



Synergy for Growth

BANGKOK, THAILAND
February 27, 2019



ธนาคารธนชาต
Thanachart Bank

TiMB

Make **THE** Difference



Strategic rationale

Business realignment

Merger transaction

The Combined Bank outlook

Q&A

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Execution of the a non-binding Memorandum of Understanding



Following parties have entered into a non-binding MOU:

- ING Groep N.V. (“ING”),
- Thanachart Capital Public Company Limited (“TCAP”)
- The Bank of Nova Scotia (“BNS”)
- TMB Bank Public Company Limited (“TMB”)
- Thanachart Bank Public Company Limited (“TBANK”)

To set out the **non-binding agreement in principle** of the parties and form the basis for further discussion in relation to **series of transactions** to be entered into by the parties with the **objective of merging TMB and TBANK** (the “Transactions” or the “Merger”), creating a larger bank (the “Combined Bank”).

M&A arises from regulatory opportunity

The royal decree of M&A tax exemption allows all parties to have an opportunity in entering into this non-binding MOU with **the objective to merge TMB and TBANK to become a stronger bank, using EBT, the most tax-efficient method, as a vehicle to facilitate this transaction**

Strategic rationale : synergy for growth

Alignment to business objectives

- Reinforce TCAP's strong position as a **financial holding company**
- Allow the Combined Bank to **focus on core banking business** with **customer centric operating model**

Strategic fit

- **Complementary strengths**
- **Limited overlapping** business areas (redundancy)
- **Significant potential synergies** to be captured

Scale

- **Larger customer base and strengthened market position** (i.e., market mover/leader)
- **Larger investment pool** to prepare for intensifying competition in the digital era
- **Operational efficiency / economy of scale**



Value creation to all stakeholders



Strategic rationale

Business realignment

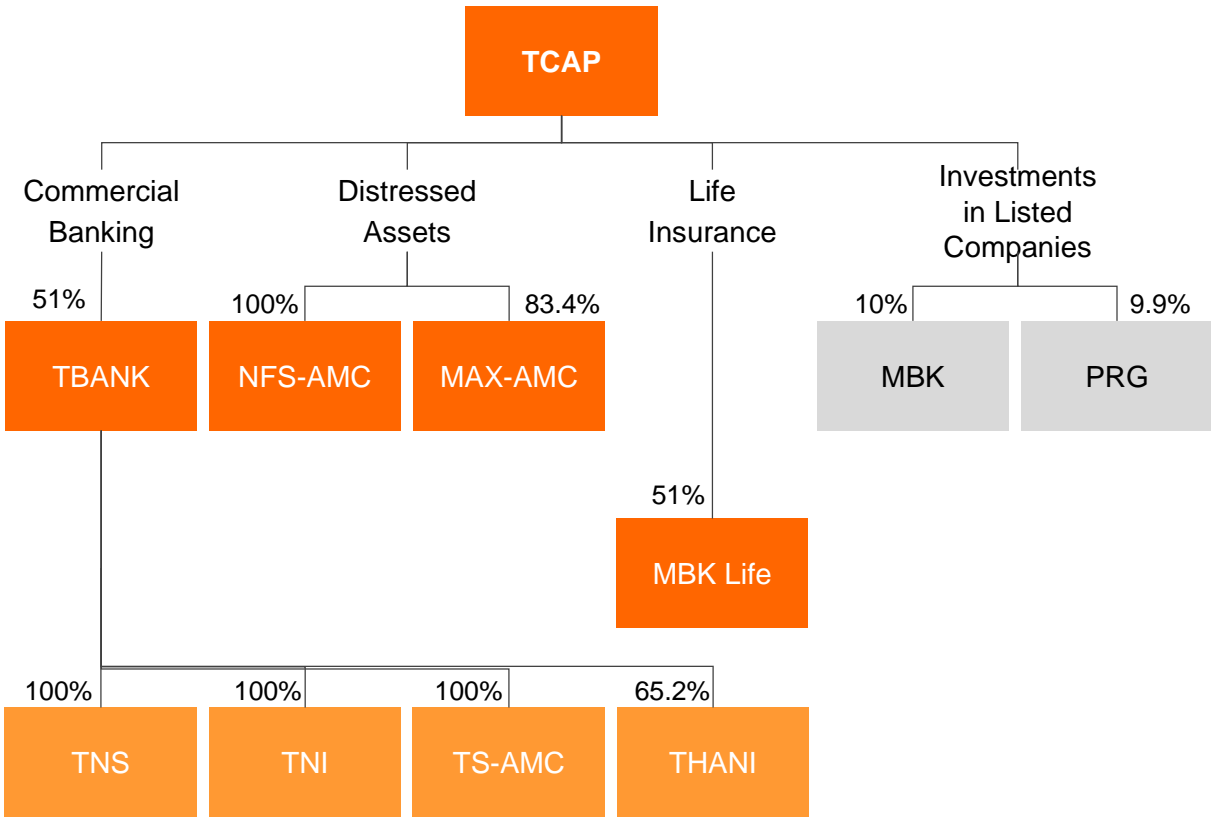
Merger transaction

The Combined Bank outlook

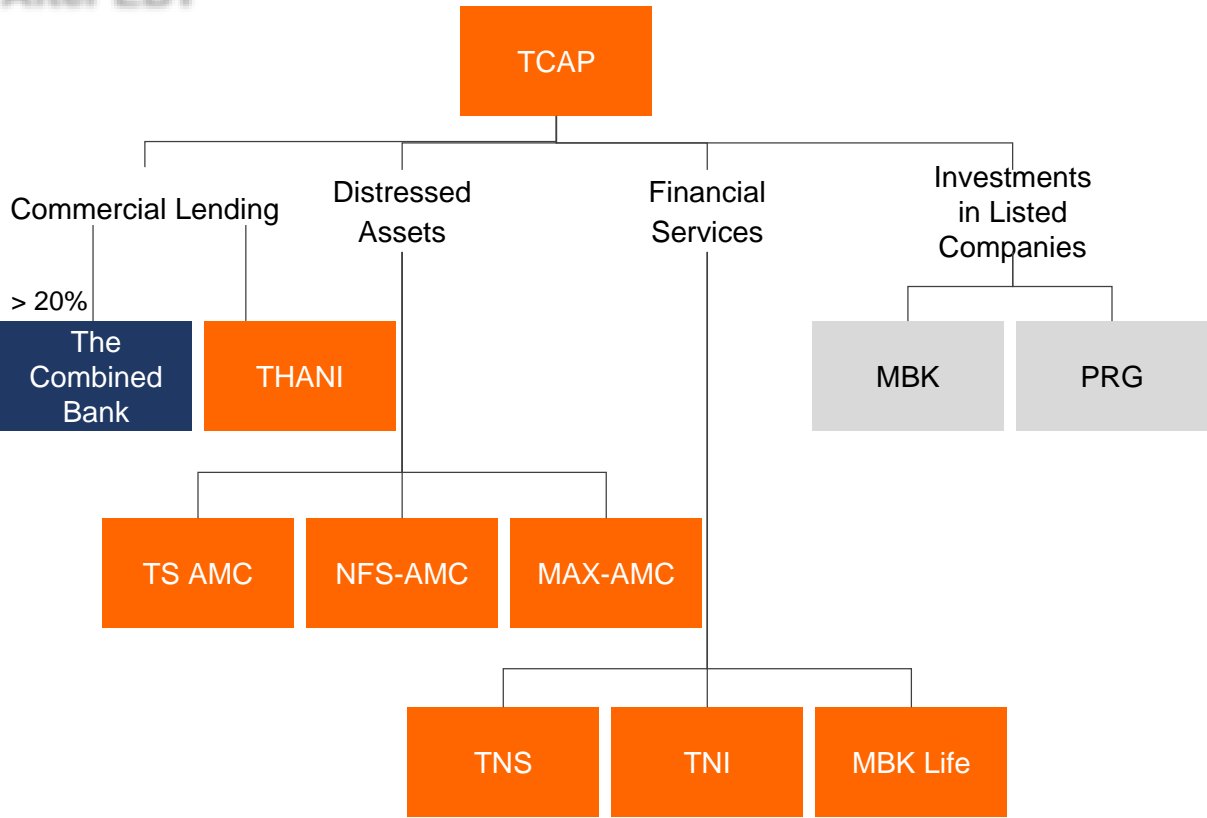
Q&A

To implement the merger, TBANK will firstly do the business realignment

Before



After EBT



The structure charts in this slide are one possible scenario, the final structure and percentage ownerships of the relevant entities is subject to due diligence, negotiation and agreement of the parties



Strategic rationale

Business realignment

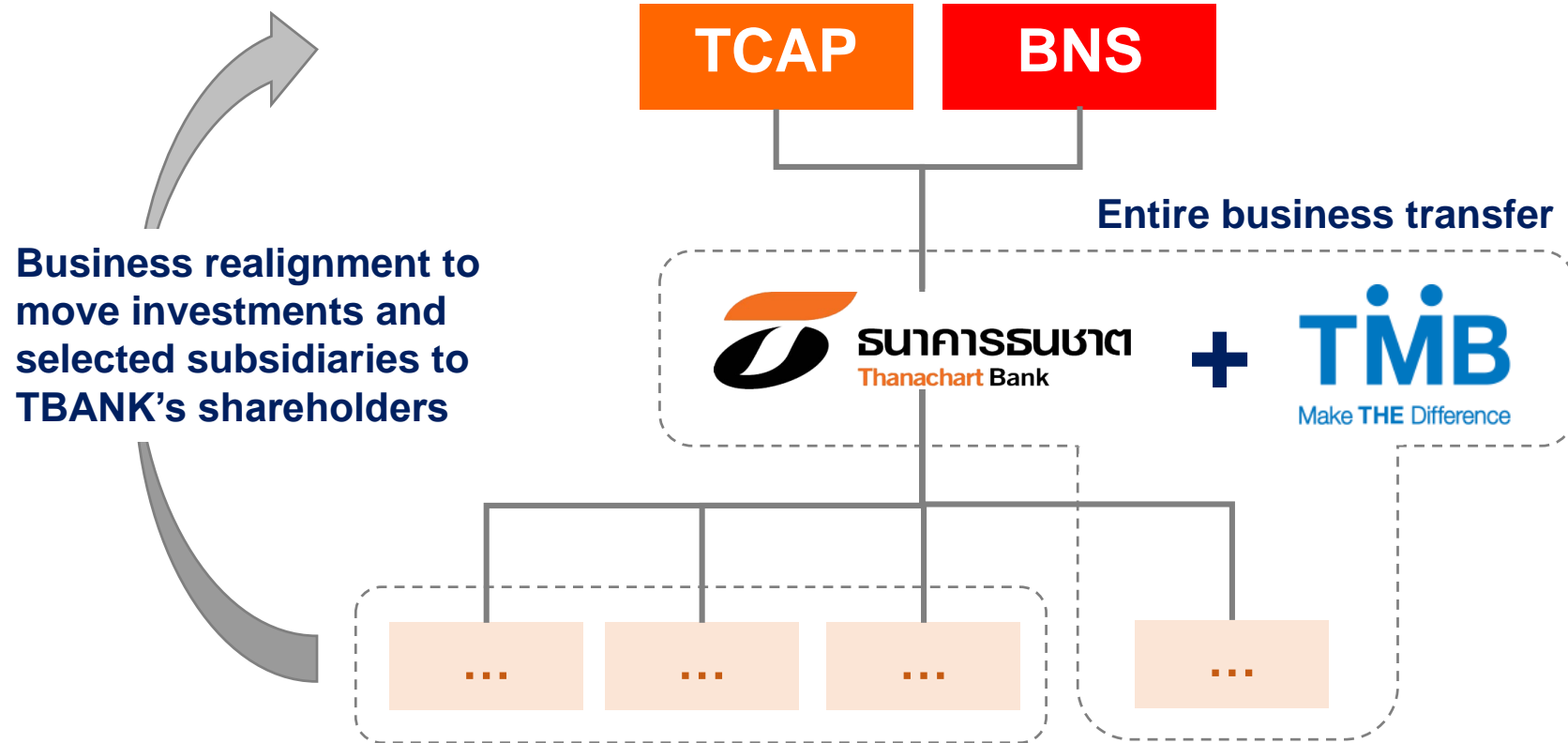
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Overview of the merger transaction

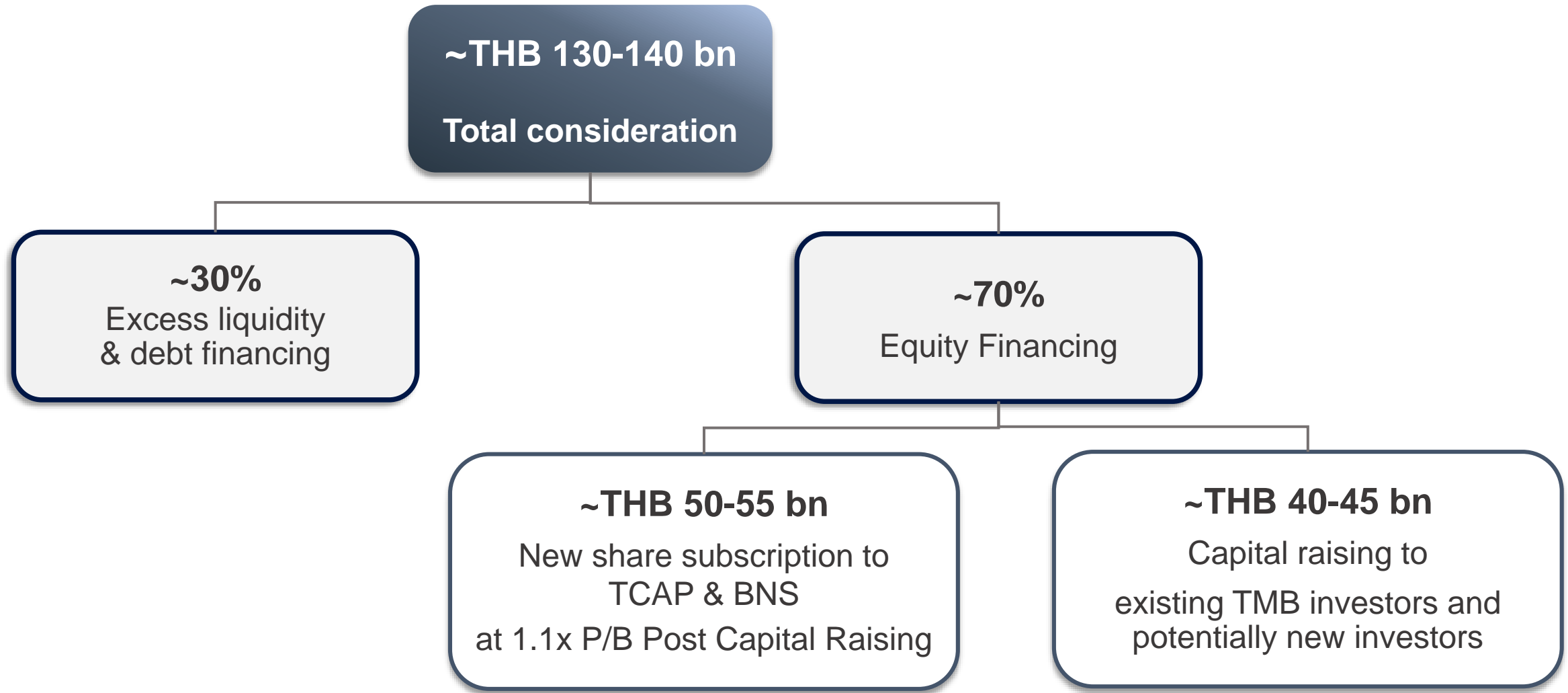
ILLUSTRATIVE



Rationale for this transaction structure

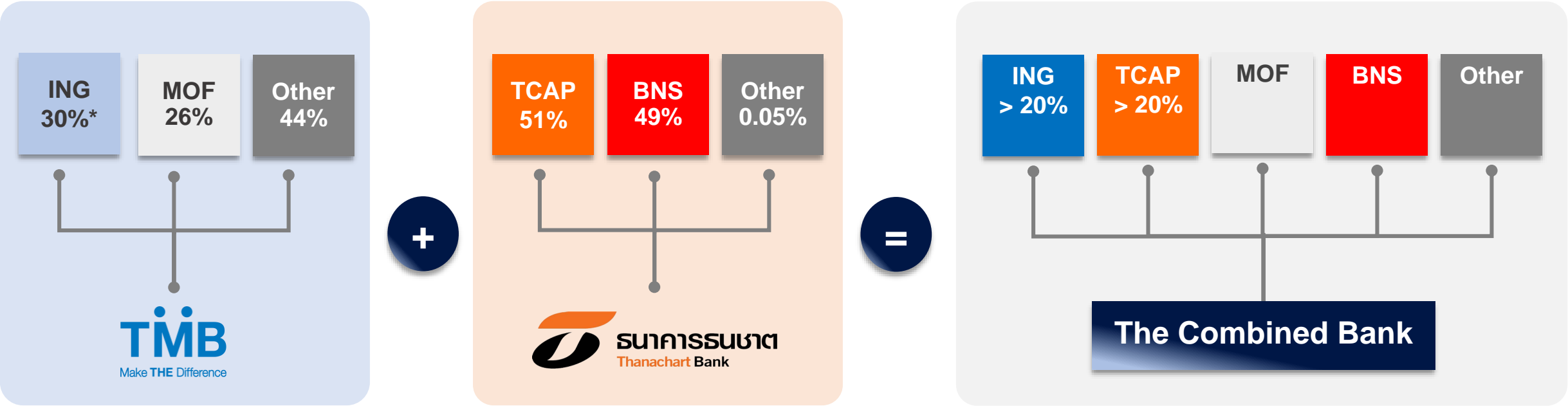
- **Aligned with TMB strategy** to focus on owning customer relationship and only focus on core businesses
- **Enhance** the business of **Financial Holding Company of TCAP**
- **Downsize** TBANK's business to be comparable to TMB's after the capital increase of TMB for suitability of merger
- **Easier for the transaction to be consummated** given **less capital requirement**
- **Bank of Thailand single presence policy**

Summary of TMB's estimated funding requirement



NOTE: Preliminary figures, subject to final adjustments as a result of due diligence findings and the latest book value of TBANK and its subsidiaries.

Potential post-transaction structure of the Combined Bank



*Remark: including NVDR

NOTE: Preliminary figures, subject to final adjustments as a result of due diligence findings and the latest book value of TBANK and its subsidiaries.

Indicative timeline for next steps

Due Diligence Commencement

SPA / SHA Signing

EGM to Seek Approvals

Approvals from BOT/SEC

Closing of the Share Transactions

Immediately



By the end of 2019

Conditions to the transaction

- ☐ Confirmation of the tax treatment of the potential transaction being in line with the parties' expectations
- ☐ Confirmation of the maintenance of TCAP's status as a listed company on the SET
- ☐ Results of due diligence
- ☐ Agreement of definitive agreements relating to the transactions between the parties
- ☐ Receipt of mandatory regulatory approvals from Thai governmental authorities including, but not limited to, the Bank of Thailand, the Ministry of Finance and the Securities and Exchange Commission
- ☐ Receipt of necessary shareholder approvals and corporate authorizations
- ☐ Receipt of necessary third party consents
- ☐ Successful completion of the fund raising by TMB in an amount sufficient to complete the Merger
- ☐ Other customary conditions precedent for a transaction of this nature



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The Combined Bank well positioned to become a leading Thai banking franchise

**No. 6 Thai bank
by asset size
(THB 2 trillion)**

**12% market
share in loan
& deposit**

**Doubling
customer base
to >10mn**



“The Combined Bank will create a stronger market position with enhanced scale, become a key player in strategic markets and narrow the gap with other big banks”

Significant synergies to be realized by the Combined Bank



Balance sheet synergies

- Improved and diversified deposit mix with higher % CASA deposits
- Potential yield improvement through loan portfolio optimization
- Enhanced efficiency in treasury management



Investment & cost synergies

- Larger resources pool to pursue digital transformation with greater potential value realization
- Benefit from bigger scale with enhanced operating efficiency e.g., marketing, OPEX

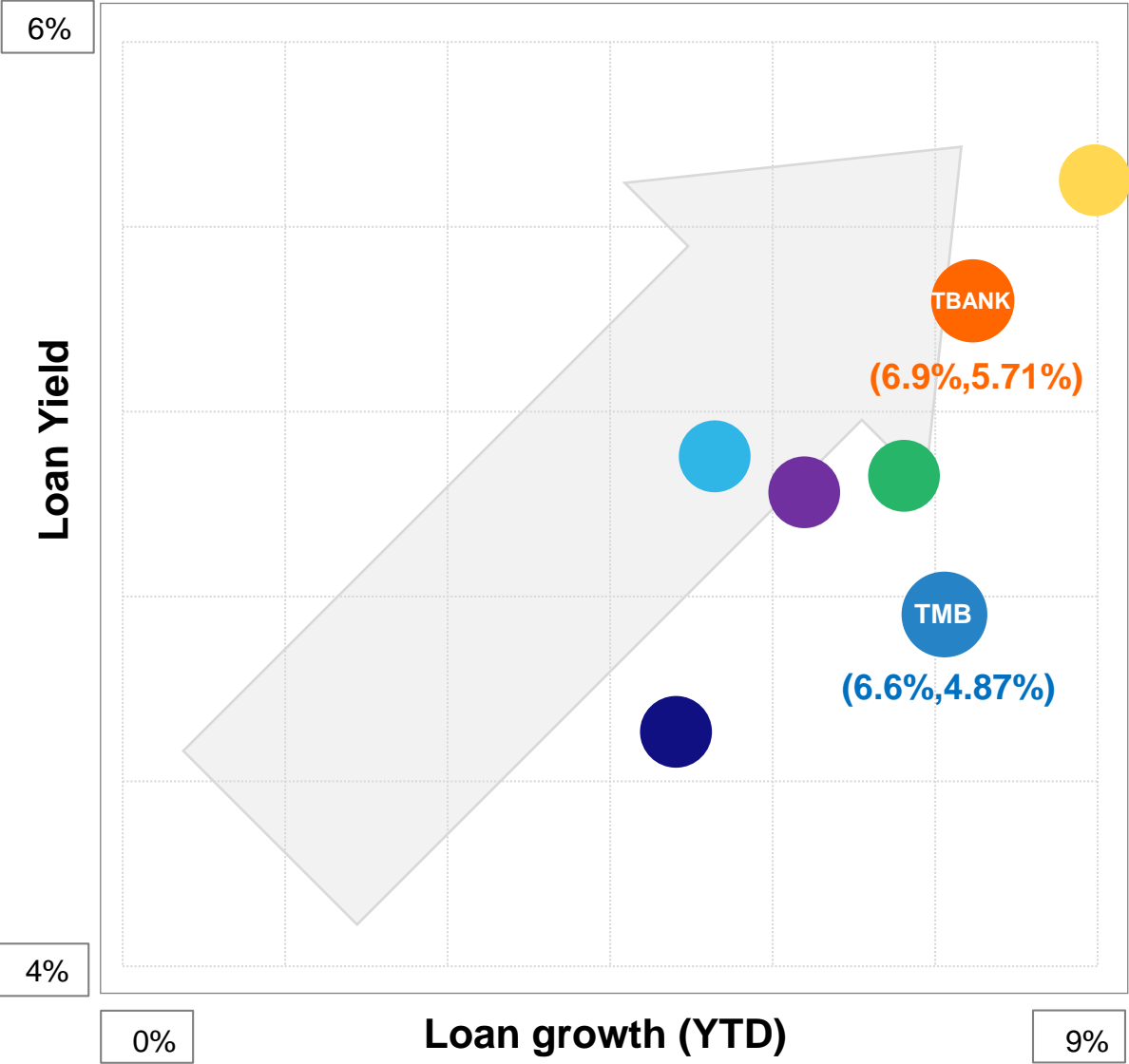


Revenue synergies

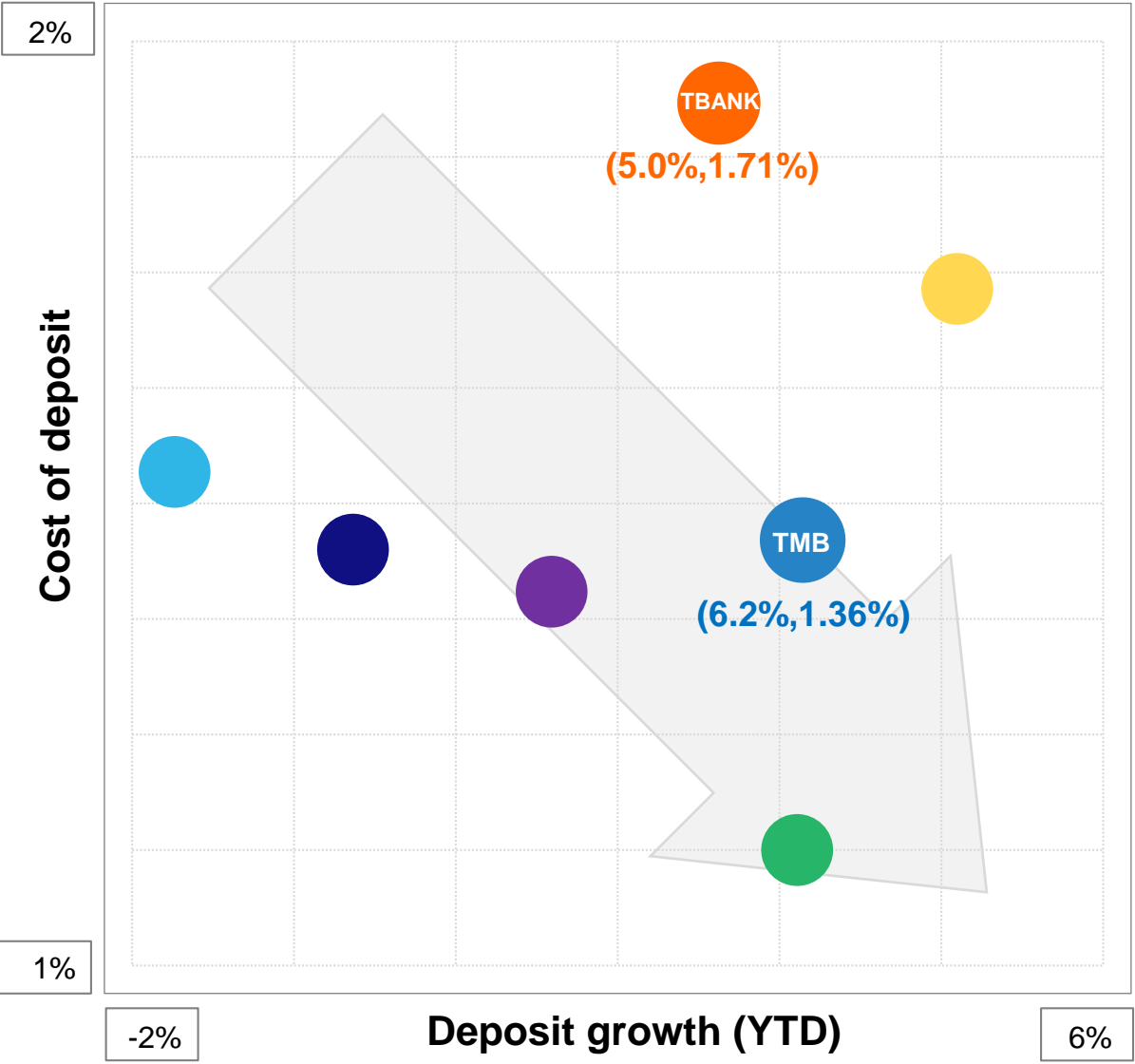
- A truly global and diversified product and service choices to capture revenue upside
- Cross-selling opportunities to larger customer base

Complementary strengths on loan and deposit structure

TBANK is one of the top high lending yield bank

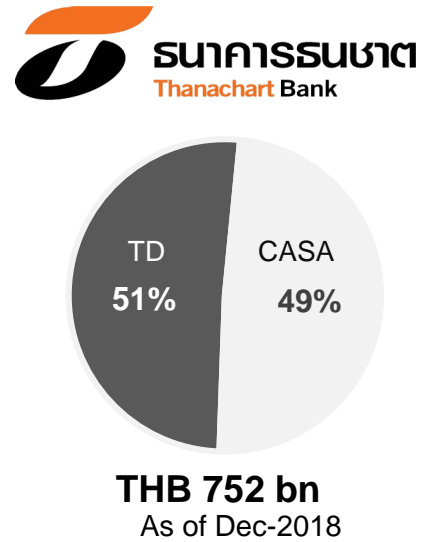
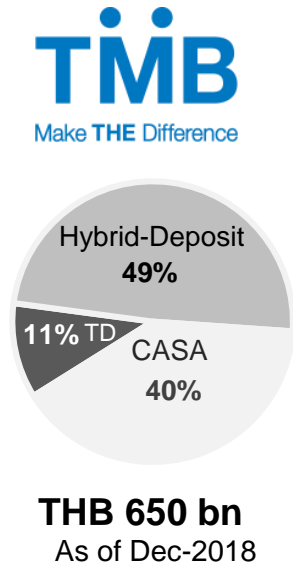


While TMB is one of the top performing deposit franchise

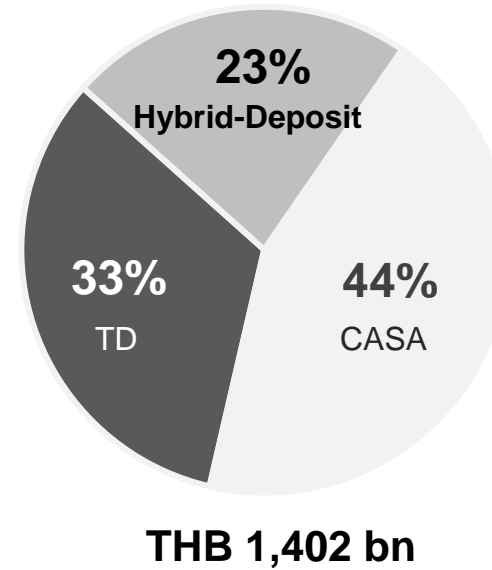


Expanding deposit base with the strategic fit to optimize deposit structure

Deposit mix



The Combined Bank



Room to further optimize deposit mix by replacing high cost TD with TMB's hybrid deposit (No Fixed) and ultimately introduce customers to investment products (e.g., BA, MF)

TMB's open architecture with 10 leading fund houses

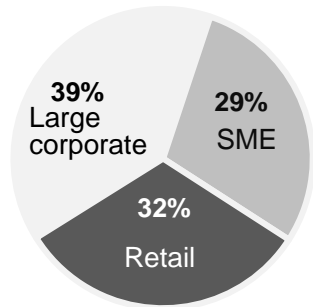


Complementary loan portfolio with stronger SME and retail franchise

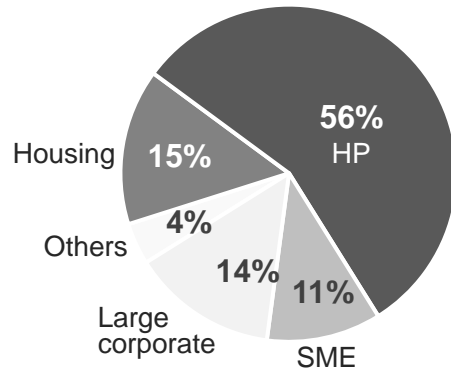
Loan mix



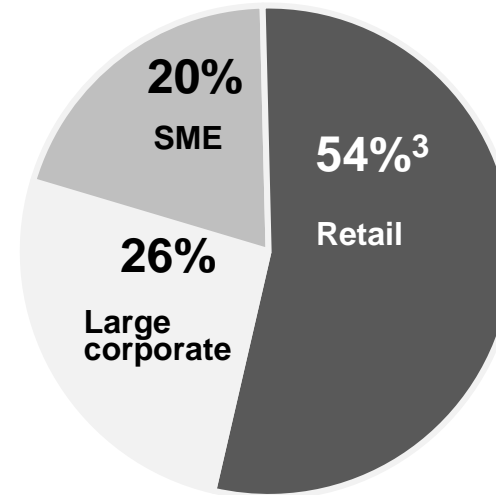
The Combined Bank



THB 686 bn
As of Dec-2018



THB 753 bn
As of Dec-2018



THB 1,437 bn

No. 1

market leader in HP business with the market share at 16%¹

No. 4

in mortgage with good risk adjusted return, represented market share at 13% with potential to move up to higher rank²

No.5

in fast growing SME segment with market share at 6.5%

/1 – HP in new car business

/2 – 13.4% market share for #3

/3 – Retail HP: 29%; Retail Housing: 19%; Retail Others: 6%

The transactions would create value to all stakeholders

Shareholders

Higher **profitability** and **growth potential** from **synergies**

Customers

More **diversified products** with **greater reach**

Employees

More **challenging job scopes** and **job opportunities**

Regulators / country

In line with government policy to **strengthen Thailand's financial sector**

Important notice to shareholders

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