

(TRANSLATION)

No. ST.008/2562

26 February 2019

**Subject:** Notification of Execution of a non-binding Memorandum of Understanding with ING Groep N.V., Thanachart Bank Public Company Limited, Thanachart Capital Public Company Limited and The Bank of Nova Scotia in relation to a potential merger with Thanachart Bank Public Company Limited

**To:** President  
The Stock Exchange of Thailand

TMB Bank Public Company Limited (“**TMB**”) would like to inform the Stock Exchange of Thailand (“**SET**”) that, on 26 February 2019, it entered into a non-binding Memorandum of Understanding (the “**MOU**”) with Thanachart Bank Public Company Limited (“**TBANK**”), ING Groep N.V. (“**ING**”), Thanachart Capital Public Company Limited (“**TCAP**”) and The Bank of Nova Scotia (“**BNS**”) 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**”). Prior to the Merger, TBANK would undergo a restructuring (referred to in ‘2. *Transaction Parameters and Structures*’ below) to reinforce TCAP’s strong position as a financial holding company and to ensure that business operation of the Combined Bank is in line with the current business direction of TMB. The key details of the MOU are as follows:

## **1. Transactions Rationale**

The combination of TMB and TBANK would significantly enhance the scale of the Combined Bank’s business making it one of the leading banking franchises in Thailand. The Combined Bank would have total assets of approximately 1.9 trillion baht and more than 10 million retail customers, thereby ranking number six in the Thai banking industry.

TMB and TBANK have strengths that complement each other. TMB’s strength in deposit franchise from its innovative deposit products and TBANK’s strong market position in retail lending portfolio (especially, its hire purchase portfolio) would enhance the Combined Bank’s ability to acquire deposits from an enlarged customer base and create a well-balanced loan portfolio. This would also create three key synergies:

### *Balance Sheet Synergies*

Significant value could be unlocked by the Transactions through balance sheet optimization by allowing the Combined Bank to utilize its assets and raise funds more efficiently. This would in turn result in the opportunity to generate higher yields and have access to lower costs of funds.

### *Cost Synergies*

The Combined Bank would benefit from a greater economy of scale, especially from the integration of key business support areas such as IT infrastructure investment and marketing.

### *Revenue Synergies*

The Transactions would more than double the Combined Bank's customer base which would create revenue synergies. In addition, the Combined Bank would also have an enhanced ability to introduce new and more varied financial products and services to cater to its customers' needs.

It is believed that the Transactions would create value to all stakeholders. For the shareholders, the Combined Bank could realize higher profitability and growth potential from synergies. For the customers, the Combined Bank could offer more diversified products with greater reach. For the employees, the Combined Bank could offer more challenging job scopes and job opportunities. In addition, the Transaction would be in line with government policy to strengthen Thailand's financial sector.

## **2. Transactions Parameters and Structures**

Prior to the Merger, it is currently contemplated that, should definitive agreements in connection with the transactions be signed, TBANK would undergo a restructuring to divest a number of interests in subsidiaries and related companies, both listed on the SET and non-listed companies, held by TBANK to some or all of its existing shareholders, which are TCAP and/or BNS and/or minority shareholders. In the event of such restructuring it is anticipated that the major shareholders of TBANK would cooperate with those subsidiaries and related companies in order to achieve the objectives of the Transactions.

Following TBANK's restructuring, TMB is expected, through a series of transactions yet to be structured, merge with the restructured TBANK by way of an entire business transfer resulting in TMB and TBANK being integrated into one entity to satisfy the Bank of Thailand's single presence rule. The exact structure and steps to implement the Merger are subject to further legal, regulatory and tax analysis.

## **3. Transactions Consideration**

TMB expects the total consideration for the Transactions to be approximately 130-140 billion baht, subject to final adjustments as a result of due diligence findings and the latest book value of TBANK and its subsidiaries. In consideration for the Transactions, TCAP and BNS are expected to receive the consideration in cash, a part of which will be reinvested in TMB.

Following the Transactions and the equity financing (mentioned below), ING, Ministry of Finance and TCAP are expected to be the major shareholders in the Combined Bank with ING and TCAP having respective shareholdings above 20%. BNS is expected to hold a significantly smaller stake.

#### **4. Financing**

TMB intends to finance the Transactions via a combination of debt and equity financing. It is expected that the equity financing would account for about 70% of the total value of Transaction.

Part of the new equity capital would be approximately 50-55 billion baht be in the form of newly issued TMB shares issued to TCAP and BNS. The newly issued TMB shares that would be issued to TCAP and BNS would be expected to be issued at 1.1x of TMB latest available book value adjusted for the capital raise and any adjustment that may be agreed and set out in definitive documentation.

The remaining 40-45 billion baht of new equity capital would be raised via a capital raise to existing shareholders with the support of the current major shareholders and may include a public offering and/or private placements to new or existing investors. TMB intends to maintain a sustainable capital position following the Transactions.

#### **5. Branding**

Should the Transaction proceed, it is expected that, following integration, the Combined Bank would rebrand, taking into consideration the commercial strengths of the existing brands of TMB and TBANK. The exact form of such rebranding would be subject to approval of the Board of Directors of the Combined Bank.

#### **6. Employees**

Should the Transaction proceed, it is intended that all commercially reasonable efforts are used to ensure proper and appropriate management of the employees and in particular, if any assessment of any individual is to be done, it shall be done in a fair manner and with regard to the skills, expertise, capability and qualification of that individual.

#### **7. Timetable**

Following the execution of the MOUs, it is the intention to immediately commence due diligence, preparation, review, negotiation, and finalization of definitive agreements. TMB expects that, subject to obtaining the required approvals and consent, the share transactions would be completed by the end of 2019. After the share transactions, the two banks will continue the process to integrate into one entity as per the Bank of Thailand's single presence rule.

#### **8. Important Notice to Shareholders**

TMB wishes to reiterate that the Transactions are subject to due diligence by the parties as well as agreement on definitive agreements, 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 and the fulfilment of the conditions precedent that would be contained in the definitive agreements, which are expected to include:

- Receipt of mandatory regulatory approvals from the relevant Thai governmental authorities, including, but not limited to, the Bank of Thailand, the Ministry of Finance and the Office of the Securities and Exchange Commission, necessary shareholder approvals and corporate authorizations
- Receipt of necessary third-party consents
- Completion of TBANK's business restructuring
- 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

As the MOU is non-binding, there is no assurance that the final terms of the Transactions will be on the same terms as the MOU. TMB will make further announcement on the Transactions once the definitive agreements have been entered into.

Please be informed accordingly.

Your Sincerely,



(Naris Aruksakunwong)  
Company Secretary