

Part 1 Business Operation

1. Policy and Business Overview

Business Overview

The Bank is licensed by the Ministry of Finance and related authorities to engage in commercial banking, which constitutes the primary business of the Bank. In commercial banking, the Bank focuses on innovative and value-added products and services, particularly fee-based products and services such as cash management, financial advisory and treasury.

The main business areas of the Bank can be summarised as follows:

1. Commercial banking: the Bank provides a full suite of commercial banking products and services, such as deposits, loans, discounting, aval/acceptance of bills of exchange, letters of guarantee, foreign exchange trading, letters of credit, tele-banking and ATM services;
2. Insurances: life and non-life insurance brokerage as licensed by Office of Insurance Commission.
3. Securities businesses and other related businesses as licensed by the Office of the Securities and Exchange of Commission (SEC) and/or Ministry of Finance such as:
 - 3.1. Financial advisory;
 - 3.2. Registrar and paying agent services
 - 3.3. Debt securities dealing and underwriting ;
 - 3.4. Bondholders' representative;
 - 3.5. Brokerage, dealing and underwriting of investment unit trusts;
 - 3.6. Custodian services; and
 - 3.7. Derivatives dealing;
 - 3.8. Business consultancy; and
 - 3.9. Asset management;

In all cases, the Bank holds a stake in businesses that contribute, either directly or indirectly, towards promoting its growth.

The Bank's policy remains focused on building synergies between its strategic business units and its subsidiary and associate companies. With this in mind, the Bank intends to retain only those companies with growth potential and which are able to generate good investment returns.

The Bank's strength lies in its well-established and extensive network of domestic branches. As at 31 December 2016, the Bank operated 19 main offices with credit facilities and 91 branches, with 3 branches equipped with foreign exchanges facilities, 18 stand-alone

1.1 Vision, Objectives and Corporate Value

Vision

"To be Thailand' Leading ASEAN Bank for all stakeholders"

Mission

"To be Thailand's Leading ASEAN Bank by providing innovative financial products, excellent service, and compelling cross border solutions through synergy with CIMB Group."

We are in our journey to achieve our Aspiration;

- To become Top 3 most Profitable Bank (by RoE)
- To be Market Leaders in at least 3 business segments
- To be Employer of Choice through strong brand equity driven by a high performance culture

Corporate Value

Core values reflect what is truly important for CIMB Thai. These are not values that change from time to time, situation or by person, but rather they are the foundation of our culture. It is the soul of our bank.

CTHAI:

- **Customer**
We appreciate the unique needs of each individual and organization. By putting their needs first and delivering quality solutions, we strive to create relationships of lasting value.
- **Teamwork**
We strive to deliver results by maximising our potential. We believe that true potential can only be unleashed from collaboration and teamwork.
- **Honesty**
We place a high value on integrity as professionals in a business where trust is essential. We are accountable and take responsibility for both our shortcomings and successes. This mindset allows our customers to entrust their business with us.
- **ASEAN**
As members of CIMB Group, we aspire to be the leading ASEAN bank in Thailand. It is through integration of our people, products and processes that we can bring the best ASEAN opportunities to our stakeholders.
- **Innovation**
We are always looking to improve ourselves through innovation. By constantly encouraging creativity, improving capability and identifying opportunities we are able to collectively ensure that we deliver market-leading solutions to our stakeholders.

1.2 Background and key developments

CIMB Thai Public Company Limited (the “**Bank**”) ¹ was established through the amalgamation of the Union Bank of Bangkok Public Company Limited, the 12 state-intervened finance companies² and Krungthai Thanakit Finance Public Company Limited³ pursuant to the governmental order on 14 August 1998, a Cabinet resolution of 27 October 1998 and the notification of the Ministry of Finance, dated 22 December 1998. The consolidated entity subsequently changed its name to “BankThai Public Company Limited”, a new commercial bank established on 21 December 1998. The Financial Institutions Development Fund (the “**FIDF**”) acquired a major shareholding in the Bank and subsequently, the SET approved the trading of the Bank’s ordinary shares on 30 March 2001 with “BT” designated as its stock trading sign.

Details of the Bank’s major developments are summarised below:

The Bank of Thailand (the “**BOT**”) issued an order to the Union Bank of Bangkok Public Company Limited to reduce its registered capital via a par value reduction from THB 10 per share to THB 0.01 per share, resulting in a decrease of the registered capital from THB 1.8 billion to THB 1.8 million. The Bank of Thailand then ordered Union Bank to increase its registered capital from THB 1.8 million to THB 12 billion through the issuance of increased ordinary shares totaling 1,233,220 million shares at 0.01 THB per share, all of which were allotted to the FIDF. As a result, the Bank’s registered and paid-up capital was THB 12 billion with the FIDF holding 100%. With that, the Bank’s capital funds were sufficient to facilitate the consolidation between the Union Bank of Bangkok PCL, the 12 state-intervened finance companies and Krungthai Thanakit Finance and Securities Public Company Limited, into a new commercial bank, with the FIDF being the major shareholder.

Pursuant to the resolution of the Cabinet on 27 October 1998 and the notification of the Ministry of Finance on 22 December 1998, the following steps taken were:

- transfer of all assets and liabilities of 12 finance companies to Krungthai Thanakit Finance Public Company Limited; and
- transfer of all assets and liabilities of Krungthai Thanakit Finance Public Company Limited to the Union Bank of Bangkok Public Company Limited.

¹ To register the name change to CIMB THAI Bank Public Company Limited on 1 May 2009.

² Comprises:

Nava Finance and Securities Plc.	Vajiradhanathun Finance Co., Ltd.	First City Investment Plc.
Thai Summit Finance and Securities Co., Ltd.	Erawan Trust Co., Ltd.	Ksit Finance and Securities Plc.
Mahatun Finance Co., Ltd.	Progressive Finance Co., Ltd.	Union Asia Finance Plc.
Bangkok Asian Finance Co., Ltd.	Dhana Siam Finance and Securities Plc.	IFCT Finance and Securities Plc.

³ Previously named Krungthai Thanakit Finance and Securities Public Company Limited

Upon completion of the above processes, Krungthai Thanakit Finance Public Company Limited and the other 12 controlled finance companies surrender their finance business licenses to the Ministry of Finance. The Union Bank of Bangkok Public Company Limited changed its name on 21 December 1998 to BankThai Public Company Limited.

In 1999, the Bank changed the par value of its ordinary shares from THB 0.01 per share to THB 10 per share and increased capital amounting to THB 40 billion via the issuance of non-cumulative preferred shares, of which can be converted into ordinary shares with the right to receive capital reduction upon conversion into ordinary shares for 4,000 million shares with a par value of THB 10 per share to the FIDF. The allotment was made through a private placement to the FIDF for the entire amount at a price equal to par value, i.e. THB 10 per share. The FIDF paid for 3,706.80 million shares at the price of 10 THB per share, totaling THB 37 billion. As a result, the Bank's registered capital increased to THB 52 billion and the issued shares to THB 49 billion, with the FIDF holding 100%.

Subsequently in 2000, the Bank reduced its registered capital by THB 2,932 million by canceling un-issued preferred shares and then increasing registered capital via the issuance of 260.05 million ordinary shares with a par value of THB 10 per share. The increased capital was allotted through a private placement offering to shareholders of Krungthai Thanakit Finance Public Company Limited at the price of THB 5.6184 per share. The purchase was paid with the ordinary shares of Krungthai Thanakit Finance Public Company Limited. The value of the bank's ordinary shares, as appraised by the Bank, was equal to THB 1.3566 per share, resulting in a share swap ratio of 0.2414478 the Bank's share per 1 share of Krungthai Thanakit Finance Public Company Limited. Upon completion of the share swap, the Bank's registered and paid-up capital stood at THB 52 billion with the FIDF being the major shareholder holding 5,145.3 million shares (1,438.5 million ordinary shares and 3,706.8 million preferred shares), representing 98.94% of total issued shares.

At the end of 2000, the Bank complied with the resolution with regards to the compensation of non-performing assets as approved by the Cabinet on 19 September 2000. The Bank reduced capital via the cancellation of all preferred shares and returned the total preferred share capital of THB 37 billion to the FIDF, in order to relieve the FIDF's burden and to adjust the amount of capital to an appropriate level. The Bank subsequently recorded the FIDF as a creditor and issued promissory notes to the FIDF, which were to be payable by 1 January 2006. The Bank gradually made partial repayment of THB 15 billion of the promissory notes in cash, and the remaining THB 22 billion was mutually agreed by the FIDF and the Bank to be used against the compensation of non-performing asset transactions the Bank recorded as receivables from the FIDF under a gain/loss sharing and yield maintenance agreement. The Bank had fully set off such an amount by the end of 2005.

Additionally, as the FIDF had been the sole absorber of the burden incurred from the Bank's financial difficulties and capital increase in the past, to provide an opportunity for the Bank to compensate the FIDF and to improve the Bank's business status and operations, on 9 May 2001, the Bank issued 10-year warrants to purchase its preferred shares ("**Warrants**"), totaling 3,706.80 million units and maturing on 8 May 2011 to the FIDF, at no cost. The Warrants carried transfer restrictions, and each Warrant may be converted into 1 preferred share of the Bank at THB 10 per share. The Bank increased its registered preferred share capital by 3,706.80 million shares at THB 10 per share as full reserve for the Warrants and registered the same with the Registrar of public limited companies. With that, the Bank's registered capital was equal to THB 52 billion, consisting of 1,493.45 million ordinary shares with a par value of THB 10 per share and 3,706.80 million preferred shares with a par value of THB 10 per share. The Bank's issued shares stood at THB 15 billion with the FIDF being the major shareholder holding 1,438.45 million ordinary shares, or equivalent to 96.32% of the Bank's total ordinary shares.

In 2002, the FIDF decreased its shareholding in the Bank in line with the government's privatisation policy through the disposal of 707 million of the Bank's ordinary shares held by the FIDF to the public. Accordingly, the FIDF's shareholding declined from 96.32% to 48.98% of the Bank's total shares. In terms of the Warrants issued to the FIDF, to prevent any negative impact on the Bank's share price and to limit the FIDF's holding in the Bank's shares to less than 50% of the total issued shares, the Bank's Board of Directors' meeting No. 13/2002, held on 28 August 2002, passed a resolution to cancel the Warrants by buying them back from the FIDF. Subsequently, on 23 September 2002, the

Bank entered into a Warrant buyback option agreement with the FIDF (the “**Agreement**”). The Bank paid a total of THB 300 million to the FIDF for its reacquisition rights.

On 16 February 2007, the Bank’s Board of Directors passed a resolution ratifying the accrual of the Warrants buyback transaction at a total price of THB 1 billion plus interest of THB 111.18 million (a total of THB 1 billion, retrospectively, and effective until 31 December 2006, and the recording of the buyback transaction was made directly against the Bank’s deficit with the corresponding credit of amounts due to FIDF in the 31 December 2006 financial statements.

After obtaining approval from the Extraordinary General Meeting of Shareholders No. 1/2007, held on 30 May 2007, the Bank repurchased and canceled its Warrants by way of a payment to the FIDF of THB 1 billion (inclusive of interest calculated from 1 January 2007 – 30 May 2007 of THB 16 million), recorded on the balance sheet, and increasing registration via the cancellation of preferred shares and all remaining unsold shares (3,706.8 million shares) on 12 July 2007.

Additionally, in 2007 the Board of Directors’ approved the sale of 556.23 million new ordinary shares to investors, i.e. Newbridge Sukhothai Netherlands B.V (“**Newbridge**”), representing approximately 24.99% of the total paid up shares at the price of THB 4.17 per share, for a total amount of THB 2 billion, and to Blum Strategic III BT Hong Kong Limited, and MSOF Hong Kong BT Limited for a total of 175.23 million shares or 7.90% of the total paid-up capital at the price of THB 4.17 per share, for a total amount of THB 730.69 million. The Annual General Meeting of Shareholders No.13 (2007) approved a whitewash to the abovementioned investors, and approved a capital reduction via the reduction of par value from THB 10 per share to THB 3.75 per share. On 13 November 2008, Newbridge Sukhothai Netherlands B.V., Blum Strategic III BT Hong Kong Limited and MSOF Hong Kong BT Limited acquired the shares of the Bank, representing approximately 36.74%, 3.95% and 1.31% of the total paid-up shares, respectively.

On 20 June 2008, the FIDF entered into a share purchase agreement with CIMB Bank. Under the agreement, the FIDF agreed to sell its 2,811.86 million shares in the Bank (equivalent to 42.13% of the total and paid up shares of the Bank) at the price of THB 2.10 per share, totaling of THB 6 billion.

5 November 2008, upon necessary approvals from the BOT, the Ministry of Finance and other regulatory authorities, CIMB Bank completed its purchase of ordinary shares from the FIDF, and as a result, emerged as the largest shareholder of the Bank with a shareholding of 42.13%. On 17 November 2008, the Bank was notified that CIMB Bank would undertake a tender offer to purchase all the remaining shares of the Bank it did not own (3,862.83 million shares or 57.87% of the total issued and paid-up shares of the Bank) at the price of THB 2.10 per share, which was equivalent to a total consideration of THB 8 billion. Upon completion of the tender offer on 6 January 2009, CIMB Bank’s shareholding in the Bank had increased to 6,143.54 million shares, representing 92.04% of the total issued and paid-up shares of the Bank.

On 3 September 2008, the Extraordinary General Meeting of Shareholders No.2/2008 approved an increase in the registered capital, from THB 25 billion to THB 50 billion by issuing 6,674.70 million new ordinary shares with a par value of THB 3.75 each.

On 20 February 2009, the Extraordinary General Meeting of Shareholder No. 1/2009 approved to make an amendment on the resolution of Extraordinary General Meeting of Shareholders No. 2/2009 subjected to the previous stipulated offering price not lower than THB 0.66 per share amended to THB 0.38 per shares and approved the transfer of THB 6,053.48 million from the Bank’s legal reserves to offset its deficit and approved a capital reduction via the reduction of par value from THB 3.75 per share to THB 0.50 per share. The premium arising from the capital reduction exercise was used to offset the share discount and the deficit respectively. After such capital reduction, the registered share capital of the Bank was reduced from THB 50,060.25 million to THB 6,674.70 million. Post share offering to the existing shareholders in proportion to the number of shares for the capital increase purpose, the existing shareholders had fully booked the shares issued and offered totaling 6,674.70 million shares or total value of THB 3 billion. After the completion of share offered on 18 March 2009, CIMB Bank hold the total of THB 12,435.06 million shares or 93.15% of the total shares issued and offered, and registered the name on change from BankThai Public Company Limited to CIMB THAI Bank Public Company Limited on 1 May 2009. with “CIMBT” designated as its stock trading sign.

On 29 April 2010, the Annual General Meeting of Shareholders No.16 approved an increase in the registered capital, by THB 1,483.27 million from THB 6,674.70 million to THB 8,157.97 million by issuing 2,966.53 million new ordinary shares with a par value of THB 0.50 each to existing shareholders, in proportion to each shareholding at the ratio of 2 new shares for 9 existing share held, at a price of THB 1.00 per share. After the completion of share offered on 15 October 2010 CIMB Bank holds 15,198,.42 million shares, or equivalent to 93.15 percent of total issued and offered shares of the Bank.

On 12 April 2012, the Annual General Meeting of Shareholders No.18 approved an increase in the registered capital from THB 8,157.97 million to THB 13,052.74 million by issuing 9,789.56 million new ordinary shares with a par value of THB 0.50 per share. Later on, the Bank issued another 4,894.78 million new ordinary shares with a par value of THB 0.50 per share offered to the existing shareholders in proportion to their shareholding at the ratio of 3 new shares for 10 existing shares held, at a price of THB 1.00 per share. After the completion of share offering on 27 July 2012, CIMB Bank holds 19,757.95 million shares, or equivalent to 93.71% of total issued and offered shares of the Bank.

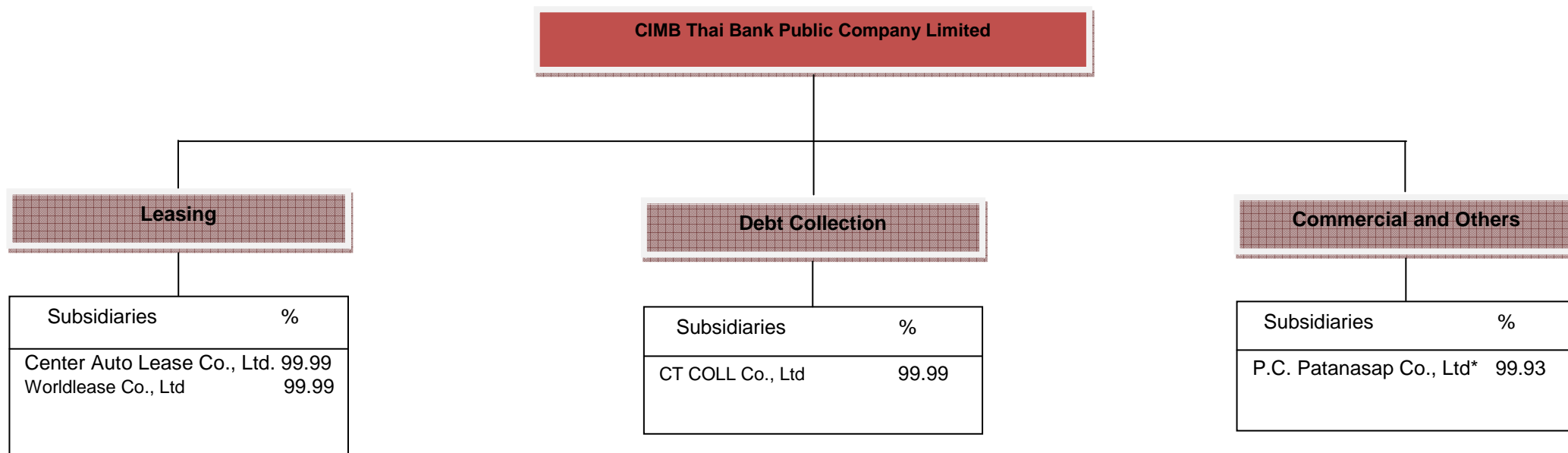
On 12 April 2012, the Annual General Meeting of Shareholders No. 18 approved the Bank's increase in registered capital by issuance of 4,894,780,426 Rights Shares and 4,894,780,426 General Mandate Rights Shares, totaling 9,789,560,852 shares. Of such total, 4,768,943,269 Rights Shares were sold, leaving 125,837,157 Rights Shares unsold, while 4,894,780,426 General Mandate Rights Shares have remained unoffered. In total, there were 5,020,617,583 ordinary shares remaining unsold and unoffered.

Later, on 11 April 2014, the Annual General Meeting of Shareholders No. 20 approved the Bank's cancellation of 125,837,157 unsold Rights Shares and 4,894,780,426 unoffered General Mandate Rights Shares, totaling 5,020,617,583 unsold and unoffered shares approved by the Annual General Meeting of Shareholders No. 18 held on 12 April 2012. The Annual General Meeting of Shareholders No. 20 held on 11 April 2014 also approved the decrease in the Bank's registered capital from THB 13,052,747,804 to THB 10,542,439,012.50 by cancelling 5,020,617,583 unsold and unoffered registered ordinary shares with a par value of THB 0.50 per share, totaling THB 2,510,308,791.50. After the decrease in registered capital, the Bank's registered capital is THB 10,542,439,012.50, divided into 21,084,878,025 shares with a par value of THB 0.50 per share.

On 10 April 2015, the Annual General Meeting of Shareholders No. 21 approved an increase in the the Bank's registered capital by THB 3,162,731,703.50 from THB 10,542,439,012.50 to THB 13,705,170,716.00 by issuing 6,325,463,407 General Mandate Right Shares with a par value of THB 0.50 per share offered to the existing shareholders in proportion to their shareholding at the ratio of 40 existing shares held for 7 new shares at a price of THB 1.00 per share. Of such total, 3,689,853,654 Rights Shares were sold, leaving 2,635,609,753 General Mandate Rights Shares remaining unoffered.

On 19 April 2016, the Annual General Meeting of Shareholders No. 22 approve the cancellation of the unoffered portion of General Mandate Shares earlier approved by the Annual General Meeting of Shareholders No. 21 held on 10 April 2015 and to consider and approve a decrease in the Bank's registered capital by THB 1,317,804,876.50, from THB 13,705,170,716.00 to THB 12,387,365,839.50, by cancelling 2,635,609,753 unoffered registered shares with a par value of THB 0.50 per share

3. The Corporate Structure of the Bank and its Subsidiaries (as of 31 December 2016)



Remark * Under liquidation

1.4 Relationship with Major Shareholder

CIMB Group by CIMB Bank Berhad is the major shareholder of CIMB Thai. Headquartered in Kuala Lumpur, the Group is Malaysia's second largest financial services provider, and ASEAN's five largest by asset size. As a universal banking group, it offers consumer banking, corporate banking, investment banking, Islamic banking, asset management, wealth management and insurance products and services. The Group is now present in nine out of ten ASEAN nations (Malaysia, Indonesia, Thailand, Singapore, Cambodia, Brunei, Vietnam, Myanmar and Laos). Beyond ASEAN, CIMB Group has market presence in China & Hong Kong, Bahrain, India, Sri Lanka, Taiwan, Korea, United States and United Kingdom.

Leveraging on the universal banking franchise of CIMB Group, with over 1,000 branches and strong regional expertise in financial solutions across ASEAN, CIMB Thai reaps opportunities via cross-border business matching, supply chain networking and referrals.

Structure of CIMB Group's Shareholding (As of 31 December 2016)



2. Nature of the Business

2.1 Revenue structure of the Bank and its Subsidiaries

2.1.1 CIMB Thai Bank Public Company Limited

2.1.1.1 Total operating income

(Unit: THB Million)

	2016	%	2015	%	2014	%
Interest income						
1. Interest on loans	11,320.1	109.1	11,343.1	110.8	10,767.3	125.2
2. Interest on interbank and money market items	68.7	0.7	73.3	0.7	150.5	1.7
3. Investments	1,313.4	12.7	1,598.2	15.6	1,535.3	17.9
4. Others	21.6	0.2	11.1	0.1	7.6	0.1
Total interest income	12,723.8	122.7	13,025.7	127.2	12,460.7	144.9
Interest expenses						
1. Deposits	2,611.6	25.2	3,893.4	38.0	3,922.9	45.6
2. Interest on interbank and money market items	281.8	2.7	338.1	3.3	327.3	3.8
3. Contribution fee to The Deposit Protection Agency and FIDF	991.1	9.6	1,001.8	9.8	928.4	10.8
4. Debt securities issued and borrowings	871.0	8.4	852.9	8.3	838.4	9.8
5. Others	51.5	0.5	55.2	0.5	11.3	0.1
Total interest expenses	4,807.0	46.4	6,141.4	59.9	6,028.3	70.1
Net interest income	7,916.8	76.3	6,884.3	67.3	6,432.4	74.8
Operating income	2,454.9	23.7	3,350.8	32.7	2,167.5	25.2
Total income	10,371.7	100.0	10,235.1	100.0	8,599.9	100.0

2.1.1.2 Non- Interest income

(Unit: THB Million)

	2016	%	2015	%	2014	%
Fee and service income	1,289.7	52.5	1,374.9	41.0	1,236.4	57.1
Fee and service expenses	238.7	9.7	319.3	9.5	296.5	13.7
Net fee and service income	1,051.0	42.8	1,055.6	31.5	939.9	43.4
Gains on trading and foreign exchange transactions, net	1,402.5	57.1	1,819.4	54.3	1,804.9	83.3
Losses on financial liabilities at fair value through profit or loss, net	(810.4)	(33.0)	(458.2)	(13.7)	(1,093.7)	(50.5)
Gains on investments, net	482.6	19.7	551.0	16.5	329.5	15.2
Other operating income	329.2	13.4	383.0	11.4	186.9	8.6
Non-interest income	2,454.9	100.0	3,350.8	100.0	2,167.5	100.0

2.1.2 CIMB Thai's Subsidiaries

(Unit: THB Million)

	For the years ended 31 December					
	2016	%	2015	%	2014	%
1. Center Auto Lease Co., Ltd.						
Interest income	1,734.0	102.9	1,443.7	123.8	1,274.2	127.4
Interest expense	551.0	32.7	526.7	45.2	495.5	49.5
Net interest income	1,183.0	70.2	917.0	78.6	778.7	77.9
Operating income	502.7	29.8	248.8	21.4	221.3	22.1
Total income	1,685.7	100.0	1,165.8	100.0	1,000.0	100.0
2. World Lease Co., Ltd.						
Interest income	948.5	97.0	871.1	100.7	908.7	109.8
Interest expense	183.0	18.7	196.4	22.7	233.9	28.3
Net interest income	765.5	78.3	674.7	78.0	674.8	81.5
Operating income	211.8	21.7	190.6	22.0	152.7	18.5
Total income	977.3	100.0	865.3	100.0	827.5	100.0
3. CT Coll Co., Ltd.						
Interest income	0.7	1.5	1.2	2.0	1.1	1.2
Interest expense	0.2	0.4	0.2	0.3	0.2	0.2
Net interest income	0.5	1.1	1.0	1.7	0.9	1.0
Operating income	45.3	98.9	58.8	98.3	95.0	99.0
Total income	45.8	100.0	59.8	100.0	95.9	100.0

2.2 Nature of Products and Services

Wholesale Banking Group

Corporate Banking

Corporate Banking Group (CBG) of CIMB Thai provides financial services to a diverse range of business sectors, for example, commercial, manufacturing, property development and transportation. As most clients have had a long-time relationship with the Bank, we perform as their strategic business partners that help and support them toward strong and sustainable business growth. Also, we offer the clients business and investment opportunities through CIMB Group's regional network.

In 2016, the Thai economy expanded slightly higher than in 2015. However, certain challenges prevailed amidst the global economic slowdown with vulnerable situations in several countries, including Thailand. Thailand was hit by droughts, faltering commodity prices and weak grass-root purchasing power, causing trouble to both small and medium businesses and affecting business expansion of large clients. Therefore, CBG focused on maintaining the quality of existing loan portfolio, with prudent consideration of risks in new loan approval, and close and regular follow-up of clients. Moreover, we studied business and industry conditions in collaboration with Research Office and with cooperation from Risk Management Group aiming to expand business to low risk sectors. We focused on large clients with strong financial position and investment plans into ASEAN and also lending with cross-selling opportunities, such as big projects which generate comprehensive income including interest, fee and financial advisory income and other income from transactional banking and hedging products as well as equity and debt underwriting, to well respond to all the clients' needs.

In 2016, total revenues of Wholesale Banking Group (covering both Corporate Banking and Investment Banking) decreased by approximately 5% with an increase in proportion of net interest income (NII) from 53% to 57% of total revenue, up by 2% year-on-year, as a result of lending and deposit base expansion and a decrease in non-net interest income (Non-NII) by approximately 13% due to large clients' project slowdown taking a wait-and-see approach toward 2017. Most revenues came from significant client groups entrusting us as their main bank including those with ASEAN aspirations in line with our strategy and theme: "Be More Relevant to Important Clients & Accelerate Our ASEAN Initiatives."

In addition to local income generation, WBG was evidently successful in expanding the business to other countries in ASEAN, particularly CLMV, through the Bank as a CIMB Group member which has strengths in capital, professionals and partnering network in ASEAN. WBG completed business deals with big corporate clients who had high levels of investments both locally and regionally especially in ASEAN as we could quickly provide solutions and services that met their expectations. The Bank worked closely with other CIMB Group members in continuously expanding income base in other countries for the Group with a cross-border income growth of 12%.

For the business plan from 2017 onwards, CBG will focus on generating firm and consistent income, particularly recurring income and that from cross-selling. Our strategy is to reach out to selected major client groups and to re-align our lending portfolio along with team restructuring in line with target industry type. This aims to boost efficiency, reduce redundancy, control cost effectively, and manage return on investment properly. Furthermore, we will keep expanding our business and service in ASEAN and increasing business with foreign clients investing in Thailand under cooperation with other CIMB Group members.

Investment Banking

2016 was a challenging year for our business operation in the backdrop of minimal economic growth with several negative factors both internally and externally as stated above. Several target clients postponed their merger & acquisition and SET-listing plans and would resume when the market conditions allow. However, Investment Banking Group (IBG) continued carrying on the related processes as preparation for successful completion of transactions in 2017 when we expect major transactions to take place.

We continued reinforcing our teams by collaborating with CIMB Group in having sector specialists available to provide knowledge and insights of each industry so that we could offer comprehensive financial services including strategic and business operation advisory service to the clients. As a result, we managed to strengthen relationships with and add value to the clients while enhancing competitiveness through innovation of financial products that suited them.

In the fourth quarter of 2016, IBG successfully pushed through transactions with CIMB Group at both national and regional levels, such as a co-underwriter and initial purchaser of WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust (Second Capital Increase) (WHART) worth THB 3,162 million and co-underwriter and initial purchaser for the IPO of Banpu Power Public Company Limited (BPP) worth THB 13,618 million.

The collaboration and synergy among Corporate Banking Group, Investment Banking Group and CIMB network in ASEAN will contribute to the Bank's potential as an important bank to our important clients, another progress toward being the clients' business partner in achieving their ASEAN aspirations.

Key successful deals in 2016 included:

Debt Markets	Role	Issue Size (THB mil)
Bond Switching Transaction	Joint Lead Arranger	18,894
Bank for Agriculture and Agricultural Cooperatives	Lead Arranger	14,300
Government Housing Bank	Lead Arranger	10,000
Government Housing Bank	Lead Arranger	10,000
Bank for Agriculture and Agricultural Cooperatives	Joint Lead Arranger	7,333
TPI Polene Public Company Limited	Lead Arranger	5,445
True Move H Universal Communication Company Limited	Joint Lead Arranger	4,698
Provincial Electricity Authority	Lead Arranger	4,000
State Railway of Thailand	Lead Arranger	4,000
Bangkok Dusit Medical Services Public Company Limited	Lead Arranger	3,000
Central Plaza Hotel Public Company Limited	Lead Arranger	2,500
SPV-SMC (9) Company Limited	Joint Lead Arranger	2,046
Advanced Wireless Network Company Limited	Joint Lead Arranger	1,905
Eastern Power Group Public Company Limited	Lead Arranger	1,500
Pruksa Real Estate Public Company Limited	Joint Lead Arranger	1,333
Toyota Leasing (Thailand) Company Limited	Joint Lead Arranger	1,133
Electricity Generating Authority of Thailand	Lead Arranger	1,400
TTCL Public Company Limited	Lead Arranger	1,075
PTG Energy Public Company Limited	Joint Lead Arranger	1,000

Ananda Development Public Company Limited	Lead Arranger	1,000
Electricity Generating Authority of Thailand	Lead Arranger	1,000
Easy Buy Public Company Limited	Joint Lead Arranger	1,000
Siamgas and Petrochemicals Public Company Limited	Joint Lead Arranger	750
Krungthai Card Public Company Limited	Joint Lead Arranger	750
Eastern Power Group Public Company Limited	Joint Lead Arranger	620
Jay Mart Public Company Limited	Lead Arranger	600
Provincial Waterworks Authority	Lead Arranger	590
M.K. Real Estate Development Public Company Limited	Lead Arranger	500
Asia Sermkij Leasing Public Company Limited	Lead Arranger	500
Singer Thailand Public Company Limited	Lead Arranger	500
M.K. Real Estate Development Public Company Limited	Lead Arranger	500
SC Asset Corporation Public Company Limited	Lead Arranger	500
Don Muang Tollway Public Company Limited	Lead Arranger	500
SC Asset Corporation Public Company Limited	Lead Arranger	500
AEON Thana Sinsap (Thailand) Public Company Limited	Lead Arranger	400
Origin Property Public Company Limited	Joint Lead Arranger	400
JMT Network Services Public Company Limited	Lead Arranger	300
Asia Sermkij Leasing Public Company Limited	Lead Arranger	300
Ananda Development Public Company Limited	Joint Lead Arranger	300
Krungthai Card Public Company Limited	Joint Lead Arranger	154

Capital Markets	Role	Deal Size (THB mil)
Banpu Power Public Company Limited (BPP)	Co-Underwriter and Initial Purchaser (Joint with CIMB Group)	13,618
Golden Ventures Leasehold Real Estate Investment Trust (GVREIT)	Selling Agent	8,148
Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust (TPRIME)	Selling Agent	5,475
WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust (Second Capital Increase) (WHART)	Co-Underwriter and Initial Purchaser (Joint with CIMB Group)	3,162
TPBI Public Company Limited	Joint Lead Underwriter (Joint with CIMB Group)	1,080
Polyplex (Thailand) Public Company Limited (PTL)	Rights Offering Agent	640

Commercial Banking Group

Commercial Banking Group (CMG) provides comprehensive financial solutions for business customers with annual sales turnover of up to THB 3 billion through CIMB Thai business centres situated in strategic locations nationwide. We have also encouraged our customers to expand their businesses into ASEAN, leveraging on CIMB Group's strong network and capabilities.

The year 2016 witnessed our organisation's transformation and fundamental building. Business customers are segmented into small biz, medium biz, and middle market according to their sales turnover. This has enabled systematic offering of products and services that best suit each segment. In addition, we have re-designed the loan approval process and standard to align with the new structure and to be comparable to peers. As a result, the new process has been more effective and standardized, with a shorter turnaround time.

CMG's business performance in 2016 declined in line with the slowing domestic and global economies that had dampened demand for business loans and debt servicing capability especially in the agro-industry with high NPL recorded since the first quarter. We accordingly gave priority to asset quality management, rather than market expansion, by developing systematic loan quality tracking and regular portfolio health checks so that the Bank would be able to timely take action and prevent new NPL.

Looking forward to 2017, we will strengthen our business base with focus on maintaining satisfactory portfolio quality, geographical and target industry lending and ongoing process improvement, together with enhancement of employees' potential to respond efficiently to clients' demand and promote sustainable growth in our commercial banking operation.

Retail Banking

Consumer Banking Group (CB) enjoyed another highly successful year in 2016 in term of relationship between our staff and target customers and expansion of customer base. We brought about customer experience with services beyond expectation like E-Saving account opening service through 64 AIS shops nationwide. Most importantly, we have been the first and only one bank to establish a mini branch in 7-Eleven store which enables customers to better access banking services. We also continued providing advisory service on wealth management in addition to the diverse product range to cater to individual customer needs, on which good feedback has been received from customers as evident from the increase in the number of affluent customers and assets under management (AUM). In view of loan provision, we have recorded a consistent growth in quality loan portfolio on the back of tightened loan application criteria that has allowed for efficient screening of loan applicants. Furthermore, we have moved another step ahead with the offering of off-site instant approval of loans via DSE Tablet for heightened customer experience and convenience.

CB's performance in 2016 was as briefed below:

- Total operating income was THB 7,134 million, about THB 1,135 million higher than that in 2015.
- Net interest income (NII) from all products amounted to THB 5,830 million, a 22% growth year-on-year.
- Profit before tax was THB 1,500 million, about THB 1,320 million higher than that in 2015.
- Total loan approval amounted to THB 102,860 million, an increase of 9.9% year-on-year.

Transaction Banking

CIMB Thai's Transaction Banking Group (TBG) provides corporate clients and financial institutions with an array of products and services, covering cash management, trade finance and a range of securities services, including security agent and facility agent, escrow account, trustee, custody, and other related services. With CIMB Group's strong ASEAN platform and network, we are well positioned to support and deliver transactional flows across ASEAN and beyond to meet the needs of aspiring enterprises.

Forging ahead toward Target 2018 (T18), in 2016, TBG made a significant progress on enhancing product cost competitiveness and profitability, delivering product innovations and growing operating account base. Under the Bank Negara Malaysia's and the Bank of Thailand's jointly established Local Currency Trade Settlement Framework, CIMB Thai has been among the three Thai banks officially designated as an Appointed Cross Currency Dealer (ACCD) to facilitate ringgit and baht settlement for trade of goods and services between Malaysia and Thailand. The framework has allowed for TBG's launches of new MYR cash management and trade finance products, which benefit Thai importers and exporters trading with Malaysia and put CIMB Thai in the country's top position with highest MYR ACCD trade flow volume. Regarding securities services, we are well recognised ranking no. 2 in bond registrar services by number of bond issues. The roll-out of BizChannel@CIMB, CIMB Group's premier regional Internet banking platform, has enabled the clients, regardless of which CIMB Group member bank they have opened their accounts, to easily access online banking services with the same customer experience. Meanwhile, our cash management services have still earned the trust of leading local and multinational companies, such as LG Electronics (Thailand) Co., Ltd., etc.

For 2017, CIMB Thai's TBG will continue to expand our client base and revenue base. Our emphasis is on client acquisition and extension of digital capabilities targeting ASEAN export/import segments to keep pace with the robust market trends and highlight our role as Thailand's leading ASEAN bank.

Treasury Group

In 2016, Treasury Group (TG) delivered favourable financial result to CIMB Thai with strong product capabilities in foreign exchange (FX), derivatives and structured products which earned CIMB Thai altogether eight awards as below:

ASIAMONEY Polls

- (1) The 1st Best Foreign FX Provider for Overall FX Services
- (2) The 1st Best Foreign FX Provider for FX Products and Services
- (3) The 1st Best Foreign FX Provider for FX Research & Market Coverage
- (4) The 2nd Best Foreign FX Provider for FX Options

The Triple A Asset

- (5) The Best Structured Product House in Thailand
- (6) The Best Credit Derivatives House in Thailand

Thomson Reuters

- (7) The Best Foreign Currency Liquidity Provider in Thailand
- (8) The Best THB FX Spot Contributor

Furthermore, CIMB Thai has been one of the major players in debt capital market ranking no. 6 in debt underwriting league table published by Bloomberg with a 10.16% market share. In 2016, we were appointed by Thailand's Public Debt Management Office to be a joint lead manager under the Bond Switching Program together with Bangkok Bank Public Company Limited and Hong Kong and Shanghai Corporation Limited. With innovative debt capital products and solutions, we also acted as the sole lead arranger and lead underwriter of a subordinated perpetual debenture for Ananda Development Public Company Limited, a leading property developer in Thailand.

Looking forward, CIMB Thai's Treasury Group will remain committed to developing innovative products and services to fulfil our customer needs in the areas of wealth management and risk management with professionalism and with the rapidly changing business environment taken into account.

2.3 Market Shares and Competitions

Competitive Environment - Market Shares

Unit (THB*Million)

BANK	Asset	Marketshare	Deposit	Marketshare	Loan	Marketshare
BANGKOK BANK	2,944,230	18.3%	2,178,141	19.0%	1,941,093	17.3%
KRUNG THAI BANK	2,689,447	16.7%	1,972,404	17.2%	1,904,089	16.9%
KASIKORNBANK	2,845,868	17.7%	1,794,835	15.6%	1,697,581	15.1%
SIAM COMMERCIAL BANK	2,913,023	18.1%	2,026,272	17.7%	1,939,048	17.2%
BANK OF AYUDHYA	1,883,188	11.7%	1,108,288	9.7%	1,448,882	12.9%
THANACHART CAPITAL	950,512	5.9%	676,557	5.9%	690,907	6.1%
TMB BANK	821,000	5.1%	598,948	5.2%	593,441	5.3%
TISCO FINANCIAL GROUP	271,280	1.7%	155,068	1.4%	224,934	2.0%
KIATNAKIN BANK	233,776	1.5%	109,923	1.0%	176,354	1.6%
CIMB THAI BANK	212,147	1.3%	149,097	1.3%	141,070	1.3%
Others*	298,797	1.9%	699,685	6.1%	493,100	4.4%
Total	16,063,268		11,469,217		11,250,499	

source: Commercial Bank's consolidated financial statement as of December 2016

2.4 Provision of Products and services

Source of Funding

As at 31 December 2016, deposits managed by the Bank stood at THB 192.3 billion (including interbank and money market deposits), whilst borrowings (including interbank and money market borrowings) amounted to THB 45.9 billion. Of that total, 85.4% was used for gross loans including accrued interest, while the balance was applied towards interbank items, money market transactions and investments. The Bank has been fully aware of its liquidity gap in each period, and has a policy in place for acquiring and utilising funds in an efficient and effective manner.

Comparing the Bank's loans and deposits, total gross loans with maturity of not more than one year stood at THB 77.2 billion while loans with maturity of more than one year amounted to THB 129.8 billion. Meanwhile, deposits with maturity of not more than one year stood at THB 191.3 billion and those with maturity of over one year amounted to THB 1.0 billion.

Capital Adequacy Ratio

The Bank's capital adequacy ratio (CAR), common equity tier 1 (CET1) capital and tier 1 capital are calculated under Basel III criteria to increase capital base for better loss absorption. As at the end of December 2016, the Bank's CAR under Basel III calculation was 15.6%, while CET1 capital and tier 1 capital ratios were 10.2% and 10.2%, respectively. The Bank has maintained a robust capital with CAR, CET1 and tier 1 capital ratios well above the Bank of Thailand's minimum requirements of 8.5%, 4.5% and 6.0%, respectively.

Unit:
THB billion

Capital Funds	31 December 2016	31 December 2015	31 December 2014
Tier 1 capital	24.1	24.7	21.0
CET1 capital	24.1	24.7	21.0
Tier 2 capital	12.9	10.7	10.7
Total capital funds	37.0	35.4	31.7
Tier 1 capital to risk-weight assets (%)	10.2	10.8	9.9
CET1 capital to risk-weight assets (%)	10.2	10.8	9.9
Tier 2 capital to risk-weight assets (%)	5.4	4.7	5.1
Capital adequacy ratio (%)	15.6	15.5	15.0
Total risk-weight assets	237.4	229.0	211.5

Liquidity Risk Management Policy

Liquidity risk is defined as the current and prospective risk to the Bank's earnings, shareholder funds or reputation arising from the inability to effectively meet the present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they are due, which may adversely affect the daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The objective of the Bank's liquidity risk management is to ensure that the Bank can meet the cash obligation in a timely and cost-effective manner. To this end, the Liquidity Risk Management Policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both business as usual and stress conditions. Due to the large delivery network and market focus, the Bank is to maintain a diversified core deposit base comprising savings, demand and term deposits,

thus providing with a stable large funding base. The Bank maintains some buffers of liquidity throughout the year to ensure safe and sound operations from a strategic, structural and tactical perspective.

The day-to-day responsibility for liquidity risk management and control is delegated to Asset and Liability Management Committee (ALCO) which meets at least once a month to discuss the liquidity risk and funding profile/plan of the Bank. ALCO is responsible for the overall management and oversight of liquidity and review/recommendation of liquidity risk management policy before seeking approval from the Board of Directors. ALCO is also in charge of approving liquidity risk tolerance. Asset and Liability Management (ALM) Team, which is responsible for the independent monitoring of the liquidity risk profile, works closely with Treasury Group in the surveillance of market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key funding sources. Treasury Group acts as a global funds dealing on a necessity or contingency basis. The Bank has to prudently manage the liquidity position to meet the daily operation needs. It measures and forecasts the respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under business as usual and stress conditions on a regular basis. For companies in the Bank's financial business group, liquidity risk management will be decentralised. To support their liquidity, the Bank may consider and approve liquidity lines to them as per respective credit lines approved by the Board of Directors.

The Bank will continue to emphasize and improve its retail customer acquisition to match its assets expansion. Its liquidity management strategy is to drive the accumulation of current accounts and saving accounts (CASA), as well as retail term deposits as more economical and stable sources of funding, while using the more price sensitive corporate deposits, bills of exchange, short-term debentures, and structured products as a means to balance out the funding and liquidity of the Bank. The Bank has designated functional teams to be responsible for the proper marketing strategy for each segment and to strengthen the Bank's relationship with the clients to sustain long-term deposit growth. In addition, the Bank has in place an early warning system which is closely monitored, together with a contingency funding plan, to alert and enable the management to take effective and efficient measures during a liquidity crunch and in prevailing adverse market conditions.

Collateral Policy

In the Bank's lending policies, the primary basis of assessing the creditworthiness is the borrower's ability to repay loan obligations, most often from cash flows generated through normal business operations and other primary sources of repayment. Nevertheless, collateral also represents an important component of many credit transactions because it will be the secondary source of repayment and will help alleviate loss in the event of default. Among the different types of collateral which the Bank accepts are deposits, government bond, debt and equity instruments, land, construction and machinery, etc. The loan to collateral value ratio will vary based upon the risk level of each credit product, the borrower's creditworthiness and liquidity of collaterals. The Bank has established a collateral valuation policy to ensure effective risk management as well as to comply with Bank of Thailand's guidelines. When the collateral is taken, it is important to follow the Bank's policy comprising, among others, valuation policy and valuation frequency.

Debt Monitoring Guidelines and Follow-up Procedures

The Bank has set up the guidelines for closely managing and monitoring watch-list and problem loan accounts in order to speedily resolve its problem loans and standardise the problem loan monitoring process. The guidelines prescribe a monitoring process for watch-list accounts, special mentioned and substandard or worse accounts and the guidelines will be revised periodically to ensure their effectiveness and relevance. In addition to mandatory debt classification in accordance with the Bank of Thailand's guidelines, the Bank has established additional qualitative criteria for early classification of debt with signs of deterioration prior to default. For pre-NPL accounts to be effectively managed, the early warning process has been set up as guidelines for relationship managers to take early action in identifying accounts with potential problem and develop proper action plan to timely solve the problem so that risk to the Bank can be mitigated. The accounts with potential problems are put under watch list classified by degree of their problem and risk level into three groups, i.e. watch list – low, watch list – medium and watch list – high. The accounts under watch list – low remain under normal

class while those under watch list – medium and high are classified as special mention. These pre-NPL as well as NPL accounts with TDR not yet finalised and with exposure more than THB 10 million are regularly reported to Asset Quality Committee (AQC).

AQC was set up to closely monitor development of pre-NPL accounts, NPL accounts with TDR not yet finalised and other accounts requiring close attention, and provide guidance to relationship managers on proper actions to be taken against these pre-NPL accounts to quickly and effectively solve the problem before they become NPL, as well as to provide proper solution for debt restructuring of NPL accounts to minimise loss and maximise recovery to the Bank.

Debt Restructuring Policy

The Bank has set a policy to undertake debt restructuring for borrowers who have cooperated with the Bank as well as have had potential to comply with the conditions newly agreed upon. The objective of the policy is to ensure that the Bank and the borrowers have mutually benefited from the debt restructuring, that is, the Bank has maximum opportunity to recover debt or has minimum possible loss, while the borrowers are able to continue their business with incurrence of some loss on their part. The Bank will undertake debt restructuring work in accordance with the Bank of Thailand's regulations and such work will be undertaken prudently so that it does not avoid the requirements regarding debt reclassification, additional provisioning and suspension of income recognition of accrued interest.

Debt restructuring is undertaken taking into consideration the criteria, process and method provided for debt restructuring process, including debtor analysis, approval, preparation of agreement, follow-up and assessment. Such process must be in compliance with the applicable rules and regulations of the authorities and the Bank. The responsibility for coordinating debt restructuring activities lies primarily with the internal work unit of the Bank. However, a certified and experienced third party specialised in this area may be assigned to provide financial advisory services or undertake debt restructuring for the Bank. However, debt restructuring conditions are subject to approval of the Board or the Credit Committee or other persons as authorised by the Bank.

Policy on Asset Classification and Loan Loss Provision

The Bank has complied with the Bank of Thailand's regulations which require asset classification and loan loss provision at the rate for each asset category as prescribed by Bank of Thailand Notification No. SorNorSor. 5/2559 regarding criteria for debt classification and provisioning of financial institutions, dated 10 June 2016 or as may be amended by the Bank of Thailand from time to time. However, the Bank's internal guidelines are more stringent than the regulatory requirements, with combination of the qualitative and quantitative criteria prescribed by the Bank of Thailand, and prudent adoption of a final classification which is based on the weaker result of the two sets of criteria to reflect real risk level of the debtor.

In addition to the specific provision, the Bank may set aside general provision as appropriate in order to be a buffer against any unexpected losses from economic cycle, etc.

3. Risk Factors

Risk Management Overview

CIMB Thai focuses on the sound and effective risk management principles in ensuring not only the financial soundness and integrity but also sustainability of the organisation. The risks to which a bank is particularly exposed in the conduct of businesses are credit risk, market risk, liquidity risk, operational risk and strategic risk. The Bank's undertakings of risk management and mitigation include risk identification, measurement, monitoring and managing under a robust risk management framework, in which returns must be commensurate with the risks taken.

The Board Risk Committee (BRC) was appointed by the Board of Directors to ensure independent and greater risk governance and accountability for all types of risks and to report directly to the Board of Directors. BRC is composed of three members who are members of the Board of Directors. Risk Management Committee (RMC) was appointed by the Board of Directors with responsibilities to review and recommend to BRC and the Board of Directors in various risk areas and any related matters, such as credit risk, operational risk, reputation risk, capital risk (to ensure compliance with Basel regulatory requirements), etc. RMC is composed of members with relevant and seasoned experience and expertise. Its key responsibilities are to review and recommend to BRC and the Board of Directors risk management policies and frameworks as well as to establish a corresponding governance structure in ensuring that not only risks are managed efficiently and effectively but also decisions are made in a transparent manner.

Risk Management Group was established to act as catalyst for the development and maintenance of sound risk management policies, strategies and procedures within the Bank. It provides functional support to BRC, RMC, Risk Management Sub-committees and Credit Committee, and assists the Management in managing risks inherent to the Bank and banking businesses. Risk Management Group is independent from other business units involved in risk taking transactions or activities.

In 2016, Asset Quality Committee (AQC) was appointed by BRC with responsibilities to review and provide direction on managing accounts with credit quality concern and clients with signs of deterioration in credit quality.

Special Assets Management Team was also formed under Risk Management Group with responsibilities to manage credit quality concern assets as well as to provide strategy and advice to early manage clients with signs of deterioration in credit quality.

Strategic Risk

Strategic risk is the risk of losses as a result of insufficient consideration of possible threats to the Bank's activities, insufficiently substantiated prospective business where the Bank could gain advantage over its competitors, lacking or incomplete provision of necessary resources and organisational measures that are required to achieve strategic objectives.

The major goal of strategic risk management is to maintain the risks taken by the Bank at levels determined in accordance with its strategic tasks and to ensure safety of assets and capital by minimisation of possible losses. The Bank defines risk appetite subject to approval by the Board of Directors. It uses the following strategic risk management methods: business planning, financial planning, monitoring of approved plan implementation, market analysis, SWOT analysis and readjustment of plans where necessary. Senior management and the Board of Directors are closely involved and engaged throughout the formulation process. Subsequent to the implementation stage, the Board of Directors and designated Management Committee regularly monitor and review actual results against the targets and plans.

Key strategic risks can be summarised as follows:**1. Risk resulting from inappropriate organisational structure and management**

The Bank is convinced that a proper organisational structure is one of the critical factors in achieving desired targets. Adhering to the best governance and practice, committees and units are established with prescribed functions and responsibilities as well as proper check-and-balance procedures to ensure the integrity of the undertakings and the deliverability of business plans.

2. Risk resulting from economic volatility and competition

Economic conditions and competition are two external factors of which the Bank must remain vigilant. Implementation of business plans under unfavourable external environments may lead to the performance under the targets. To mitigate risk emerging from operating environments, the Bank's Research Office, together with the Strategy Division, closely monitor and analyse both economic conditions and competitive environments. In particular, analysis and assessment of peer banks are conducted on a regular basis. Subsequent research and strategic findings and recommendations will then be reported to relevant committees for consideration and further action as needed.

3. Risk resulting from capital inadequacy

Capital adequacy is a critical composition of sound risk management and mitigation mechanism. This includes the maintenance of adequate capital under both normal conditions and "extreme but plausible events" as resulted from the stress test exercise. The capital management plan, together with prescribed action plans, are formulated and set in place to ensure prudent positioning of the Bank's capital level as required by law. One particular measure, the CAR trigger (capital adequacy ratio trigger) is employed by the Strategy and Finance Group and Risk Management Group as early warning indicators in monitoring and maintaining capital adequacy.

Credit Risk

Credit risk arises from clients or counterparties who are not able to or are not willing to fulfill their contractual obligations under loan agreements or other credit facility agreements. Credit risk results in the deterioration of credit quality and affects the Bank's profitability and capital fund. The overriding objective of credit risk management at the Bank is to create value for shareholders by ensuring that the revenue is generated in balance with the acceptable credit risk appetite. Under the Credit Risk Management Policy, the Bank has put in place credit risk management process, techniques and controls to maintain a check and balance system with clearly defined responsibilities for relationship managers, credit analysts, credit risk assessors, credit approvers and risk management officers. The Risk Management Framework for the Bank and its subsidiaries has continued to be enhanced to support our business and to ensure the overall adherence to the risk management policy of the Bank and CIMB Group.

The Bank continuously reviews and improves risk assessment tools for different types of clients and in line with the growth of portfolios. The tools include corporate rating tool that was developed and implemented for corporate clients, SME rating model for SME clients, insurance model for life & non-life bancassurance customers, specialised lending rating model for specialised customer groups and credit scoring tools and system for retail, secured and unsecured loans as well as hire purchase. Credit rating and credit scoring tools are implemented in systems to ensure efficiency of rating/scoring and model performance monitoring. Moreover, the Bank has also put in place Acquisition Quality Trigger (AQT) to closely monitor the quality of new acquisition of retail customers more effectively.

Non-performing loan (NPL) is one of the key risks affecting profitability and capital adequacy of the Bank. As such, we closely and prudently monitor and manage NPL, thus allowing for maintaining of adequate provisions for bad debts. In addition, as a pre-emptive measure, problem accounts are proactively monitored and managed before they turn into NPL. For portfolio risk management, particular attention is given to credit concentration risks by imposing appropriate risk limits, i.e. country risk limits, internal

lending limits and business sector limits with RAG (Red, Amber & Green) indicators used to monitor concentration risk as well as to provide a better visual guidance to credit granting decision, i.e. Red – “Restricted,” Amber – “Selective,” and Green – “Grow.” The Bank also performs stress tests on credit risk to evaluate the impact on the Bank in the event of unfavorable economic and financial conditions, both in the plausible scenario and extreme scenario.

The Bank determines and reviews risk appetite or acceptable risk level considering the forecasted economy in each year in order to be the guideline of business expansion and management. Risk appetite has been monitored on a monthly basis and reported to RMC, BRC, and Board of Directors.

Market Risk

Market risk is defined as any fluctuation in the market value of the trading transaction or investment exposure. Therefore, market risk occurs when the Bank undertakes transactions which are exposed to fluctuation in the market parameters which are interest rates, foreign exchange rates, securities prices in stock and commodity markets, and may negatively affect both the revenue and capital position of the Bank. The Bank employs a Market Risk Policy to ensure that the rules and procedures are in compliance with both the regulatory requirements and the Bank’s policy. The Bank has a work unit, independent from risk originating units, to monitor and control market risk. It also regularly assesses and determines the capital reserves for market risk to comply with the Bank of Thailand’s regulations.

Market risks include the following:

1. Interest rate risk

The interest rate risks of transactions in the trading book are under the supervision of RMC under the framework prescribed by the Board of Directors. The calculation of fair value for trading transactions is performed on a daily basis in order to monitor the mark-to-market profits and losses. The daily risk status reports are also independently produced by the Risk Management Unit. The one basis point shift (PV01) limit, Greek Limit, Value-at-Risk (VaR) Limit and stop loss limit are set to control the risks associated with movements in interest rates which might affect the revenue and capital reserves of the Bank.

2. Foreign exchange risk

In managing risk from changes in foreign exchange and maintaining risk at the level prescribed by the Bank’s policy, the Bank tries to match the currency of the funding source with that of loans, or to employ derivative instruments for foreign exchange hedging. Risk limits are determined by product and risk type using approaches such as FX net open position limit, Greek Limit, Value-at-Risk (VaR) limit and stop loss limit. Daily mark-to-market on the foreign exchange is also conducted. Furthermore, stress testing is periodically conducted of which the results are thoroughly analysed.

3. Market risk of equity securities and commodity related transactions

The Bank does not invest in trading equity securities other than investments in subsidiaries or affiliated companies, common shares as resulted from loan restructuring, and the property funds which have the high potential return and sound management. For the commodity derivatives, the Bank fully hedges against the commodity risk on a back-to-back basis, thereby market risk exposure on trading equity securities or commodity has never been materialised.

Liquidity Risk

Liquidity risk is defined as the current and prospective risk to the Bank’s earnings, shareholder funds or reputation arising from the inability to effectively meet the present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they are due, which may adversely affect the

daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The objective of the Bank's liquidity risk management is to ensure that the Bank can meet the cash obligation in a timely and cost-effective manner. To this end, the Liquidity Risk Management Policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both business as usual and stress conditions. Due to the large delivery network and market focus, the Bank is to maintain a diversified core deposit base comprising savings, demand and term deposits, thus providing with a stable large funding base. The Bank maintains some buffers of liquidity throughout the year to ensure safe and sound operations from a strategic, structural and tactical perspective.

The day-to-day responsibility for liquidity risk management and control is delegated to Asset Liability Management Committee (ALCO) which meets at least once a month to discuss the liquidity risk and funding profile/plan of the Bank. ALCO is responsible for the overall management and oversight of liquidity and review/recommendation of liquidity risk management policy before seeking approval from the Board of Directors. ALCO is also in charge of approving liquidity risk tolerance. Asset Liability Management (ALM) Team, which is responsible for the independent monitoring of the liquidity risk profile, works closely with Treasury Group in the surveillance of market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key funding sources. Treasury Group acts as a global funds dealing on a necessity or contingency basis. The Bank has to prudently manage the liquidity position to meet the daily operation needs. It measures and forecasts the respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under business as usual and stress conditions on a regular basis. For companies in the Bank's financial business group, liquidity risk management will be decentralised. To support their liquidity, the Bank may consider and approve liquidity lines to them as per respective credit lines approved by the Board of Directors.

Liquidity risk undertaken by the Bank is governed by a set of established liquidity risk appetite limits and Management Action Triggers (MATs). The limits and MATs are established to alert management to potential and emerging liquidity pressures. The Bank's Liquidity Risk Management Policy together with assumptions and thresholds levels are reviewed on an annual basis or any significant change in response to regulatory changes and changing business needs and market conditions. Liquidity positions are monitored on a daily basis and complied with internal risk thresholds and regulatory requirements for liquidity risk.

The Bank's contingency funding plan is a place to alert and to enable the management to act effectively during a liquidity crisis and under adverse market conditions. The plan consists of two key components: an Early Warning System (EWS) and a Funding Crisis Management Team (FCMT). EWS is designed to alert the Bank's management whenever the liquidity position may be at risk. It provides the Bank with the analytical framework to detect a likely liquidity problem and to evaluate the funding needs and strategies in advance of a liquidity crisis. EWS is made up of a set of indicators (monitored against pre-determined thresholds) that can reliably signal the financial strength and stability of the Bank. Consolidated stress test, including liquidity stress test, is performed on a semi-annual basis to identify vulnerable areas in the portfolio, gauge the finance impact and enable management to take pre-emptive actions. Three scenarios, namely Bank Idiosyncratic Crisis (BISC), Market Wide Crisis (MWC) and Combined Crisis (CC), are modeled. The assumptions used, including run-off rates on deposits, drawdown rates on undrawn commitments, and haircuts for marketable securities; are documented and the test results are submitted to ALCO, RMC and the Board of Directors. The test results to date have indicated that the Bank possesses sufficient liquidity capacity to meet the liquidity requirements under various stress test conditions

Interest Rate Risk In Banking Book

Interest Rate Risk in Banking Book (IRRBB) is defined as the current and potential risk to the Banks' earnings and economic value arising from movement in interest rates.

The Bank manages the exposure of fluctuations in interest rates through policies established by ALCO. IRRBB undertaken by the Bank is governed by an established risk appetite that defines the acceptable level of risk to be assumed by the Bank. The risk appetite is established by the Board of Directors. ALCO is the Board of Directors' delegated committee which reports to BRC. With the support from ALM Team under Risk Management Group and Capital and Balance Sheet Management (CBSM) Division under Finance Group, ALCO is responsible for the review and monitoring of the balance sheet, business and hedging strategies, the overall interest rate risk profile and ensuring that such risk profile is within the established risk appetite. Treasury Group is responsible for day-to-day management of exposure and gapping activities, including execution of hedging strategies.

IRRBB is measured by Economic Value of Equity (EVE) sensitivity which measures the long-term impact of sudden interest rate movement across the full maturity spectrum of the Bank's assets and liabilities. It defines and quantifies interest rate risk as the charge in the economic value of equity (e.g. present value of potential future earnings and capital) as asset portfolio values and liability portfolio value would rise and fall with changes in interest rates. This measure helps the Bank to quantify the risk and impact on capital with the focus on current banking book positions. The Bank's EVE sensitivity is computed using the re-pricing gap analysis method to analyse the interest rate movement of assets and liabilities in different time periods. The Bank also evaluates the effect of interest rate risk on the loss of earnings as a result of changes in interest rates under both business as usual and stress conditions.

The Management Action Triggers (MATs) are set as a pre-emptive measure to control risk arising from the effect on net interest income (NII) effect as well as EVE sensitivity. The analytical results of NII and EVE are reported to ALCO, BRC and the Board of Directors on a monthly basis.

The Bank manages interest rate risk by adjusting the assets and liabilities structure to be in line with forecast interest rate trends, taking into consideration the changes in NII and EVE. Results of the stress testing are used to determine alternative balance sheet strategies to be more suited to the business environment in order to achieve the business return target under acceptable level of risk.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Other risk factors include the lack of corporate governance and management incompetence. All these factors can negatively affect the Bank's financial performance and capital fund.

In order to effectively manage operational risks, the Bank has set appropriate policies, processes and procedures that not only bring the Bank in line with international standards, but also contribute to enhancing transparency and good governance. In this respect, RMC has been given the authority to establish policies and procedures which correspond with international best practice and to make recommendations to the Board of Directors or BRC as delegated for approval and deployment as the Bank's policies and procedures. To increase effectiveness, the Bank has also appointed Operational Risk Management Committee (ORC) to discuss, deliberate, assess and give advice on all issues relating to operational risks including fraud and covering key cause factors – human, process, system and external factors.

CIMB Thai's fundamental principle on operational risk is that the responsibility to manage operational risks associated with business ventures, products, services, and systems lines with line management and all staff performing the operations. Their responsibility includes compliance with all internal and external laws, regulations, policies and standards. In so doing, a Designated Compliance & Operational Risk Officer (DCORO) is appointed within each work unit to coordinate and assist in building the risk culture in own area and to ensure that operational risk management policies and procedures are well implemented and complied with.

Operational Risk Management Team is responsible for developing tools, system and process for identifying, assessing, controlling, reporting, and monitoring operational risks in compliance with the bank-wide operational risk policies, and international standards.

Each business unit in the Bank and its subsidiaries are required to manage their operational risks along the following lines:

1. Risk control self-assessment

Each business unit is required to conduct risk control self-assessment and report the results of which regularly to Risk Management Group. These reports will be used in assessing and analysing the overall operational risk exposure and providing a basis for determining corrective actions and follow-up. This makes it incumbent upon individual business units to review regularly that their work processes are structured and managed, thereby mitigating operational mishaps and enhancing their ability to redress the problems in a coherent and timely manner. In this context, continuous attention has been given to providing effective and efficient oversight across the organisation, including defining a clear scope of responsibilities and approval authority, establishing checks and balances, and securing data and information. Particular attention has also been given to ensure the continuity of business activities in accordance with international standards while enhancing sound corporate governance.

2. Loss event data reports

The Bank requires every business unit to submit loss event report through designated channels. The information captured by each unit is for the determination of the real cause(s) of the event and where necessary to recommend enhancement to the existing operational controls or workflow to ensure the lessons are learnt and such event will not recur in the future. These reports also facilitate statistical analysis of developing models for calculating operational risk capital requirements.

3. Key risk indicators (KRIs)

KRI is a tool to monitor and manage key operational risk exposures over time to predict upcoming changes in operational risk profiles. KRI provides early warning signals to the management on changes to the risk environment and the effectiveness of control. This is a forward looking tool to facilitate monitoring and management of key risks before they translate into operational losses. Hence, the Management will be able to take appropriate actions to mitigate the risks beforehand.

4. Control issue management (CIM)

Control issues are defined as gaps in the Bank's control environment. Inadequately-designed controls or controls that are not operating effectively may result in a residual risk beyond risk appetite. To manage control issues, the Bank developed the Control Issues Management Policy which provides an approach to systematically capture control issues and provides rules around the robust management or mitigation. The purpose of the policy is to ensure that control issues are captured and classified consistently, and that there is robust governance over their closure or acceptance.

5. New product approval process

The Bank has emphasised on developing new products or improving the operation process. For such purpose, the Bank enforces a stricter approval process with the identification, assessment and control of all relevant risks, i.e. credit, market and operational risks. All products are subject to a suitable review process before they can be signed off by the working groups and relevant business units before submission for approval and subsequent market launch.

6. Complaint management process

The Bank is aware of reputation and customer satisfaction risks. It has set up complaint units and proper procedures to handle customer complaints in a bid to manage such risks. Customers can direct their grievances to any of these units, namely Office of the President's Complaint Centre, CIMB Thai Care

Centre, CIMB Thai Facebook page, or CIMB Thai branches. The complaint issues via the aforesaid channels will be gathered by Office of the President which performs as complaint management centre.

Office of the President (OFP) will consider and send each complaint issue to the work unit being complained. The complained work unit will investigate the issue, seek a solution thereto, and prepare and send out explanatory letters directly to the complainant. For any complaint made via a government agency, OFP will be the unit preparing and sending out letters to such government agency notifying it of the solution and result thereof. OFP will gather all customer complaints and their respective solutions, and present them to the task force for acknowledgement and remedial actions. This process aims to improve customer satisfaction and prevent the recurrence of such incidents. Summary reports on customer complaints and solutions will regularly be prepared and submitted by OFP to Management Committee and Audit Committee on a monthly basis.

7. Business continuity plan

The Bank has developed and implemented business continuity management bank-wide and in subsidiaries to analyse business impact of critical business functions and document business continuity plan based on the analysis result as well as exercises of business continuity plan/disaster recovery plan at least once a year. This is to ensure that critical business functions can be recovered within a specified time in the event of the crisis, disaster or calamity disrupting the critical business functions. Having business continuity management in place will help preserve the Bank's reputation and maintain customer confidence in the Bank's services.

8. Internal audit and compliance

The Bank has established Internal Audit Division and Compliance Department as independent units to assist Audit Committee in auditing and monitoring, and directly report to the Audit Committee. Internal Audit Division is responsible for examining and providing reasonable assurance that all Bank activities are effectively and efficiently managed and operated in line with good risk management and internal control principles. Compliance Department oversees and monitors the Bank's business operation to ensure compliance with all relevant laws and regulatory requirements.

Risk Related to Foreign Investment

The Bank has an insignificant exposure of foreign equity investments recorded in the banking book as a result of the amalgamation

4. Business Assets

4.1 Fixed Assets for Business Operation

(1) Premises and equipment

As at 31 December 2016, CIMB Thai group had land valued at THB 2,134 million, buildings THB 2,974 million, equipment THB 2,654 million and assets under construction THB 17 million. Net of accumulated depreciation and provisions for impairment of THB 4,109 million, the net book value of the premises and equipment was THB 3,670 million. The land, buildings and condominiums under the Bank and subsidiaries's ownership accommodate the Bank's headquarters, business centres, branches, and subsidiaries' offices.

(2) Commitments under long-term leases

As at 31 December 2016 and 2015, the group had entered into a number of agreements to lease land, buildings and vehicles for periods longer than six months, under which future rental fees can be summarised as follows:

Lease periods	Consolidated		Separate	
	2016 THB million	2015 THB million	2016 THB million	2015 THB million
1 - 3 years	309	237	257	197
4 - 5 years	6	8	6	8
6 - 10 years	5	12	5	12
11 - 30 years	1	2	1	2
Total	321	259	269	219

(3) Other commitments

As at 31 December 2016, the Bank had other commitments in the form of agreements relating to computer system and software development with various companies. It would be obligated to further pay THB 83 million, MYR 3.57 million, USD 6.1 million and SGD 715 thousand under such agreements (as at 31 December 2015: THB 112 million, MYR 1.1 million and USD 27 thousand).

Sale of non-performing assets

- Sukhumvit Asset Management Co., Ltd "SAM"

On 29 December 2016, the Bank entered into the agreement with SAM for sales of non-performing assets to SAM, and the Bank (as the transferors) received first payment of THB 4.22 million as at contract date and last payment of THB 80.28 million from SAM (as the transferee) on 6 January 2017, in accordance with the transfer conditions as specified in the agreement.

- Bangkok Commercial Asset Management Public Company Limited "BAM"

On 28 December 2016, the Bank entered into the agreement with BAM for sales of non-performing assets to BAM, and the Bank (as the transferors) received 8 promissory notes of THB 117.44 million each, totalling of THB 939.52 million from BAM (as the transferee), payment date during 9 April 2017 to 30 December 2018 with interest rate of 2.5% per annum, in accordance with the transfer conditions as specified in the agreement.

4.2 Policy Governing Subsidiaries and Associate Companies

A subsidiary company means a company that the Bank has the power to determine its financial and business policies, whereby the Bank holds shares in the particular whether directly or indirectly not less than half of its issued and paid-up share capital.

An associate company means a company that the Bank has a right to participate in the formulation of its financial and business policies, whereby the Bank holds shares in the particular company whether directly or indirectly not less than 20% of its issued and paid-up share capital.

Companies in the Financial Group as approved by The Bank of Thailand means companies that their main business is to provide financial services and/or companies that their main business is to provide supporting business to financial services as defined by The Bank of Thailand. The Bank also must have power to control businesses of companies in the Financial Group.

The Bank's investment policy in subsidiaries and affiliates is set according to the consolidated supervision guidelines of The Bank of Thailand which means the bank will not make investment and holding shares in any company more than 10% of total issued shares, except when the bank gets approval from The Bank of Thailand in following cases.

1. Investment in companies in the Financial Group that the Bank has management control over the company as approved by The Bank of Thailand which consist of companies engaging in financial service businesses and companies engaging in supporting businesses whereby such companies will operate business mainly to support and promote business of the bank and companies in the Financial Group.
Bank of Thailand has granted approval to the Bank to establish a Financial Group on March 10, 2008. As at December 31, 2016, the Bank Financial Group consisted of
 - 1.1 Financial Service Businesses
 - (1) CIMB Thai Bank Public Company Limited
 - (2) Center Auto Lease Company Limited
 - (3) Worldlease Company Limited
 - 1.2 Supporting Businesses
 - (1) CT Coll Company Limited
2. Investment in companies outside the Financial Group, the Bank can only make investment in a company outside the Financial Group with a shareholding more than 10% of the total issued shares provided that such company must fall within following categories:
 - 2.1 Main business of the company is to provide financial service business but the Bank has no management control over the company provided that such investment was prior received approval from Bank of Thailand.
 - 2.2 Main business of the company is to provide supporting businesses beneficial to the Bank's business and the overall financial system, such as National Credit Bureau Co., Ltd, National ITMX Co., Ltd, S.W.I.F.T. Co., Ltd and Thai Rating and Information Services Co., Ltd.(TRIS), etc.
 - 2.3 Shares of companies in which the Bank received as a result of Trouble Debt Restructuring, debt to equity conversion, debt enforcement or foreclosure of collateral as allowed by Bank of Thailand.
 - 2.4 Companies which were prior received approval from Bank of Thailand, and companies that now are in liquidation process.
 - 2.5 Companies engaging in financial businesses or supporting businesses for which the Bank does not have management control. For companies engaging in other businesses will only be allowed when the invest is made through company that engaging in financial businesses which is under supervision of specific authority, provided that approval criterion of Bank of Thailand for such investment will be in accordance with rules and guidelines of as specified by the relevant authority.

5. Legal Disputes

As of 31 December 2016, there is no legal dispute which may materially adverse or affect the bank's asset in an amount over 5 % of shareholder equity.

6. General Information and Other Important Information

6.1 General Information

Company Name	:	CIMB Thai Bank Public Company Limited
Registration No.	:	0107537002338 (former Bor. Mor. Jor. 480)
Business Type	:	Commercial Banking
Head Office	:	Langsuan Building, 44 Langsuan Road, Lumpini, Patumwan, Bangkok 10330
Telephone Number	:	0-2638-8000 and 0-2626-7000
Facimile Number	:	0-2633-9026
CIMB Thai Care Center	:	Telephone Number: 0-2626-7777 E-mail: cimbthai.carecenter@cimbthai.com
Investor Relation	:	Telephone Number 0-2638-8615 E-mail ir@cimbthai.com
Company Secretary	:	Telephone Number 0-2638-8287 and 0-2638-8274 E-mail cs@cimbthai.com
Website	:	http://www.cimbthai.com

Reference:

Registrar : Thailand Securities Depository Co., Ltd.
Address : 93 Ratchadapisek Road, Din Daeng, Din Daeng, Bangkok 10400
Telephone Number : 0-2009-9000
Facimile Number : 0-2009-9991
SET Contact Center : 0-2009-9999
Website : <http://www.set.or.th/tsd>
E-mail : SETContactCenter@set.or.th
 :

Auditors : PricewaterhouseCoopers ABAS Ltd.
Address : 15th Floor, Bangkok City Tower, 179/74-80, South Sathorn Road, Bangkok 10120, Thailand
Telephone Number : 0-2344-1000 and 0-2286-9999
Facimile Number : 0-2286-5050
Auditors in charge : - Mrs. Anothai Leekijtwattana Certified Public Accountant (Thailand) No. 3442
 - Mrs. Unakorn Phruithithada Certified Public Accountant (Thailand) No. 3257
 - Mr. Paiboon Tunkoon Certified Public Accountant (Thailand) No. 4298

Entities in which CIMB Thai Bank invests 10% or more of total issued shares (As of 31 December 2016)

	Company name / Address	Type of business	Type of share	Paid-up Capital (No. of shares)	Number of shares held	%
1.	Center Auto Lease Co., Ltd. 43 Thai CC Tower 25 th , 32 nd Floor, South Sathon Road,Yannawa, Sathon, Bangkok Tel. +66-2673-9111, 0-2684-6500	Leasing	Ordinary	350,000,000	349,999,994	99.99

	Company name / Address	Type of business	Type of share	Paid-up Capital (No. of shares)	Number of shares held	%
2.	CT COLL Co.,Ltd. 128/229-234 Phayathai Plaza Building, 21 st Floor, Phayathai Road, Thung Phayathai, Ratchathevi, Bangkok Tel. +66-2626-7070	Debt collection service	Ordinary	385,000	384,993	99.99
3.	Worldlease Co., Ltd. 43 Thai CC Tower, 34 th Floor, South Sathon Road, Yannawa, Sathon, Bangkok Tel. +66-2675-6300 Fax. +66-2675-6299	Leasing	Ordinary	60,000,000	59,999,998	99.99
4.	SrithephthaiPlaschem Co., Ltd. (bankrupt) 1200 Bangna-Trad Road, Bangna, Bangkok Tel. +66-2398-0027 Fax. +66-2383-0201	Plastic products	Ordinary	83,332	31,410	37.69
5.	M-Home SPV 3 Co., Ltd. (liquidated) 1006/420 Masterview Executive Place Building, 1 st Floor, Charoennakorn Road., Banglumphu, Klongsan, Bangkok	SPV	Ordinary	10,000	1,282	12.82
6.	Tawana Hotel Co., Ltd. 80 Surawongse Road, Siphrya, Bangrak, Bangkok Tel. +66-2236-0361 Fax. +66-2236-3738	Hotel	Ordinary	33,909	3,390	10.00
7.	Sanwa Interfood Co., Ltd. 2219-2223 New Petchburi Road, Bangkokpi, Huaykwang, Bangkok	Instant foods	Ordinary	10,000,000	1,000,000	10.00
8.	Samchai Plc. 522 Ratchada Complex, RatchadaphisekRoad,SamsenNok,Huaykhuang, Bangkok	Electrical appliance	Ordinary	40,000,000	4,000,000	10.00
9.	P.C.Patanasub Co., Ltd. (dissolved) 1600 New Petchaburi Road, Makkasan, Ratchathevi, Bangkok	Commerce	Ordinary	10,000	9,993	99.93
10.	Executive Management Services Manpower Ltd. (bankrupt) 295 Rama III Road, Bangkholaem, Bangkok Tel. +66-2689-2626	Office equipment and furniture rental	Ordinary	2,000	340	17.00
11.	Global Leasing Co., Ltd. (under official receivership) 518/5 Maneeya Center, 8 th Floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 Tel. +66-2652-0730	Leasing	Ordinary	2,000,000	200,000	10.00
12.	TPF Leasing Co., Ltd. (bankrupt) 82 Sangthongthani Tower, 25 th Floor, North Sathon Road, Silom, Bangrak, Bangkok	Leasing	Ordinary	6,000,000	600,000	10.00
13.	UTM Advisory & Capital Management Co., Ltd. (abandoned) 44 CIMB Thai Head Office, 18 th Floor, Langsuan Road, Lumpini, Pathumwan, Bangkok	Consultancy	Ordinary	100,000	10,000	10.00
14.	SPL Development Co., Ltd. (abandoned)149 Modern Home Tower, Nonsi Road, Chong Nonsi,Yannawa, Bangkok	Real estate development	Ordinary	500,000	499,999	99.99

	Company name / Address	Type of business	Type of share	Paid-up Capital (No. of shares)	Number of shares held	%
15.	Thai-Ultra Auto Part Co., Ltd. (bankrupt) 59 Moo 4 Highway Road, Nikompattana, Bankai, Rayong	Auto parts distribution	Ordinary	6,500,000	650,000	10.00
16.	Advance Manufacturing Leasing Co.,Ltd. (abandoned) 246 Time Square Building, 11 th Floor, Sukhumvit12-14 Road,Khongteoy Bangkok	Leasing	Ordinary	20,000,000	2,000,000	10.00
17.	TunRuamkarnCo.,Ltd. (bankrupt) 133/2 Sukhumvit 21 Road, Klongtoey, Klongtoey, Bangkok	Finance	Ordinary	240,000	40,000	16.67
18.	Modern Appraisal Co.,Ltd. (abandoned) 3726/162-163 , 3 rd Floor, Rama III Road, Bangkhlo, Bangkolaem, Bangkok	Appraiser	Ordinary	20,000	2,000	10.00

6.2 Other Important Information

6.2.1 Thai Economy in 2016 and Outlook for 2017

Overview of the Thai Economy in 2016

Thai economy in 2016 was hurt by certain internal headwinds, especially the prolonged droughts which caused farm income to grow at a slow pace and weakened grassroots' purchasing power. This had a bearing on SMEs' business operations and purchasing power of consumers in the agricultural sector. However, since the end of the third quarter, farm income and consumers' purchasing power has picked up driven by the easing drought situation. Thai economic growth prospects in 2017 are expected from SMEs which have started to enjoy positive factors and should stimulate the economic expansion. Challenges lying ahead for Thailand will come from external uncertainties. The US's trade protectionist policy of the new US President, China's slowing economy, and the prevailing money and capital market volatility amidst the upward trend of the Fed funds rate and the oil price hike could more or less impair Thailand's economic stability.

Outlook for 2017

Thailand's economy in 2017 is forecasted to grow further, though at a decelerated pace. Interest rates have to be kept at low levels to support the economy. Thai entrepreneurs are recommended to take cautious steps in their operations. Although the policy rates will remain constant, the costs of funding through the capital markets may go up following the rising trend of bond yields to cope with the tightening liquidity caused by capital outflows. Investors should make early decision to raise funds through the bond markets during the period when funding costs are still low to avoid higher cost burden afterward.

Considering economic challenges lying ahead, CIMB Thai's Research Office views that the rising oil prices should support the prediction of the hike in purchasing power this year. Normally, oil prices move in line with commodity prices and prices of agricultural products. However, purchasing power may not move up so fast due to high household debt which restricted the acceleration of consumption. In the meantime, the prevailing low private investment and unresolved structural issues in the manufacturing sector like excess production capacity, lack of labor skill development and low production innovation, which have long discouraged additional private investment, could further weaken the country's long-term competitiveness.

Another inevitable challenge is that encountered by Thai exports which account for 60% of GDP. Although US President Donald Trump has not directly taken trade protectionist measures against Thailand, and Thai exports to the US should improve following the US's accelerated economic trends, the US stance towards China could hinder Thailand's exports in the supply chain, most of which are consumer goods, and other ASEAN members' exports of raw materials to China in 2017.

Under the current circumstances, Thai private entities, especially labor-intensive ones and those applying basic production technology should get prepared to move their bases more to the CLMV (Cambodia, Laos, Myanmar, Vietnam). So far, several large corporate businesses have already made their presence there, and SMEs should follow suit by jointly forming clusters and supply chains to serve large businesses. They may otherwise upgrade their production technologies to facilitate linkage of their supply chain with large businesses or explore new markets with growth potential, such as India, Australia and the Middle East to fully exploit the recovering global economy when commodity prices should improve to offset the rising trade protectionism.

Looking forward, despite the expected increase in the US Fed funds rates twice, i.e. in the middle and end of 2017, Thailand's interest rates should remain constant throughout the year. Meanwhile, Thai baht is forecasted to weaken further against the US dollar due to the Fed funds rate hike, and hence capital outflows. Anyway, the softening baht could be a boost to Thai exports.

All in all, Thailand's economy in 2016 grew by 3.2%. For 2017, Thai economic growth is predicted at 3.2%, the same as 2016, mainly due to the persisting global market volatility. Domestic consumption, though improving, still cannot offset the external pressures. Thus, public sector investment and tourism will remain to be the main engine to drive the Thai economy.