

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 2017, the Bank operated 19 main offices with credit facilities and 84 branches, with foreign exchanges facilities, 10 stand-alone

1.1 Vision, Objectives and Corporate Value

VISION

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

MISSION

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

CORPORATE VALUE

Core values reflect what is truly important for CIMB Thai. These are not values that change over time, according to situations or by persons, but rather they are the foundation of our culture, and the soul of our Bank.

CTHAI:

- **Customer**

We appreciate the unique needs of each individual and organisation. 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 for both our shortcomings and successes. This mindset allows our customers to entrust their business with us.

- **ASEAN**

As a member 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.

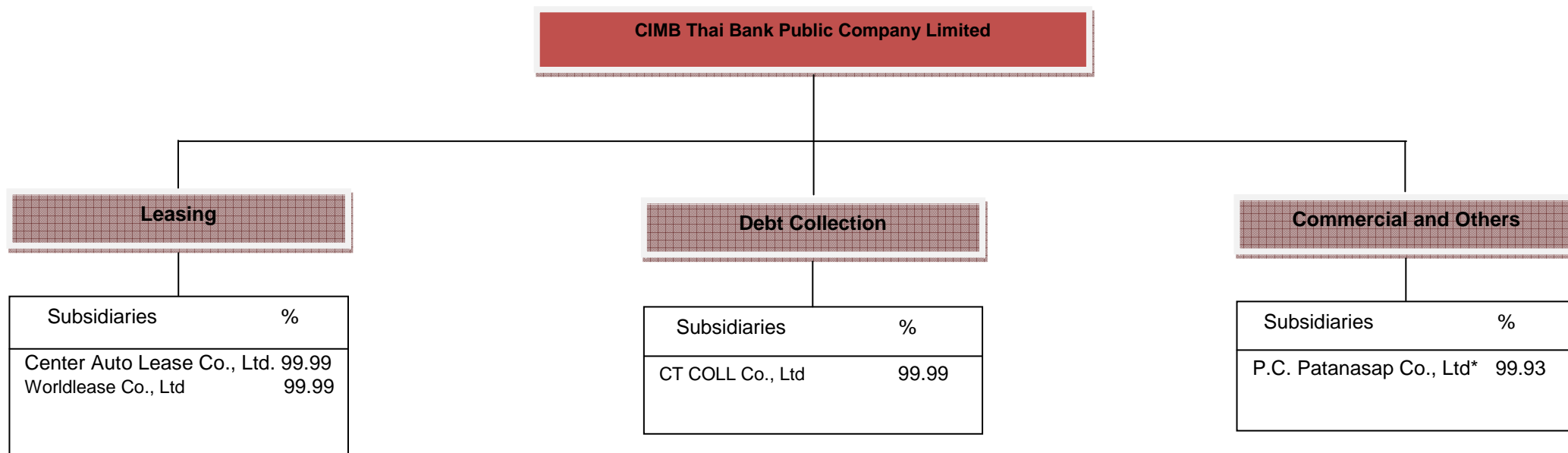
Later, on 11 April 2014, the Annual General Meeting of Shareholders No. 20 approved the Bank's cancellation of 125,837,157 unsold Rights Shares and 4,894,780,426 unoffered General Mandate Rights Shares, totaling 5,020,617,583 unsold and unoffered shares approved by the Annual General Meeting of Shareholders 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

On 24 February 2017, the Extraordinary General Meeting of Shareholders No. 1/2017 ("EGM") approved the increase of the Bank's registered capital by THB 2,752,747,964.00, from THB 12,387,365,839.50 to THB 15,140,113,803.50, via the issuance of 5,505,495,928 new ordinary shares with a par value of THB 0.50 per share to existing shareholders in proportion to their shareholding ("Rights Offering") at the ratio of 2 new shares for every 9 existing CIMB Thai shares, at an offering price of THB 1.00 per share. After the completion of share offered on 2 June 2017 CIMB Bank holds 28,496.70 million shares, or equivalent to 94.11 percent of total issued and offered shares of the Bank.

3. The Corporate Structure of the Bank and its Subsidiaries (as of 31 December 2017)



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 2017)



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)

	For the years ended 31 December					
	2017	%	2016	%	2015	%
Interest income						
1. Loans	10,558.0	104.9	11,320.1	109.1	11,343.1	110.8
2. Interbank and money market items	165.0	1.6	68.7	0.7	73.3	0.7
3. Investments	1,144.4	11.4	1,313.4	12.7	1,598.2	15.6
4. Others	45.8	0.5	21.6	0.2	11.1	0.1
Total interest income	11,913.2	118.4	12,723.8	122.7	13,025.7	127.2
Interest expenses						
1. Deposits	2,387.7	23.7	2,611.6	25.2	3,893.4	38.0
2. Interbank and money market items	218.7	2.2	281.8	2.7	338.1	3.3
3. Contribution fee to Deposit Protection Agency and FIDF	962.2	9.6	991.1	9.6	1,001.8	9.8
4. Debt securities issued and borrowings	711.6	7.1	871.0	8.4	852.9	8.3
5. Others	45.0	0.4	51.5	0.5	55.2	0.5
Total interest expenses	4,325.2	43.0	4,807.0	46.4	6,141.4	59.9
Net interest income	7,588.0	75.4	7,916.8	76.3	6,884.3	67.3
Operating income	2,475.9	24.6	2,454.9	23.7	3,350.8	32.7
Total income	10,063.9	100.0	10,371.7	100.0	10,235.1	100.0

2.1.1.2 Non- Interest income

(Unit: THB Million)

	For the years ended 31 December					
	2017	%	2016	%	2015	%
Fee and service income	1,471.4	59.4	1,289.7	52.5	1,374.9	41.0
Fee and service expenses	223.8	9.0	238.7	9.7	319.3	9.5
Net fee and service income	1,247.6	50.4	1,051.0	42.8	1,055.6	31.5
Gains on trading and foreign exchange transactions, net	2,238.2	90.4	1,402.5	57.1	1,819.4	54.3
Losses on financial liabilities at fair value through profit or loss, net	(1,733.9)	(70.0)	(810.4)	(33.0)	(458.2)	(13.7)
Gains on investments, net	490.7	19.8	482.6	19.7	551.0	16.5
Other operating income	233.3	9.4	329.2	13.4	383.0	11.4
Net non-interest income	2,475.9	100.0	2,454.9	100.0	3,350.8	100.0

2.1.2 CIMB Thai's Subsidiaries

(Unit: THB Million)

	For the years ended 31 December					
	2017	%	2016	%	2015	%
1. Center Auto Lease Co., Ltd.						
Interest income	2,289.0	97.5	1,734.0	102.9	1,443.7	123.8
Interest expense	617.7	26.3	551.0	32.7	526.7	45.2
Net interest income	1,671.3	71.2	1,183.0	70.2	917.0	78.6
Operating income	676.0	28.8	502.7	29.8	248.8	21.4
Total income	2,347.3	100.0	1,685.7	100.0	1,165.8	100.0
2. World Lease Co., Ltd.						
Interest income	1,038.6	88.9	948.5	97.0	871.1	100.7
Interest expense	109.9	9.4	183.0	18.7	196.4	22.7
Net interest income	928.7	79.5	765.5	78.3	674.7	78.0
Operating income	240.2	20.5	211.8	21.7	190.6	22.0
Total income	1,168.9	100.0	977.3	100.0	865.3	100.0
3. CT Coll Co., Ltd.						
Interest income	0.6	1.6	0.7	1.5	1.2	2.0
Interest expense	0.2	0.5	0.2	0.4	0.2	0.3
Net interest income	0.4	1.1	0.5	1.1	1.0	1.7
Operating income	37.3	98.9	45.3	98.9	58.8	98.3
Total income	37.7	100.0	45.8	100.0	59.8	100.0

2.2 Nature of Products and Services

Wholesale Banking

Corporate Banking and Financial Institution

Corporate Banking (CPB) of CIMB Thai provides financial services to a diverse range of business entities in commercial, manufacturing, property development and transportation sectors while Financial Institution (FI) offers financial services to financial institutional customers, both banks and non-bank entities such as leasing, securities, asset management, and insurance companies. As most clients have had a long-time relationship with the Bank, we work alongside them as their strategic business partner that supports them toward strong and sustainable business growth. We also offer them business and investment opportunities through CIMB Group's regional network.

In 2017, the Thai economy expanded slightly higher than in 2016 on the back of growing exports and tourism. However, challenges remained with significant impacts from such factors as private investors' confidence, investment rules and restrictions, volatility of agricultural commodity prices and financial markets along with external economic woes and caution over asset quality in the commercial banking system, hence hindering business expansion of large clients. Therefore, CPB and FI focused more on maintaining the quality of existing loan portfolios, with prudent consideration of risks in new loan approvals, as well as close and regular monitoring of clients. We collaborated with Research Office in keeping abreast of business and economic trends, and with Risk Management in expanding our exposure and business to low risk sectors. We also targeted large clients with strong financial position and investment plans into ASEAN and those with cross-selling opportunities. These included big projects which generated comprehensive income, e.g. interest, fee and financial advisory income, and other income from transactional banking and hedging products, as well as equity and debt underwriting.

Profit before tax of Wholesale Banking (WSB), covering Corporate Banking, Financial Institution and Investment Banking, grew significantly by 130% in 2017 despite a decrease in overall revenues. This resulted from the tightened loan underwriting process, close debt monitoring using Early Warning

Indicators (EWI) in asset quality management to prevent problem loans, and accelerated debt collection and resolutions. Consequently, provision set aside in 2017 dropped by 90% year-on-year. Moreover, we managed to cut down operating expenses by 11%. Most of our revenues came from significant client groups entrusting us as their main bank including those with ASEAN aspirations in line with our strategy and motto: "Be More Relevant to Important Clients & Accelerate Our ASEAN Initiatives."

WSB was successful in expanding business to other ASEAN countries, particularly CLMV (Cambodia, Laos, Myanmar, Vietnam), through CIMB Group which has strength in capital, professional and partnering network in ASEAN. We completed business deals with big corporate clients who had large investments in both domestic and regional markets, as we could quickly provide solutions and services that met their expectations. The Bank worked closely with other CIMB Group members in continuously expanding the income base in their respective countries.

For the business plan from 2018 onwards, CPB and FI will focus on generating firm and consistent income with priority given to key account management and planning to achieve recurring income and also cross-selling opportunities. Our strategy is to reach out to selected major client groups as well as in new acquisition of clients with strong potential to continuously improve our asset quality. Furthermore, we will keep expanding our business and service across ASEAN and fostering business and relationships with foreign clients investing in Thailand with cooperation from other CIMB Group members.

Investment Banking

2017 saw CIMB Thai's Investment Banking (IB) achieve a leap-frog, record-high growth. In Thailand's merger and acquisition (M&A) league table, CIMB Thai's market share moved up from ranking no. 23 in 2016 to no. 3 in 2017. Moreover, we successfully completed large transactions in collaboration with CIMB Group in equity capital markets, at both local and regional levels, performing as financial advisor, lead underwriter and initial purchaser (jointly with CIMB Group) for listing of TPI Polene Power Public Company Limited on the Stock Exchange of Thailand (SET) worth THB 17,500 million and as initial purchaser (jointly with CIMB Group) for listing of B.Grimm Power Public Company Limited on the SET worth THB 10,428.80 million.

We continued to reinforce our teams through collaboration with CIMB Group. We have sector specialists to provide knowledge and insight of industry sectors at regional level and work closely with us to offer our clients comprehensive financial services, including strategic and business operation advisory services. As a result, we have been able to strengthen our relationships and add value to our clients' business while enhancing their competitiveness through innovation of financial products that suit them.

The collaboration and synergy among Corporate Banking, Financial Institution, Investment Banking and CIMB network in ASEAN will contribute to the Bank's potential as an important bank to our clients and their business partner in achieving their ASEAN investment goal.

Key successful deals in 2017 included:

Debt Markets	Role	Issue Size (THB mil)
Government Housing Bank	Sole Lead Underwriter	22,300.00
Government Savings Bank	Joint Lead Underwriter	16,666.67
Amata B.Grimm Power SPV1 Limited	Joint Lead Underwriter	5,750.00
TPI Polene Public Company Limited	Sole Lead Underwriter	4,000.00
Expressway Authority of Thailand	Joint Lead Underwriter	3,700.00
Bangkok Mass Transit Authority	Joint Lead Underwriter	3,230.17
Srisawad Power 1979 Public Company Limited	Joint Lead Underwriter	3,130.00
SC Asset Corporation Public Company Limited	Sole Lead Underwriter	2,900.00
Toyota Leasing (Thailand) Company Limited	Joint Lead Underwriter	2,886.67
AEON Thana Sinsap (Thailand) Public Company Limited	Sole Lead Underwriter	2,000.00
Center Auto Lease Company Limited	Sole Lead Underwriter	2,000.00
Krungthai Card Public Company Limited	Joint Lead Underwriter	1,875.00
Ananda Development Public Company Limited	Sole Lead Underwriter	1,630.00
Jay Mart Public Company Limited	Sole Lead Underwriter	1,590.00
TTCL Public Company Limited	Joint Lead Underwriter	1,500.00

Debt Markets	Role	Issue Size (THB mil)
Muangthai Leasing Public Company Limited	Sole Lead Underwriter	1,226.90
Easy Buy Public Company Limited	Sole Lead Underwriter	1,000.00
M.K. Real Estate Development Public Company Limited	Sole Lead Underwriter	1,000.00
Sena Development Public Company Limited	Sole Lead Underwriter	1,000.00
Don Muang Tollway Public Company Limited	Sole Lead Underwriter	800.00
JMT Network Services Public Company Limited	Sole Lead Underwriter	700.00
Fraser's Property Holdings (Thailand) Company Limited	Joint Lead Underwriter	513.60
Major Cineplex Group Public Company Limited	Sole Lead Underwriter	500.00
Siamgas and Petrochemicals Public Company Limited	Joint Lead Underwriter	500.00
Lalin Property Public Company Limited	Joint Lead Underwriter	360.00

Equity Markets	Role	Deal Size (THB mil)
TPI Polene Power Public Company Limited	Financial Advisor/Lead Underwriter/Initial Purchaser (Jointly with CIMB Group)	17,500.00
B.Grimm Power Public Company Limited	Initial Purchaser (Jointly with CIMB Group)	10,428.80
Triple I Logistics Public Company Limited	Financial Advisor/Lead Underwriter (Jointly with CIMB Group)	789.60
Grande Hospitality Real Estate Investment Trust	Selling Agent	1,755.00
Global Green Chemical Public Company Limited	Co-Underwriter (Jointly with CIMB Group)	2,762.67
Information and Communication Networks Public Company Limited	Co-Underwriter (Jointly with CIMB Group)	220.80
Gulf Energy Development Public Company Limited	Co-Underwriter (Jointly with CIMB Group)	23,998.50
Thonburi Healthcare Group Public Company Limited	Co-Underwriter (Jointly with CIMB Group)	3,230.00

Commercial Banking

Commercial Banking (CMB) serves business customers with annual sales turnover of up to THB 3 billion through our business centres situated in strategic locations nationwide. We provide comprehensive financial products and services tailored to suit each customer's needs. In addition, with CIMB Group's strong and well-established network throughout ASEAN, we work with our customers to enable their full potential in their trade and investment in the region.

In 2017, the Bank faced challenges both locally and internationally that impacted business performance, especially in the agro-industry, as seen in high NPL recorded. Hence, asset quality management has remained our highest priority rather than market acquisition. With this in mind, our business foundation has been fortified under the new organisation structure implemented over the past two years and correspondingly, we have witnessed upward momentum in both business growth and asset quality.

Looking forward to 2018, we will continuously strive to strengthen our foundation by maintaining satisfactory portfolio quality, expanding loan portfolio in promising geographic locations and industries, further improving the work process, and enhancing staff's capabilities to best cater to our customers and achieve sustainable business growth.

Consumer Banking

The year 2017 was another successful year of Consumer Banking with growth recorded in various business areas. We still focused on the "Push & Pull Strategy" to "push" for building relationships, access to and understanding of our customers, and "pull" or encourage our customers to be alert and begin to approach the Bank. We expanded sale channels with DSE kiosk available for customers to apply for unsecured loans and get instant approval result by themselves. In addition, we partnered with 7-Eleven store and SPAR Supermarket to offer mini branch service in convenience stores.

Viewing operational performance in 2017, Consumer Banking adopted the risk based pricing approach in loan underwriting to provide customers with quality loans that meet their debt servicing capability. As for performance in 2017 of subsidiaries, both Center Auto Lease Co., Ltd. (CAL) and WorldLease Co., Ltd. (WL) recorded solid business growth. Total car loan approvals amounted to more than THB 10,000 million, a 15% year-on-year growth, and total motorcycle loan approvals more than THB 3,000 million, a 23% year-on-year growth. In addition, the year 2017 also witnessed the subsidiaries' continued digital service development, with WL launching SOM "e-Statement on Mobile" application for its motorcycle loan customers.

To cater to the affluent segment (Preferred customers), we have developed our staff's skill and knowledge under the "Wealth Academy" scheme so that they have the right skill-set to render effective advisory services that meet the customers' needs. This aims to affirm our commitment to the role of not only a financial intermediary but also provider of financial planning and advisory services. We have offered diversified investment products that are complicated but offer better returns to our customers, such as TDIF (Thai Dynamic Income Equity) Fund, GOPP (Global Opportunity) Fund, VNEQ (Vietnam Equity) Fund, etc. In addition, we launched a persona campaign called "Be the Victor," to encourage people, our customers in particular, to brave difficulties and pursue their dreams in their own way toward success. A group of customers were selected as the 'victor' and role model to inspire other customers to set and strive to achieve their own goals together with the Bank.

With the increasing role of the digital system in people's daily life, we have set up a dedicated Digital Banking team to develop and provide solutions under new platforms to serve our customers more efficiently.

For 2018, Consumer Banking will continue to focus on providing services for all target groups through the digital channel and unconventional branches. We will also expand the number of financial advisors for customers by giving opportunity for new staff with such aspirations to undergo special training on financial planning.

Consumer Banking's performance in 2017 was as shown below:

- Total operating income was THB 8,447 million, a 14% growth compared with that in 2016.
- Net interest income from all products was THB 7,027 million, which was THB 898 million higher than that in 2016.
- Profit before tax was THB 2,506 million, or a 39% growth year-on-year.
- Total consumer loan approval* amounted to THB 35,875 million, a 16% growth year-on-year.

Note: Total consumer loan approval* covered secured loans, unsecured loans and those of subsidiaries.

Transaction Banking

CIMB Thai's Transaction Banking (TB) provides corporate clients and financial institutions with an array of products and services, covering cash management, trade services, trade finance and structured supply chain products. We offer financial solutions to our customers to help them save financial cost, manage operating expenses and minimise risks. Securities services are also made available, including security agent and facility agent, escrow accounts, trustee, custody and other related services.

In the peer to peer (P2P) remittance business, CIMB Thai's TB is a leading player offering individual customers a convenient, reliable and low cost international remittance service through "SpeedSend."

In 2017, our SpeedSend service was awarded the “Remittance Product of the Year” by The Asian Banker.

Forging ahead toward Target 2018 (T18), we made significant progress in 2017 on enhancing product coverage and acquiring new customers in the SME segment. Moreover, 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 and expanding enterprises and customers.

For 2018, besides assisting leading Thai corporates in their cross-border growth aspirations in ASEAN, we will continue to build on strategic initiatives that remain aligned with both CIMB Group and regulators with focus on promoting financial inclusion, cashless society, new age technologies like blockchain and provision of superior services to the expanding SME segment in Thailand.

We will continue to innovate and roll out new digital customer servicing tools and products through our regional Internet banking platform BizChannel@CIMB, and partner with such financial disruptors as FinTech operators to launch customised customer solutions in merchant acquisition, payment via QR code or otherwise and supply chain management. Therefore, we look forward to expanding our client base through enhancement of digital capabilities to keep pace with the robust market trends and highlight our role as Thailand’s leading ASEAN bank.

Treasury

Treasury of CIMB Thai provides comprehensive financial products and services across multiple asset classes to assist our clients in managing their investment, liabilities and risks as well as fund raising through debt capital markets. We also manage the Bank’s funding and liquidity in accordance with regulatory requirements.

In 2017, Treasury contributed satisfactory financial results to CIMB Thai with strong product capabilities in structured products, interest rate derivatives and debt securities trading, which earned the Bank altogether three awards as follows:

The Asset Triple A Private Banking, Wealth Management: Investment ETF Awards

- (1) Best Structured Product House, Thailand (for four consecutive years since 2014)
- (2) Best Credit Derivatives House, Thailand (for two consecutive years since 2016)

The Asset Benchmark

- (3) Top Bank in Secondary Market, Corporate Bonds, Thailand (ranking no. 1)

Furthermore, CIMB Thai is one of the key players in the debt capital market ranking no. 6 with a 9.64% market share in THB corporate bond underwriting league table published by Bloomberg, and ranking no. 1 in state-owned enterprise bond underwriting with 40.45% market share announced by Thai Bond Market Association. Regarding the secondary market, CIMB Thai has ranked no. 3 with 13.1% market share in terms of trading value according to a league table reported by Thai Bond Market Association.

Looking forward, we will continue to expand our treasury product and service offerings into wealth management for high net-worth individuals (HNWIs) as well as risk management solutions to help wholesale and commercial banking clients manage their market risks across foreign exchange (FX), interest rate, credit and commodity markets. Moreover, we will also build and strengthen our sales expertise and structuring capabilities to cater to the growing needs of clients.

2.3 Market Shares and Competitions

Competitive Environment - Market Shares					Unit (THB*Million)	
BANK	Asset	Marketshare	Deposit	Marketshare	Loan	Marketshare
BANGKOK BANK	3,076,310	13.4%	2,310,743	13.9%	2,003,989	12.7%
SIAM COMMERCIAL BANK	3,024,032	13.2%	2,092,457	12.6%	2,034,732	12.9%
KASIKORNBANK	2,900,841	12.7%	1,878,672	11.3%	1,802,783	11.4%
KRUNG THAI BANK	2,864,373	12.5%	2,070,875	12.5%	1,938,082	12.3%
BANK OF AYUDHYA	2,088,772	9.1%	1,319,229	8.0%	1,550,404	9.8%
THANACHART CAPITAL	1,009,557	4.4%	716,278	4.3%	711,675	4.5%
TMB BANK	843,872	3.7%	611,430	3.7%	643,373	4.1%
TISCO FINANCIAL GROUP	303,436	1.3%	180,804	1.1%	251,396	1.6%
CIMB THAI BANK	300,604	1.3%	177,401	1.1%	211,022	1.3%
KIATNAKIN BANK	259,335	1.1%	132,878	0.8%	192,107	1.2%
Others*	6,253,950	27.3%	5,101,125	30.7%	4,469,883	28.3%
Total	22,925,081		16,591,891		15,809,445	

Source: 1) Commercial Bank's consolidated financial statement as of December 2017 (Unaudited)

2) All Commercial Banks' Assets and Liabilities report from Bank of Thailand (FI_CB_001_S5)

2.4 Provision of Products and services

Source of Funding

As at 31 December 2017, deposits managed by the Bank stood at THB 189.8 billion (including interbank and money market deposits), whilst borrowings (including interbank and money market borrowings) amounted to THB 41.5 billion. Of that total, 88.9% was used for gross loans including accrued interest, while the balance was applied towards interbank and money market items and investments. The Bank has closely monitored its liquidity gap in each period in line with the policy in place to acquire and utilise 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 78.1 billion while loans with maturity of more than one year amounted to THB 141.0 billion. Meanwhile, deposits with maturity of not more than one year stood at THB 187.7 billion and those with maturity of over one year amounted to THB 2.1 billion.

Capital Adequacy Ratio

As at 31 December 2017, CIMB Thai group's capital adequacy ratio (CAR), common equity tier 1 (CET1) capital and tier 1 capital were 17.0%, 12.9% and 12.9%, respectively, while those of the Bank were 16.6%, 12.5% and 12.5%, 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 9.75%, 5.75% and 7.25%, respectively.

Unit:
 THB billion

Capital funds	Minimum requirements	Consolidated			Separate		
		31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-17	31-Dec-16	31-Dec-15
Tier 1 capital		30.9	25.3	25.0	29.9	24.1	24.7
CET1 capital		30.9	25.3	25.0	29.9	24.1	24.7
Tier 2 capital		9.8	12.7	10.5	9.9	12.9	10.7
Total capital funds		40.7	38.0	35.5	39.8	37.0	35.4
Tier 1 capital to risk-weight assets	7.25%	12.9%	10.7%	11.0%	12.5%	10.2%	10.8%
CET1 capital to risk-weight assets	5.75%	12.9%	10.7%	11.0%	12.5%	10.2%	10.8%
Tier 2 capital to risk-weight assets	-	4.1%	5.4%	4.7%	4.2%	5.4%	4.7%
Capital adequacy ratio	9.75%	17.0%	16.1%	15.7%	16.6%	15.6%	15.5%
Total risk-weight assets		239.1	235.9	227.0	239.6	237.4	229.0

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), which is responsible for the independent monitoring of the liquidity risk profile, works closely with Treasury 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 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.

Credit Approval

In 2017 the Bank changed approval process of Non-Retail Credit from "Credit Committee Level 2", "Credit Committee Level 3", and "Joint Delegation Authority to Approve Certain Credit Cases of Risk Management and Business Unit" changed to "Joint Delegation Authority (JDA) of Risk Management and Business Unit" and "Credit Committee".

JDA approval level is determined by Group Exposure, Global Group Rating, and Loan-to-collateral value, to help shorten the approval process, and alleviate Credit Committee burden.

In case that the customer's criteria does not fall into the Matrix, approval by Credit Committee shall be sought.

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 mentioned. These watch list accounts as well as NPL accounts with exposure more than THB 10 million are regularly reported to Asset Quality Committee (AQC) on monthly basis.

AQC was set up to closely monitor development of those watch list accounts, NPL accounts and any other accounts requiring close attention, provide guidance, approve or recommend recovery actions to be taken for those watch list and NPL accounts so that the bank can effectively manage both potential problem loans and problem loans that include debt classification, provisioning, and recovery actions to minimise loss and maximise recovery for the Bank.

Moreover, the Bank has revamped the policies in relation to Non-Performing Loan (NPL) and Non-Performing Asset (NPA) management and guidelines to determine valuation for disposition based on discounted cash flow and fair market value to enhance transparency in auditing while also minimize loss for 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 of Directors, or the Credit Committee, or the Asset Quality 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 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 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 undertaking of risk management and mitigation include risk identification, measurement, monitoring and managing under a robust risk management framework, in which returns must commensurate with the risks taken.

The Board Risk Committee (BRC) is appointed by the Board of Directors (BOD) 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) is appointed by the Board of Directors, reporting to BRC to oversee 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. And BRC approved to appointment the Asset Quality Committee (AQC) with responsibilities to review and/or recommend for relevant board approval (where necessary) and approve and concur proposals, account plan and provision of accounts with problem or potential problem from non-retail Business Units within CIMB Thai.

Risk Management 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 is independent from other business units involved in risk taking transactions or activities.

In 2017, Special Assets Management was also formed under Risk Management 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.

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 underlying 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 evaluators, 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 Model that was developed and implemented for corporate clients, SME Rating Model for SME clients, Lift Insurance Model and General Insurance Model for Life & Non-Life bancassurance customers, specialised lending rating model such as Project Finance Model (PF) and Income Producing Real Estate (IPRE) 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 market parameters such as 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 materialized

4. Market risk of other market risk underlyings

The Bank offers structured products to be alternative investments for clients. However, if the market risk underlyings are not Interest rate risk or Foreign exchange risk, the Bank will fully hedges against such market risk underlyings. Therefore, the market risk exposure from other market risk underlying 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 of savings, demand, and term deposits, thus providing 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.

Liquidity risk factors mainly comprise the structure of the sources and use of funds, the shift in deposit mobilization of commercial banks towards a larger share in low-cost deposits amidst a low interest rate environment, and the influence of Liquidity Coverage Ratio (LCR) guidelines, which focus on growing

transactional current and saving accounts. Additionally, the monetary policies adopted by the BOT and central banks of major countries that may directly affect the movement of international capital flows and to money market fluctuations, which may subsequently affect liquidity and increase funding costs.

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 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 acts as a global fund 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 when there is 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 (FCM). 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) normally arises when the repricing and/or maturity schedule of assets, liabilities and off balance sheet positions are not matched, or when the movements of reference interest rates on assets and liabilities are not correlated, negatively affecting net interest income (NII) and/or economic value of equity (EVE).

Primary factors affecting the trend and the level of interest rates include macroeconomic conditions and inflation rates, as well as the monetary policies adopted by the BOT and central banks of major countries that may directly affect the trend and level of interest rates or affect the movement of international capital flows and subsequently affect interest rates. Moreover, competition among banks to increase or maintain market share on deposits and loans may also narrow the Bank's net interest margin.

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 and Capital and Balance Sheet Management (CBSM) Division under Finance, 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 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 and guidelines that not only bring the Bank in line with international standards, but also contribute to enhancing transparency and good governance. In this respect, Risk Management Committee (RMC) has been given the authority to establish policies and guidelines which correspond with international best practice and to make recommendations to the Board of Directors (BOD) or Board Risk Committee (BRC) as delegated for approval and deployment as the Bank's policies and guidelines. 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, Risk and Control Officer (RCO)/ Designated Compliance & Operational Risk Officer (DCORO) are 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. 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 Guideline which provides an approach to systematically capture control issues and provides rules around the robust management or mitigation. The purpose of the guideline 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 a 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 and Compliance as independent units to assist Audit Committee in auditing and monitoring, and directly report to the Audit Committee. Internal Audit 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 unit 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 a policy not to increase any exposure in the foreign equity investment. The current exposure is insignificant as a result of the amalgamation. The Bank divested some exposure of foreign equity investment in 2017.

4. Business Assets

4.1 Fixed Assets for Business Operation

(1) Premises and equipment

As at 31 December 2017, CIMB Thai group had land valued at THB 2,105 million, buildings THB 2,955 million, equipment THB 2,588 million and assets under construction THB 3 million. Net of accumulated depreciation and provisions for impairment of THB 4,063 million, the net book value of the premises and equipment was THB 3,588 million. Such land, buildings and condominiums accommodate the Bank's headquarters, business centres, branches and sub-branches, and subsidiaries' offices.

(2) Commitments under long-term leases

As at 31 December 2017 and 2016, CIMB Thai group had entered into a number of agreements to rent land, buildings and vehicles for periods of six months or more. Rental fees to be paid as specified in the agreements can be summarised as follows:

Lease periods	Consolidated		Separate	
	2017 THB million	2016 THB million	2017 THB million	2016 THB million
1 - 3 years	326	309	231	257
4 - 5 years	10	6	5	6
6 - 10 years	4	5	4	5
11 - 30 years	-	1	-	1
Total	340	321	240	269

(3) Other commitments

As at 31 December 2017, the Bank had other commitments under various agreements relating to computer system installation and development. It would be obligated to further pay THB 119.6 million, MYR 2.7 million, USD 58.4 thousand and SGD 444.2 thousand under such agreements (as at 31 December 2016: THB 83 million, MYR 3.57 million, USD 6.1 million and SGD 715 thousand).

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 criterior of Bank of Thailand for such investment will be in accordance with rules and guidelines of as speicified by the relavant authority.

5. Legal Disputes

As of 31 December 2017, there is no legal dispute which may materially adverse or affect the bank's asset in an amount over 5 % of shareholder equity.

6.1 General Information

	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, ThungPhayathai, Ratchathevi, Bangkok 10400 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	Leasing	Ordinary	60,000,000	59,999,998	99.99
4.	SrithepthaiPlaschem Co., Ltd. (bankrupt) 1200 Bangna-Trad Road, Bangna, Bangkok 10260 Tel. +66-2398-0027	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 10600	SPV	Ordinary	10,000	1,282	12.82
6.	Tawana Hotel Co., Ltd. 80 Surawongse Road, Siphaya, Bangrak, Bangkok Tel. +66-2236-0361	Hotel	Ordinary	33,909	3,390	10.00
7.	Sanwa Interfood Co., Ltd. 2219-2223 New Petchburi Road, Bangkapi, 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 , 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. (bankrupt) 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 2017 and Outlook for 2018

Overview of Thai economy in 2017

Thai economy expanded by 3.9% in 2017, an accelerated pace of growth compared with 3.2% a year earlier. Main growth drivers were export and tourism. Export expanded beyond prediction across all product categories and export markets on the back of the recovery of major global economies. Tourism also continued to grow from the previous year in terms of both number of tourist inflows and tourism income. However, the reviving export has not yet fully fueled the labor market, hence no significant growth for household consumption. At the same time, commodity prices especially in agricultural sector remained low, partly due to ample farm output that affected most households' income and constrained household purchasing power that had not yet been distributed all through the region. Meanwhile, private investment started to signal some improvement after several years of faltering, but remained at low level.

Inflation and unemployment rates stayed at low levels throughout 2017, which reflected stability of domestic economy. Moreover, with high level of international reserves, Thai economy remained resilient in the face of global economic volatility.

Outlook for 2018

The Thai economy in 2018 is predicted to grow at an accelerated pace from 2017 supported by the continued expansion in export and tourism. Private investment is likely to rebound in line with the consistent increase in export production capacity and the clearer signal of government's spending and investment, following the supplementary budget for FY 2018 and budget framework for FY 2019.

At present, there has been steady progress in construction of public infrastructures and expectedly higher disbursement of government expenditures in projects under construction, particularly mass transit system in Bangkok and the vicinity, dual track rail system, motorway, and Eastern Economic Corridor (EEC) development covering high-speed rail projects, airports, ports and incentives to attract investment. This will help foster the investment climate for the business sector. It is expected that the measures to take care of agricultural products and low income earners, those for the SMEs, and the minimum wage hike would serve to offset the low purchasing power in the previous year and relieve debt to income, which is a factor contributing to a strong recovery of private consumption.

In view of political situation, which could affect the economy and confidence of investors, Research Office considers that, regardless of whether the election would postpone to the first quarter of 2019, Thai economy is likely to grow in the range of 3.5%-4.5%, better than those for the past several years thanks to the accelerated improvement of such fundamentals as external factors that could drive the export turnaround. If the export sector continues to recover for two consecutive quarters, from the middle of the year, economic activity is expected to be carried on especially for SME businesses. Domestic demand for both private consumption and investment should start to grow and pave way for continued expansion of the economy. Therefore, Research Office forecasts the Thai economy will grow by 4.0% in 2018, compared with 3.9% in 2017.

For the exchange rate, it is expected that Thai baht will depreciate against the US dollar. Capital outflow from the US could be seen as a result of the Fed's continued interest rate hike and President Donald Trump's tax reform, the largest in 30 years. This will help US companies make more net profits. Thai baht which strengthened against the US dollar in the past and moved along the regional currencies will only be temporary, triggered by lack of confidence in Trump's tax reform and the Fed's series of interest rate increase. It is predicted that the current account surplus in 2018 will be less than that in 2017, as exports will grow at a slow rate from the high base last year and imports begin expanding with demand for capital goods.

The financial system has remained in an accommodative state to facilitate economic growth. The policy rate in 2018 is expected to stay at 1.5% throughout the year to maintain the balance of economic recovery. Inflation will remain low at a year-round average of 1.5% but it is likely to be pushed up in the second half of the year by rising oil prices and recovering domestic purchasing power. Research Office forecasts that the Monetary Policy Committee (MPC) is likely to maintain the policy rate at the existing level throughout 2018. However, tightening liquidity and the three-time increase of the US interest rate in this year will contribute to the rise in Thai bond yields in line with the US bond yields. When the US interest rate is higher than Thai interest rate, investors may lose interest in Thai bond which will lead to capital outflows. It is expected that Thai baht will weaken against the US dollar and stay at 34 baht per US dollar at the end of 2018.

However, Thailand's prevailing economic structural problems should be resolved in the long term, such as development of skilled labor force, promotion of investment in high technology sectors, taking

care of the elderly in respect of healthcare, and reduction of disparity, as well as amendments to relevant rules, regulations and restrictions in order to enhance private entities' competitiveness, etc. The economic reform should still be carried on despite political changes, and a close watch should be kept at world crude oil price movements, the US's internal and external political factors, financial system risks in China, and geopolitical conflicts, especially in the Korean peninsula and the Middle East.