core banking business

At present, the Bank is under the consolidated supervision by the BOT which enforces financial institutions to combine all risk assets of the group according to the consolidated financial statements for the purpose of calculating the Capital to Risk Assets Ratio (the ratio that determines the amount of reserves required for the bank to hold). Therefore, the risk committee of the Bank has an obligation to review and monitor the risk assets of CIMBS as well as to undertake supervision on the overall CIMBS risk management, compliance and credit approval policies.

Through the divestment of CIMBS, the Bank will be able to release itself from such burden, allowing the Bank to have greater flexibility operationally. Furthermore, the Bank will be able to concentrate on its core banking business.

d) Proceeds received may be used to support the core banking business or to further invest in other businesses

In the event the Bank successfully completes the Transaction, the Bank will receive the proceeds from the sale of CIMBS shares ranging between THB 1,066.80 – 1,117.60 million. Such proceeds may be used as an additional lending capacity of the Bank to directly support its core banking business or to invest in other high potential businesses that may generate a relatively higher return compared to its investment in CIMBS.

e) Corporate finance business of CIMBS will be operated under the Bank after the Transaction

Upon completion of the transaction and obtaining of the necessary licenses and/or approvals, the corporate finance business undertaken by CIMBS shall be operated at the Bank or its subsidiaries, which will further support and assist the core banking business, to further improve the Bank's revenue from advisory service and fee income.

Disadvantages of entering into the Transaction

a) Forgo securities brokerage business

Upon completion of the Transaction, the Bank will no longer participate in the securities brokerage businesses and therefore unable to provide brokerage services to clients. In addition, if the Bank continues to hold its stake in CIMBS, the Bank will have CIMBS as one of its business arm lengths to cooperate on certain ground of operation that will mutually benefit both parties such as the cross selling of products or services from both companies.

b) Opportunity cost of further developing securities business

Through the holding and developing CIMBS, the Bank has the opportunity to earn additional return on its investment. According to financial statements of CIMBS as of December 31, 2009 – 2011, it is shown that revenue from its main business which is securities brokerage had significantly increased year on year. Throughout the years 2009 – 2011, revenue from brokerage fees were THB 155.42 million, THB 239.49 million and THB 283.85 million, respectively, representing a growth rate of 54.09% in 2010 and 18.53% in 2011, accordingly. If CIMBS brokerage income continues to improve at its persisting trend, while ensuring a reducing cost-to-income ratio, CIMBS might be able to generate profit and the Bank might be able to earn higher return in the near future.

Risks associated with the Transaction

None

4.2.2 Advantages and disadvantages of not entering into the Transaction

Advantages of not entering into the Transaction

- a) Enable the Bank to maintain its securities brokerage business to support its operation related to securities trading that might arise in the future.

- b) The Bank will have the opportunity to earn return from operating brokerage business in the event that CIMBS is able to enhance its competitiveness for the industry liberalization. In example, the development of new products and services to cover wider range of customers' demand, in order to improve revenue stream from its existing business as well as adding new source of revenue in the future.

Disadvantages of not entering into the Transaction

- a) The Bank will have the burden to support brokerage business of CIMBS, which shall include the injection of new capital for the future expansion of new brokerage branches, the improvement of trading software, the recruitment of additional marketing personnel and proprietary traders as well as to increase underwriting capacity and limit on proprietary trading, based on the budget plan of CIMBS management.
- b) The Bank might have to record additional loss in the event that CIMBS is unable to generate profit in the future. During 2009 – 2011, overall operating performances of CIMBS were quite volatile, depending on trading volume in SET and mai as well as industry environment. In 2009, CIMBS incurred a net loss of THB 13.68 million. In 2010, CIMBS generated a net profit of THB 1.26 million and in 2011, CIMBS incurred a net loss of THB 38.20 million. Subsequent to the industry liberalization, it is expected that the competition will become more intense and that small brokerage companies like CIMBS could be adversely impacted.

4.2.3 Comparison of advantages and disadvantages between entering into the Transaction with connected person and other parties

The Bank's divestment of its entire stakes in CIMBS to CSI is considered as the connected transaction since both the Bank and CSI share a common ultimate shareholder, which is CIMB Group. The advantage of the Transaction with the connected person is CIMBS shall remain the subsidiary company under CIMBS Group, rendering future business collaboration between the Bank and CIMBS possible. In this regards, the Bank did not offer the sales of CIMBS shares to other non-related parties. In case the Bank offers the sales of CIMBS shares to other parties, the Bank might be able obtain different price and conditions from those of CSI.

Section 5 Fairness of the Transaction Price and Condition

5.1 Appropriateness of the transaction price

To evaluate the appropriateness of the transaction price, the IFA has calculated the fair value of CIMBS shares by employing 4 valuation approaches as follows:

- 1) Book Value Approach
- 2) Precedent Transaction Comparable Approach
- 3) Price to Book Value Ratio Approach
- 4) Discounted Cash Flow Approach

However, the IFA did not use other valuation approaches such as Adjusted Book Value Approach to evaluate the fair value of CIMBS shares as the majority of CIMBS's assets are current assets with high liquidity such as cash and cash equivalents, long-term deposits in financial institutions, investment in debt and equity security which had been marked to market according to CIMBS's accounting policy and also receivables from security business of which CIMBS had set aside a provisioning for its doubtful accounts according to the SEC Notification. Thus, the value of CIMBS's asset is closely comparable to its market value. In addition, the IFA did not use the Dividend Discounted Model Approach as CIMBS has not paid out dividends, rendering such valuation approach to be inappropriate.

The assumptions applied in performing share valuation are based on the economic conditions as well as information at the time the valuation is being conducted. Should such conditions change significantly, the valuation may be affected to the extent that the IFA's opinion may be changed accordingly. The details of the valuation of CIMBS shares are presented as follows:

5.1.1 Book Value Approach

The Book Value Approach evaluates the value of shareholders' equity of CIMBS at a certain point of time as shown in the financial statement. In this case, the IFA has used CIMBS's financial statement for the year ended December 31, 2011 audited by PricewaterhouseCoopers ABAS Limited, a SEC approved auditor. Further details of the valuation are presented in the Table below.

Table 31: Book value of CIMBS as of December 31, 2011

Items	Amount (THB : 000)
Paid – up capital (1)	1,100,000.00
Other components of shareholders' equity (2)	14,597.83
Retained earnings (deficit) (3)	(98,518.60)
Total shareholders' equity (4) = (1) + (2) + (3)	1,016,097.23
Number of paid up shares – at par value of THB 10 each (thousand shares) (5)	110,000.00
Book value per share (THB per share) (6) = (4) / (5)	9.24

Based on the Book Value Approach, the **fair value of CIMBS share price is THB 9.24 per share**. Despite the fact that this valuation approach considers only the value of shareholders' equity at a point of time without taken into account the operating performance in the future nor any event that might occur subsequent to the date of the financial statement, nonetheless, the IFA views that the future operating performance of securities companies is uncertain to perform the forecast as they are largely based upon the condition of stock market which is highly volatile as well as many other uncontrollable factors such as the impact from regulation change in which are difficult to gauge.

The value of CIMBS is primarily derived from the value of its current assets such as cash and cash equivalents, investment in debt and equity securities as well as receivables from brokerage businesses. **Therefore, the IFA views that the appropriate method to ascertain the lower bound of the value of CIMBS is the value of CIMBS' net assets assuming a liquidation scenario (total assets less total liabilities).**

5.1.2 Precedent Transaction Comparable Approach

The Transaction Comparable Approach determines the fair value of the transaction taking into consideration similar transactions that have taken place earlier in the market. Key underlying assumption for this valuation approach is that transaction prices of the precedent transactions occurred in the market could reflect the appropriate amount of premium or discount to be incorporated in the Transaction. The IFA has been able to collect 7 publicly disclosed transactions regarding the purchase and sale of securities brokerage companies' shares and/or assets occurred post-announcement of Ministerial Regulations regarding the liberalization of the industry in 2008, to be used as benchmarks that could reflect investors' perspective towards the change of industry environment. List of comparable transactions is shown in the following Table.

Table 32: List of comparable transaction in the market Post-Ministerial Regulations in 2008

Year	Securities Acquired	Purchaser	Detail of Transaction
2009	Seamico Securities PCL ("ZMICO")	KTBS Securities Co., Ltd ("KTBS")	KTBS acquired securities businesses, certain parts of operating assets and employees from ZMICO.
2009	Merger between Asia Credit Securities ("ACLS"), Syrus Securities ("SYRUS"), Finansa Securities ("FINANSA")	SYRUS	SYRUS bought 100 million shares of ACLS / SYRUS purchased assets related to brokerage business from FINANSA as well as employees and clients' accounts / ACL purchased 79 million newly issued shares of SYRUS after the merger between ACLS and SYRUS. All the transactions were executed at book value.
2011	BFIT Securities ("BSEC")	OSK Investment Bank ("OSK")	OSK purchased entire stakes in BSEC from Bangkok First Investment & Trust PCL ("BFIT").
2011	Kim Eng Securities (Thailand) ("MBKET")	Mayban IB Holdings ("Maybank")	Maybank made a tender offer on 569.17 million shares of MBKET, representing 100% of stake, owing to its takeover of MBKET's parent company.
2011	United Securities ("US")	UOB Kay Hian Securities (Thailand) ("UOBKH")	UOBKH purchased assets related to brokerage business from US and made a tender offer on the entire stakes.
2011	Sicco Securities ("SSEC")	CIMB Securities International ("CSI")	CSI purchased 446.46 million shares from Siam Industrial Credit PCL, representing 70.06% stakes and made a tender offer on the remaining shares.
2011	Bualuang Securities ("BLS")	Bangkok Bank PCL ("BBL")	BBL made a tender offer on 117.88 million shares of BLS, representing 43.66% stake.

Source: SEC and SET

Although there were some other transactions that have taken place during the selected period apart from the above, the IFA has disregarded some due to the unavailability of information. In addition, the process of certain transactions are not yet completed. Thus, the IFA did not incorporate those transactions in the valuation of CIMBS share price.

To determine the fair value of the transaction, the multiple of transaction price over the book value for the 7 precedent comparable transactions are calculated. These multiples obtained will reflect the value of premium that the market has given to such transaction. Further details of the valuation using Precedent Transaction Comparable Approach is shown in the following Table.

Table 33: Share valuation based on Transaction Comparable Approach

Transaction Period	Transaction	Unit	Transaction Price (THB per share) (1)	Net Asset Value as of Transaction Date (THB per share) (2)	Transaction Price Over Book Value (times) (3) = (1) / (2)
Share Acquisition					
May 09	ACLS-SYRUS	THB per share	4.58	4.58	1.00
May 09	SYRUS-ACL	THB per share	3.23	3.23	1.00
Apr 11	BSEC-OSK	THB per share	2.57	2.57	1.00
May 11	KEST Maybank	THB per share	16.00	7.31	2.19
Sep 11	SSEC-CSI	THB per share	1.72	1.48	1.17
Nov 11	BLS-BBL	THB per share	22.00	6.44	3.42
Asset Acquisition					
Feb 09	ZMICO-KTBS	THB million	1,188	823	1.44
May 09	FINANSA-SYRUS	THB million	148.94	148.94	1.00
May 11	US-UOBKH	THB million	954	954	1.00
Range of multiples (1)					1.00 – 1.17
Book value per share of CIMBS as of Dec 31, 2011 (2)					9.24
Transaction price (3) = (1) * (2)					9.24 – 10.81

Source: Form 250-2 of the tender offerors, IFA reports and financial statements of the parties of each transaction

From the calculation shown in the above Table, the range of multiples is from 1.00x – 3.42x book value. However, some of these transactions involve the acquisition of securities companies with significantly higher trading volume than CIMBS. Thus, the IFA has eliminated the acquisition of securities companies that had market share within the top ten ranking during the transaction period, which shall include KEST (Rank no. 1 in April 2011), ZMICO (Rank no. 4 in January 2009) and BLS (Rank no. 9 in October 2011). **Therefore, range of appropriate premium was around 1.00x – 1.17x book value.**

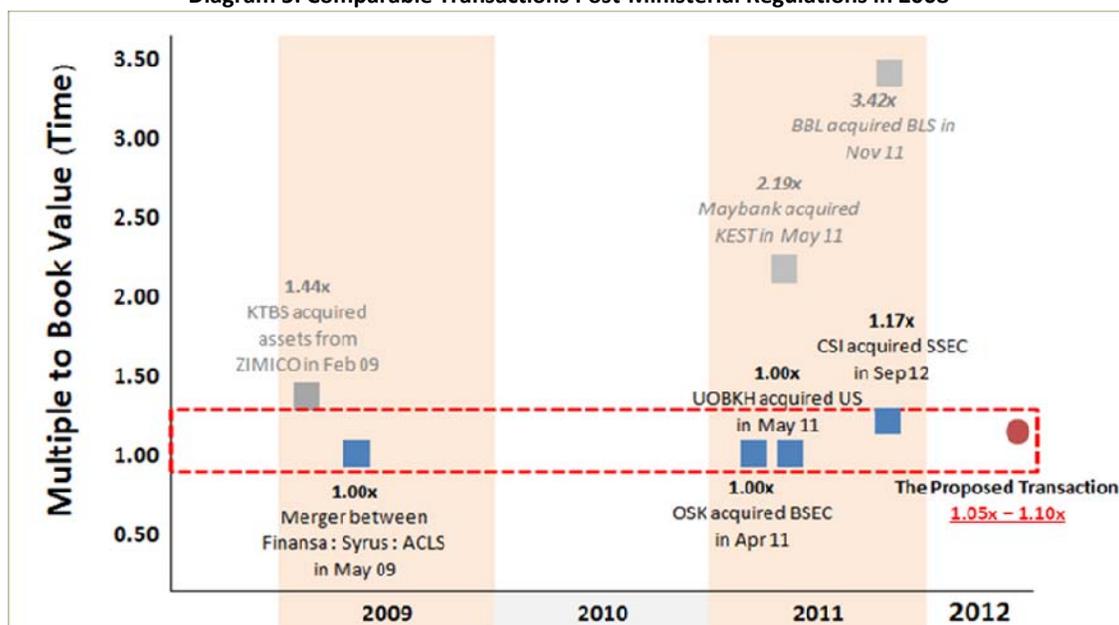
The IFA applied such range of multiples to the book value of CIMBS as at December 31, 2011. As a result, the **fair value of CIMBS share price is THB 9.24 – 10.81 per share.**

Nonetheless, there are many factors affecting the price of each precedent transaction such as

- 1) Each securities firm possesses different business model, asset qualification, clientele portfolio as well as potential growth;
- 2) Management and marketing team;
- 3) Difference in timing of each transaction;
- 4) The necessity of the buyer to enter into the transaction as well as their objectives; and
- 5) Other factors.

With this regards, the IFA has summarized the appropriate range of share price obtained from using Transaction Comparable Approach Post-Ministerial Regulations in 2008 into diagram shown as follows:

Diagram 5: Comparable Transactions Post-Ministerial Regulations in 2008



As shown in the above Diagram, after the announcement of Ministerial Regulations regarding the liberalization of the securities industry in 2008, premium given to the transaction prices for the acquisition of securities companies with comparable trading volume to CIMBS were around book value. **The IFA views that this valuation approach is appropriate as it reflects the historical market practices with regards to the value of the premium that should be incorporated in the Transaction based on the Willing Buyer Willing Seller.**

5.1.3 Price to Book Value Ratio Approach

Price to Book Value Ratio Approach determines the fair value of CIMBS share by using market ratios of comparable securities brokerage companies listed in the SET, with the underlying assumption that financial ratios such as Price to Earnings Ratio (“PER”) and Price to Book Value Ratio (“P/BV”) of companies within the same industry should possess comparable characteristics. There are currently 14 securities companies listed in the SET. The details of such companies categorized based on its average trading value per day and ranking in 2011 are presented in the following Table.

Table 34: List of all securities brokerage companies in the SET categorized based on average trading value per day and ranking for 2011

No.	Name	Trading Symbol	Ranking by Market Share	Average Trading Value per day (THB million)
1	Maybank Kim Eng Securities (Thailand) PCL	MBKET	1	6,068.75
2	Finansia Syrus Securities PCL	FSS	2	2,645.28
3	Country Group Securities PCL	CGS	3	2,627.68
4	Asia Plus Securities PCL	ASP	5	2,472.93
5	Bualuang Securities PCL	BLS	7	2,445.53
6	Phatra Capital PCL	PHATRA	8	2,434.92
7	KGI Securities (Thailand) PCL	KGI	9	2,321.56
8	Capital Nomura Securities PCL	CNS	17	1,330.62
9	UOB Kay Hian Securities (Thailand) PCL	UOBKHST	20	1,293.28
10	Globlex Holding Management PCL	GBX	22	1,152.19

No.	Name	Trading Symbol	Ranking by Market Share	Average Trading Value per day (THB million)
11	Sicco Securities PCL	SSEC	25	668.67
12	Trinity Watthana PCL	TNITY	26	653.75
13	United Securities PCL	US	30	302.02
14	OSK Securities PCL	OSK	32	243.18

Source: www.setsmart.com as of March 1, 2012

Nonetheless, taking into consideration the average trading value per day of the listed securities companies above, which is significantly higher than those of CIMBS (in 2011, average trading value per day of CIMBS was THB 589.93 million), the IFA has eliminated securities companies with average trading value per day above THB 2,000 million and/or securities companies that are ranked within the top ten out of the entire sample. As a result, there are in total of 7 securities companies listed in the SET with the closest average trading value to those of CIMBS. The list of such companies, which shall be referred to as "Focus Group", is presented in the following Table.

Table 35: List of 7 securities brokerage companies in the SET that has comparable average trading value to CIMBS ("Focus Group")

No.	Name	Trading Symbol	Ranking by Market Share	Average Trading Volume per day (THB million)
1	Capital Nomura Securities PCL	CNS	17	1,330.62
2	UOB Kay Hian Securities (Thailand) PCL	UOBKHST	20	1,293.28
3	Globlex Holding Management PCL	GBX	22	1,152.19
4	Sicco Securities PCL	SSEC	25	668.67
5	Trinity Watthana PCL	TNITY	26	653.75
6	United Securities PCL	US	30	302.02
7	OSK Securities PCL	OSK	32	243.18

Source: www.setsmart.com as of March 1, 2012

For illustration purposes, the IFA has used both the full list of securities companies as well as the Focus Group as benchmarks for share valuation to provide two scenarios of CIMBS share price.

With this regards, the IFA has determined the cut-off date for the calculation of average historical P/BV to be on March 1, 2012. In addition, the IFA has calculated the historical 15 – 360 business day average P/BV for all listed securities companies and the Focus Group which can be summarized as follows:

Table 36: Average historical P/BV of listed securities companies

All Listed Securities Companies (Trading Symbol)	Period (Number of Business Days)						
	15 days	30 days	60 days	90 days	180 days	240 days	360 days
MBKET	2.03	2.05	2.03	1.99	2.03	1.99	2.00
CGS	0.88	0.86	0.82	0.78	0.76	0.76	0.77
ASP	1.32	1.33	1.24	1.15	1.20	1.25	1.33
KGI	1.07	1.04	0.97	0.90	0.89	0.91	0.99
FSS	0.73	0.70	0.67	0.64	0.70	0.72	0.77
BLS	3.23	3.32	3.35	3.18	2.64	2.56	2.38
PHATRA	1.78	1.78	1.80	1.78	1.71	0.00	0.00
UOBKH	0.80	0.81	0.82	0.81	0.76	0.72	0.68
CNS	0.54	0.54	0.54	0.55	0.56	0.56	0.57
GBX	0.66	0.65	0.63	0.59	0.62	0.65	0.73

All Listed Securities Companies (Trading Symbol)	Period (Number of Business Days)						
	15 days	30 days	60 days	90 days	180 days	240 days	360 days
SSEC	1.13	1.10	1.09	1.11	1.05	0.96	0.87
OSK (BSEC)	0.96	0.95	0.97	0.96	0.96	0.94	0.83
TNITY	0.71	0.73	0.69	0.64	0.61	0.60	0.58
US	0.70	0.66	0.65	0.65	0.76	0.76	0.68
Average of All Securities Companies	1.02	1.02	0.99	0.97	1.09	1.03	1.01
Average of the Focus Group	0.73	0.72	0.72	0.70	0.71	0.70	0.68

Source: www.setsmart.com as of March 1, 2012

Thereafter, the IFA applied such market multiple of P/BV to the audited Book Value of CIMBS as of December 31, 2011 in order to obtain the fair price of CIMBS share based on Price to Book Value Approach. Share valuations based on the two scenarios are presented as follows:

Scenario 1: Share valuation based on average P/BV of all listed securities companies

Table 37: Share Valuation Based on average P/BV of all listed securities companies

Period	Average P/BV (times) (1)	Book Value per Share* (THB/share) (2)	Price (THB/share) (3) = (1)*(2)
15 business days	1.02	9.24	9.46
30 business days	1.02	9.24	9.38
60 business days	0.99	9.24	9.17
90 business days	0.97	9.24	8.92
180 business days	1.09	9.24	10.06
240 business days	1.03	9.24	9.52
360 business days	1.01	9.24	9.37
Range of value per share (THB per share)		8.92 – 10.06	

Remark * Book value per share is calculated by dividing book value based on the financial statement as of December 31, 2011 which is THB 1,016.08 million by number of outstanding shares of CIMBS which is 110 million shares.

Scenario 2: Share valuation based on average P/BV of the Focus Group

Table 38: Share Valuation Based on average P/BV of the Focus Group

Period	Average P/BV (times) (1)	Book Value per Share* (THB/share) (2)	Price (THB/share) (3) = (1)*(2)
15 business days	0.73	9.24	6.74
30 business days	0.72	9.24	6.69
60 business days	0.72	9.24	6.61
90 business days	0.70	9.24	6.46
180 business days	0.71	9.24	6.57
240 business days	0.60	9.24	6.51
360 business days	0.68	9.24	6.29
Range of value per share (THB per share)		6.29 – 6.74	

Remark * Book value per share is calculated by dividing book value based on the financial statement as of December 31, 2011 which is THB 1,016.08 million by number of outstanding shares of CIMBS which is 110 million shares.

Based on the Price to Book Value Ratio Approach, the **fair value of CIMBS share under Scenario 1 is between THB 8.92 – 10.06 per share and under Scenario 2 is between THB 6.29 – 6.74 per share.** The IFA views that the share valuation under Scenario 2 is more appropriate since trading volume of those listed securities companies in the Focus Group are more comparable to CIMBS.

Nonetheless, this approach has some constraints such as difference in trading liquidity, clientele portfolio as well as management, among those securities companies, despite operating in the same industry. It appears that market ratio being used in this valuation approach takes into account the expectation of investors regarding the increased competitiveness within the industry upon the market liberalization which was fully commenced in January 2012. Such expectation is reflected in the P/BV of small brokerage companies, who have less competitive advantage, were traded at discount of book value. **The IFA views that such valuation approach is appropriate for regular shares trading in the stock market. Nonetheless, it is inappropriate for the valuation of the acquisition of majority stakes in a company. The aforementioned statement is evidenced by the transaction price of other similar acquisition transactions of securities houses in the market, in which none of them were executed below the book value of equity as illustrated in Section 5.1.2 Precedent Transaction Comparable Approach.**

5.1.4 Discounted Cash Flow Approach

The Discounted Cash Flow Approach evaluates the fair value of CIMBS share taking into consideration the generating capability of CIMBS's cash flows in the future. Such free cash flows will then be discounted with an appropriate discount rate or the weighted average cost of capital ("WACC") to derive the present value.

The IFA has performed a financial projection of CIMBS over a 5-year period from 2012 – 2016 with the underlying assumptions that CIMBS will operate its business as a going concern and that there will be no significant changes that would adversely affect its operations. To perform the forecast, the IFA relies upon historical data as well as interview with the management of CIMBS and its operating budget. In addition, competition within the industry and overall economic condition are also taken into consideration to create the most likely scenario of CIMBS performance.

The key financial assumptions underlying the financial projection are shown as follow:

Assumptions regarding the revenue of CIMBS

1. Revenue from securities brokerage business

Table 39: Projected revenue of CIMBS from securities brokerage business from 2012 – 2016

Items	Actual			Forecast				
	2009A	2010A	2011A	2012F	2013F	2014F	2015F	2016F
No. of trading days per year	243	242	244	245	245	245	245	245
SET & mai average trading value per day (THB million)	18,226	29,066	29,473	32,000	32,000	32,000	32,000	32,000
Market share of CIMBS (% of market trading value)	0.82	0.93	1.15	2.27	3.18	3.50	3.50	3.50
Average trading value per day of CIMBS (THB million)	290	474	590	726	1,018	1,120	1,120	1,120
Average brokerage fee (% of CIMBS trading value)	0.24	0.20	0.19	0.12	0.10	0.10	0.10	0.10

- **Average trading value of the market**
The IFA has forecasted the average trading value per day in SET and mai during 2012 – 2016 to be a constant figure at THB 32,000 million over the projected period, based on the target figure of SET for year 2012.
- **Market share of CIMBS in securities brokerage**
During 2009 – 2011, market share of CIMBS in securities brokerage business (excluding proprietary trading) were between 0.82% – 1.15%. The IFA has forecasted the market share of CIMBS to be 2.27% in

2012, 3.18% in 2013 and 3.50% from 2014 onwards, based on the future plan of CIMBS management. It is expected that CIMB Group will further collaborate with its securities companies in Thailand so as to create higher business value.

○ **Average brokerage fee for securities brokerage**

The IFA has forecasted the average brokerage fee in 2012 based on the actual figure during the first 2 months of 2012 which is 0.12% of trading value. From 2013 onwards, the IFA has forecasted the average brokerage fee to be 0.10% in order to reflect the expectation of the market towards more intense competition subsequent to the industry liberalization which was fully commenced in January 2012.

2. Revenue from derivative brokerage business

Table 40: Projected revenue of CIMBS from derivative brokerage business from 2012 – 2016

Items	Actual			Forecast				
	2009A	2010A	2011A	2012F	2013F	2014F	2015F	2016F
No. of derivative contracts traded in TFEX per day	12,656	18,675	41,095	57,000	57,000	57,000	57,000	57,000
Market share of CIMBS (%)	0.50%	0.38%	0.52%	0.52%	0.52%	0.52%	0.52%	0.52%
No. of derivative contracts of CIMBS traded in TFEX per day	63	71	213	295	295	295	295	295
Average brokerage fee per contract	393	309	215	215	215	215	215	215

○ **Number of derivative contracts traded in TFEX per day**

The IFA has forecasted the number of derivative contracts traded in TFEX per day from 2012 onwards to be 57,000 contracts, based on the targeted figure of SET for 2012 since the SET will focus more on adding quality products to the market. In addition, the higher volume traded in TFEX is to reflect the popularity of investors in using derivatives as their risk management tools.

○ **Market share of CIMBS in derivative brokerage business**

During 2009 – 2011, market share of CIMBS in derivative brokerage business were 0.50%, 0.38% and 0.52%, respectively. The IFA has forecasted the market share of CIMBS to be a constant figure at 0.52% from 2012 onwards, based on the actual performance of CIMBS in 2011.

○ **Average brokerage fees for derivative brokerage**

The IFA has forecasted the average brokerage fee for derivative contract from 2012 onwards to be THB 215.00 per contract based on the actual figure in 2011.

3. Fee and service income

Fee and service income comprise revenue from financial advisory and underwriting business. Due to CIMBT's future plan to undertake the financial advisory business upon completion of the Transaction and that CIMBS currently does not have any plan to start on such business for the time being. Nonetheless, revenue from underwriting service will be internally divided. Thus, the IFA has forecasted that CIMBS will only have revenue from underwriting business at THB 15.00 million per year from 2012 onwards, based on the actual revenue structure of CIMBS in 2011.

4. Other income

- Gain (loss) on securities trading – the IFA has forecasted that CIMBS will have an annual gain from securities trading of THB 82.50 million from 2012 onwards, based on the current limit on trading volume and the actual performance in 2011.
- Interest income from margin loan – the IFA has forecasted that CIMBS will have an interest income from margin loan of THB 30.00 million per annum from 2012 onwards, based on the current balance of margin loan and average interest rate.
- Interest and dividend income and other income – the IFA has forecasted this revenue item to be constant throughout the projected period at THB 27.23 million per year, based on the actual figure in 2011.

Assumptions regarding the cost and expenses of CIMBS

Table 41: Financial assumptions regarding the cost and expenses of CIMBS

Items	Actual				Forecast			
	2009A	2010A	2011A	2012F	2013F	2014F	2015F	2016F
Fee and service expenses	11,207	20,373	46,905	45,088	52,371	57,482	57,482	57,482
Operating expenses	174,323	293,006	377,051	423,145	451,824	480,155	506,099	533,378
Taxes, duties and other expenses	35,802	42,225	56,358	84,244	92,774	99,733	99,733	99,733
Capital expenditure	18,835	9,280	76,133	143,548	12,360	12,731	13,113	13,506

1. Fee and service expenses

Fee and service expenses comprise fee paid to the SET, the SEC, clearing house and others which are mainly calculated based on the volume traded of CIMBS each year. During 2009 – 2011, fee and service expenses were on average 10.19% of revenue from securities and derivatives brokerage business. Thus, the IFA has forecasted that CIMBS will incur such fee at the same rate in the future throughout the projected period.

2. Operating expenses

Operating expenses comprise personal expenses which include salaries, bonus, commission and other employee benefits, and also premises and equipment expenses which include office rental, depreciation and amortization expenses. The IFA has forecasted the operating expenses during 2012 – 2016 based on the actual amount incurred in 2011 as well as the budget plan of CIMBS management regarding additional recruitment and targeted number of new branches, adjusted such expenses with a growth rate of 5.00% per annum throughout the projected period. As for commission expenses, the IFA has forecasted based on trading volume of CIMBS each year. As for depreciation and amortization expenses, the IFA has forecasted based on the current accounting policy of CIMBS.

3. Taxes, duties and other expenses

The IFA has forecasted these expenses based on the proportion to revenue from brokerage businesses during 2009 – 2011, which were on average of 13.87%, in order to reflect the actual expenses incurred in the past.

4. Capital expenditure

The IFA has forecasted the amount of capital expenditure based on the budget plan of CIMBS for future operation as well as the interview with CIMBS management.

The IFA applied Weighted Average Cost of Capital (“WACC”) as a discount rate to calculate the present value of free cash flows to CIMBS. WACC can be calculated based on the following equation.

$$WACC = Ke * [E / (D + E)] + Kd * (1 - t) * [D / (D + E)]$$

Nonetheless, cost of equity (“Ke”) is necessary in order to calculate WACC. Ke can be derived from Capital Asset Pricing Model (CAPM) based on the following equation.

$$Ke = Rf + \beta (Rm - Rf)$$

Where

Rf = The risk free rate based on the 30-year Government Bond Yield as of March 1, 2012 which is the date the IFA prepared this report, equals to 4.20% (Source: www.thaibma.or.th).

β = Beta co-efficient between return on CIMBS share price and the change in the SET index (“Beta”). The IFA estimated CIMBS beta based on average historical beta over 3

consecutive years of all listed securities companies which is 0.874. (Source: Bloomberg and the IFA's calculation).
 R_m = The market return in which the IFA estimated to be 14.72% per year based on the average return from investment in the SET Index over 37 years during 1975 – 2011. (Source: www.set.or.th)

Based on the aforementioned assumptions, K_e can be calculated as follows:

Table 42: Calculation of CIMBS cost of equity

Factors	Assumptions
Risk-free rate (1)	4.20%
Risk premium ($R_m - R_f$) (2)	10.52%
β (3)	0.874
Cost of Equity or K_e (4) = (1) + [(3)*(2)]	13.39%

The cost of equity (K_e) obtained from the calculation shown in the above Table is 13.39%. Then, K_e is applied in the calculation of WACC in which the IFA obtains the value of 12.46%. The detail of the calculation is shown in the following Table.

K_e = Cost of equity based on Capital Asset Pricing Model (“CAPM”), equals to 13.39% as shown in the above Table.
 K_d = Average cost of interest bearing debt in which the IFA used the interest rate of the CIMBS loan as of December 31, 2011, equals to 4.89%.
 t = CIMBS corporate tax rate for 2011 in which equals to 30.00% of net profit, since the IFA used the capital structure of CIMBS as of December 31, 2011.
 D = Portion of interest bearing debt of CIMBS as of December 31, 2011 equals to THB 105.36 million.
 E = Portion of equity of CIMBS as of December 31, 2011 equals to THB 1,016.08 million.

Table 43: Calculation of the CIMBS' WACC

Factor	Assumptions
Cost of equity or K_e (1)	13.39%
Cost of debt or K_d (2)	4.89%
$D/(D+E)$ (3)	0.09
Effective tax rate (4)	30.00%
WACC or discount rate (5) = {(1)*[1-(3)]} + {(2)*[1-(4)]*(3)}	12.46%

Thereafter, the projected free cash flows to be received in the future are discounted at a discount rate of 12.46%. Then, the IFA further calculated the terminal value under the assumption that CIMBS will continue to operate its business and that the operating cash flows will have a perpetual growth rate of 0.00% per year, on a conservative basis. The details of the projected cash flows of CIMBS are presented in the following Table.

Table 44: Projected free cash flows of CIMBS from 2012 – 2016

Unit : THB '000	2012F	2013F	2014F	2015F	2016F
Total revenue	607,369	668,870	719,046	719,046	719,046
Total cost and expenses	577,965	622,457	661,029	683,314	710,593
Earnings before interest expenses, tax, depreciation and amortization	90,609	110,089	122,410	99,002	74,425
Minus corporate tax	6,763	9,282	11,603	7,146	1,690
Minus capital expenditure	143,548	12,360	12,731	13,113	13,506
Plus terminal value	-	-	-	-	475,345
Present value of free cash flows to firm	432,208				

Unit : THB '000	2012F	2013F	2014F	2015F	2016F
Plus cash and long-term deposit at bank as of Dec 31, 11	551,966				
Minus interest bearing debt as of Dec 31, 11	105,365				
Net present value of equity	878,809				
No. of outstanding shares of CIMBS ('000)	110,000				
Value of CIMBS share price	7.99				

Based on the above Table, the value of CIMBS share price is THB 7.99 per share. In addition, the IFA has conducted sensitivity analysis for the valuation of CIMBS share price in order to analyze the impact from the change of a certain factor as follows:

- Scenario 1 Adjust WACC upward by 10.00% to be at 13.71%
Scenario 2 Adjust WACC downward by 10.00% to be at 11.21%

Table 45: Sensitivity Analysis

Scenario	Net present value of equity (THB '000)	Value of CIMBS share price (THB per share)
1. Base case	878,809	7.99
2. Scenario 1	834,837	7.59
3. Scenario 2	932,445	8.48

According to the sensitivity analysis as presented in the above Table, the net present value of CIMBS equity is THB 834.84 – 932.44 million, representing the fair value of CIMB share price between THB 7.59 – 8.48 per share.

The IFA views that this valuation methodology is inappropriate for the valuation of securities brokerage companies since the approach requires the company to have a steady cash flow stream over the projected period. Nonetheless, since trading value in the SET and mai are subjected to high volatility with many uncontrollable factors, thus, revenue stream of securities brokerage firm is expected to be highly volatile accordingly. Consequently, estimation of cash flows stream based on the Discounted Cash Flows Approach could result in a substantial inaccuracy.

Summarized opinion of the IFA regarding the appropriateness of the transaction price is as follow:

Table 46: Fair value of CIMBS share price based on each valuation approach

Valuation Approach	Proposed Transaction Price (THB per share)	Fair Value (THB per Share)	Appropriateness	The Proposed Transaction is Higher (Lower) than the Fair Value (%)
1. Book Value Approach	9.70 – 10.16	9.24	<u>Appropriate</u> as lower bound	4.98% – 9.96%
2. Precedent Transaction Comparable Approach	9.70 – 10.16	9.24 – 10.81	<u>Appropriate</u>	(10.27%) – 9.96%
3. Price to Book Value Ratio Approach	9.70 – 10.16	6.29 – 6.74	Inappropriate	43.92% – 61.53%
4. Discounted Cash Flow Approach	9.70 – 10.16	7.59 – 8.48	Inappropriate	14.39% – 33.86%

The valuation of CIMBS share price by using 4 valuation methodologies results in the range of fair value between THB 6.29 – 10.81 per share. Nonetheless, the IFA views that the appropriateness of each valuation approach being used are varied and therefore must be carefully considered. The summary of the view of the IFA regarding the appropriateness of each valuation approach is presented as follows:

- Book Value Approach** : Appropriate since the IFA views that the value of CIMBS is primarily derived from the value of its current assets. Therefore, book value of equity is the appropriate measure to reflect the value of CIMBS, assuming a liquidation scenario, to ascertain the lower bound of valuation.

- Precedent Transaction Comparable Approach** : **Appropriate** since this method reflects the historical market practices with regards to the value of the premium that should be incorporated in the Transaction based on the Willing Buyer Willing Seller Approach.
- Price to Book Value** : **Inappropriate** since the valuation approach is appropriate for regular shares trading in the stock market. Nonetheless, it is inappropriate for the valuation of the acquisition of majority stakes in a company. Moreover, this approach does not take into consideration the ability of CIMBS to generate revenue and return in the future.
- Discounted Cash Flow Approach** : **Inappropriate** as revenue streams of securities brokerage companies are highly volatile depending on the condition of stock market as well as many other uncontrollable factors such as regulation change and political situation in which are difficult to gauge. Therefore, the valuation conducted by using this approach is based upon various uncertain situations.

Therefore, the IFA views that the range of fair value for CIMBS share based on Book Value Approach and Precedent Transaction Comparable Approach are deemed to be appropriate and that the appropriate transaction price should be between THB 9.24 – 10.81 per share. Since the proposed transaction price ranges between THB 9.70 – 10.16 per share, which is 9.96% higher than the lower bound and 10.27% lower than the upper bound.

Taking into consideration other qualitative factors such as amongst others profitability, future performance, size of the business (CIMBS ranked 27th in the market in 2011) and competition, the IFA considers the transaction price to be appropriate because:

1. The proposed transaction price is higher than the book value, which is the lower bound of the appropriate share price by the IFA.
2. Due to the anticipated intense competition subsequent to the liberalization, fully commenced in January 2012, the operating performance of CIMBS is expected to decline.
3. The proposed transaction price incorporated similar premium to those of the latest precedent transactions, involving securities companies with comparable trading volume to CIMBS, occurred after the announcement of Ministerial Regulations in 2008. The premium paid were around the book value since the company intends to operate securities business could file for the license itself as the SEC will no longer limit the number of licenses to operate securities business.

5.2 Appropriateness of the transaction condition

The key condition of the Transaction is that the Bank could only enter into the Transaction after the approval of the Bank's shareholders' meeting as well as the approval from relevant authorities. After entering into the Transaction, the Bank is expected to receive total value of consideration ranging from THB 1,066.80 – 1,117.60 million in cash upon the completion of the Transaction. The conditions of the Transaction are deemed to be in accordance with general business practice customary to a regular share purchase transaction. In addition, both parties must abide by the rules and regulations of the relevant authorities in order to ensure that the Transaction will be successful and does not violate the laws of both Thailand and Malaysia. Therefore, the IFA views that the condition of the Transaction is appropriate and that it is considered to be fair to both parties, without causing any loss or benefit to either party.

Section 6 Summary of the opinion of the Independent Financial Advisor

Based on the opinion of the IFA, the Bank's disposal of its investment in CIMBS to CSI at the proposed price ranging from THB 9.70 – 10.16 per share, representing total value of consideration between THB 1,066.80 – 1,117.60 million is reasonable and appropriate.

In addition, subsequent to the disposal of CIMBS shares, the Bank will no longer expose itself to future market risks that may arise from the more competitive environment in view of the anticipated industry liberalization, fully commenced in January 2012. Furthermore, it would relieve the burden of Bank to further inject capital in CIMBS to maintain CIMBS's competitiveness in such competitive environment. Lastly, the divestment in CIMBS could lead to an improved performance of the Bank as its burden of undertaking supervision on CIMBS according to the consolidated supervision by the BOT will no longer exist; thus, providing the flexibility to the Bank's operation. Upon completion of the Transaction and obtaining the necessary approvals to undertake the business, the corporate finance team of CIMBS shall operate at the Bank or its subsidiaries.

After entering into the Transaction, the Bank is expected to receive total value of consideration ranging from THB 1,066.80 – 1,117.60 million in cash upon completion of the Transaction. Such proceeds received could be used to support its core banking business or further invest in other high potential businesses that may earn a higher rate of return.

Range of CIMBS share price that the IFA deemed to be appropriate for the Transaction is between THB 9.24 – 10.81 per share. Therefore, the proposed transaction price between 9.70 – 10.16 per share, which is 9.96% higher than the lower bound and 10.27% lower than the upper bound of the price range by the IFA, is considered to be appropriate, taking into consideration other qualitative factors such as amongst others profitability, future performance, size of the business and competition. Therefore, the IFA views that such proposed transaction price is reasonable because:

1. The proposed transaction price is higher than the book value, which is the lower bound of the appropriate share price by the IFA.
2. Due to the anticipated intense competition subsequent to the liberalization, fully commenced in January 2012, the operating performance of CIMBS is expected to decline.
3. The proposed transaction price incorporated similar premium to those of the latest precedent transactions, involving securities companies with comparable trading volume to CIMBS, occurred after the announcement of Ministerial Regulations in 2008, in which the premium paid were around the book value. Since the company intends to operate securities business could file for the license itself as the SEC will no longer limit the number of licenses to operate securities business.

Moreover, the conditions of the Transaction are deemed to be in accordance with general business practice appeared in regular share purchase transaction and shall abide by the rules and regulations of the relevant authorities of both Thailand and Malaysia.

Based on the above rationales, the IFA views that the price and conditions of the Transaction are reasonable and that the shareholders of the Bank will benefit from the Transaction. Therefore, the IFA views that the shareholders of the Bank should vote in favor of the Transaction. Nonetheless, the decision to vote is solely dependable on the consideration and at the discretion of the shareholders. Shareholders should take into consideration the advantages, disadvantages and the risks associated with the Transaction as well as to carefully consider the attached documents submitted to the shareholders along with the invitation letter to shareholders' meeting so as to make the most appropriate decision.

JayDee Partners Limited, as the IFA of the Bank, has performed the study and analysis with care in accordance with the professional standard and has provided the opinion based on the fair analysis of information by taken into consideration the benefits of all shareholders.

The opinion of the IFA is based on the information, which have been received from the Bank as well as the interviews with CIMBS management, publicly available information and other relevant documents. The IFA has assumed that all information received are truthful and correct. Therefore, if the said information are incorrect and/or is not truthful and/or significantly changes in the future, it will affect the opinion of the IFA. Therefore, the IFA is unable to certify or warrant the future impact that may arise to the Bank and the shareholders. In addition, the opinion of the IFA is only to provide the comments to the shareholders, providing this opinion does not warrant the accomplishment of the Transaction and impact to be incurred from the Transaction to the Bank and its subsidiaries.

This English report of the Independent Financial Advisor's Opinion has been prepared solely for the convenience of foreign shareholders of CIMB Thai Bank Public Company Limited and should not be relied upon as the definitive and official document. The Thai language version of the Independent Financial Advisor's Opinion is the definitive and official document and shall prevail in all aspects in the event of any inconsistency with this English Translation.

Yours Sincerely,



A handwritten signature in blue ink, appearing to read 'Duangjai Lorlertwit'.

(Mrs. Duangjai Lorlertwit)
Executive Partner
JayDee Partners Limited, the independent financial advisor

A handwritten signature in blue ink, appearing to read 'Jirayong Anuman-Rajadhon'.

(Ms. Jirayong Anuman-Rajadhon)
Managing Partner / Operation Controller
JayDee Partners Limited, the independent financial advisor