

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 2018, the Bank operated 17 main offices with credit facilities and 85 branches, with foreign exchanges facilities, 9 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

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

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

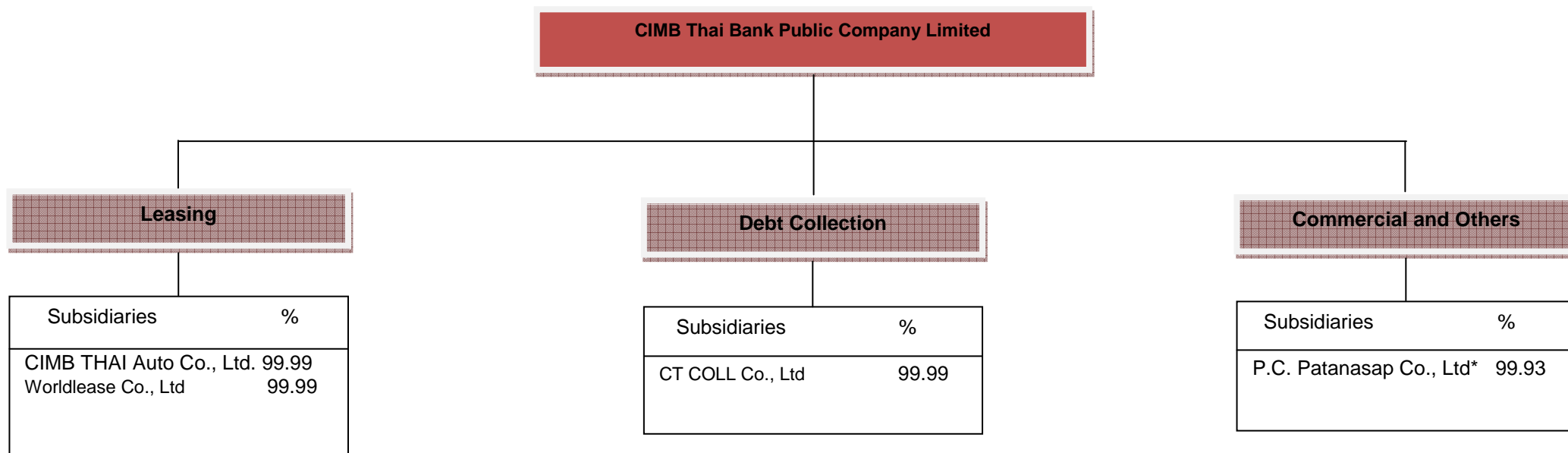
On 10 April 2015, the Annual General Meeting of Shareholders No. 21 approved an increase in the the Bank's registered capital by THB 3,162,731,703.50 from THB 10,542,439,012.50 to THB 13,705,170,716.00 by issuing 6,325,463,407 General Mandate Right Shares with a par value of THB 0.50 per share offered 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.

On 4 September 2018, the Extraordinary General Meeting of Shareholders No. 1/2018 ("EGM") approved the increase of the Bank's registered capital by THB 2,271,017,070.50, from THB 15,140,113,803.50 to THB 17,411,130,874.00, via the issuance of 4,542,034,141 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 3 new shares for every 20 existing CIMB Thai shares, at an offering price of THB 0.87 per share. After the completion of share offered on 12 October 2018 CIMB Bank holds 33,021.97 million shares, or equivalent to 94.83 percent of total issued and offered shares of the Bank

1.3 The Corporate Structure of the Bank and its Subsidiaries (as of 31 December 2018)



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.

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					
	2018	%	2017	%	2016	%
Interest income						
1. Interest on loans	10,435.6	110.0	10,558.0	104.9	11,320.1	109.1
2. Interest on interbank and money market items	127.4	1.3	165.0	1.6	68.7	0.7
3. Investments	1,664.3	17.5	1,144.4	11.4	1,313.4	12.7
4. Others	114.3	1.2	45.8	0.5	21.6	0.2
Total interest income	12,341.6	130.0	11,913.2	118.4	12,723.8	122.7
Interest expenses						
1. Deposits	2,342.4	24.6	2,387.7	23.7	2,611.6	25.2
2. Interest on interbank and money market items	351.3	3.7	218.7	2.2	281.8	2.7
3. Contribution fee to Deposit Protection Agency and FIDF	1,007.8	10.6	962.2	9.6	991.1	9.6
4. Debt securities issued and borrowings	712.4	7.5	711.6	7.1	871.0	8.4
5. Others	101.4	1.1	45.0	0.4	51.5	0.5
Total interest expenses	4,515.3	47.5	4,325.2	43.0	4,807.0	46.4
Net interest income	7,826.3	82.5	7,588.0	75.4	7,916.8	76.3
Operating income	1,662.4	17.5	2,475.9	24.6	2,454.9	23.7
Total income	9,488.7	100.0	10,063.9	100.0	10,371.7	100.0

1.2 Non-interest income and expenses

Unit: THB million

	For the years ended 31 December					
	2018	%	2017	%	2016	%
Fee and service income	1,376.6	82.8	1,471.4	59.4	1,289.7	52.5
Fee and service expenses	289.5	17.4	223.8	9.0	238.7	9.7
Net fee and service income	1,087.1	65.4	1,247.6	50.4	1,051.0	42.8
Gains on trading and foreign exchange transactions, net	1,054.2	63.4	2,238.2	90.4	1,402.5	57.1
Losses on financial liabilities at fair value through profit or loss, net	(759.7)	(45.7)	(1,733.9)	(70.0)	(810.4)	(33.0)
Gains on investments, net	19.5	1.2	490.7	19.8	482.6	19.7
Other operating income	261.3	15.7	233.3	9.4	329.2	13.4
Non-interest income	1,662.4	100.0	2,475.9	100.0	2,454.9	100.0

2.2 Nature of Products and Services

Wholesale Banking

Wholesale Banking – Corporate Banking and Investment Banking

In 2018, Wholesale Banking – Corporate Banking and Investment Banking (WCI), was composed of three main function lines, comprising Corporate Banking, Financial Institutions Thailand & CLMV, and Investment Banking. We provide a comprehensive range of financial services to big corporate clients by focusing on teamwork and joint sale-and-relationship plan with key clients to leverage our capacity and service quality to effectively serve our clients' needs and also to best generate income and benefits to the Bank.

Thai economy in 2018 expanded slightly compared with 2017 on the back of growing private consumption with spending expansion in all categories, including production for exports, real estate and construction, and tourism (despite negative effect from the Chinese tourists accident incident on Thai tourism image).

The favorable economic factors enabled WCI's growth in total revenue and profit before tax (PBT) of 7% and 5% respectively, stemming mainly from substantial loan growth of 17% and other cross-selling income which pushed up WCI's fee income to grow by 16%.

WCI did exceptionally well in its asset quality management of both existing loan portfolio and new high-quality loan approvals by close and regular monitoring of clients through Early Warning Triggers (EWI) to prevent problem loans, and efficient specialised teams in debt collection and resolutions. Therefore, WCI's non-performing loan (NPL) provision dropped by 77% from the previous year and the NPL balance stood at only 0.6% of total loan portfolio. Moreover, operating expenses were effectively controlled to the level 15% below the budget.

Most of our revenues came from significant client groups who entrust 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."

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

Corporate Banking and Financial Institutions Thailand & CLMV

CIMB Thai's Corporate Banking (CPB) offers a comprehensive range of financial services, such as working capital loans for general business, term loans, project financing, and trade finance as well as other various financial services like cash management and foreign exchange to large corporate clients in a diverse range of business sectors, for example, commercial, manufacturing, property development, and transportation, while FI provides 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 towards a strong and sustainable business growth. We also offer them business and investment opportunities throughout and within the CIMB Group's regional network.

CPB and FI have 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 have also targeted large clients with strong financial position and investment plans into ASEAN and those with cross-selling opportunities. These include big projects which generate 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 to serve all the clients' financial needs.

As of 31 December 2018, CPB and FI loan balance stood at THB 68,990 million, increasing 17% year-on-year, of which CPB recorded a 20% growth which was a record high. Furthermore, with our consistent portfolio rationalisation by focusing on assets with better quality, our NPL has dropped to only 0.6% of total loan portfolio.

In view of the business plan from 2019 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 along with cross-selling opportunities. Our strategy is to reach out to selected major client groups as well as acquisition of new clients with strong potential to continuously improve our asset quality. Furthermore, we will keep expanding our business and service across ASEAN and foster business and relationships with foreign clients to promote foreign direct investment in Thailand with cooperation from other CIMB Group members.

Investment Banking

CIMB Thai's Investment Banking (IB) comprises highly experienced, competent and efficient financial advisors offering the best financial solutions and providing capital/fund raising capabilities to our clients.

In 2018, IB income slowed down from the previous year due to the unfavorable market sentiment resulting in delays in the process of fund raising and listing on the Stock Exchange of Thailand (SET). However, we successfully completed four merger and acquisition (M&A) transactions and generated debt underwriting fee income in collaboration with Treasury with a year-on-year growth of 19%. In addition, IB has closely worked with CPB in certain corporate loan and project financing with a view to best serve the clients' needs.

We have continued to reinforce our teams through collaboration with CIMB Group by having sector specialists from CIMB Group 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' businesses while enhancing their competitiveness through innovation of financial products that best suit them.

The collaboration and synergy among the Bank's Corporate Banking, Financial Institutions Thailand & CLMV, Investment Banking, and CIMB Group 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 goals.

Key successful deals in 2018 included:

Debt Markets	Role	Issue Size (THB mil)
Government Housing Bank	Sole Lead Underwriter	9,200.00
TPI Polene Public Company Limited	Sole Lead Underwriter	8,000.00
True Move H Universal Communication Company Limited	Joint Lead Underwriter	4,628.32
TPI Polene Power Public Company Limited	Sole Lead Underwriter	4,000.00
Toyota Leasing (Thailand) Company Limited	Joint Lead Underwriter	3,500.00
Mitr Phol Sugar Corporation Company Limited	Joint Lead Underwriter	3,065.00
Provincial Electricity Authority	Sole Lead Underwriter	3,000.00
Small and Medium Enterprise Development Bank of Thailand	Sole Lead Underwriter	3,000.00
SC Asset Corporation Public Company Limited	Sole Lead Underwriter/ Joint Lead Underwriter	2,400.00
Ananda Development Public Company Limited	Sole Lead Underwriter/ Joint Lead Underwriter	2,000.00
Origin Property Public Company Limited	Joint Lead Underwriter	1,715.00
Ticon Industrial Connection Public Company Limited	Joint Lead Underwriter	1,666.67
Srisawad Corporation Public Company Limited	Joint Lead Underwriter	1,666.66
Central Pattana Public Company Limited	Joint Lead Underwriter	1,450.00
AEON Thana Sinsap (Thailand) Public Company	Joint Lead Underwriter	1,400.00

Debt Markets	Role	Issue Size (THB mil)
Limited		
True Corporation Public Company Limited	Joint Lead Underwriter	1,265.00
Sena Development Public Company Limited	Joint Lead Underwriter	1,100.00
State Railway of Thailand	Sole Lead Underwriter	1,000.00
Muangthai Capital Public Company Limited	Joint Lead Underwriter	882.40
Krungthai Car Rent and Lease Public Company Limited	Sole Lead Underwriter	600.00
Univentures Public Company Limited	Joint Lead Underwriter	500.00
Ratchthani Leasing Public Company Limited	Sole Lead Underwriter	450.00
Thai Airasia Company Limited	Joint Lead Underwriter	250.00

Commercial Banking

Commercial Banking serves small and medium-sized enterprises (SMEs) through our business centres situated in strategic locations nationwide. We provide comprehensive financial products and services tailored to suit each customer's needs. With CIMB Group's strong and well-established network throughout ASEAN, we also work with our customers to enable their full potential in their trade and investment across the region.

In 2018, the Bank has instituted "Fast Forward" transformation program to enhance business processes and has modified the strategic plan by shifting focus to SMEs, especially small-sized ones, by implementing a Credit Centre which has streamlined credit evaluation and approval turnaround time. In addition, we recruited and trained a cohort of Relationship Managers (RM) to partner closely with our customers to achieve the aspirational business growth forecast for next year. In terms of asset quality management, we met our loan loss provision target as a result of strong business foundations and the new organisation structure implemented for the past two years.

Looking forward to 2019, we will continuously strive to achieve targeted business growth and capture SME market share in promising businesses. This will be achieved by agile response to customers' needs to meet customers' satisfaction and ensure sustainable business growth

Consumer Banking

2018 was another year that witnessed Consumer Banking's continued development of our product quality and enhancement of the level of service customers would expect rather than merely selling products by providing long-term financial planning via a new form of branch called "Wealth Centre" located at Central Rama 9 and Central City Bangna. The year also marked our full implementation of the digital banking platform. We have launched three mobile applications comprising "myCIMB," a new mobile banking application, "myPreferred," an application for Preferred customers to redeem benefits, and "Mobile Lending" for more convenient loan application via mobile phone. In addition, Consumer Banking has adopted new technology to streamline the work process, such as QueQ which facilitates branch queue booking on mobile phone and Smart Chat Bot on official Facebook Fanpage.

In view of operational performance in 2018, the highlight of the year was our consumer loan products with risk scoring segmentation adopted. Particularly for secured loans, we grew a total approval amount by 56% compared to the previous year. Meanwhile, the Bank's subsidiaries recorded car and motorcycle loan approvals amounting to more than THB 16,000 million, a 24% year-on-year growth. This has been supported by our digital innovation development, comprising SAMM (Self-Applied Mobile Machine), MAC (Mobile Application for Collection) for collection staff, and SOM (e-Statement on Mobile) application for customers. Our credit cost was accordingly pulled down by 6.8% compared with 2017.

To cater to the affluent segment or Preferred customers, we have provided them with differentiated experience by not only delivering quality products like GMV (Global Managed Volatility) which achieved a sales volume of THB 1,300 million or VNEQ (Vietnam Equity) bond, but also offering benefits that match customers' lifestyle, the most attractive one of which was Triathlon activity held for the second time with growing positive response. These efforts resulted in the number of customers increasing by more than 8,000 or about 13% from the previous year.

In 2019, Consumer Banking will continue to initiate new digital platform to extend service provision for all target segments. We will put in place Wealth Management System to support customer analysis based on customer profiles to enable service tailoring to customer needs. We will also deliver end-to-end digital loan application and approval process on mobile for loan customers, including those of the subsidiaries, which will be plugged-in with the Alternative Credit Underwriting (ACU), the new customer data analytics tool using customer behavior data to identify risk.

Consumer Banking's performance in 2018 was as shown below:

- Consumer Banking's total approval amount of secured and unsecured loans was THB 28,600 million or a 31% growth compared with 2017.
- Subsidiaries' total car and motorcycle loan approvals amounted to THB 16,349 million, a 24% growth year-on-year.
- Fee income from sales of mutual fund and bancassurance products amounted to THB 887 million or an approximate 10% increase from 2017.
- Profit before tax was THB 2,809 million or a 12% growth year-on-year.

Transaction Banking

CIMB Thai's Transaction Banking provides corporate clients and financial institutions with an array of products and services, covering cash management, trade finance, and trade services. We also offer financial solutions to our customers to help them save financial cost, manage operating expenses, and minimise risks.

In addition, we are committed to leveraging digital technologies both through our own regional internet banking platform, i.e. BizChannel@CIMB, and partnership with FinTech operators to launch customised solutions.

In 2018, we jointly with our accounting software partners rolled out "CIMB Biz Gateway," a new digital customer service using API interface. Our customers can retrieve transaction history and account summary via partner applications. We are working diligently with our accounting software partners to launch phase 2 in 2019 through which our customers will be able to shorten process and reduce time of payment initiation and bank reconciliation.

With CIMB Group's strong ASEAN platform and network, we are well positioned to support and deliver transactional flow across ASEAN and beyond to meet the needs of aspiring and expanding enterprises and customers. We will continue to innovate and roll out new digital customer servicing tools and products, such as payment via QR gateway, mobile banking, and supply chain management to "Forward Customers' Aspirations."

Treasury & Markets

Treasury & Markets 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 2018, Treasury & Markets contributed outstanding financial results to CIMB Thai with strong product capabilities in structured products, interest rate derivatives, and debt securities trading, which earned the Bank altogether five awards as follows:

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

- 1) Best Structured Products House: Highly Commended (five consecutive years since 2014)
- 2) Best Credit Derivatives House: Winner (three consecutive years since 2016)
- 3) Best Equity Derivatives House: Winner
- 4) Best Structured Investment Products Awards – Credit, Equity, FX, Rates

The Asset Research

5) Top Arrangers – Investors' Choice for Government Primary Issues, Thailand, Rank 5: Asian Local Currency Bond Benchmark Review 2018

Furthermore, CIMB Thai is one of the key players in the debt capital market, ranking no. 6 with a 6.18% market share in THB corporate bond underwriting league table published by Bloomberg, and ranking among the top 3 in state-owned enterprise bond underwriting with a 24.34% market share announced by Thai Bond Market Association. Regarding secondary market, CIMB Thai has ranked no. 3 with a 13.28% 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, 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
SIAM COMMERCIAL BANK	3,187,340	18.3%	2,159,631	17.0%	2,140,561	17.2%
KASIKORNBANK	3,155,091	18.2%	1,995,001	15.7%	1,914,073	15.4%
BANGKOK BANK	3,116,750	17.9%	2,326,470	18.3%	2,083,160	16.7%
KRUNG THAI BANK	2,739,203	15.8%	2,039,602	16.1%	2,023,938	16.3%
BANK OF AYUDHYA	2,173,622	12.5%	1,426,348	11.2%	1,672,018	13.4%
THANACHART CAPITAL	1,046,612	6.0%	752,160	5.9%	753,498	6.1%
TMB BANK	891,713	5.1%	649,568	5.1%	685,707	5.5%
CIMB THAI BANK	355,849	2.0%	185,101	1.5%	226,300	1.8%
KIATNAKIN BANK	306,329	1.8%	181,694	1.4%	227,896	1.8%
TISCO FINANCIAL GROUP	302,562	1.7%	193,108	1.5%	240,654	1.9%
Others*	96,868	0.6%	783,411	6.2%	477,166	3.8%
Total	17,371,939		12,692,093		12,444,971	

Source: 1) Commercial bank's consolidated financial statement as of December 2018 (Unaudited)

2) Commercial banks' assets and liabilities base on report of Bank of Thailand (FI_CB_002_S4)

Note: Others*:

UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED
 LAND AND HOUSES BANK PUBLIC COMPANY LIMITED
 STANDARD CHARTERED BANK (THAI) PUBLIC COMPANY LIMITED
 BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED
 INDUSTRIAL AND COMMERCIAL BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED
 MEGA INTERNATIONAL COMMERCIAL BANK PUBLIC COMPANY LTD
 THAI CREDIT RETAIL BANK

2.4 Provision of Products and services

Source of Funding

As at 31 December 2018, deposits managed by the Bank stood at THB 195.3 billion (including interbank and money market deposits), whilst borrowings (including interbank and money market borrowings) amounted to THB 84.2 billion. Of the total, 78.5% was used for gross loans including accrued interest, and 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 56.5 billion and loans with maturity of more than one year amounted to THB 164.8 billion. Meanwhile, deposits with maturity of not more than one year stood at THB 185.1 billion and those with maturity of over one year amounted to THB 10.2 billion.

Capital Adequacy Ratio

As at 31 December 2018, CIMB Thai group's capital adequacy ratio (CAR), common equity tier 1 (CET1) capital and tier 1 capital were 19.3%, 14.1% and 14.1%, respectively, while those of the Bank were 18.7%, 13.3% and 13.3%, 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.

Unit:
THB billion

Capital funds	Minimum requirements	Consolidated			Separate		
		31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-18	31-Dec-17	31-Dec-16
Tier 1 capital		34.9	30.9	25.3	32.8	29.9	24.1
CET1 capital		34.9	30.9	25.3	32.8	29.9	24.1
Tier 2 capital		13.0	9.8	12.7	13.2	9.9	12.9
Total capital funds		47.9	40.7	38.0	46.0	39.8	37.0
Tier 1 capital to risk-weight assets	7.875%	14.1%	12.9%	10.7%	13.3%	12.5%	10.2%
CET1 capital to risk-weight assets	6.375%	14.1%	12.9%	10.7%	13.3%	12.5%	10.2%
Tier 2 capital to risk-weight assets	-	5.2%	4.1%	5.4%	5.4%	4.1%	5.4%
Capital adequacy ratio	10.375%	19.3%	17.0%	16.1%	18.7%	16.6%	15.6%
Total risk-weight assets		247.6	239.1	235.9	246.2	239.6	237.4

Liquidity Risk Management Policy

Liquidity risk is defined as the risk of the Bank's inability to meet the required payments or obligations when they are due, which may be a result of the inability to convert assets into cash or the failure to obtain adequate funding on time. It may adversely affect the daily operations and incur unacceptable losses.

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 both currently and in the future. To this end, the liquidity risk management policy is to maintain high quality liquid assets and well diversified portfolios as well as sources of funds under both business-as-usual and stress conditions. Due to the Bank's

direction to have the larger delivery network and market focus, the Bank is to maintain a more diversified core deposit base comprising savings, current, and term deposits, thus providing a stable large funding base. The Bank maintains some liquidity buffers throughout the year to ensure safe and sound operations from a strategic, structural and tactical perspective.

The 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 a work unit responsible for 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 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 for them as per respective credit lines approved by the Board of Directors.

The Bank will continue to emphasise and improve its retail customer acquisition to match its asset 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

The Bank has two approval processes for non-retail credits, i.e. Credit Committee and Joint Delegation Authority (JDA) of Risk Management and Business Unit.

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's 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 and early warning indicators have 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 a monthly basis.

AQC has been 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 including 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 minimising 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.

Policy for Intra-Group Transaction of the Financial Group

To ensure good governance, the Bank has established Intra-Group Transaction Policy as a guideline for efficient risk management of intra-group transactions in that risks that may arise from intra-group transactions can be identified, measured, controlled and monitored.

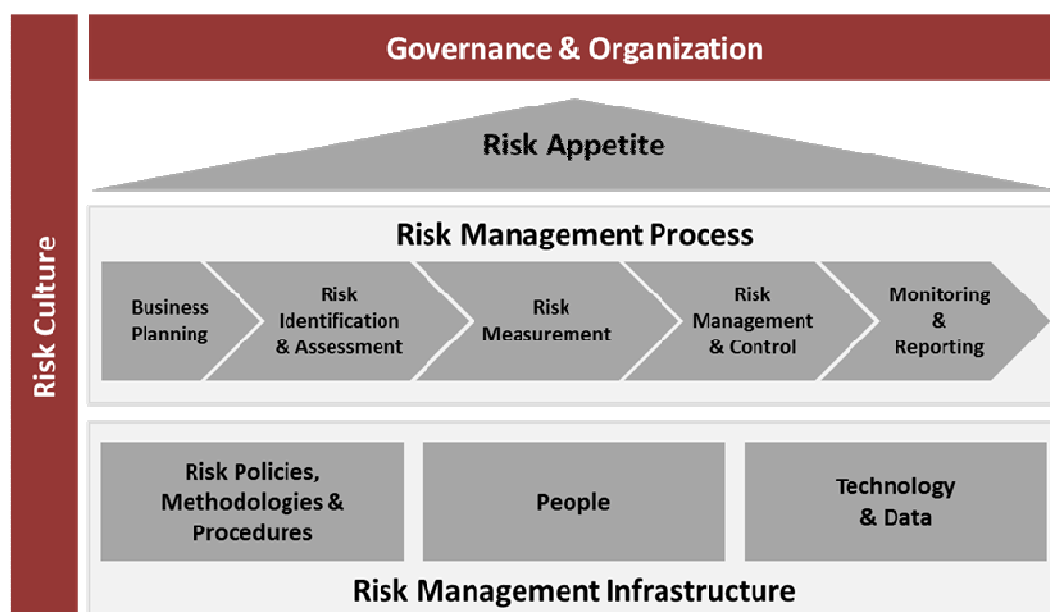
The policy is also to ensure that intra-group transactions of the Bank's financial business group are in compliance with the Bank of Thailand's regulations, e.g. the same procedures for normal customer transactions also apply to intra-group transactions, legally enforceable documents executed and terms and conditions imposed are the same as those applicable to normal customers with the same risk level, etc.

3. Risk Factors

Risk Management Overview

CIMB Thai employs the Enterprise-Wide Risk Management (EWRM) framework as the standardised approach to effectively manage its risks and opportunities. The framework provides the Board of Directors and management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business strategies, external environments and/or regulatory requirements.

Key components of the EWRM framework are presented below:



Risk Culture: The Bank embraces risk management as an integral part of its culture and decision-making processes. The Bank's risk management philosophy is embodied in the Three Lines of Defense approach, whereby risks are managed at the point of risk-taking activity. There is clear accountability of risk ownership across the Bank.

Governance & Organisation: A strong governance structure is important to ensure an effective and consistent implementation of the Bank's EWRM framework. The Board is ultimately responsible for the Bank's strategic direction, which is supported by the risk appetite and relevant risk management frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Bank's risk management framework is effectively maintained.

Risk Appetite: It is defined as the amount and type of risks that the Bank is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risks.

Risk Management Process

- **Business Planning:** Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new product/new business activities.
- **Risk Identification & Assessment:** Risks are systematically identified and assessed through the robust application of the Bank's risk policies, methodologies/standards, work procedures/process guidelines.
- **Risk Measurement:** Risks are measured and aggregated using Bank-wide methodologies across each of the risk types, including stress testing.
- **Risk Management and Control:** Risk management limits and controls are used to manage risk exposures within the risk appetite approved by the Board of Directors. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- **Risk Monitoring and Reporting:** Risks on an individual and portfolio basis are regularly monitored and reported to ensure they remain within the Bank's risk appetite.

Risk Management Infrastructure

- **Risk Policies, Methodologies/Standards and Procedures/Process Guidelines:** Well-defined risk policies by risk type provide the principles by which the Bank manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures/Process Guidelines provide more detailed guidance to assist with the implementation of policies.
- **People:** Attracting the right talents and skills are key in ensuring a well-functioning EWRM framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Bank's operations, as well as the economic and regulatory environment.
- **Technology and Data:** Appropriate technology and sound data management support risk management activities.

CIMB Thai focuses on sound and effective risk management principles to ensure not only the financial soundness and integrity but also sustainability of the organisation and that the returns must be commensurate with the risks taken. 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.

With regard to the risk management governance and oversight, the Board Risk Committee (BRC) has been 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 BOD. BRC is composed of three members who are BOD members. Risk Management Committee (RMC) has been appointed by BOD, reporting to BRC, to oversee various risk areas and any related matters, such as credit risk, operational risk, reputation risk, capital risk (to comply 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 BOD risk management policies and frameworks as well as to establish a corresponding governance structure which would ensure that not only risks are managed efficiently and effectively but also decisions are made in a transparent manner. Asset Quality Committee (AQC) has been appointed by BRC with responsibilities to review and/or recommend for approval to BOD/relevant Committee (where necessary) and to approve and concur proposals of provisioning and provision review plans for non-retail accounts with problems or potential problems.

Risk Management has been established to act as a catalyst for the development and maintenance of sound risk management policies, strategies and procedures within the Bank. It provides functional support to BRC, RMC, Credit Committee, Risk Management sub-committees and assists the Management in managing risks inherent to the Bank and its businesses. Risk Management is independent from other business units involved in risk taking transactions or activities. Special Assets Management has also been 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, or 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 the 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 BOD. 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 BOD are closely involved and engaged throughout the formulation process. Subsequent to the implementation stage, the BOD 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 has continuously reviewed and improved risk assessment tools for different types of clients and in line with the growth of portfolios. The tools include corporate rating model that has been developed and implemented for corporate clients, SME rating model for SME clients, life insurance model and general insurance model for life & non-life bancassurance customers, specialised lending rating models such as project finance (PF) model, income producing real estate (IPRE) for specialised customer groups, new credit underwriting tools for small SME clients to be implemented in 2019, 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 work 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 unfavourable economic and financial conditions, in both 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 BOD.

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 capital and commodity markets, and may negatively affect both the revenue and capital position of the Bank. The Bank employs the 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 to buffer against market risk, which is compliant with the Bank of Thailand's regulations.

Market risks include the following:

1. Interest rate risk

Interest rate risks of transactions in the trading book are under the supervision of RMC within the framework prescribed by the BOD. 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. Daily risk status reports are also independently produced by Risk Management work 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 certain property funds which have high potential return and sound management. For 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 commodities has never been materialised.

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 those other than interest rate risk or foreign exchange risk, the Bank will fully hedge against such market risk underlyings. Therefore, no market risk exposure from other market risk underlyings has been materialised.

LIQUIDITY RISK

Liquidity risk is defined as the risk of the Bank's inability to meet the required payments or obligations when they are due, which may be a result of the inability to convert assets into cash or the failure to

obtain adequate funding on time. It may adversely affect the daily operations and incur unacceptable losses.

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 both currently and in the future. To this end, the liquidity risk management policy is to maintain high quality liquid assets and well diversified portfolios as well as sources of funds under both business-as-usual and stress conditions. Due to the Bank's direction to have the larger delivery network and market focus, the Bank is to maintain a more diversified core deposit base comprising savings, current, and term deposits, thus providing a stable large funding base. The Bank maintains some liquidity buffers 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 mobilisation 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 and net stable funding ratio (NSFR), focusing on the liquidity adequacy over the time horizon of one year. Additionally, the monetary policies adopted by the Bank of Thailand and central banks of major countries may directly affect the movement of international capital flows and lead to money market fluctuations, which may subsequently affect liquidity and increase funding costs.

The 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 BOD. ALCO is also in charge of approving liquidity risk tolerance. Asset and Liability Management (ALM), which is a work unit responsible for 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 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 for them as per respective credit lines approved by the BOD.

Liquidity risk undertaken by the Bank is governed by a set of established liquidity risk 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 to comply with internal risk thresholds and regulatory requirements for liquidity risk.

The Bank's contingency funding plan is in 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 BOD. 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 Bank of Thailand 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 income (NII).

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 BOD. ALCO is the BOD's delegated committee which reports to the BRC. With the support from ALM under Risk Management and Capital and Balance Sheet Management (CBSM) work units 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 EVE (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 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 NII effect as well as EVE sensitivity. The analytical results of NII and EVE are reported to ALCO, BRC and BOD 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, RMC has been given the authority to establish policies and guidelines which correspond with international best practice and to make recommendations to the BOD or 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 responsibilities include 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 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 has developed the CIM guideline which provides an approach to systematically capture control issues and puts in place 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. It has set up Customer Experience Management (CX) who will work closely with CIMB Thai Care Centre and other customers' contact points to efficiently handle client complaints and queries made via the Bank's contact channels e.g. online channel (via Facebook), branches, etc. CX will act as an independent centralised complaint management unit to ensure that all customer complaints are handled objectively by relevant subject matter experts in a timely and fair manner.

CX is also responsible for collating customer complaints data and trends including their respective solutions to Customer Experience Work Group for acknowledgement and consideration of proper remedial actions. This process aims to improve customer satisfaction and enhance customer experience with the Bank, as well as to seek preventive actions against recurrence of such incidents. Customer complaints trend and solutions will regularly be reported to Management Committee and Audit Committee (AC) 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 the AC in auditing and monitoring, and directly report to the AC. 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 current exposure of foreign equity investment as a result of the amalgamation is in an insignificant amount. In addition, the Bank has a policy not to increase any exposure in foreign equity investment.

4. Business Assets

4.1 Fixed Assets for Business Operation

(1) Premises and equipment

As at 31 December 2018, CIMB Thai group had land valued at THB 2,086 million, buildings THB 2,965 million, equipment THB 2,605 million and assets under construction THB 8 million. Net of accumulated depreciation and provisions for impairment of THB 4,128 million, the net book value of the premises and equipment was THB 3,536 million. Such land, buildings and condominiums accommodate the Bank's headquarters, business centres, branches and sub-branches, as well as subsidiaries' offices.

(2) Commitments under long-term leases

As at 31 December 2018 and 2017, CIMB Thai group had entered into a number of agreements to rent land, buildings and vehicles for contractual 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	
	2018 THB million	2017 THB million	2018 THB million	2017 THB million
Not over than 3 years	261	326	197	231
3 - 5 years	25	10	4	5
5 - 10 years	3	4	3	4
Total	289	340	204	240

(3) Other commitments

As at 31 December 2018 and 2017, CIMB Thai group recorded other commitments in the form of various agreements relating to computer system and software development. The group is obligated to pay by currencies as follows:

Currency	Consolidated and Separate	
	2018 THB million	2017 THB million
THB	146	120
MYR	128	22
USD	153	2
SGD	-	11
Total	427	155

4.2 Policy Governing Subsidiaries and Associate Companies

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

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

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

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

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

5. Legal Disputes

As of 31 December 2018, 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

Reference:

Entities in which CIMB Thai Bank invests 10% or more of total issued shares (As of 31 December 2018)

	Company name / Address	Type of business	Type of share	Paid-up capital (No. of shares)	Number of shares held	%
1.	CIMB Thai Auto Co., Ltd. 43 Thai CC Tower, 25 th and 32 nd Floor, South Sathon Road, Yannawa, Sathon, Bangkok Tel. +66-2673-9111, 0-2684-6500	Leasing	Ordinary	550,000,000	549,999,994	99.99

	Company name / Address	Type of business	Type of share	Paid-up capital (No. of shares)	Number of shares held	%
2.	CT COLL Co., Ltd. 128/229-234 Phayathai Plaza Building, 21 st Floor, Phayathai Road, Thung Phayathai, Ratchathevi, Bangkok 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.	Srithepthai Plaschem 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, Bangkok, Huaykwang, Bangkok	Instant foods	Ordinary	10,000,000	1,000,000	10.00
8.	Samchai Plc. 522 Ratchada Complex, Ratchadaphisek Road, SamsenNok, Huaykuang, 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, Bangkoklaem, 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
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, Sukhumvit 12-14 Road, Khongteoy, Bangkok	Leasing	Ordinary	20,000,000	2,000,000	10.00

	Company name / Address	Type of business	Type of share	Paid-up capital (No. of shares)	Number of shares held	%
17.	Tun Ruamkarn Co., 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 2018 and Outlook for 2019

It has been another challenging year for economists to forecast economic growth. We have faced not only intensifying internal and external risks, but also lacked a real powerful economic engine -- a so-called hero we can rely on to accelerate economic activity. Considering each economic engine in place, i.e. C I G and X-M, we have found certain risks that may put pressure on further growth.

The first engine is private consumption (C) which had a notable growth of around 5% in 2018. It is not normal, though possible, for private consumption to grow at a more rapid pace than GDP. However, taking components of private consumption into account, its growth should have come from such temporary factor as purchase of cars. Car consumption was in an about 5% proportion and enjoyed a healthy YoY growth of almost 20%. This might be because it was the time for consumers to replace their cars after the first car scheme ended five years ago, or purchasing powers of middle to high income consumers remained in good shape. Nonetheless, consumers do not change cars every year. Car sales would eventually slow down, with sales peak expected in 1Q2019. It would also be difficult to rely on other components to compensate for car sales which would grow at a decelerating rate, as the sectors related to way of living of middle to low income consumers have grown only slightly or even declined. These include foods, beverages and garments. Sectors of hope are tourism-related businesses, such as restaurants, hotels and transportation. However, the number of tourists, despite expected recovery in early 2019, may not grow so significantly as in 1H2018 before the Phuket tourist boat capsizing which discouraged Chinese tourist inflows.

The second engine is private investment (I) some bright prospects of which can be expected. We have seen clearer investment signs, for example, import of such capital goods as machinery to substitute for labor which is in shortage or to improve production efficiency. Meanwhile, public sector investment is still uncertain, particularly delay in construction, which may erode private sector's confidence in 2019 if major projects are put off.

The third engine is government spending (G), though staying at a low growth of around 2%, has started to aim at promoting the welfare of the elderly and the poor and transfer of state funds to these people has grown substantially. However, distribution of money can merely help relieve low income people's economic problems to some extent. For the past several years, farm income has contracted, and despite an expected turnaround to positive in 2019, income in the agricultural sector is still not well distributed, while prices of most agricultural products remain on a decline. Government spending may thus be unable to fuel the economy unless the government seeks to concurrently improve long-term income generating capability of people in this sector, such as provision of occupational training or seeking new markets for farm produce to increase their income, reduction of expenses, or eradication of middlemen, etc.

The last engine is net export (X-M), a hero in 1H2018, which ran out of steam in 3Q2018 following export shrinkage in September and slowing tourism income. Looking forward to 2019, we expect export to grow around 3-4% in line with continued growth of global economy. Despite some slowdown due to the trade war and Chinese economic decline, there have been clearer signs of resolution which will further help drive global trade. Another risk factor is high stockpiling in the

previous year ahead of the trade war may put pressure on trade partners' imports of goods in 2019, hence possible slow growth of Thai export. In view of tourism, we expect Chinese tourist inflows will rebound and grow in 2019 as Chinese tourists still have positive attitudes toward Thailand and the recent decline might only be caused by their safety concerns. However, Chinese tourist inflow growth in 2019 may not be as strong as in the past.

Outlook for 2019

All in all, Thai economic growth reached 4.0% in 2018 and is predicted to slow to 3.7% in 2019, which is still higher than that in the previous years though lower than the country's long-term growth potential. In view of currencies, Thai baht is expected to slightly strengthen against US dollar, mainly attributable to the prevailing high current account surplus and greater confidence of investors in emerging markets following clarity on the US's interest rate hikes. We think the increase in the Fed funds rate will be less than market expectation on the back of moderate inflation. The baht should stay at 32.00 against the dollar by the end of this year from 32.34 baht per US dollar at the end of 2018.

As regards interest rate, there is high possibility for the Monetary Policy Committee (MPC) to raise the policy rate once this year, which will culminate in a policy rate of 2.00% by year-end. The question as to when the rate hike will take place is insignificant as it depends on what is the main focus of the majority MPC members. They may be concerned about the slow economic growth and potential risks at present or may otherwise put emphasis on the stability of the money market which is currently at risk amid the persisting low interest rates that have prompted investors to underestimate risks and hold a large volume of risk assets. Building policy space through interest rate hikes may also be considered for potential reduction in future to stimulate the economy. The difference between the two cases is merely the timing of interest rate increase. In whichever case, there should be no impact on Thai economic recovery as the policy rate will only be raised gradually, not swiftly as in the past.