

Financial Services Deal Pulse in Thailand

May 2022

KPMG in Thailand | Deal Advisory

Deal activity in Thailand remains vibrant despite the impacts of the Covid-19 pandemic. Key drivers in the financial services space include (1) Continued activity and transactions in payments, fintech and digital ecosystems, (2) Diversification of Thai corporations into the financial services sector, and (3) Funding activities of Asset Management Companies ("AMCs") as they prepare for greater Non-Performing Loan ("NPL") flows. We expect activity to remain robust as we start seeing the impacts of digital startups on the broader financial services sector and as banks rationalise their loan portfolios.

Banking



- Local banks continue to look outwards with Cambodia, Laos, Vietnam, and Indonesia being key markets of focus.
- Citi has reached an agreement to sell its Thai retail banking arm (alongside operations in Indonesia, Malaysia and Vietnam) to Singaporean bank UOB. This may drive further consolidation locally and regionally.
- Siam Commercial Bank has recently announced its "SCB Reimagined" plan to facilitate its transition into a tech driven company. The initiative is expected to drive new ventures and investments. The securities arm of the business is in advanced discussions to acquire a majority stake in digital currency exchange Bitkub (subject to shareholder and regulatory approvals) to support its transition into a Digital Assets broker and ICO portal.
- The BOT has published a consultation paper (February 2022) outlining its plans to reposition the financial sector. The principal policy recommendations include (a) Establishing a virtual banking license, (b) Removing limits on fintech investments by banking groups, and (c) Expanding the scope of NBFI and allowing them access to core infrastructure.

Consumer Finance



- Asset yields have experienced downward pressure stemming from a reduction in regulatory interest caps and softer economic conditions. However, operators with sufficient scale continue to record strong performance.
- Continued consolidation and partnerships (for example, with insurance companies) are key deal themes. The recently announced policy direction of the BOT indicates expansion of the scope of Thai consumer finance businesses.
- Several recent IPOs underscore investor appetite in the space (Ngern Tid Lor, Heng Leasing and Capital, Saksiam Leasing). There have been several transactions for entities holding licenses as investors see consumer finance as an attractive and cost effective entry point into the Thai financial services sector.

Insurance



- Both the insurance and broker segments have seen continued deal activity. Within non-life, health insurance has been a key area of focus (for example, the acquisition of Aetna Thailand by Allianz Ayudhya Capital)
- Partnerships have been a key driver of deals and insurers seek to tap the customer ecosystems of other financial and non-financial businesses to enhance distribution and customer value proposition.
- Life insurance licenses remain sought after with several recently completed acquisitions (for example, Manulife by King Wai Group, and Advance Life Assurance by U City).
- Brokerage businesses are increasingly digitally focused. Larger brokers (such as TQM) have been expanding regionally through deals.

Payments/Fintech/Crypto



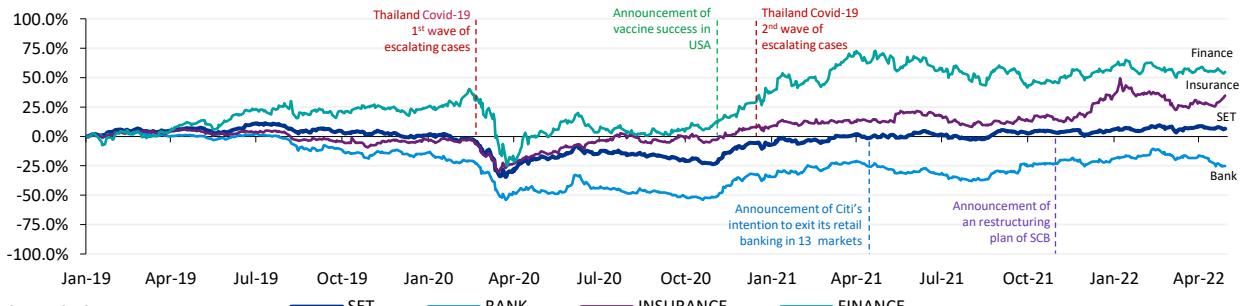
- BOT's consultation paper on the financial sector reiterates the central role of fintech in the Thai financial services sector.
- Investments in the space continue to grow, with completed funding rounds in Ascend Money (e-money, wallet and payments) and Sunday Ins (a digital non-life insurer) topping the 2021 list.
- SCB's announced deal for Bitkub is slated to become the largest transaction to date in the space on closure.

Asset Management (NPLs and fund management)



- The Asset Management sector has seen a significant uptick, with increasing deleveraging by banks.
- AMCs have been increasingly active in the fund raising market, raising both equity and debt.
- The BOT has encouraged Banks to explore Asset Management JVs to facilitate an orderly deleveraging of their balance sheets. Various tie-ups (such as Banks and AMCs, and AMCs and Corporates) are under discussion, with some having closed recently as the sector prepares for increased NPL flows.
- Based on Bloomberg news, KBANK is considering strategic alternatives for KAsset (estimated valuation of USD 2.0 bn).

Financial Services Performance Against Market Benchmark

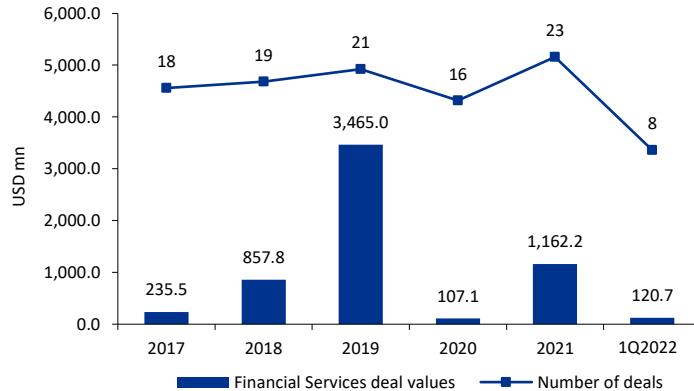


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Financial Services Deals in Thailand



Source: S&P Capital IQ

Note: Please refer to the following page for Data Criterion, FY2022 contains Q1 performance only

- The number of financial services sector deals has been relatively consistent, with an average of 19 deals per year over the past five years.
- Financing (Consumer Finance and Leasing) and Investment Banking and Brokerage sub-sectors were the most active, contributing to approximately half of all financial services deals over the past 5 years.
- FWD Group Financial Services Pte. Ltd. acquired SCB Life Assurance Public Company Limited at approximately 2,900 USD mn, driving a sharp increase in deal value in FY2019.

Deal Value by Target Industry - 2021-1Q2022



Target industry	No. of Transactions
Insurance	12
Financing	10
Payments/Fintech/Crypto	5
Asset management	2
Banking	2
Total	31

Source: S&P Capital IQ

Note: Target industry may be classified differently from the classification of S&P Capital IQ

- Payments/Fintech/Crypto, Insurance, and Financing occupied the three largest portions of transaction value in 2021-1Q2022.
- Banking sector transactions represented one transaction with a disclosed value (the deal between LH Financial Group Public Company Limited and CTBC Bank Co., Ltd. with a deal value of USD 134.4 mn).

Source: S&P Capital IQ

Note: Asset management comprises brokerage securities firms, fund management businesses, asset management and custody banks, and investment consulting services. Financing includes consumer finance and leasing.

Selected transactions

No.	Deal value (USD mn)	Percent sought (%)	Announced date	Transaction Status	Target Name	Target Industry	Buyer Name
1	536.6	51.0	02/11/2021	Announced	Bitkub Online Co., Ltd.	Payments/Fintech/Crypto	SCB Securities Co., Ltd.
2	150.0	n/a	26/09/2021	Closed	Ascend Group Co., Ltd.	Payments/Fintech/Crypto	Charoen Pokphand Group Co., Ltd.; Ant Group Co., Ltd.; Bow Wave Capital Management, LP
3	134.4	11.0	31/03/2021	Closed	LH Financial Group Public Company Limited (SET:LHFG)	Banking	CTBC Bank Co., Ltd.
4	80.0	100.0	02/03/2022	Closed	Non-performing loans (NPL) of Kiatnakin Phatra Bank	Financing	Collectius CMS (S) Pte. Ltd.
5	51.3	100.0	14/06/2021	Announced	Kasikorn LINE Co., Ltd.	Payments/Fintech/Crypto	LINE Financial Plus Corporation
6	48.0	10.0	25/11/2021	Announced	Thanachart Insurance Public Company Limited/Thanachart Securities Public Limited Company	Insurance	TMBThanachart Bank Public Company Limited (SET:TTB)
7	45.0	n/a	03/09/2021*	Closed	Sunday Ins Co., Ltd.	Insurance	Z Venture Capital Co., Ltd.; Quona Capital Management Ltd.; Vertex Ventures SE Asia & India; Aflac Corporate Ventures; SCB 10X Company Limited
8	44.9	75.0	27/08/2021	Closed	Advance Life Assurance PCL.	Insurance	U Global Hospitality Co., Ltd.
9	20.7	29.3	09/12/2021	Closed	Finansia Syrus Securities Public Company Limited (SET:FSS)	Asset management	Individuals
10	19.7	55.6	09/03/2022	Announced	TQR Public Company Limited (SET:TQR)	Insurance	TQM Corporation Public Company Limited (SET:TQM)

Source: S&P Capital IQ

*The M&A closed date is used if transaction is private placement

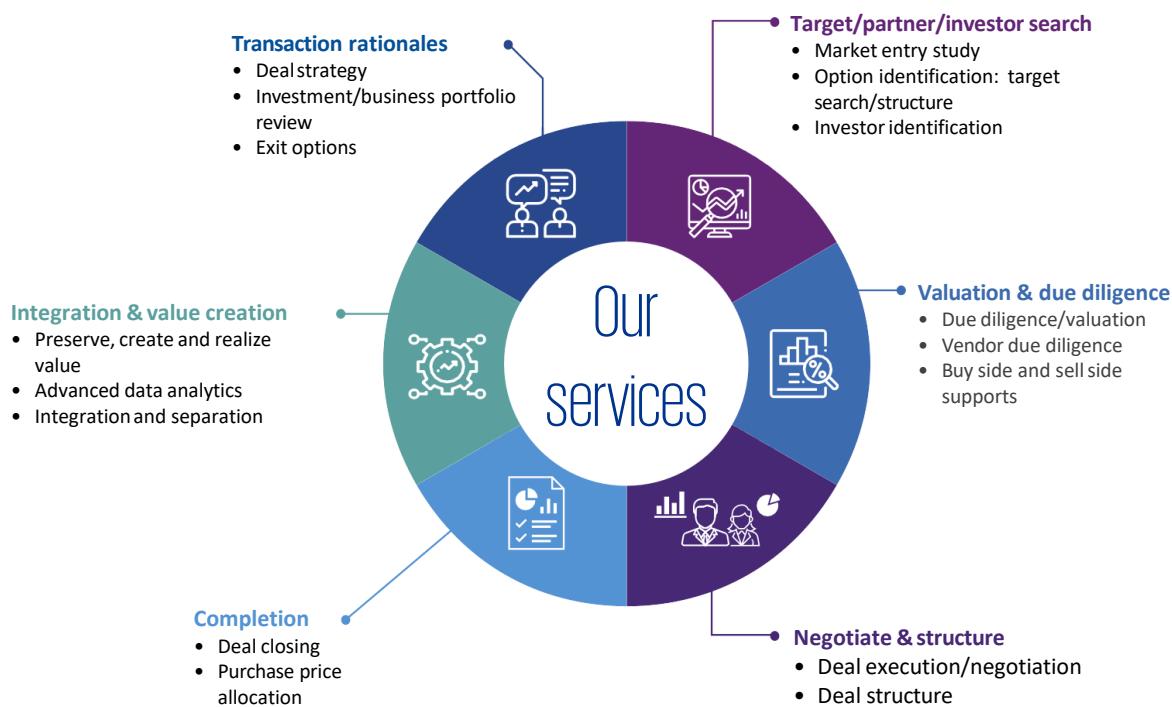
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Data criterion

- Value data provided in the various charts represent the aggregate value of the deals for which a value was stated. Please note that values are disclosed for approximately 65% of all deals.
- Deals are included where a stake of 30% or more has been acquired in the target. If the stake acquired is less than 30% then the deal is included if the value is equal to or exceeds the equivalent of USD 10 mn.
- All deals included have been announced but may not necessarily have closed.
- Activities excluded from the data include restructurings where ultimate shareholders' interests are not affected.

KPMG Deal Advisory

Whether you need to buy, sell, partner, fund or fix a business, our Deal Advisory team works to help you find, secure, and drive value throughout the business life cycle.



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