

Q&A from the Financial Advisor Presentation on Holding Company Restructuring plan

New Holding Company Structure

1. Would the Board of Directors (“the BOD”) of the Holding Company and that of TISCO Bank be the same?

- The matters regarding the nomination of the BOD would be brought to the upcoming BOD meeting and the public announcement of initial policy decision would be made later. It was expected that the majority of members the BOD would be those of the Bank in order to maintain the core corporate guidance and management.

2. Unlike other banks, why TISCO Bank's leasing and hire-purchase subsidiary companies were not consolidated to the operation of TISCO Bank?

- Almost all the leasing and hire-purchase subsidiary companies had previously been consolidated to the operation of TISCO. The remaining were leasing company and motorcycle hire purchase company, which were governed by different rules and regulations from those governing the Bank and should not be consolidated to the operation as a core. However, the operation of these subsidiary companies would ultimately be controlled by similar risk management and governed by the Bank of Thailand's consolidation supervision.

3. What were the limitations of holding company structure? Why was this structure not adopted by other non-upgraded finance companies? What were the differences between holding company structure and parent-subsidaries structure?

- Due to the fact that holding company generates no incomes and wholly depends on dividend income from subsidiaries, there might be some trading discount in the market, which is due mainly from concern regarding its cash flow management. Nonetheless, the shortcoming could not be compared to the colossal benefits deriving from the new structure.
- Holding company structure is intended to reduce duplication in operation. In general, 90% of income of other banks came from the parent companies, whereas TISCO Bank's income were almost equally generated by its subsidiary companies i.e. securities business, asset

management, leasing and hire purchase. Therefore, unlike TISCO Bank, duplication on operating risk and capital requirement is not an issue to other banks.

- Currently, the global trend towards holding company structure or “financial group”, as adopted by “Citibank” and several Japanese banks, has been increasingly becoming more prominent. As the idea of “universal banking” played more important role in commercial banking business, it was expected that more income would be generated from subsidiary companies. In corporation with the fact that the new Commercial Banking Act has been passed by the Bank of Thailand, there should be greater chance for other banks to take holding company structure into their accounts.

4. Under the new holding company structure, which areas would be shifted?

- TISCO Bank has, for a decade, revised its structure to reflect the new holding company structure. To elaborate, centralized units i.e. Management, Risk Management, Corporate Accounting, Corporate Governance, Internal Control, Human Resources or other administrative units would be supervised by holding company.

Tender Offer and Delisting of TISCO Bank Shares

5. According to the FA, the share swap and delisting process would take 25 and 3 business days consecutively, how long will the suspension period be?

- The total shares swap period was 25 business days. Shareholders (the offerees) could only cancel the shares swap within the first 20 days. Shareholders could not cancel the shares swap during the last 5 days. During the period, TISCO Bank’s shareholders could still trade the shares as usual until they swap TISCO Bank’s shares with Holding Company’s newly issued shares. After 25 business days, it would take another 3 business days to delist TISCO Bank’s shares and list the new Holding Company’s shares on the SET. Trading session will then be resumed under the same ticker, “TISCO”.

6. Shouldn’t the suspension period be only 3 days?

- Technically, the suspension period was 3 days, however, this was dependent on how soon shareholder decided to swap. The sooner the shareholders swapped the shares, the longer the suspension period would be.

7. How could TISCO Bank manage to have only 3 day suspension period compared to 2 weeks as normally practiced?
- It was due mainly to the fact that TISCO Bank had previously completed its company restructuring.
8. Would Tender offer terms and conditions for preferred shares be similar to those for common shares?
- Yes. However, the shares swap price would be determined by market price of each security.
9. Preferred shares' dividend privileges would be expiring next year, wouldn't they?
- Yes. They would be expiring in the year 2009.
10. Were there any possibilities of Holding Company acquiring less than 75% of TISCO Bank shares for tender offer?
- Due to the fact that 90% of shares outstanding were held by foreign and local institutional investors and that the management had consistently contacted with these shareholders and updated them with the corporate developments and rationale for restructuring, it was unlikely that the vote would be less than 75%.

Performance Under the New Holding Company Structure

11. What is the tax for share transfer from the subsidiary companies to the Holding Company?
- The shares transfer shall be made at book value after the dividend payment. The book value should be relatively close to the par value. As a result, tax for share transfer should be minimal.
12. According to the Management, the Holding Company structure should help improve its capital efficiency. What would be TISCO Bank's estimated new Capital Adequacy Ratio ("CAR")? What would be the Holding Company's CAR under the full consolidation?
- In short, CAR should slightly increase. However, there should be great impact on day to day operation since TISCO Bank would not be required to carry great amount of capital reserve. Better utilization of excess capital should be obtained. In conclusion, CAR should only be considered as one of the many indicators of business expansion.

13. TISCO Bank's CAR was at 11.94 at the end of 2007. What would the new CAR be in the consolidated financial statements under the new structure?

- There should be a slight increase.

14. In general, holding companies normally showed good results in the dividend payment quarter. Should this be applicable to TISCO under the new Holding Company structure?

- As a consolidated company, there should be no differences shown in the consolidated financial statements.

15. Will there be any limitation on dividend payment under the Holding Company structure?

- The limitation on dividend payment for holding companies are somewhat similar to BOT's requirement for commercial banks to pay dividend only from cash income. To summarize, TISCO Bank case is different from other holding companies because TISCO Bank has already complied with this restriction, and will do so for the Holding Company.

16. For Dr. Angkarat (Chairperson of the Audit Committee) - please elaborate more on this new accounting standard regarding the dividend payout of the holding company.

- (*Assoc. Prof. Dr. Angkarat Priebjrivat*) The new accounting standard states that there are two types of financial statements, the consolidated financial statements and the separate financial statements. For the separate financial statements, the profits of a holding company will come from cash dividends received from subsidiaries only, the dividend paid by holding company shall be from realized profits. While BOT's required all banks to pay dividend only from cash income. Therefore, these two regulations are the same, just like the Management explained earlier.

Policy of TISCO After Restructuring

17. How will the new Holding Company structure provide more business opportunities?

- There would always be "single limit" in banking operation i.e. credit lending limit, investment limit. These limits should; however, be lessened.

18. Under the new structure, could TISCO Bank give more financial supports to subsidiary companies?

- At present, due to the fact that "single limit" has been reached, TISCO Bank could only provide zero financial support to subsidiary company. Holding company structure would

enhance TISCO Bank to give at most 25% of capital reserve support to the other subsidiary companies.

19. The Holding Company has to repay TISCO Bank for the investments in subsidiary companies over the next two years. What would be the source of fund for such repayment? Will there be any impact to the dividend payout policy of the Holding Company in the future?

- Income of the Holding Company are mainly from dividend paid out from subsidiary companies. However, TISCO now need huge investments for our internal growth. Our business had grown tremendously over the past 6-7 years with annual compounding growth rate of approximately 19-20%. To maintain this growth level, TISCO would not be able to maintain the very high dividend payout ratio like those of the past few years. From this year on, TISCO will need to strictly focus on investments for our internal growth, which at the end will yield back to our shareholders.

20. What would be the dividend payment policy of the new Holding Company?

- There was no written policy on minimum dividend payout. However, the dividend payout ratio had always exceeded 50% over the past few years. The Management believes that TISCO can maintain its dividend payout ratio at this level in the future.

21. Under the new structure, what would be TISCO's 2009 targeted lending / earning assets growth? And how would TISCO compete with other larger banks in the future?

- Compared to other larger banks, TISCO Bank had impressively expanded its business in every aspect, including the annual loan growth rate of approximately 20% during in the past 5 years. The rate would still be maintained at the double digits after the restructuring.