

Ref. OS. 103/2021

July 2, 2021

To The President  
The Stock Exchange of Thailand

**Subject: Distribution of Life Insurance Products of Muang Thai Life Assurance PCL in accordance with the Bancassurance Agreement and Schedule of Extraordinary General Meeting of Shareholders No. 1/2021**

Reference is made to the Board of Directors' Meeting of KASIKORNBANK PUBLIC COMPANY LIMITED No. 7/2021, held on July 2, 2021. The important resolutions can be summarized as follows:

1. Approved the distribution of life insurance products of Muang Thai Life Assurance PCL (“MTL”) in accordance with the Bancassurance Agreement, which is a connected transaction in the category of normal business transaction with general trading conditions. The transaction is beneficial to KBank and justifiable, with fair conditions and price that will generate maximum benefits to KBank compared to an entry into transaction with an independent third party, neither will it cause misappropriation of benefits. In this connection, the Bancassurance Agreement will become effective upon an approval of KBank Shareholders' Meeting and pursuant to terms and conditions of the Bancassurance Agreement, KBank and the designated subsidiaries will offer and/or distribute MTL's life insurance products for a period of 10 years, from the effective date, which is expected to be from January 1, 2022.

This transaction is deemed as a connected transaction per the Notification of the Capital Market Supervisory Board No. TorJor. 21/2008 Re: Rules on Connected Transactions dated August 31, 2008 (as amended) and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies concerning the Connected Transactions B.E. 2546 (2003) dated November 19, 2003 (as amended), due to the fact that the transaction is conducted with MTL, which is a juristic person with Mr. Sara Lamsam - a director of KBank - having control in his capacity as a representative of such juristic person, i.e. being the Chief Executive Officer and director of MTL, per the definition of related person in accordance with Section 258 (7) of the Securities and Exchange Act B.E. 2535 (1992).

Although KBank is not required to propose for the Shareholders' Meeting's approval on this transaction as the transaction is a normal business transaction with general trading conditions, the Board of Directors resolved to submit this transaction to the Shareholders' Meeting for consideration in order to enhance transparency and compliance with the good corporate governance principles, as well as having Shareholders' participation in such decision making. In this case, KBank has appointed Jay Capital Advisory Limited as an independent financial advisor to provide opinions for Shareholders' consideration. Moreover, the Independent Directors Committee has been informed of and provided opinions on the transaction and this transaction has received concurrence from the Audit Committee and the Board of Directors, with details as attached.

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2. Approved the convening of the Extraordinary General Meeting of Shareholders No. 1/2021 on Thursday, August 26, 2021, at 14.00 hours, via electronic media pursuant to the Emergency Decree on Electronic Media Conference B.E. 2563 (2020) and other related laws and regulations, by setting the record date on July 16, 2021 to determine the list of Shareholders who have the right to attend the Extraordinary General Meeting of Shareholders No. 1/2021, to consider the following agenda items:

1) To consider approving the distribution of life insurance products of Muang Thai Life Assurance PCL in accordance with the Bancassurance Agreement

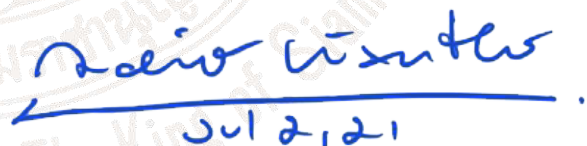
Board of Directors' Opinion: The Board of Directors (excluding the directors who are connected persons and directors having interests or concerns, namely Mr. Sara Lamsam, Ms. Sujitpan Lamsam, Mr. Suroj Lamsam and Mr. Pipit Aneaknithi) resolved to propose for consideration and approval by the Shareholders' Meeting on the distribution of life insurance products of MTL in accordance with the Bancassurance Agreement, which is a connected transaction in the category of normal business transaction with general trading conditions, including the delegation of authority to the Board of Directors or Chief Executive Officer or President to have power to consider and amend the Bancassurance Agreement as deemed appropriate and to perform any actions related to and/or in connection with the Bancassurance Agreement. Moreover, the Independent Directors Committee has been informed of and provided opinions on the transaction and this transaction has received concurrence from the Audit Committee and the Board of Directors.

2) Other businesses (if any)

Please be informed accordingly.

Yours sincerely,

KASIKORNBANK PUBLIC COMPANY LIMITED



(Dr. Adit Laixuthai)

Corporate Secretary

Senior Executive Vice President

Encl.: Information relating to the Distribution of Life Insurance Products of Muang Thai Life Assurance PCL in accordance with the Bancassurance Agreement

Office of Corporate Secretary

Tel. 02 470-6116

- Translation -

Enclosure

**Information relating to the Distribution of Life Insurance Products of Muang Thai Life Assurance PCL  
in accordance with the Bancassurance Agreement**

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KASIKORNBANK PUBLIC COMPANY LIMITED (“**KBank**”) has considered the proposal of and entered into the Bancassurance Agreement with Muang Thai Life Assurance PCL (“**MTL**”) for offering and/or distribution of life insurance products of MTL in an exclusive manner via distribution channels of KBank and its five subsidiaries, namely: (1) KASIKORN LEASING COMPANY LIMITED; (2) KASIKORN ASSET MANAGEMENT COMPANY LIMITED; (3) KASIKORN SECURITIES PUBLIC COMPANY LIMITED; (4) KASIKORN FACTORY AND EQUIPMENT COMPANY LIMITED; and (5) PROGRESS MULTI INSURANCE BROKER COMPANY LIMITED, including other subsidiaries that may be established in the future as a result of KBank’s restructuring of its core businesses and of which KBank holds 100 percent of shares (“**Subsidiaries**”), for a period of 10 years, which is expected to come into effect from January 1, 2022. The Bancassurance Agreement shall become effective upon an approval of KBank Shareholders’ Meeting, and shall terminate and supersede the previous non-exclusive Kbancassurance Agreement that has been effective since 2009. The Independent Directors Committee has been informed of and provided opinions on the transaction of which has been concurred by the Audit Committee and the Board of Directors, and shall be proposed for consideration and approval by the Shareholders in respect of the distribution of life insurance products of MTL in accordance with the Bancassurance Agreement in the Extraordinary General Meeting of Shareholders No. 1/2021 on August 26, 2021.

KBank and MTL have been business allies for longer than 10 years, thus realizing the potentials and benefits to keep this relationship rolling for success and growth of their joint business operations in the future. Importantly, this will maintain KBank’s investment value in MTL. Besides, MTL is a leading life insurance company in Thailand, specializing in life insurance market and offering the diverse life insurance products, that are widely recognized by all customer segments of KBank and its subsidiaries. The distribution of life insurance products via different channels of KBank and the Subsidiaries will well enhance the business of KBank. Under the previous bancassurance agreement between KBank and MTL, KBank earned income from the distribution of MTL’s life insurance products and all shared profit of MTL in 2020, under the effective shareholding at 38.25 percent, in the total amount of approximately Baht 8,730 Million.

This Bancassurance Agreement has a 10-year term and may be terminated prior to the 10-year term if target business performance is achieved, and extended for up to two years if target business performance is not achieved. Further, KBank will derive: (a) the **Exclusivity Fee** of Baht 12,700,000,000 which will be paid in a single payment or in two installments as agreed upon in the Bancassurance Agreement, whereby such fee will be gradually recognized by KBank as income throughout the term of the Bancassurance Agreement; (b) the **Performance Bonus**; (c) the **Commission**; and (d) other income per normal business practices.

Entry into the Bancassurance Agreement is a connected transaction per the Notification of the Capital Market Supervisory Board No. TorJor. 21/2008 Re: Rules on Connected Transactions dated August 31, 2008 (as amended) and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies concerning the Connected Transactions B.E. 2546 (2003) dated November 19, 2003 (as amended) (the “**Notification on Connected Transactions**”), due to the fact that the transaction is conducted with MTL, which is a juristic person with Mr. Sara Lamsam – a director of KBank – having control in his capacity as a representative of such juristic person, i.e. being the Chief Executive Officer and director of MTL, per the definition of related person in accordance with Section 258 (7) of the Securities and Exchange Act B.E. 2535 (1992) (the “**Securities and Exchange Act**”). This connected transaction falls under the category of normal business transaction with general trading conditions, with the characteristics and conditions that the operators of similar life insurance and banking businesses offer to general persons based on KBank advisor’s assessment, including a trade bargaining power without any influence of directors who are connected person and directors having interests or concerns. Moreover, the Independent Directors Committee has been informed of and provided opinions on the transaction. In addition, the Audit Committee and the Board of Directors has concurred with the transaction with the view that this transaction will be beneficial to KBank and justifiable, with fair conditions and price that will generate maximum benefits to KBank compared to an entry into transaction with an independent third party, neither will it cause misappropriation of benefits.

According to the Notification on Connected Transactions, KBank is able to distribute life insurance products of MTL under the Bancassurance Agreement without having to propose to the Shareholders’ Meeting for prior approval. However, the Board of Directors deemed it appropriate to allow Shareholders’ participation in the decision making and resolved to approve the entry into the Bancassurance Agreement with a condition that the Bancassurance Agreement will become effective upon the Shareholders’ Meeting’s approval, in order to enhance transparency and compliance with the good corporate governance principles. In this regard, KBank has appointed Jay Capital Advisory Limited as an independent financial advisor (“**IFA**”) to provide opinions relating to this transaction. The IFA views that the terms and conditions, and the principle of fee determination for the distribution of life insurance products, are appropriate and will support the cooperation between KBank and MTL through the collaboration of personnel, the use of business tools that have been jointly developed, and the use of customer database of both parties which will generate maximum benefits within the scope of the applicable laws. Therefore, it is deemed appropriate that the Shareholders consider approving this transaction to enhance growth opportunities in the bancassurance business and develop a strategic relationship between KBank and MTL in the long term.

Over 10 years, KBank and MTL have jointly been developing and offering products and services that are suitable and responsive to customer requirements. The continued and strengthened close partnership of both parties will promote and introduce the customers with greater access to quality life insurance products and services that match the demand of customers in all areas via distribution channels of KBank and the Subsidiaries with uninterrupted and seamless services.

**(1) Date of the Entry into the Transaction**

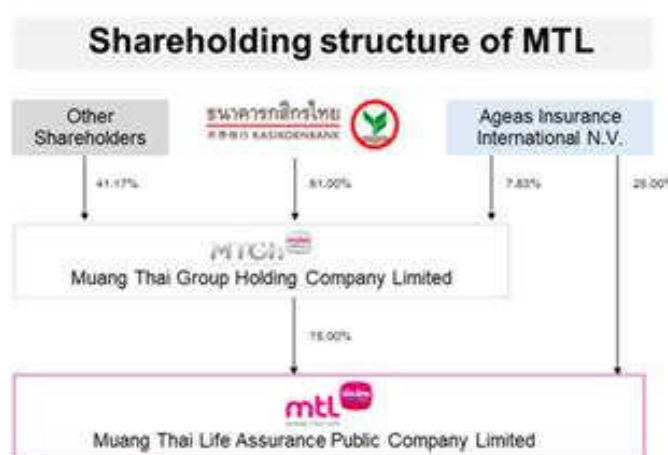
KBank enters into the Bancassurance Agreement with MTL on July 2, 2021, provided that it will become effective upon the approval of KBank Shareholders' Meeting, and will terminate and supersede the previous bancassurance agreement. The term of this new Bancassurance Agreement is 10 years from the effective date of the Agreement, which is expected to be on January 1, 2022. The term of this Bancassurance Agreement may be terminated prior to the 10-year period if target business performance is achieved, and may be extended for up to two years if target business performance is not achieved.

**(2) Connected Person and Characteristics of Relation**

MTL is a company in the same group as Muang Thai Group Holding Co., Ltd. (“**MTGH**”), of which KBank holds 51.00 percent of MTGH's total issued and paid-up shares. MTGH holds 75.00 percent of MTL's total issued and paid-up shares, resulting that KBank's effective shareholding in MTL accounts for 38.25 percent of MTL's total issued and paid-up shares.

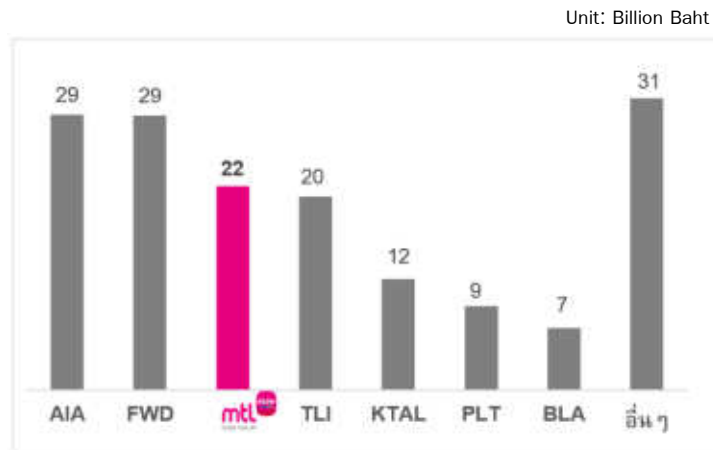
MTL is a connected person of KBank, being a juristic person which KBank's director – Mr. Sara Lamsam – has control in his capacity as a representative of such juristic person, i.e. being the Chief Executive Officer and director of MTL per the definition of related person under Section 258 (7) of the Securities and Exchange Act.

**KBank's Shareholding Structure in MTL**



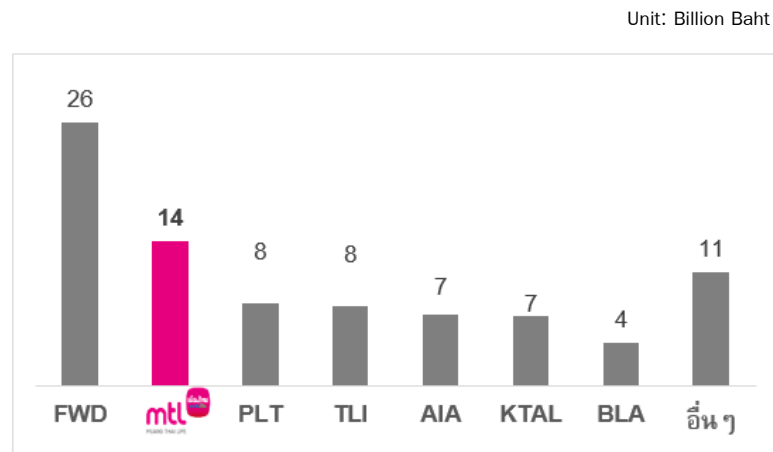
MTL was established on April 6, 1951 and converted into a public company on October 1, 2012, with a registered and paid-up capital amounting to Baht 1,000 Million. MTL is one of Thailand's leading insurance companies. In 2020, MTL ranks third in new business premium collection, and second in new bancassurance premium collection, with its market share at 13.6 percent and 16.6 percent, respectively.

### Market Share of New Insurance Premiums in 2020



Source: Thai Life Assurance Association

### Market Share of New Bancassurance Premiums in 2020



Source: Thai Life Assurance Association

Remark: FWD Life Insurance Public Company Limited (FWD Life) and SCB Life Assurance Public Company Limited (SCB Life) were merged into FWD Life Insurance Public Company Limited (FWD).

KBank also recognizes the importance of insurance, which can alleviate the suffering, caused by loss of life, dismemberment, disability, and loss of income at old ages, of KBank’s insured customers and their families. Life insurance companies will act as intermediary to bring the proceeds earned from insurance to pay to the insured persons and beneficiaries. Therefore, KBank is engaged in selling diverse life insurance products of MTL, which meet different requirements of all customer segments, for example, all-life protection, pension, home loan protection, business loan protection, health protection and critical illness coverage, and life insurance plus investment, with diverse premiums to match all levels of customers.

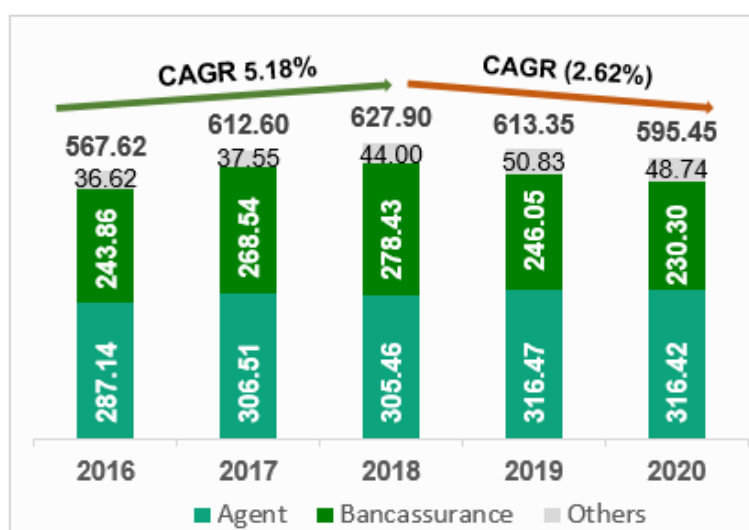
### Overview of Thailand's Life Insurance Business and MTL

In 2016 – 2018, total premiums earned of the life insurance business amount to Baht 567,620 Million, Baht 612,601 Million and Baht 627,900 Million, respectively, equal to the Compound Annual Growth Rate (CAGR) of approximately 5.18 percent. Amid a sluggish economy, lower policy interest rates, heightened competition in industry and the COVID-19 pandemic, total premiums earned in 2019 and 2020 fell to Baht 613,347 Million and Baht 595,454 Million, respectively while the CAGR of 2018 – 2020 dropped by 2.62 percent. As for MTL, business growth was in line with the industry.

Life insurance product sale via agents has remained the key distribution channel of the life insurance business. Its market share in 2016 – 2020 stood at 48.65 percent to 53.14 percent. Meanwhile, the life insurance product sale via banks or bancassurance has been on the second place among all distribution channels, taking up approximately 38.68 percent to 44.34 percent of the market share in 2016 – 2020, with the trend of expanding customer base into bank customers through distribution channels which have not been accessed by agents. In addition, shared revenue of KBank customers' Share of Wallet (SoW) in bancassurance is still relatively low, having potential to grow continuously under this liquidity-flush environment.

**Direct Premiums  
By Distribution Channels in 2016 – 2020**

Unit: Billion Baht



**Source:** Office of Insurance Commission (OIC)

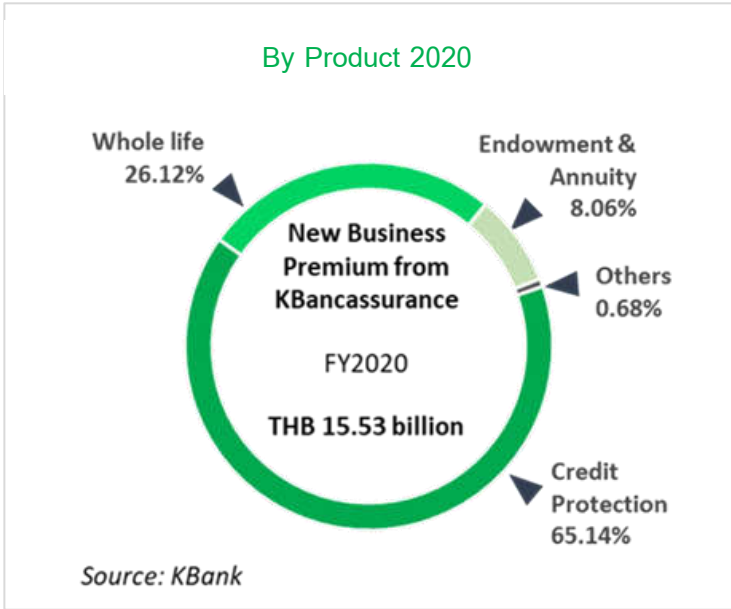
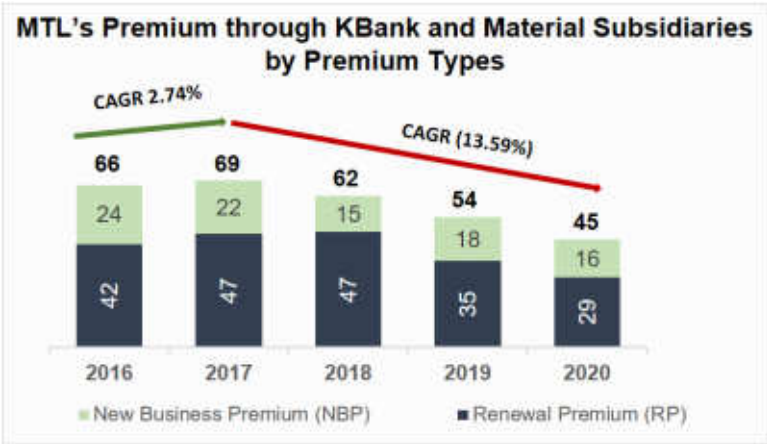
**Remark:** Other distribution channels include telemarketing, direct mail, walk-in, worksite, etc.



In 2020, KBank sold MTL’s life insurance products through its bancassurance channel amounting to Baht 44.29 billion, with the highest sales from credit protection products and whole life products at 65.14 percent and 26.12 percent, respectively.

**Direct Premiums  
via KBank and Subsidiaries, 2016 – 2020**

Unit: Billion Baht



According to MTL’s financial position and operating results, as stated in MTL’s audited financial statements for the financial years ended December 31, 2018 – 2020 in the table below, net premiums earned of MTL in 2020 decreased to Baht 72,162 million. However, given MTL’s efficient cost and expenditure management, net profit was reported at Baht 7,876.62 million, slightly higher than the 2019 record.



### Summarized Financial Information of MTL

Unit: Million Baht

Items	2018	2019	2020
Total assets	479,545	531,057	556,279
Total liabilities	421,552	464,533	483,439
Shareholders' equity	57,993	66,524	72,841
Net premiums earned	91,436	80,515	72,162
Total income	110,383	100,893	93,588
Total earnings	9,278	7,720	7,877

Source: www.muangthai.co.th

### (3) General Information of Transaction

#### Comparison of Key Terms and Conditions of Previous Agreement and New Agreement

The contracting parties have modified the terms and conditions in this Bancassurance Agreement to cover and better align with joint operations and the changing context of industry. Material modifications can be summarized, as follows:

#### Comparison of Key Terms and Conditions

Terms & Conditions	Previous Agreement	New Agreement
Term of agreement	5 years (2009 – 2014)	10 years (2022 – 2031) or when the target business performance is achieved prior to the 10 – year period
Extension of agreement	Term may be extended until any contracting party serves termination notice in writing 12 months in advance	Up to 2 years of extension, totaling up to 12 years, if the target business performance is not achieved.
Exclusivity	Not specified, but MTL's products are preferably recommended	Exclusively for MTL
Products	Life insurance products	Products of life insurance, health insurance and critical illness coverage
Scope of KBank's subsidiaries	KBank	KBank and the following subsidiaries: <ul style="list-style-type: none"> <li>- KASIKORN ASSET MANAGEMENT CO., LTD. (KAsset);</li> <li>- KASIKORN SECURITIES PCL (KSecurities);</li> <li>- KASIKORN LEASING CO., LTD. (KLeasing);</li> </ul>

Terms & Conditions	Previous Agreement	New Agreement
		<ul style="list-style-type: none"> <li>- KASIKORN FACTORY AND EQUIPMENT CO., LTD. (KFactory);</li> <li>- PROGRESS MULTI INSURANCE BROKER CO., LTD. (PMIB); and</li> <li>- other subsidiaries that may be established in the future as a result of KBank’s restructuring of its core businesses and of which KBank holds 100 percent of shares in those subsidiaries.</li> </ul>
Distribution channels	Overall distribution channels of KBank	Current and future distribution channels of KBank and the Subsidiaries, including: <ul style="list-style-type: none"> <li>- branches, tellers and ATMs</li> <li>- full-time and part-time employees, and third parties persons, e.g., agents</li> <li>- digital channels</li> <li>- direct marketing and telemarketing</li> </ul>

Additionally, this Bancassurance Agreement promotes the contracting parties to jointly develop life insurance products that are more responsive to customer requirements through joint usage and analysis of customer data to obtain maximum benefits. Therefore, the new Bancassurance Agreement will enhance greater business growth potentials and opportunities of KBank and MTL. However, such data usage must comply with the Personal Data Protection Act B.E. 2562 (2019) and other related laws.

**(4) KBank’s Opinion on Entry into the Bancassurance Agreement**

**1) Maximum benefits with regard to KBank’s overall insurance business value**

Due to KBank’s significant shareholding in MTL and its distribution channels of life insurance products for MTL, KBank is in a deviate situation from other domestic commercial banks that have opened a bidding for distribution right prior to an entry into this kind of bancassurance agreement. Therefore, KBank has taken into account the overall value that include the investment value and consideration of distribution of insurance products. To summarize:

- An entry into the new Bancassurance Agreement will not affect the commissions earned by KBank and the value of investment in MTL.
- KBank will gain Exclusivity Fee and Performance Bonus.

As KBank will gain more benefits than those gained from the previous agreement as deemed appropriate, KBank has not opened a bidding for distribution right and has maintained the cooperation and relationship with MTL as this should benefit KBank in an increase of the insurance business value and investment in MTL.

**2) Increase of value from entry into the new Bancassurance Agreement**

Compared to the previous agreement, the new Bancassurance Agreement will provide more favorable conditions and greater benefits to KBank, for example:

- Receipt of Exclusivity Fee and Performance Bonus
- The term of the Bancassurance Agreement is clearly determined at 10 years, which can be terminated earlier if target business performance is achieved, and extend up to 2 years if target business performance is not achieved.

**Comparison of Returns under the Previous Agreement and the New Agreement**

<b>Returns</b>	<b>Commission</b>	<b>Other income per normal business practices</b>	<b>Exclusivity Fee</b>	<b>Performance Bonus</b>
Previous Agreement	/	/	-	-
New Agreement	/	/	/	/

**3) Cooperation with MTL, which is a leading life insurance company**

Cooperation between MTL and KBank over 10 years have affirmed the benefits and capabilities of both parties through consistently outstanding performances. Presently, MTL occupies the second largest market share of life insurance product sale via bancassurance, while KBank earns significant income from insurance product sale and investment in MTL. Maintenance of this cooperation, therefore, will play an important role in further increasing KBank’s shareholding value in MTL.

**4) Retention of continuity of business operations with insurance company**

KBank’s commitment to harmonious operations and understanding of responsive products to KBank customers and great services has promoted and created close relationship between KBank and MTL over 10 years, which will be maintained for the benefits of KBank. It is not necessary to change the operation that is already efficient, and to seek additional returns from conducting bancassurance with other insurance companies which may negatively affect smooth cooperation of the parties, maintenance of product quality and continuity of service provision. In the past, MTL has provided support for marketing activities, product development and training of sales staff, and has arranged a special KBancassurance support team for KBank.

## **(5) Opinion of Independent Financial Advisor**

### **Comparison of Advantages and Disadvantages of Entry into the Transaction**

#### **Advantages of Entry into the Transaction**

##### **1. Returns from MTL in the form of Exclusivity Fee and Performance Bonus**

Following entry into this Bancassurance Agreement, KBank will earn returns from Commission and other income per normal business practices, including Exclusivity Fee amounting to Baht 12,700 million and Performance Bonus in accordance with the operating results. KBank must offer and distribute products of MTL to KBank customers via distribution channels of KBank and the Subsidiaries for a period of 10 years, in accordance with conditions as stipulated in the Bancassurance Agreement.

##### **2. Strengthening of relations with MTL, which is a long-time renowned and experienced business operator**

Over a long period, KBank and MTL have enjoyed joint business undertakings. In 2003, KBank started its role as a broker for MTL's life insurance products, which was also the starting point of continuous and joint development of work systems, working groups and investments in technologies applied in the bancassurance business. Entry into this transaction will enhance smooth continuation of such joint business operations, which will be advantageous to KBank in the future, while also helping lower the cost of new investment. Both parties have all along achieved successful performances, as witnessed by MTL's market share in the first and second rank of bancassurance sale of life insurance products in 2018 – 2020.

##### **3. Greater clarification of management and development of life insurance products to cater to customer requirements**

The terms and conditions of this Bancassurance Agreement provide a greater coverage and clarification than the previous Agreement, for example, scope of products to be distributed, scope of responsibilities of KBank's subsidiaries, supervision and scope of duties of the working team, etc., for the purpose of more efficient operations of both parties and the development of more responsive life insurance products to cater to customer requirements.

#### **Disadvantages of Entry into the Transaction**

##### **Loss of opportunity to entry into the bancassurance agreement with other life insurance companies**

Following entry into this transaction, KBank will be unable to sell life insurance products as specified in the Bancassurance Agreement for other life insurance companies, and will lose the opportunities to gain returns from other life insurance companies. However, MTL's life insurance products have always matched the demand of customers, as affirmed by MTL's market share in the first and second rank of bancassurance sale in 2018 – 2020 of life insurance products.

## **Comparison of Advantages and Disadvantages of Entry into the Transaction with a Connected Person and a Third Party**

### **Advantages of Entry into the Transaction with Connected Person**

#### **1. Maintenance of efficiency of joint operations with MTL that has conducted business with KBank for a long time**

Given long-time business partnership of KBank and MTL, representatives of each party have been appointed in the Steering Committee that is involved with supervision of bancassurance operations. In addition, working team consisting of members from both parties have been set up, while training courses have been organized for related sales staff since 2009. As a result, KBank has adequate experiences and understanding related to joint business operations and details of the proposed products, with ability to respond to MTL's future business plans.

#### **2. Highly skilled foreign partner in insurance business of MTL**

One of MTL's major shareholders is Ageas Insurance International N.V. ("**Ageas**"), of which the effective shareholding in MTL is 30.87 percent. Ageas is a world-class insurance company with vast experiences of working with a number of banks in Europe and Asia. Knowledge and skills under this partnership will promote MTL's life insurance business potential for an increase of business development opportunities and new product/service innovation to better match customer requirements, while also creating new opportunities to KBank for life insurance product distribution via the channels of KBank and the Subsidiaries.

#### **3. Shorter term of the new Bancassurance Agreement than general bancassurance agreements in the market**

The 10-year term of the new Bancassurance Agreement is shorter than the average 15-year term of other bancassurance agreements that have been disclosed to the public. It is also stipulated that, in cases where KBank's sale of life insurance products reaches the specified level before the expiry date, the new Bancassurance Agreement will be terminated. This condition is beneficial to KBank, which will enable KBank to earn more appropriate returns in the future.

### **Disadvantages of Entry into the Transaction with Connected Person**

#### **Possible conflicts of interest**

KBank is an indirect major shareholder of MTL, with the effective shareholding of MTL via MTGH that is equal to 38.25 percent, while a KBank director – Mr. Sara Lamsam – having control in his capacity as a representative of juristic person. Consequently, KBank and MTL are deemed as connected companies, which may lead to doubts concerning conflicts of interest, for example, entry into the Bancassurance Agreement without opening for proposals of other life insurance companies, etc.

However, the Audit Committee, Independent Directors Committee and Board of Directors of KBank have considered and opined that the terms and conditions of this new Bancassurance Agreement are comparable to general trading conditions. Moreover, KBank has engaged legal advisor, independent financial advisor and actuarial advisor to deliberate on the justification and fairness of conditions in this transaction, as a means to enhance transparency of operations and maintain maximum benefits that KBank's shareholders will gain from entry into the transaction with the connected person.

#### **Advantages of Entry into the Transaction with a Third Party**

##### **1. Prevention of Conflicts of Interest**

Entry into the transaction with a third party will enhance transparency of operations and ensure the Shareholders that KBank and contracting party will not be involved with any conflicts of interest.

##### **2. More opportunities to open up for other life insurance companies to propose prices and conditions of exclusive bancassurance agreement**

If other life insurance companies are allowed to propose prices and conditions of an exclusive bancassurance agreement, KBank may obtain the proposals that are different from this proposal of MTL. However, due to KBank's indirect shareholding in MTL at 38.25 percent, entry into Bancassurance Agreement with MTL will be supportive to MTL's operating results and net profits that KBank recognizes via such indirect shareholding.

#### **Disadvantages of Entry into the Transaction with a Third Party**

##### **1. Longer operational period that will create considerably higher expenses, without affirmation on success of cooperation**

Entry into the transaction with a third party will result in considerably longer operational period and expenses for consideration of appropriateness of prices and conditions proposed by a third party, compared to entry into transaction with MTL. For example, due diligence of contracting party's information, negotiations on prices and conditions of the transaction, etc. Such a longer period may affect the benefits that KBank will gain. In addition, KBank cannot be assured that entry into the transaction with a third party will receive more appropriate proposal containing returns and conditions than the returns and conditions stipulated in this new Bancassurance Agreement. Either, it cannot be confirmed that cooperation with a third party that is a new partner will be as successful as KBank's entry into the transaction with MTL.

## **2. Lack of business continuity related to bancassurance**

Joint operations of bancassurance business between KBank and life insurance company require preparations with respect to personnel, resources, information technology system and tools. Therefore, working with new business partner will need approximately 3-4 years in average to ensure smooth cooperation for the preparedness, common understanding and business goals of both parties. During that preparation period, KBank may lose the opportunity to recognize the income that is currently incurred from bancassurance returns.

## **3. Negative impact on KBank's returns on indirect shareholding in MTL**

Entry into the transaction with a third party may affect MTL's operating results and profits, and KBank's profits gained from its effective shareholding in MTL via MTGH at 38.25 percent. Although KBank will gain the returns from distribution of life insurance products for other life insurance companies, it may lose the benefits on its part from MTL's return.

### **Impact on KBank's account entry**

Following entry into the transaction, KBank will receive returns in a form of the Exclusivity Fee in an amount of Baht 12,700 million, which will be recorded as deferred fee and service liabilities, and will be gradually recognized as income throughout the term of the new Bancassurance Agreement in accordance with the International Financial Reporting Standard 15: Revenue from Contracts with Customers, and in a form of the Performance Bonus, which will be recognized as actual fee and service income of each year.

### **Summary of IFA's opinion**

According to the analysis of IFA related to justification of the transaction, based on a comparison of terms and conditions of the previous agreement and new Bancassurance Agreement, and terms and conditions of general business practices of bancassurance, as well as fairness of prices of entry into the transaction, the IFA views that entry into the Bancassurance Agreement with MTL **is appropriate**. To summarize:

#### **1. Terms and conditions of the new Bancassurance Agreement**

This Bancassurance Agreement's terms and conditions provide greater coverage and clarification than the previous Agreement, thus enhancing higher efficiency in joint business operations of both parties.



## **2. Principle and assumptions of calculation of Exclusivity Fee and Performance Bonus**

- Estimation of income related to new business premiums has been jointly made by KBank and MTL for the period of 10 years as specified in the new Bancassurance Agreement, which is in accordance with the CAGR of premiums earned in the life insurance business before the COVID-19 outbreak.
- The profit ratio which has been calculated as net present value of new business premiums (NBP Margin) is close to past performances of MTL. This profit ratio will be reviewed and modified by the Steering Committee to ensure that the determination of NBP Margin has complied with the established work plan and is viable.
- The risk discount rate used in valuation of the bancassurance business is close to MTL's discount rate calculated by the IFA, which reflects risks of the life insurance business.

## **3. Structure of payment for entry into the transaction**

The returns that KBank will gain from entry into the transaction include: (a) Exclusivity Fee of Baht 12,700 million which will be paid in a single payment or two installments per the condition as agreed upon in the Bancassurance Agreement; (b) Performance Bonus; (c) Commission; and (d) other income per normal business practices.

From the aforementioned justification, the IFA views that the terms and conditions of the new Bancassurance Agreement, the principle and assumptions for calculation of Exclusivity Fee and Performance Bonus, and structure of payment of returns are appropriate, and will be supportive to cooperation of KBank and MTL in the usage of resources for business operations that have been jointly developed, and the usage of both parties' customer database for maximum benefits. Those terms and conditions are also beneficial for KBank with respect to returns from the bancassurance business and greater income from investment via indirect shareholding in MTL.

Therefore, the IFA holds the view that the Shareholders consider approving entry into this transaction so as to obtain new growth opportunities in the bancassurance business and to forge strategic relationship between KBank and MTL in the long term. Such decision making in an approval of this transaction mainly depends on the Shareholders' discretion and the IFA's opinion does not confirm the success of this entry into transaction.

### **(6) Opinion of Board of Directors concerning entry into the Transaction of connected transaction**

The Board of Directors has resolved to approve the distribution of MTL's life insurance products in accordance with the Bancassurance Agreement, which is a connected transaction in the category of normal business transaction with general trading condition, given that such transaction is beneficial to KBank and justifiable, with fair conditions and price, and creates maximum benefits compared to entry into transaction with an independent third party, neither will it cause misappropriation of benefits. The Bancassurance Agreement will come into effect upon approval by KBank Shareholders' Meeting. Pursuant to the terms and conditions of the

Bancassurance Agreement, KBank and the designated Subsidiaries will offer and/or distribute MTL's life insurance products for a period of 10 years and the Bancassurance Agreement is expected to come into effect on January 1, 2022.

To enhance transparency of entry into the transaction and to comply with KBank's good corporate governance principles, KBank's directors, who are connected person and who have interests or concerns, namely, Mr. Sara Lamsam, Ms. Sujitpan Lamsam, Mr. Suroj Lamsam and Mr. Pipit Aneaknithi, together, neither received related documents of the Board of Directors' meeting nor attended in the meeting session for considering this agenda. Neither did they have the right to vote in this agenda nor receive the minutes of meeting related to this agenda.

**(7) Opinion of Audit Committee**

The Audit Committee holds the view that this entry into the transaction is beneficial to KBank and justifiable, with fair prices and conditions. Neither will it cause misappropriation of benefits.

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