



ANALYST PRESENTATION

# ACQUISITION OF BANKTHAI PUBLIC COMPANY LIMITED

**Dato' Sri Nazir Razak**  
**Group CEO/Managing Director**

**Kuala Lumpur**  
**22 June 2008**

# Agenda

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The Deal

Introducing BankThai

Strategic Rationale

Transaction Financials

Timeline & Approvals

Closing Remarks

## The Deal

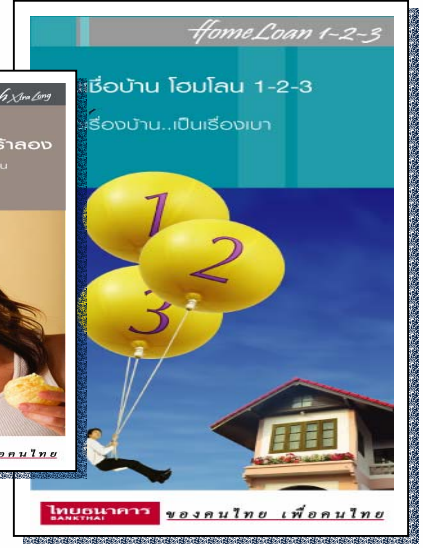
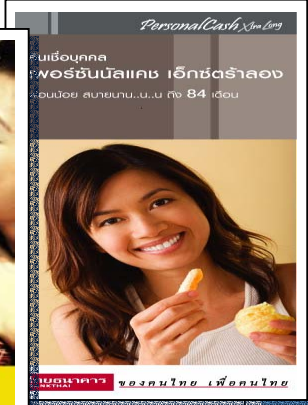
# The Deal

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- Acquisition of FIDF's 42.13% equity interest in BankThai
  - THB 2.10 per share
  - Cash consideration of THB5,905 million (RM577 million)
  - Valued at 2.91x 31 March 2008 book
- MGO for remaining 57.87% of BankThai
- Cash consideration of THB8,112 million (RM790 million)
- Total consideration for 100% would be about THB14.3 billion (RM1.4 billion)
- Recapitalisation required... estimated between THB5.0 billion and THB6.0 billion (RM500 million to RM600 million)
- CIMB Group has commenced negotiations with TPG on their 42% stake....2 scenarios remain for now

# Introducing BankThai

# BankThai



# Overview of BankThai

## Background & Overview

- Formed in August 1998, following the consolidation of 14 financial institutions<sup>1</sup> after the Thai financial crisis in 1997
- Number of shares = 6,674.7 million
- 147 branches; 1,154 ATMs – 10<sup>th</sup> largest branch network among Thai commercial banks, majority of which located in the Bangkok Metropolitan area
- 3,090 employees group wide

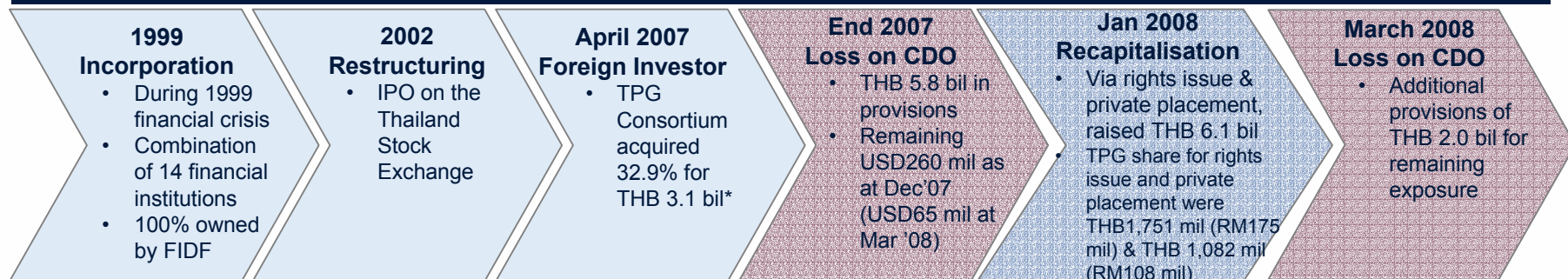
## Key Financial Information (Group wide)

(Unit: RM mil*)	2006	2007	1Q08
Total Assets	21,947.0	20,569.7	21,633.3
Total Deposits	18,121.9	16,602.9	16,085.7
Total Loans	10,377.1	9,920.8	9,858.1
Shareholders' Funds	422.4	64.9	481.0
Profit After Tax	(442.3)	(692.8)	(208.6)
Net Interest Margin	3.0%	3.9%	2.7%
Gross Loan / Deposit Ratio*	57.3%	59.8%	61.3%
Gross NPL Ratio**	7.9%	14.1%	15.1%
Net NPL Ratio	2.3%	4.8%	5.0%
CAR Ratio	4.1%	0.8%	7.4%
Tier 1 Ratio	6.0%	1.5%	4.5%

\*Loan deposit ratio has been low since 2005

\*\*NPL Ratio has increased with loan base declining

## KEY DEVELOPMENTS

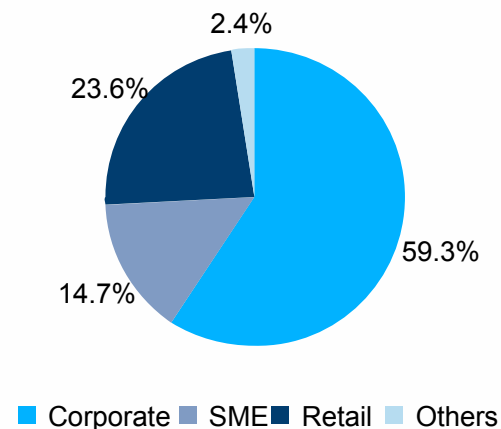


\*Average cost of TPG investment to date including rights issue/private placement is THB2.10 per share

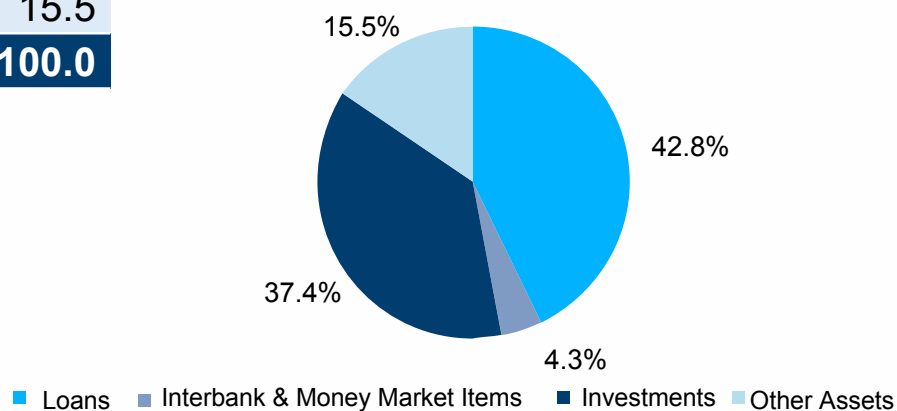
# Loans & Assets Composition as at FY07

<b>LOANS</b>	<b>THB mil</b>	<b>%</b>
Corporate	58,420	58.9
SME	14,504	14.6
Retail	23,246	23.4
Others	3,038	3.1
<b>Total Loans</b>	<b>99,208</b>	<b>100.0</b>
Net Loans	88,087	42.8
Interbank & Money Market Items	8,742	4.3
Investments	76,957	37.4
Other Assets	31,911	15.5
<b>Total Assets</b>	<b>205,697</b>	<b>100.0</b>

**Loans (%)**

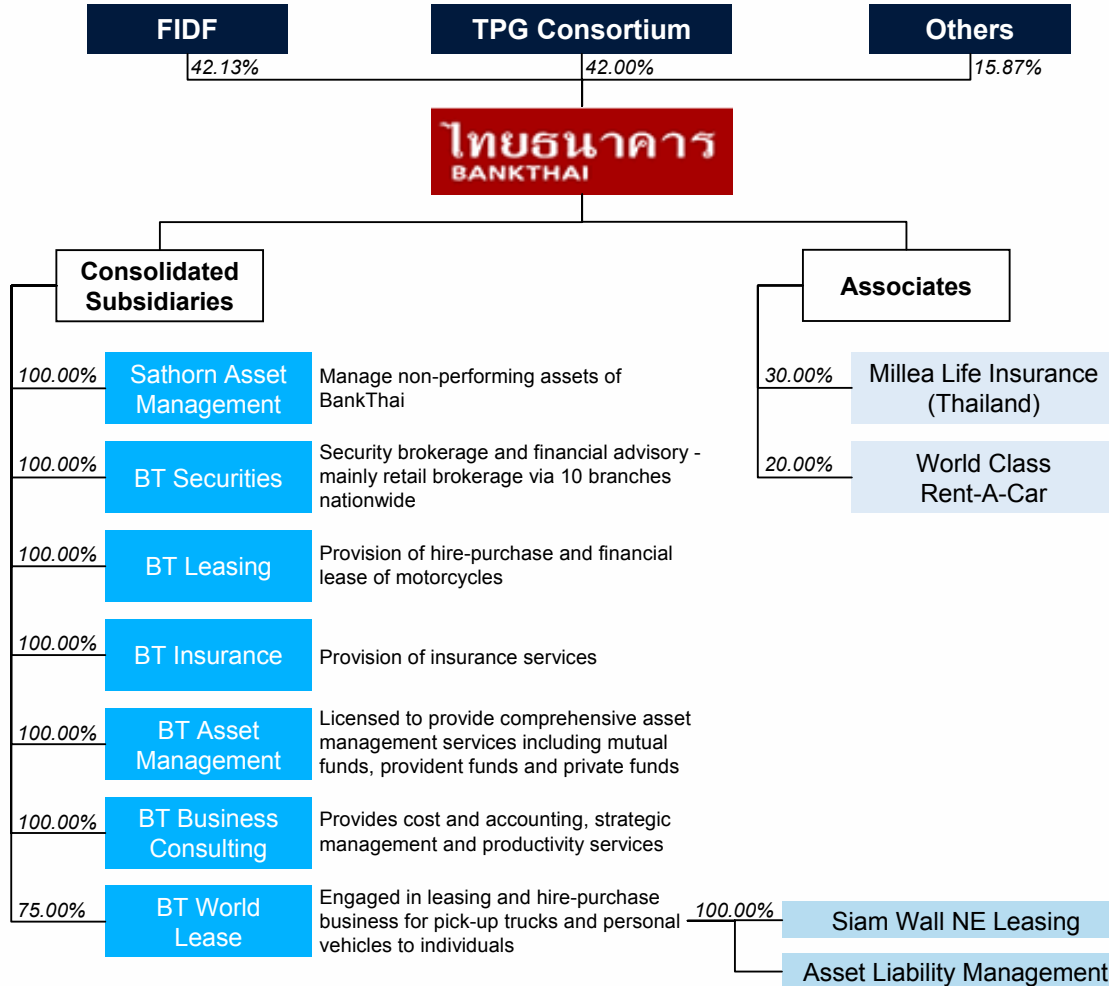


**Asset (%)**





# Corporate Structure... A Thai Universal Bank

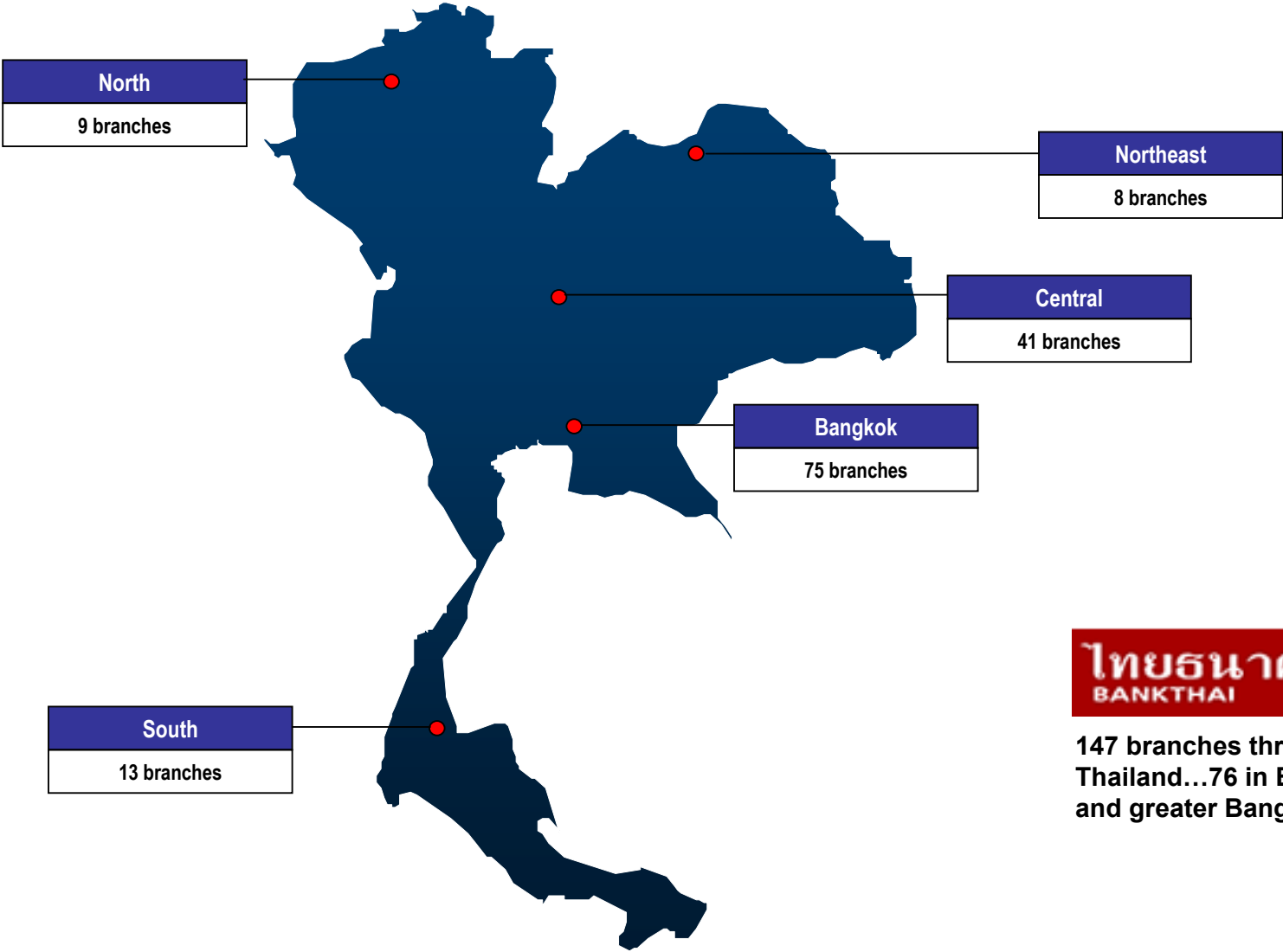


# Board and Management

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- Management led by President & CEO; Khun Phirasilp Subhapholsiri who has been in the bank since inception
- Management team made up of senior corporate bankers with experience in international banks
- TPG came in 2007, started to assert greater influence since April 2007
- TPG's Senior Advisor, Robert A Cohen joined in Jan 08. He was ex-President and CEO of Korea First Bank and brings with him over twenty years of experience in financial services industry
- 4 representatives on Board of BankThai amongst others;
  - Mr. Ranvir Dewan, a member of Board of Directors since 2007. He is currently the Head of Financial Institution Group Operations of TPG. Prior to joining Korea First Bank, he held senior positions at Citibank Group worldwide.
  - Mr. Chin Yuen Yin, a member of Board of Directors since 2007. He also serves on the Executive Director Committee and as a Chairman of the Retail Banking Committee. Previously he served in various consumer banks in Malaysia, Singapore & Indonesia.
- Since entry in 2007, initiatives by TPG include:
  - New financial management reporting
  - Improved risk management framework
  - Roll-out new retail banking products
  - Revamped Board Committee structures
  - Aligned compensation and performance

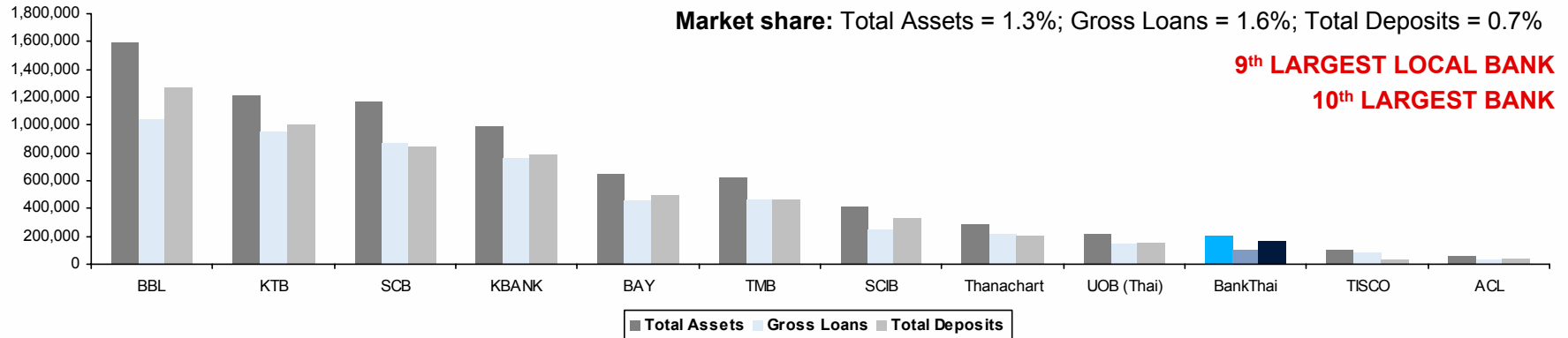
# Branch Network



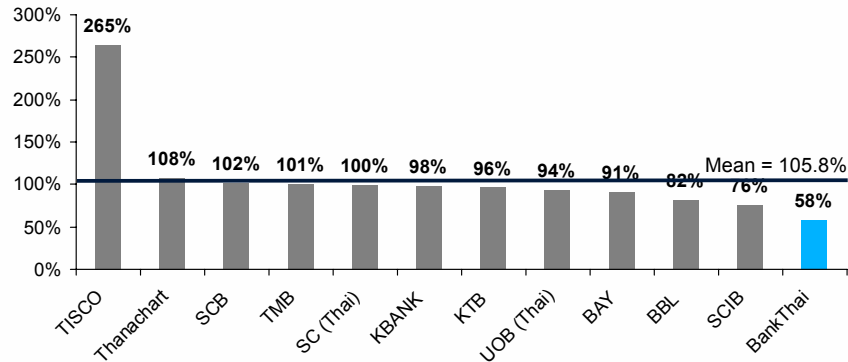
147 branches throughout Thailand...76 in Bangkok and greater Bangkok

# Comparison with Other Banks

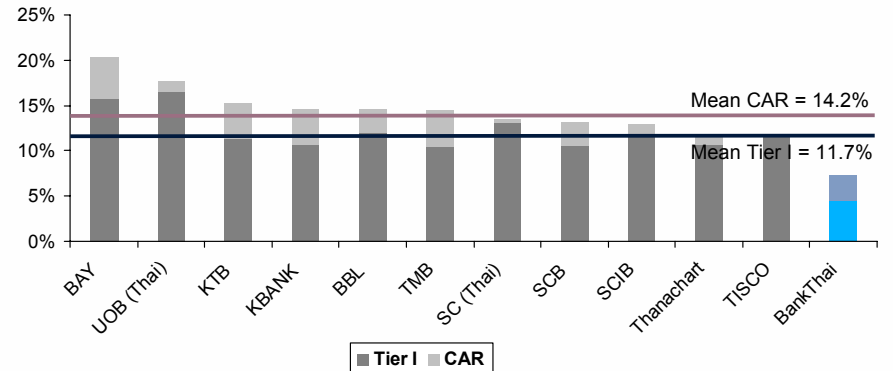
## Total Assets, Gross Loans & Deposits (THB mil)



## Loan to Deposit Ratio



## Capital Adequacy Ratio

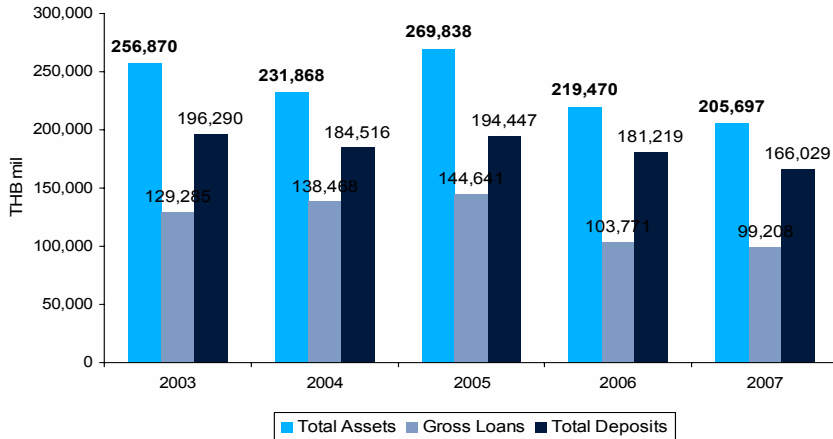


**Notes:**

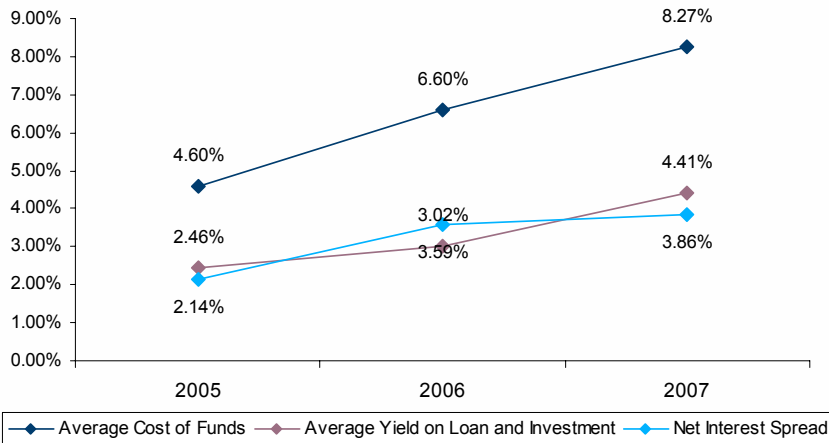
- BBL = Bangkok Bank, KTB = Krung Thai Bank, SCB = Siam Commercial Bank; KBANK = Kasikorn Bank, BAY = Bank of Ayudhya, TMB = Thai Military Bank, SCIB = Siam City Bank, ACL = ACL Bank, SC (Thai) = Standard Chartered (Thailand)
- Based on Audited Accounts as at 31 December 2007. UOB (Thai) numbers are as at 30 September 2007
- Bank Thai's CAR and Tier I Ratios after capitalisation exercise as at 31 March 2008

# Key Financials

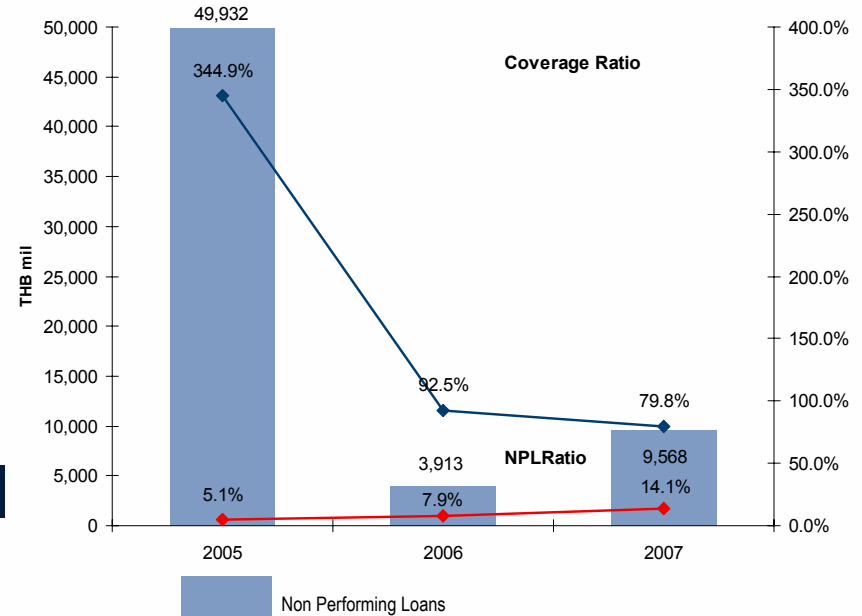
## Total Assets, Gross Loans & Deposits



## Historical Net Interest Spread



## Non-Performing Loans ("NPL"s), NPL & Coverage Ratio



- NPL declined post 2005 through settlement of Yield Maintenance Agreement with FIDF
- BankThai's NPL ratio has increased with its loan base declining and one large corporate default in 2007
- Net interest spread improved with the improvement in loan and investment yield and decrease in the average cost of funds

*Note:*

1. Based on BankThai's 2005, 2006 & 2007 Audited Accounts & IM





## Potential of Existing BankThai

<b>Universal Banking Platform</b>	<ul style="list-style-type: none"><li>■ Full range of licenses including securities, leasing, life and non-life insurance, fund management, custodian services, etc.</li><li>■ Good brand recognition</li></ul>
<b>Growth Potential</b>	<ul style="list-style-type: none"><li>■ Established and sizable distribution platform</li><li>■ Loan business currently concentrated on corporate loans, potential for expansion in the SME and consumer banking sector</li><li>■ Loans and deposits shrinking due to capital constraint</li><li>■ 10% share of volume on Baht bond market</li></ul>
<b>Further Value Creation From Business Restructuring</b>	<ul style="list-style-type: none"><li>■ Realisation of additional value from tax losses, sale of INPLS, bancassurance initiative, sale of properties, disposal of surplus licenses etc.</li><li>■ Platform for cross-selling and new product distribution</li><li>■ Cost saving initiatives</li></ul>

**CIMB has conducted Due Diligence on BankThai, however a comprehensive business plan will be in place only after discussions with management**

# Strategic Rationale

# Final Piece of the “SEA UB Jigsaw”

Geographical Presence	Commercial Banking	Corporate & Investment Banking	Stock Broking	Islamic Banking
Malaysia 	✓	✓	✓	✓
Singapore 	✓ (restricted branches)	✓	✓	✓
Indonesia 	✓	✓	✓	✓
Thailand 	<b>BankThai</b>	✓	✓	<b>BankThai</b>



## “TO BE SOUTH EAST ASIA’S MOST VALUED UNIVERSAL BANK”

- Addresses missing link in CIMB Group’s regional footprint
- Adds complete Universal Banking capabilities in Thailand
- Other SEA markets deemed long term targets...organic growth strategies



# A Unique Investment Opportunity...

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- Rare chance for foreigner to own up to **100% of a local Thai bank**
  - BankThai deemed a distressed bank
  - No new banking licenses since the Asian Financial Crisis
  - Only minority deals on the horizon...limited synergy and upside potential
  - Current foreign shareholding limit for non distressed banks of 25%... may increase to 49% max
- Restructuring and value creation opportunity
  - Massive losses caused by bad investment of surplus funds in U.S CDOs
  - Resulting capital deficiency caused asset and liability portfolio deterioration
  - Potential quickwins from post recap asset / liability growth and business restructuring
  - Staff morale also affected
- Plays to our strengths
  - Capital and business restructuring exercise
  - Intra-regional integration and business turnaround track record
  - Ramp-up IB and treasury quickly and build consumer gradually

# Regionalisation of BankThai

**Full universal banking capabilities to build on... with intra-regional synergies**

- Access to and share a **regional universal banking platform**
- Access to and share **customer base**
- Access to and share **best practices**
- Access to and share **new products, increased capabilities and successful business models**
- Access to and share **regional training facilities**



# Potential Synergies from Integration

Potential Transformation Initiatives by CIMB Group	
<b>BankThai + CIMB Group</b>	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p><b>New Products</b></p> <ul style="list-style-type: none"> <li>■ Credit cards</li> <li>■ Islamic Banking</li> <li>■ Structured Products</li> <li>■ Microfinancing</li> </ul> <p><b>Business models</b></p> <ul style="list-style-type: none"> <li>■ Consumer/Retail Banking</li> <li>■ Investment Banking</li> <li>■ SME Banking</li> <li>■ International Business</li> <li>■ Asset Management</li> </ul> <p><b>Delivery models to achieve service &amp; operational excellence</b></p> <ul style="list-style-type: none"> <li>■ Consumer Sales &amp; Distribution model</li> <li>■ Internet Banking</li> <li>■ Wealth Management / Product bundling</li> <li>■ Direct Banking</li> </ul> </div> <div style="width: 10%; text-align: center;"> </div> <div style="width: 45%;"> <p><b>HR paradigm shift</b></p> <ul style="list-style-type: none"> <li>■ Facilitate <b>cross-border skills transfer</b> through staff exchange / secondment programmes</li> <li>■ Emphasise a <b>performance driven</b> culture</li> </ul> <p><b>Sharing of operational best practices</b></p> <ul style="list-style-type: none"> <li>■ Treasury</li> <li>■ Risk Management</li> <li>■ IT</li> <li>■ NPL Management</li> <li>■ Internal Audit</li> </ul> </div> </div>
<b>BankThai + CIMB-GK Thai</b>	<ul style="list-style-type: none"> <li>■ Creation of a stronger and larger entity</li> <li>■ Access to both entities' customer base</li> <li>■ Stronger balance sheet will enable the merged entity to support bigger deals</li> <li>■ Cost synergies to be realised via rationalisation of common back-office operations</li> </ul>

# Transaction Financials

# Acquisition Cost – 2 Scenarios

## Offer Price at THB 2.10 per share

LEVEL OF ACCEPTANCE – GO	58.00%	100.00%	Blended P/B
Total consideration – Acquisition & GO (THB mil)	8,130	14,017	2.91x
Recapitalisation (THB mil) <sup>1</sup>	3,074	5,300	
<b>Total Consideration after Recapitalisation (THB mil)</b>	<b>11,204</b>	<b>19,317</b>	<b>1.91x</b>
<b>Total Consideration after Recapitalisation (RM mil)</b>	<b>1,095.6</b>	<b>1,888.9</b>	<b>1.91x</b>

## Post- Recapitalisation & Adjustments

	Adjustments	Blended P/B
<b>Base case (THB mil)</b>	(1,252)	2.18x
<b>Worst case (THB mil)</b>	(2,092)	2.30x

Notes:

1. Based on capital requirements of THB 6 billion and rights price of THB 0.72 (book value per share as at 31 March 2008)

# Capital Management Implications

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- The acquisition would be made under CIMB Bank
- CIMB Bank's RWCR will be maintained at 12%
- At an acquisition of up to 58% stake, there are sufficient surplus funds within CIMBG to fund the acquisition
- For an acquisition of 100% stake, additional funds will be raised in the capital markets using hybrid Tier 1 capital
- No changes in BCHB's share buyback and dividend policies
- No impact to BCHB's double leverage and gearing targets

# Preliminary Forecasts

		Worst Case			Base Case			Management Case <sup>1</sup>		
<i>THB mil</i>	31/03/08	31/12/08	31/12/09	31/12/10	31/12/08	31/12/09	31/12/10	31/12/08	31/12/09	31/12/10
<b>Balance Sheet</b>										
Total Loans	86,899	97,747	111,731	129,573	98,163	112,007	129,640	105,000	131,000	162,000
Total Assets	216,333	210,724	218,440	239,606	211,188	218,928	239,870	223,000	242,000	265,000
Shareholders' Funds	4,810	8,399	9,236	11,555	8,858	9,720	11,817			
NIM	2.70%	3.27%	3.53%	4.17%	3.27%	3.53%	4.17%	3.00%	3.45%	3.84%
LDR	61.3%	65.0%	69.8%	72.7%	65.0%	69.8%	72.7%			
P/B	2.91x	2.30x	2.09x	1.67x	2.18x	1.99x	1.63x			
<b>Profit &amp; Loss</b>										
Earnings	(2,086)	(4,178)	837	2,319	(3,338)	686	2,147	(1,110)	1,365	2,007
ROAE	N/A	N/A	9.4%	22.1%	N/A	7.3%	19.7%	N/A		
Forward P/E	N/A	N/A	23.07x	8.33x	N/A	28.17x	9.00x	N/A	13.96x	9.62x

- Asset growth assumptions more conservative than management
- Assumes reinstatement of business as usual post-recap

## Notes:

1. From BankThai's management

## Earnings Accretive to BCHB from 2009

	LEVEL OF ACCEPTANCE – GO (%)									
	58%					100%				
<i>THB mil</i>	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
<b>Expected earnings<sup>1</sup></b>	(1,936)	398	1,245	1,617	2,055	(3,338)	686	2,147	2,789	3,544
<b>Cost of Funding</b>	(98)	(392)	(392)	(392)	(392)	(261)	(1,044)	(1,044)	(1,044)	(1,044)
<b>Net earnings</b>	(2,034) <sup>2</sup>	6	853	1,225	1,663	(3,599) <sup>2</sup>	(359)	1,103	1,744	2,499
<b>ROAE</b>	N/A	7.3%	19.7%	22.6%	26.4%					
<b>P/E</b>	N/A	28.17x	9.00x	6.93x	5.45x					

- No intra regional synergies included
- Assuming hybrid funding cost at 6.5% for 100% scenario

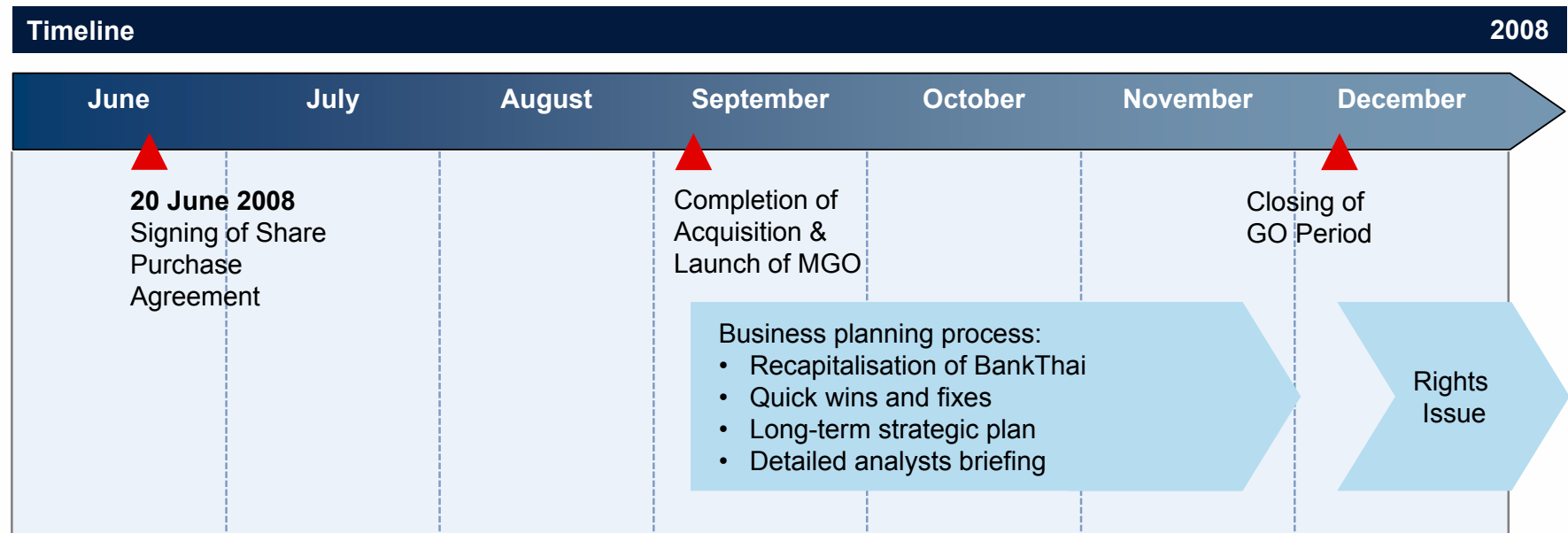
### Notes:

1. BankThai management's projections and IBES estimates significantly higher
2. Minimal effect on BCHB as losses are pre-acquisition



## Timeline & Approvals

# Timeline & Approvals Required



- A tender offer in Thailand typically takes about 90 days to complete

## APPROVALS REQUIRED

- Ministry of Finance of Thailand
- Ministry of Commerce of Thailand
- Bank Negara Malaysia

## Closing Remarks

## Final Remarks

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- Thailand is key missing link in our regionalisation strategy
- Enhances CIMB Group's regional universal banking platform and franchise value
- A rare opportunity to acquire a controlling stake in a Thai Bank with full suite of universal banking capabilities at a fair price
- Value creation opportunities via business and capital restructuring, and harnessing intra regional synergies
- Improves CIMB Group's earnings complexion, geographical and segmental
- Minimal near term earnings dilution and earnings enhancement in medium-term based on pre-synergy analysis
- Business restructuring should reduce effective valuation multiple even further

# Appendix

## Substantial Clean Up Post TPG Entry...

<i>THB mil</i>	<b>31 Dec 2006</b>	<b>31 Dec 2007</b>	<b>31 Mar 2008</b>
<b>Total assets</b>	219,470	205,697	216,333
<b>Total liabilities</b>	215,186	204,986	211,458
<b>Total Equity</b>	4,284	711	4,875

- TPG entered BankThai in April 2007
  - Subscription price of THB4.17 per share for initial 32.9% stake
  - Subsequent recapitalisation to raise THB6.1 billion (RM0.6 billion) via rights at THB1.38 per share (completed in January 2008)... blended TPG cost of approximately THB2.10 per share
- Significant clean-up of book post TPG's entry... write-down of CDOs and additional provisions for loans
- Post recapitalisation, shareholders' funds as at 31 March 2008 is THB4,810 (RM470 million)... after further write-downs for CDOs of approximately THB2.4 billion (RM234 million)

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**THANK YOU**