



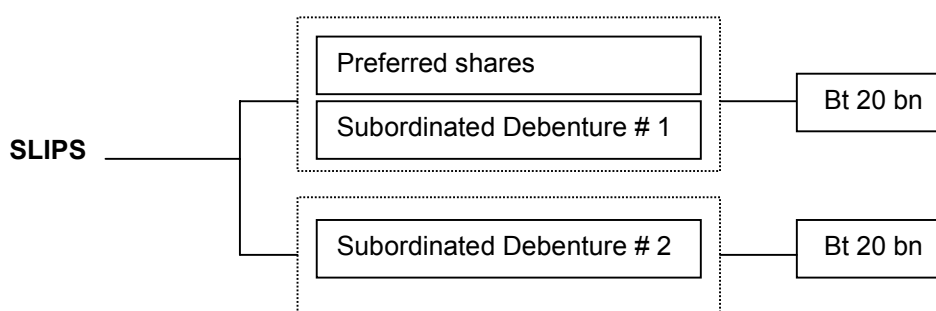
SLIPS

- What is SLIPS?

SLIPS or “Stapled Limited Interest Preferred Stock” is a set of hybrid financial instruments worth in total of Bt 40 bn. The bank issued SLIPS in January 1999 as a means of capital raising to help the bank maintain its capital adequacy ratio (CAR) as stipulated by the Bank of Thailand during the economic crisis.

SLIPS consists of two securities. The first security includes 547,345 (Class A, non-cumulative) preferred shares detached with subordinated debentures. The subordinated debentures are called in full as “the Subordinated Debentures cum Preferred Shares # 1,” or in short as the “Sub Debt # 1”. The combined value of these two instruments is Bt 20 bn.

The second security is the Subordinated Debenture # 2 worth another Bt 20 bn. The debenture is called in short as the “Sub Debt #2,”



- How was SLIPS offered?

The SLIPS was first offered and sold to local institutional and individual investors through the Bt 40 bn fund called “The Preferred Shares-Subordinated Debenture of Thai Farmers Bank Public Company Limited Fund”. The Fund was divided into 4 bn investment units of Bt 10 par each. The minimum subscription price must be Bt 10 mn and the multiple of Bt 1 mn, except for institutional investors, who can subscribe the investment units at the minimum of Bt 1 mn. Thai Farmers Asset Management Co., Ltd. (TFAM) currently acts as the Management Company of the Fund. Today, investors may trade the investment units through the secondary market created by the bank and the designated market makers.

- What are the features of each instrument?

The detailed features of each instrument are provided in SLIPS Overview Table.

SLIPs Overview

ธนาคารกสิกรไทย

THAI FARMERS BANK 泰华农民银行



Stapled Limited Interest Preferred Stock

		Amount (MB)	Maturity	Call Option	Interest Rate/Dividend	Payment Condition	Others
Tier 1 Capital	Preferred Shares	33	Perpetual	None	<ul style="list-style-type: none"> 1 Baht/Share or; Balance of interest not paid on sub debt #1 	<ul style="list-style-type: none"> Compulsory if dividend on ordinary shares paid out Otherwise, dividend amount at bank's discretion, and payable if sufficient profit only 	<ul style="list-style-type: none"> Par value to Baht Carries 1 vote Converts to 1 ordinary share at bank's request and upon redemption of sub debt #1
	Subordinated Debt #1	19,967	Perpetual	2004 onward	<ul style="list-style-type: none"> 23.0% 	<ul style="list-style-type: none"> Compulsory if bank required to pay dividend on preference shares Interest payment at bank's discretion, if the bank has an option to pay dividend on preference shares 	<ul style="list-style-type: none"> Face value US\$ 1,000 Fixed exchange note for interest payment and redemption in THB
Tier 2 Capital	Subordinated Debt #2	20,000	2006	2004 onward	<ul style="list-style-type: none"> 22.3% 	<ul style="list-style-type: none"> Same as regular sub debt Quarterly 	<ul style="list-style-type: none"> Face value THB 1,000 Redeemable in full only

The composition of SLIPS in the bank's capital structure:

As shown in the SLIPS Overview Table, the preferred shares and the Sub Debt # 1 make up part of the bank's Tier-1 capital while the Sub Debt # 2 is treated as part of Tier-2 capital. As of the 3rd quarter of 2002, the bank's CAR reached 14.32% for total capital, 8.48% for Tier-1 capital and 5.84% for Tier-2 capital. Note that these ratios were calculated without including the net profit of 3Q/2002 in the retained earnings. If included, the CAR for total capital and Tier-I capital would be 14.70% and 8.86%, respectively.

Returns on each component of SLIPS:

For preferred shares, the bank must pay dividend of Bt 1 per preferred share if the bank pays dividend to common shares. However, the bank may, at discretion, pay part or all of dividends on preferred shares if it has enough profit, even if the dividends on common shares are not paid. Also, the preferred shares are to be converted in to common shares upon redemption of the Sub Debt # 1.

For the Sub Debt # 1 and the Sub Debt # 2, the bank must also pay interests at an annual rate of 23.0% and 22.3%, respectively. However, if the bank does not pay dividend on preferred shares during a given year, the bank does not have to pay interest on the Sub Debt # 1 in that year. But for the Sub Debt # 2, the bank is still obligated to pay the 22.3% interest in full on a quarterly basis. Since the issuance, the bank has paid neither dividend on preferred shares nor interest on the Sub Debt # 1 due to the fact that the bank has not paid dividends on common shares since 1999. However, the bank has fulfilled its obligation by paying the interest on the Sub Debt #2. Therefore, in practice, the bank is currently paying an average of about 11% interest on both sub debts.

- **Early redemption of SLIPS**

Both sub debts are redeemable after five years from the issuance date or from January 2004 onwards subject to approval of the Bank of Thailand and the following conditions:

1. On the 5th year from the issue date or any subsequent interest payment date.
2. If the Bank of Thailand no longer allows the preferred shares and the Sub Debt # 1 to be treated as part of the bank's Tier 1 capital.
3. If the interests paid on the Sub Debt # 1 are not tax-deductible.

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