

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 2020, the Bank operated 13 main offices with credit facilities and 59 branches

1.1 Vision, Purpose and Core Value

VISION

"To be a digital-led bank with ASEAN Reach"

PURPOSE

"To build a high performing sustainable organization to help advance customers and society, through leveraging our best-in-class financial solutions, ASEAN network and technology"

CORE VALUE

Performance

Integrity & Accountability

Passion

1.2 Background and key developments

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

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

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

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

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

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

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

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.

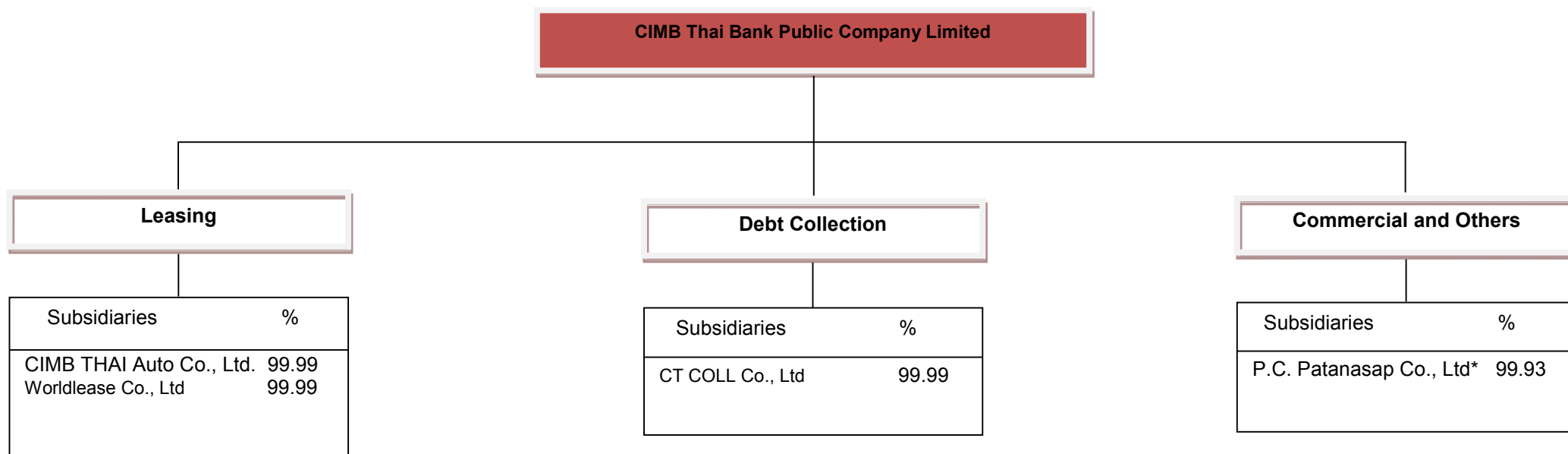
On 10 April 2015, the Annual General Meeting of Shareholders No. 21 approved an increase in the the Bank's registered capital by THB 3,162,731,703.50 from THB 10,542,439,012.50 to THB 13,705,170,716.00 by issuing 6,325,463,407 General Mandate Right Shares with a par value of THB 0.50 per share offered 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 2020)



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					
	2020	%	2019 (Restated)	%	2018	%
Interest income						
1. Interest on loans	9,561.9	87.9	11,288.5	116.9	10,435.6	110.0
2. Interest on interbank and money market items	70.3	0.6	87.4	0.9	127.4	1.3
3. Investments	1,485.1	13.6	2,070.2	21.4	1,664.3	17.5
4. Others	84.3	0.8	203.1	2.1	114.3	1.2
Total interest income	11,201.6	102.9	13,649.2	141.3	12,341.6	130.0
Interest expenses						
1. Deposits	2,360.4	21.7	2,851.4	29.5	2,342.4	24.6
2. Interest on interbank and money market items	336.8	3.1	719.1	7.4	351.3	3.7
3. Contribution fee to The Deposit Protection Agency and FIDF	597.9	5.5	1,062.6	11.0	1,007.8	10.6
4. Debt securities issued and borrowings	696.1	6.4	669.6	6.9	712.4	7.5
5. Others	63.6	0.6	162.8	1.7	101.4	1.1
Total interest expenses	4,054.8	37.3	5,465.5	56.5	4,515.3	47.5
Net interest income	7,146.8	65.6	8,183.7	84.8	7,826.3	82.5
Operating income	3,734.5	34.4	1,470.1	15.2	1,662.4	17.5
Total income	10,881.3	100.0	9,653.8	100.0	9,488.7	100.0

2.1.1.2 Non-interest income and expenses

Unit: THB million

	For the years ended 31 December					
	2020	%	2019 (Restated)	%	2018	%
Fee and service income	1,152.4	30.9	1,535.7	104.5	1,376.6	82.8
Fee and service expenses	359.7	9.6	370.3	25.2	289.5	17.4
Net fee and service income	792.7	21.2	1,165.4	79.3	1,087.1	65.4
Gains (losses) on financial instruments measured at fair value through profit or loss	940.1	25.2	(177.0)	(12.0)	294.5	17.7
Gains on investments, net	306.0	8.2	344.0	23.4	19.5	1.2
Other operating income	1,695.7	45.4	137.7	9.4	261.3	15.7
Non-interest income	3,734.5	100.0	1,470.1	100.0	1,662.4	100.0

2.1.2. CIMB Thai's Subsidiaries

Unit: THB million

	For the years ended 31 December					
	2020	%	2019 (Restated)	%	2018	%
1. CIMB Thai Auto Co., Ltd.						
Interest income	3,481.6	106.4	3,110.2	88.5	2,519.3	94.4
Interest expense	978.7	29.9	956.7	27.2	698.5	26.2
Net interest income	2,502.9	76.5	2,153.5	61.3	1,820.8	68.2
Operating income	770.5	23.5	1,360.7	38.7	848.4	31.8
Total income	3,273.4	100.0	3,514.2	100.0	2,669.2	100.0
2. World Lease Co., Ltd.						
Interest income	1,372.5	89.6	1,342.5	83.3	1,182.2	73.7
Interest expense	90.7	5.9	109.4	6.8	104.4	6.5
Net interest income	1,281.8	83.7	1,233.1	76.5	1,077.8	67.2
Operating income	250.2	16.3	379.2	23.5	525.2	32.8
Total income	1,532.0	100.0	1,612.3	100.0	1,603.0	100.0
3. CT Coll Co., Ltd.						
Interest income	0.2	(473.7)	0.4	444.2	0.4	10.1
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0
Net interest income	0.2	(473.7)	0.4	444.2	0.4	10.1
Operating income	(0.3)	573.7	(0.3)	(344.2)	3.5	89.9
Total income	(0.1)	100.0	0.1	100.0	3.9	100.0

2.2 Nature of Products and Services

WHOLESALE BANKING – CORPORATE BANKING and INVESTMENT BANKING

The Bank's Wholesale Banking – Corporate Banking and Investment Banking is composed of three main function lines, i.e. 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 efficiently serve our clients' needs and best generate income and benefits to the Bank.

In 2020, Thai economy contracted amid Covid-19 pandemic. Nonetheless, Wholesale Banking still generated higher total revenues than those in the previous year, and continued to expand high-quality large corporate loans. Total new credit lines approved in the year amounted to THB 22 billion, which pushed up our interest income and fee income to grow by approximately 13% and 22% respectively.

Wholesale Banking had for the past years done exceptionally well in asset quality management of both existing loan portfolio and new high-quality loan approvals by close and regular monitoring of clients through the early warning and watchlist process to prevent problem loans, and efficient specialised teams in debt collection and resolutions. However, in 2020, due mainly to Covid-19 outbreak, a sharp increase in problem loans was recorded. Therefore, we focused more on controlling operating expenses, which were effectively managed to be under the planned 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 and Accelerate Our ASEAN Initiatives."

Wholesale Banking was successful in expanding the business to other ASEAN countries, particularly CLMV (Cambodia, Lao PDR, Myanmar, Vietnam), through CIMB Group which has strengths 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. We 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

The Bank's Corporate Banking offers a comprehensive range of financial services, such as working capital loans for general business, term loans for investment in fixed assets, project financing, and trade finance, as well as other financial services like cash management and foreign exchange transactions for large corporate clients in a diverse range of business sectors, for example, commercial, manufacturing, property development, and transportation. Meanwhile, Financial Institutions Thailand & CLMV provides financial services to financial institutional customers, both banks and non-bank entities such as leasing, securities, asset management, and insurance companies, etc. As most clients have had long-time relationships 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.

Corporate Banking and Financial Institutions Thailand & CLMV 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 the clients' financial needs in all perspectives.

In view of the business plan from 2021 onwards, Corporate Banking and Financial Institutions Thailand & CLMV 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

The Bank's Investment Banking comprises highly experienced, competent and efficient financial advisors offering the best financial solutions and providing capital/fund raising capabilities to our clients.

We have also worked closely with Corporate Banking in arranging certain corporate loans and project financing for the clients to best respond to their specific needs.

Meanwhile, 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 industrial 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 enhance the Bank's potential as an important bank and business partner to our clients in achieving their ASEAN investment goals.

In the face of economic and business disruption by Covid-19 in 2020, the number of our capital market deals dropped. Nonetheless, our debt market deals continued to grow and generated a record high income.

Key successful deals in 2020 comprised:

Debt Markets	Role	Issue Size (THB million)
Provincial Electricity Authority	Sole Lead Arranger/ Joint Lead Arranger	32,500.00
State Railway of Thailand	Sole Lead Underwriter	20,400.00
TPI Polene Public Company Limited	Sole Lead Arranger/ Joint Lead Arranger	10,163.33
True Move H Universal Communication Company Limited	Joint Lead Underwriter	8,455.65
True Corporation Public Company Limited	Joint Lead Underwriter	6,787.20
Charoen Pokphand Foods Public Company Limited	Joint Lead Underwriter	4,487.98
Export-Import Bank of Thailand	Sole Lead Arranger/ Joint Lead Arranger	4,000.00
CPF (Thailand) Public Company Limited	Joint Lead Underwriter	2,913.76
Muangthai Capital Public Company Limited	Joint Lead Underwriter	2,097.40
IRPC Public Company Limited	Joint Lead Underwriter	1,916.22
Sansiri Public Company Limited	Joint Lead Underwriter	1,916.00
Srisawad Corporation Public Company Limited	Joint Lead Underwriter	1,842.71
Rojana Industrial Park Public Company Limited	Sole Lead Underwriter	1,600.00
Siamgas and Petrochemicals Public Company Limited	Joint Lead Underwriter	1,377.67
SC Asset Corporation Public Company Limited	Sole Lead Arranger/ Joint Lead Arranger	1,100.00
Toyota Leasing (Thailand) Company Limited	Joint Lead Underwriter	737.00
Sena Development Public Company Limited	Joint Lead Underwriter	620.00
Ananda Development Public Company Limited	Joint Lead Underwriter	584.10
Noble Development Public Company Limited	Joint Lead Underwriter	451.70
PTG Energy Public Company Limited	Joint Lead Underwriter	333.33
Origin Property Public Company Limited	Joint Lead Underwriter	318.00
Lalin Property Public Company Limited	Joint Lead Underwriter	159.60
Krungthai Car Rent and Lease Public Company Limited	Sole Lead Underwriter	100.00
Equity Markets	Role	Total Deal Size (THB million)

Equity Markets	Role	Total Deal Size (THB million)
Central Retail Corporation Public Company Limited	International Co-Manager (CIMB Investment Bank Berhad)	78,124.20
Bhiraj Office Leasehold Real Estate Investment Trust (First Capital Increase)	Selling Agent	2,737.61

COMMERCIAL BANKING

Commercial Banking serves small and medium-sized enterprises (SMEs) with the main focus on Bangkok areas. We provide financial products and services both through our product programmes and tailored financial solutions to suit our customers' diverse needs.

In 2020, amidst the onset of the Covid-19 pandemic, we shifted our focus to providing supports to our existing customers instead of expanding new loans. This included full cooperation in and prompt responses to the government and the BOT series of measures issued all through the year in order to relieve our customers' burden and continue their businesses under the tough economic circumstances. For 2021 and with the second wave of the virus spread since the beginning of the year, we will continue our assistances for the existing customers in conjunction with prompt responses to and participation in the official and regulatory schemes as in the previous year to ensure our customers' continued business operations under the prevailing situations.

CONSUMER BANKING

2020 saw Consumer Banking of CIMB Thai successfully expanding the digital frontier as never before. Being one of the first six banks to be allowed to exit the electronic Know Your Customer (e-KYC) sandbox, we have taken major strides in continuing to shift the Thai consumer paradigm, rolling out initiatives including a fully-digital process to open a banking account, as well as transitioning smoothly from a branch-first banking experience to a mobile-first banking experience, allowing us to cater to customers' financial needs wherever they are, whenever they want to.

Since the launch of our mobile banking application, CIMB Thai Digital Banking in late 2018, we have grown our digital banking user base and transactions significantly. Total users onboarded on the application increased by 2.5 times year-on-year (YoY) to over 185,000 users in 2020, while the composition of digital transactions increased from under 20% from the start of 2019 to over 60% by the end of 2020. Similarly, our digital account opening process that was recently launched in partnership with Counter Service has also seen strong traction, contributing 60% to total new account openings in 2020 within 6 months of launching. We have also added more features to our CIMB Thai Mobile Lending application, and successfully launched the CIMB Thai Auto Cash application to cater for fully-digital vehicle sales & leaseback financing.

We have made significant progress with regards to our banking products. CIMB Thai – being the first in CIMB Group to launch myWealth, a consolidated platform for financial investment planning – has continued this momentum by being one of the first banks in the country to start integrating with the Stock Exchange of Thailand's FundConnex Open Architecture Mutual Fund Platform, which will allow customers to manage and subscribe to any mutual funds nationwide.

On the investment side, we maintained our market leadership of more than 50% market share in retail bonds trading, while also seeing huge success on our digital channels by selling THB 1 billion in primary bonds via our mobile banking application within 6 months of launch, which is the first in the industry. We have also launched a variety of investment product choices, namely primary and secondary bonds of investment grade or above, all of which will be improved further in coming years as we continue making other investment products available on our digital banking application, including a full range of retail bonds and structured notes.

Partnerships were also a key focus in 2020. Throughout 2020, we successfully executed multiple partnerships, including the commencement of our partnership with Sampo Insurance Thailand, launching our digital acquisition partnership with Counter Service, and continuing our lending partnerships with fintechs, i.e. 9F Group and NEO Money. These digital-led partnerships have set the foundation for the development and maturity of our Digital API Gateway, allowing us to reuse and integrate core banking services with future partners for faster time-to-market and provide a better overall customer experience.

CIMB Thai won several awards in 2020, first of which was from ABF Retail Banking Awards 2020, where we were awarded Consumer Finance Product of the Year for our debt consolidation product launched jointly with NEO Money, as well as Wealth Management Platform of the Year for our robust Wealth services. Our prowess in Wealth was also recognised by The Asset Asian Awards 2020 where we were awarded Best Wealth Manager. To top off the year, we were also awarded Best Digital Marketing Initiative and Best Product Launch award by the Global Retail Banking Innovation Awards 2020 for the launch of our fully-digital Chill D Savings Account targeting Gen-Y customers.

We have also made huge progress in terms of data. By leveraging expertise from CIMB Group, our data teams were able to generate several Machine-Learning (ML) based propensity models to improve our targeting campaigns for Wealth customers, contributing to a 40% YoY increase in investment volume. We will improve our data modelling effort further in 2021, building new models focused on providing fully-personalised recommendations and services. Our prediction models will be augmented with an Intelligent Campaign Management System (iCAMS), which then allows us to trigger actions and product recommendations in real-time, tailored for customers' needs.

In line with the BOT announcements on providing financial assistance for borrowers affected by the Covid-19 pandemic, we have also provided customers with a series of debt relief programmes, including a loan moratorium / payment holiday and debt restructuring. Our debt relief programmes have performed well, and their outcomes are in line with industry peers.

With 2020 being one of the toughest years in the banking industry due to the pandemic, our loan book contracted 3% YoY due to weaker market sentiments impacted by the virus, as well as tightened acquisition criteria. In 2021, we aim to revitalise our loan book performance and grow our Wealth non-interest income by nearly 20% YoY. We expect to maintain a healthy 5.3% in net interest margin, while shifting our focus to provide sustainable financing, leveraging on our strengths and capturing industry opportunities.

In 2021, Consumer Banking will continue honing our digital capabilities in line with our vision to be the Digital-led bank of choice for Thai customers. This includes a substantial push on three main product pillars, namely Digital Wealth, Digital Lending, and Digital CASA. We will venture into launching a new line of financing targeted towards Wealth customers, while also expanding our product sourcing to include offshore investment products. Besides, we will also be pursuing the acquisition of a Digital Lending License that was recently announced by the BOT. This will allow us to improve our loan acquisition experience even further by offering a fully-digital, document-light application process.

TRANSACTION BANKING

Transaction Banking provides business clients with transactional products and solutions, including deposit accounts for businesses and local and offshore transactional services. We focus on designing the right solutions that meet our clients' demands and ensuring their maximum benefits in transacting via our convenient service channels.

In 2020, Transaction Banking earned two prestigious awards from Digital CX Awards 2020 by The Digital Banker. One was Winner - Best Bank Account User Experience: the users' experience of CIMB Biz Account, acclaimed to be the best bank account for businesses. Biz Account is a current account offering favourable interest rate, free-of-charge onshore and offshore fund transfers, and superior privileges compared to business accounts in general and carrying no hidden conditions, through digital platforms on computers and on mobiles. The other award was Highly Acclaimed - Best Product or Service Innovation for our innovation excellence. This has been our great pride and reflected our strong commitment to delivering best financial services and creating customers' experience beyond their expectation.

For 2021, we strive to improve our services further with realignment to changes in business context and circumstances as well as our clients' business operation models. We are ready to be a Partner working alongside them so that they do worthwhile transactions more easily and conveniently through our cash payment & collection platform, which integrates the QR code payment technology and PromptPay infrastructure with financial transactions made on the businesses' own platforms.

For cross-border transactions, we support entrepreneurs through trade finance services. We offer CIMB Biz Export facility, where customers can make trade transactions and fund transfers overseas free of charge. CIMB Biz US Dollar is also available as a perfect solution for customers who want to deposit in US dollar to mitigate foreign exchange fluctuation risk. There are also several other privileges offered to best suit our customers' preferences.

Another key strategy to be employed in 2021 is the leverage of CIMB Group's ASEAN linkage in developing cross-border transactions in the region to emphasise the Group's strength of being the ASEAN Bank. This includes the Bank being entrusted as the main bank to develop the use of QR code between Thailand and Malaysia, and participating as a main bank in developing the use of QR code between Thailand and Indonesia. We have also undertaken intra-Group work process alignment along with other banks in the Group for trade finance transactions, especially across ASEAN, so that our clients are more confident in business operation with easier and faster business transactions.

TREASURY & MARKETS

The Bank's Treasury & Markets (T&M) provides comprehensive financial products and services across multiple asset classes to assist our clients in managing their risk, investment and liabilities including fundraising through a debt capital market. We also manage the Bank's funding in accordance with regulatory requirements and optimize the Bank's assets within our business framework.

2020 was another successful year of T&M. We grew revenue consistently at a rate above the budget despite the ongoing global health crisis (Covid-19), local political uncertainty and economic slowdown. Our achievement was attributable to:

- Strong collaboration between T&M and other business units across CIMB Thai.
- Superior product capabilities and management in derivatives, debt and equity securities markets and foreign exchange transactions.

These have earned the Bank altogether nine awards as follows:

The Asset Triple A Award

- 1) Best Bank for Investment Solutions
 - 1.1. Rates
 - 1.2. Equity
 - 1.3. Credit

- 2) Best Structured Investment and Financing Solutions
 - 2.1 Rates (Step up Range Callable Range Accrual Debenture)
 - 2.2 Credit (USD Credit Linked Structured Debenture with Cross Currency Hedging)
 - 2.3 Fund (Multi Fixed Income Platform for Fund Linked Note)

The Asset Benchmark Research

- 3) The Region's Best Local Currency Bond Individual in Sales (Ranked No.3 and No.5)

ASIAMONEY FX Survey

- 4) Best Counterparty in Thailand (Asian Banks)

Asia Risk Award

- 5) Thailand House of The Year

Furthermore, CIMB Thai is one of the key players in Thailand capital market in 2020 as follows:

- Ranked No.1 in bond trading (time-to-maturity > 1 year) with 11.5% market share.
- Ranked No.1 in secondary bond trading (for retail individual clients) with 43.7% market share.
- Ranked No.1 in structured note issuance with 36.3% market share.
- Ranked No.3 in corporate bond underwriting with 12.3% market share. We are the first bank in Thailand having launched a primary bond subscription service on a mobile application and managed to digitally distribute primary bond initial public offering (IPO) to retail investor clients with subscription value totaling THB 1.147 billion.

Looking forward, our 2024 aspiration is to become Thailand's 'Top Treasury House' for wholesale clients and 'Best Investment House' for consumer clients. To achieve this aspiration, we have clearly defined strategic priorities to be implemented moving forward as follows:

- 1) Strengthen collaboration with business unit partners: Deepen our client engagement by working together with respective client coverage teams to identify clients' needs and providing solutions that match their requirements.
 - a. Wholesale Banking Risk hedging (currency, interest rate, commodity price), investment solutions (bond and structured product) and fund raising (through debt capital market) for corporate and institutional clients.
 - b. Consumer Banking Wealth management solutions for high-net-worth individual (HNWI) and ultra-HNWI clients i.e. bond (onshore/offshore), structured product, securities service, foreign currency deposit and foreign currency exchange.
- 2) Scale up digital distribution platforms: Continue to develop digital distribution and execution platforms comprising (a) web application for internal clients, i.e. the Bank's staff members, and (b) mobile application for external clients, to offer them convenience and facilitate T&M's product cross selling, which will improve service efficiency and enhance customer experience.

2.3 Market Shares and Competitions

Unit (THB'Million)

BANK	Assets	Marketshare (%)	Deposits	Marketshare (%)	Loans to customers and accrued interest receivables - net	Marketshare (%)
BANGKOK BANK	3,384,961	16.9%	2,485,597	17.0%	1,896,205	14.8%
SIAM COMMERCIAL BANK	3,280,442	16.4%	2,429,780	16.6%	2,125,942	16.6%
KRUNG THAI BANK	3,226,987	16.1%	2,466,780	16.9%	2,124,250	16.6%
KASIKORNBANK	3,061,407	15.3%	2,340,470	16.0%	2,066,638	16.2%
BANK OF AYUDHYA	2,460,731	12.3%	1,819,223	12.4%	1,609,830	12.6%
TMB BANK	1,205,404	6.0%	815,678	5.6%	693,775	5.4%
THANACHART BANK	811,183	4.1%	557,957	3.8%	649,686	5.1%
UNITED OVERSEAS BANK (Thai)	632,342	3.2%	491,560	3.4%	421,662	3.3%
CIMB THAI BANK	404,421	2.0%	194,150	1.3%	217,576	1.7%
KIATNAKIN BANK	354,468	1.8%	252,067	1.7%	262,643	2.1%
TISCO BANK	264,921	1.3%	204,859	1.4%	213,802	1.7%
LAND and HOUSES BANK	240,085	1.2%	182,735	1.2%	155,838	1.2%
ICBC (THAI)	225,413	1.1%	147,053	1.0%	111,933	0.9%
STANDARD CHARTERED BANK (THAI)	167,167	0.8%	84,329	0.6%	28,800	0.2%
SUMITOMO MITSUI TRUST BANK (THAI)	78,454	0.4%	21,719	0.1%	51,280	0.4%
BANK OF CHINA (THAI)	68,562	0.3%	47,094	0.3%	45,455	0.4%
THAI CREDIT RETAIL BANK	80,721	0.4%	64,626	0.4%	66,823	0.5%
ANZ BANK (THAI)	49,406	0.2%	10,052	0.1%	18,960	0.1%
MEGA INTERNATIONAL COMMERCIAL BANK	25,120	0.1%	16,417	0.1%	20,766	0.2%
Total	20,022,198	100.0%	14,632,146	100.0%	12,781,864	100.0%

Source: Data as of December 2020, Summary of Assets and Liabilities Statement (C.B. 1.1) Bank of Thailand

2.4 Procurement of Products and Services

Source of Funding

As at 31 December 2020, deposits managed by the Bank stood at THB 218.6 billion (including interbank and money market deposits), whilst borrowings (including interbank and money market borrowings) amounted to THB 67.6 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 60.9 billion and loans with maturity of more than one year amounted to THB 161.8 billion. Meanwhile, deposits with maturity of not more than one year stood at THB 216.8 billion and those with maturity of over one year amounted to THB 1.8 billion.

Capital Adequacy Ratio

As at 31 December 2020, CIMB Thai group's capital adequacy ratio (CAR), common equity tier 1 (CET1) capital and tier 1 capital were 21.4%, 15.6% and 15.6%, respectively, while those of the Bank were 20.7%, 14.9% and 14.9%, respectively. The Bank has maintained a robust capital with CAR, CET1 and tier 1 capital ratios well above the BOT minimum requirements.

		Unit: THB billion					
Capital funds	Minimum requirements	Full consolidated supervision			Separate		
		31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-20	31-Dec-19	31-Dec-18
Tier 1 capital		39.6	34.6	34.9	38.0	32.6	32.8
CET1 capital		39.6	34.6	34.9	38.0	32.6	32.8
Tier 2 capital		14.7	13.0	13.0	14.8	13.3	13.2
Total capital funds		54.3	47.6	47.9	52.8	45.9	46.0
Tier 1 capital to risk-weight assets	8.500%	15.6%	13.1%	14.1%	14.9%	12.4%	13.3%
CET1 capital to risk-weight assets	7.000%	15.6%	13.1%	14.1%	14.9%	12.4%	13.3%
Tier 2 capital to risk-weight assets	-	5.8%	4.9%	5.2%	5.8%	5.0%	5.4%
Capital adequacy ratio	11.000%	21.4%	18.0%	19.3%	20.7%	17.4%	18.7%
Total risk-weight assets		254	265.4	247.6	254.6	263.6	246.2

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 obtain adequate funding in 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 at present and in future. To this end, its liquidity risk management 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 business framework to strive for a broader delivery network and markets, the Bank has maintained a diversified core deposit base comprising savings, current and term deposits, thus providing a large, stable funding base. The Bank has also maintained certain liquidity buffers throughout the year to ensure its stable business operation in strategic, structural and tactical perspectives.

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 concurring on the liquidity risk tolerance. Asset and Liability Management (ALM), which is responsible for monitoring of the liquidity risk profile, works closely with Treasury & Market in the surveillance of market conditions. Business units are responsible for establishing and maintaining strong business relationship with their respective depositors and key funding sources. In addition, the Bank has set up the Funding Committee composed of representatives from business units, Finance and Risk Management to oversee the Bank's funding strategy. Besides, Treasury performs global funds dealing on a necessity or

contingency basis. The Bank has to prudently manage the liquidity position to meet daily operation needs. It regularly 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. As regards companies in the Bank's financial business group, liquidity risk management will be centralised. To support their liquidity, the Bank may consider and approve liquidity lines to them within the 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 they are stable and economical 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 for sustainable 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 under 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 the BOT guidelines. Once the collateral is taken, it is important to follow the Bank's policy regarding collateral price appraisal and price appraisal frequency.

Debt Monitoring Guidelines and Follow-up Procedures

The Bank has set up 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 which will be revised periodically to ensure their effectiveness and relevance. In addition to mandatory debt classification in accordance with the BOT 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 and watch list – medium shall remain as performing (stage1) class while those under watch list – high are classified as under-performing (stage2). 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 was set up to closely monitor development of those watch-list accounts, NPL accounts and any other accounts requiring close attention, provide guidance, approve or recommend recovery actions to be taken for those under the watch list and NPL accounts so that the Bank can effectively manage both potential problem loans and problem loans, comprising 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 and openness to examination while also minimising loss for the Bank.

Debt Restructuring Policy

The Bank has established 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 opportunity to maximise recovery or minimise potential loss, while the borrowers are able to continue their business operation with incurrence of some loss on their part. The Bank will restructure debts in accordance with the BOT regulations and the task will be carried out prudently and in a way that 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 covering 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 units of the Bank. However, a certified and experienced third party specialised in this area may be engaged 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 AQC, 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 as prescribed in the BOT Notification No.SorNorSor 23/2561 dated 13 December 2018 whereby classification and provision is required for financial assets and exposure from loan commitments and financial guarantee contracts. Such financial assets and commitments are classified into three types, comprising (1) Non-performing, (2) Under-performing, and (3) Performing. Provision is also required for expected credit loss (ECL). This is in accordance with Thai Financial Reporting Standard No. 9 (TFRS 9) re: financial instruments, effective from 1 January 2020 onwards.

Policy for Intra-Group Transaction of the Financial Group

For good governance, the Bank has established Intra-Group Transaction Policy to provide guidelines for efficient risk management of intra-group transactions to identify, measure, control and monitor risks that may arise from intra-group transactions.

The policy is also to ensure that intra-group transactions of the financial business group are in compliance with the Bank of Thailand's regulations, i.e. the same procedures for normal customer transactions also applicable to inter-group transactions, legally enforceable documents are executed,

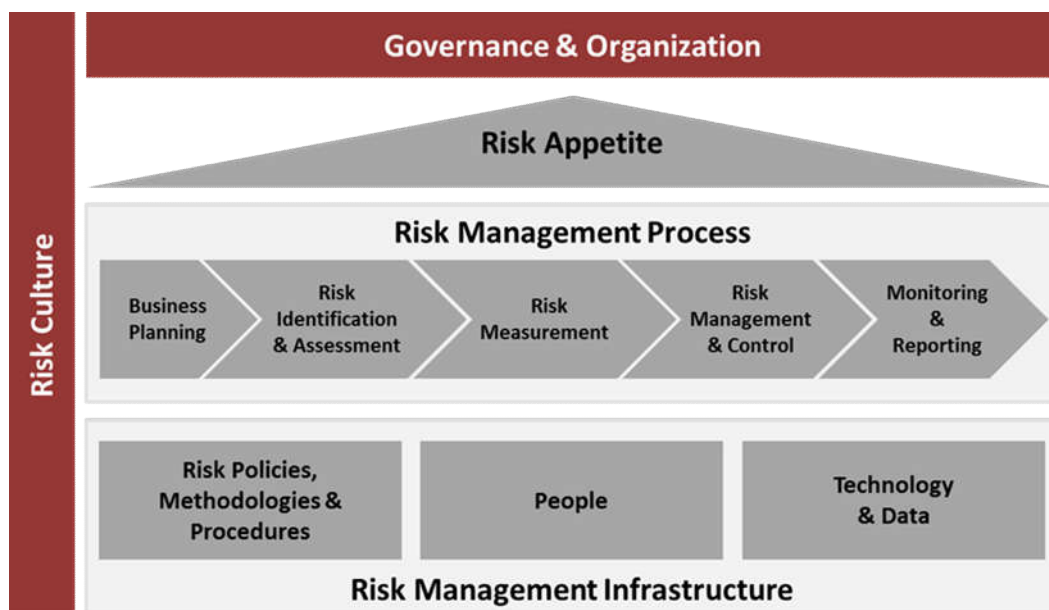
and terms and conditions are the same as those agreed upon with normal customers of the same risk level, etc.

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 (BOD) and the 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 criteria.

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. Its 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 BOD 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 BOD 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 business associated 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, 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 BOD. 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 as well as a 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 the implementation of policies.
- **People:** Attracting the right talents and skills are key to 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 environments.
- **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 returns must be commensurate with 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) was appointed by the BOD in 2014 to ensure independent and greater risk governance and accountability for all types of risks. Due to the close interrelation between Compliance and Risk Management, the BOD decided to expand roles and responsibilities of BRC to also have oversight on the Compliance function (in place of Audit Committee (AC)) and changed the name of the committee to Board Risk and Compliance Committee (BRCC) reporting directly to the BOD taking effect from September 2019. BRCC is comprised of five members who are all BOD members.

In addition, the BOD has appointed the Risk Management Committee (RMC), reporting to BRCC, 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 BRCC 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 BRCC with responsibilities to review and/or recommend for approval to the BOD/relevant committee (where necessary) and to approve and concur proposals, account plan and provision of accounts with problems or potential problems from non-retail business units within the Bank.

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 BRCC, 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. In addition, Special Assets Management has been established under Risk Management to take charge of managing credit quality concerned assets as well as providing advice to early manage clients with signs of credit quality deterioration.

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, i.e. 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 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 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, a new credit underwriting tool for small SME clients implemented in the year, 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 Black and 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. Black – “Forbidden,” 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, BRCC, and the 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 under 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 trigger are set to control the risks associated with movements in interest rates which might affect the revenue and capital reserves of the Bank. Furthermore, stress test is periodically conducted, the results of which are thoroughly analysed.

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 risk 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 trigger. Daily mark-to-market on the foreign exchange is also conducted. Furthermore, stress testing is periodically conducted the results of which 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 not interest rate risk or foreign exchange risk, the Bank will fully hedge against such

market risk underlyings. Therefore, the market risk exposure from other market risk underlying has never been materialised.

LIQUIDITY RISK

Liquidity risk is defined as the 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 in 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 at present and in future. To this end, its liquidity risk management 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 business framework to strive for a broader delivery network and markets, the Bank has maintained a diversified core deposit base comprising savings, current, and term deposits, thus providing a large, stable funding base. The Bank has also maintained certain liquidity buffers throughout the year to ensure its stable business operation in strategic, structural and tactical perspectives.

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 with 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 result in money market fluctuations, which may subsequently affect liquidity and increase funding costs.

The responsibility for liquidity risk management and control is delegated to the 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 reviewing liquidity risk tolerance before seeking approval from the BOD. Asset and Liability Management (ALM), which is 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 relationship with their respective depositors and key funding sources. Treasury performs global fund dealing on a necessity or contingency basis. The Bank has to prudently manage the liquidity position to meet daily operation needs. It regularly 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. As regards companies in the Bank's financial business group, liquidity risk management will be centralised. To support their liquidity, the Bank may consider and approve liquidity lines to them within the 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 set to alert the 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 the 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 and 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 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 BRCC. With the support from ALM under Risk Management and Capital and Balance Sheet Management (CBSM) 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&Market 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 on the economic value of equity (e.g. present value of potential future earnings and capital) as asset portfolio and liability portfolio values would rise and fall in line with changes in interest rates. This measure helps the Bank to quantify the risk and impact on capital with the focus on current banking book positions. The Bank's EVE sensitivity is computed using the re-pricing gap analysis method to analyse the interest rate movement of assets and liabilities in different time periods.

The 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, RMC, BRCC 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 good 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 instituted appropriate policies and guidelines that not only bring the Bank in line with international standards, but also contribute to enhancing transparency and good governance. In this respect, Risk Management Committee (RMC) has been given the authority to establish policies and guidelines which correspond with international best practice and to make recommendations to the BOD or the BRCC as delegated for approval and deployment of the Bank's policies and guidelines. To increase effectiveness, the Bank has also appointed the Operational Risk Committee (ORC) to discuss, deliberate, assess and give advice on all issues relating to operational risks including fraud and covering key cause factors, such as human resource, 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 lies with line management and all staff performing the operations. Their responsibility includes compliance with all internal and external laws, regulations, policies and standards. In so doing, Risk and Control Officer (RCO) Designated Compliance & Operational Risk Officer (DCORO) are appointed within each business 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.

Business units in the Bank and its subsidiaries are required to manage their operational risks along the following tools:

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 assessment and analysis of 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 conduct a review regularly to ensure that their work processes are structured and managed properly, 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 calculation of operational risk capital requirements.

3. Key Risk Indicators (KRI)

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 operational losses are incurred. 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 provides rules around the robust management or mitigation. The purpose of the guideline is to ensure that control issues are captured and classified consistently, and there is robust governance over their closure or acceptance to enable senior management to understand and assess the risk the Bank faces.

5. New Product Approval Process

The Bank has emphasised on developing new products or improving the operation process. For such purpose, it enforces a stricter approval process with the identification, assessment and control of all relevant risks, i.e. credit risks, market risks 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 and further submission for approval, and subsequent market launch, as well as the annual review of the approved products.

6. Complaint Management Process

The Bank is aware of reputation risk and importance of customer satisfaction. It has thus set up Customer Experience Management (CX) to work closely with CIMB Thai Care Centre and other customers' contact points to efficiently govern handling of customers' complaints and queries. The Customer Complaint Handling Policy has been established to set out the standard framework and mechanism for dealing with customers' complaints in accordance with local regulatory requirements and CIMB Group standards. Under the policy, CX is also designated to act as an independent centralised complaint management unit to ensure that all complaints are handled objectively by relevant subject matter experts in a fair and timely manner.

Furthermore, CX will provide customer knowledge based on surveys and voices of customers gathered from various touchpoints. This is to drive improvement in all angles of customer experience with an aim to uplift customer engagement. The knowledge and improvement initiatives are prepared and proposed by CX to Thailand Customer Experience Committee, and other relevant committees.

In 2020, CIMB Thai released debt relief programmes for loan customers financially impacted by the Covid-19 outbreak. CX had been involved in this process in terms of managing and facilitating customer communication and registration and also managing customers' complaints relating to the programmes. This aimed to assure the customers that their voices and concern issues would be considered and handled in a timely and sustainable manner.

7. Business Continuity Plan

The Bank has developed and implemented business continuity management. All work units bank-wide and in subsidiaries are required to analyse business impact of critical business functions and document a business continuity plan based on the analysis result as well as exercises of the 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 a crisis, disaster or calamity disrupting the critical business functions. Having business continuity management in place will help protect the Bank's reputation and maintain customer confidence in the Bank's services.

8. Internal Audit and Compliance

The Bank has established Corporate Assurance and Compliance as independent units to assist Audit Committee (AC) and Board Risk and Compliance Committee (BRCC) in auditing and monitoring the business operation. Corporate Assurance, which reports directly to the AC, is in charge of examining and providing reasonable assurance that all the Bank activities are effectively and efficiently managed and operated in line with risk management and internal control principles. Compliance unit, which reports directly to the BRCC, is tasked with overseeing and monitoring the Bank's business operation to ensure compliance with all relevant laws and regulatory requirements.

RISK RELATED TO FOREIGN INVESTMENT

The Bank has no policy to invest in the foreign equity investment. At the present, the Bank's exposure of foreign equity investment was still in an insignificant amount.

4. Business Assets

4.1 Fixed Assets for Business Operation

(1) Premises and equipment

As at 31 December 2020, CIMB Thai group had land valued at THB 1,962 million, buildings THB 2,878 million, equipment THB 2,140 million and others THB 158 million. Net of accumulated depreciation of THB 3,872 million, the net book value of the premises and equipment was THB 3,266 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 2020 and 2019, the group had commitments under long-term leases as follows:

Lease periods	Consolidated		Separate	
	2020	2019	2020	2019
	THB million	THB million	THB million	THB million
Not over than 3 years	146	275	104	166
3 - 5 years	1	3	1	2
5 - 10 years	-	2	-	2
Total	147	280	105	170

(3) Other commitments

As at 31 December 2020 and 2019, 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	
	2020	2019
	THB million	THB million
Baht	113	112
MYR	2	9
USD	-	3
Total	115	124

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, 2020, the Bank Financial Group consisted of
 - 1.1 Financial Service Businesses
 - (1) CIMB Thai Bank Public Company Limited
 - (2) CIMB Thai Auto 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 2020, there is no legal dispute against the bank which may materially and adversely affect the bank's assets in the amount exceeding 5 % of its shareholders' equity.

6. General Information and Other Important Information

6.1 General Information

Company Name : CIMB Thai Bank Public Company Limited
 Registration Number : 0107537002338 (formerly BorMorJor. 480)
 Business Type : Commercial Banking
 Head Office : Langsuan Building, 44 Langsuan Road, Lumpini, Patumwan, Bangkok 10330, Thailand
 Telephone Number : +66-2638-8000 and +66-2626-7000
 Facsimile Number : +66-2633-9026
 CIMB Thai Care Center : Telephone number
 E-mail address : cimbthai.carecenter@cimbthai.com
 Investor Relations : Telephone number
 E-mail address : ir@cimbthai.com

References

Registrar : Thailand Securities Depository Co., Ltd.
 Address : 93 Rachadapisek Road, Dindaeng, Dindaeng, Bangkok 10400, Thailand
 Telephone Number : +66-2009-9000
 Facsimile Number : +66-2009-9991
 SET Contact Center : +66-2009-9999
 Website : <http://www.set.or.th/tsd>
 E-mail Address : SETContactCenter@set.or.th

 Auditor : PricewaterhouseCoopers ABAS Ltd.
 Address : 15th Floor, Bangkok City Tower, 179/74-80 South Sathon Road, Thung Maha Mek, Sathon, Bangkok 10120, Thailand
 Telephone Number : +66-2344-1000, +66-2286-9999
 Facsimile Number : +66-2286-5050
 By : -

Entities in which CIMB Thai Bank invests 10% or more of total issued shares (As of 31 December 2020)

	Company name / Address	Type of business	Type of share	Total shares sold	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. +66-2684-6500	Leasing	Ordinary	800,000,000	799,999,994	99.99
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	100,000,000	99,999,998	99.99
4.	Srithephthai Plaschem Co., Ltd. (bankrupt) 1200 Bangna-Trad Road, Bangna, Bangkok Tel. +66-2398-0027	Plastic products	Ordinary	83,332	31,410	37.69

	Company name / Address	Type of business	Type of share	Total shares sold	Number of shares held	%
5.	M-Home SPV 3 Co., Ltd. (liquidated) 1006/420 Masterview Executive Place Building, 1 st Floor, Charoennakorn Road, Banglumphu, Klongsan, Bangkok	Special purpose vehicle	Ordinary	10,000	1,282	12.82
6.	Tawana Hotel Co., Ltd. 80 Surawongse Road, Siphraya, Bangrak, Bangkok Tel. +66-2236-0361	Hotel	Ordinary	33,909	3,390	10.00
7.	Sanwa Interfood Co., Ltd. 2219-2223 New Petchburi Road, Bangkapi, Huaykhwang, Bangkok	Instant foods	Ordinary	10,000,000	1,000,000	10.00
8.	Samchai Plc. 522 Ratchada Complex, Ratchadaphisek Road, Samsen Nok, Huaykhwang, Bangkok	Electrical appliance	Ordinary	40,000,000	4,000,000	10.00
9.	P.C. Patanasub Co., Ltd. (dissolved) 1600 New Petchaburi Road, Makkasan, Ratchathevi, Bangkok	Commerce	Ordinary	10,000	9,993	99.93
10.	Executive Management Services Manpower Ltd. (bankrupt) 295 Rama III Road, Bangkholaem, Bangkok Tel. +66-2689-2626	Office equipment and furniture rental	Ordinary	2,000	340	17.00
11.	Global Leasing Co., Ltd. (under official receivership) 518/5 Maneeya Center, 8 th Floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok 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, Nikhompatthana, 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, Khlongtoey, Bangkok	Leasing	Ordinary	20,000,000	2,000,000	10.00
17.	Tun Ruamkarn Co., Ltd. (bankrupt) 133/2 Sukhumvit 21 Road, Khlongtoey, Khlongtoey, 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, Bangkholaem, Bangkok	Appraiser	Ordinary	20,000	2,000	10.00

6.2 Other Important Information

6.2.1 Thailand's Economic Outlook for 2021

Economic recovery on the back of rebounding export

Thai economy in 2021 is seen to be on a recovering trend supported by export which has improved in line with the growth of global economies, particularly the US where fiscal stimulus measures are carried on under President Joe Biden's administration with focus on uplifting income of low-income households, and the consistently relaxed monetary policies through both maintaining of low interest rates and liquidity injection. Economic activity could also gather pace even in the face of ongoing emergence of Covid-19 infection cases. Moreover, the economies of Thailand's key trade partners like Japan, ASEAN and Europe could record accelerated growth in tandem with stronger export and fueled by their respective stimulus packages, hence a boost to the manufacturing sector. Despite some delay in mega project investment in the Eastern areas and new private sector investment due to slow restoration of investors' confidence, especially that of foreign ones, the increase in production capacity should be conducive to greater employment of labor and expansion of working hours, which could enhance household income and purchasing power in overall. This would correspond with the brighter prospect of farm income following the improvement of output after a long drought experienced in 2020, and concurrently stimulate growth of consumption. There would also be shifting of goods from such perishable goods as foods and beverages to durable goods like automobile, etc., in H2/2021 after clearer economic revival and higher consumers' confidence. Meanwhile, the government's stimulus packages should continue to promote consumption and domestic tourism, and public sector investment may be more specifically aimed at creating jobs in provincial areas for greater income generation. On the monetary front, the Bank of Thailand (BOT) is not expected to reduce the policy interest rate further but instead inject additional liquidity to support small businesses as part of targeted financial assistance in conjunction with easing of rules and regulations to facilitate loan growth. However, tourism could remain a key downside risk for economic recovery as reopening the country for foreign tourists is not anticipated earlier than H2/2021. Hotels, restaurants, transport and retail businesses have still been faced with income shortfall which could retard turnaround of labor employment and spending of people in this sector. In sum, with more activity from major global economies and despite the prevailing Covid-19 pandemic, the stronger government spending coupled with the low base effect, global economy in 2021 should recover, which could in turn support Thai export and drive Thai economy.

Beware hot money could quicken baht surging

Although the economy should be on a recovering course in 2021 with reliance on export as the main economic engine, there remains a key risk that could be a variable factor to the prospect of Thailand's international trade, that is, the appreciation of Thai baht against the US dollar and other major trade partners' currencies. Two factors that have contributed to the stronger baht are, **firstly**, the larger trade surplus in line with the increase in export as compared to import, especially that of machinery which has not yet fully expanded given the prolonged sluggishness in private sector investment, and **secondly**, massive fund inflows to the capital market upon the ease of concerns about the economic crisis and the ample liquidity in the systems of the US and countries elsewhere, hence foreign capital inflows for speculation in Thai bond and stock markets. Such hot money or short-term speculative funds to gain from the excess liquidity along with Thailand's strong economic fundamentals with underlying current account surplus could play an important part in the rapid baht appreciation in 2021. In overall, the baht should strengthen by as high as 5.3% from the end of 2020 or hit THB 28.60/US dollar at the end of 2021. This could slacken the growth of export to the level lower than that in case the baht is not as strong even though export in US dollar term has remained positive in line with higher global demand. The hefty and speedy baht appreciation might seem hardly happen but, viewing the baht surging against the US dollar post-global financial crisis 2008 during which the US Federal Reserve implemented quantitative easing measures and after the decline in markets' concerns over the liquidity of US dollar, we may see emerging markets flooded with hot money once again. Exporters are recommended to seek risk hedging products to cope with the stronger baht and keep the US dollar rather than convert it into baht to save currency exchange cost.

Economic outlook for 2021

Thai economy in 2021 is predicted to expand by 2.6%, improving from contraction of 6.1% in 2020.

Thai economy could start to grow year-on-year in Q2/2021 but a clear recovery could be seen no earlier than H2/2021. A main supportive factor to such brighter prospect should be the successful distribution of Covid-19 vaccines globally, hence possible turnaround of tourism. Meanwhile, risks to Thai economy are expected to remain the same as in 2020. They are political threats, the baht appreciation, the second wave of Covid-19 spread, and the US-China trade war which may continue even under the administration of President Joe Biden, as well as anti-globalization sentiment in certain countries where people may choose domestically produced goods to support employment and businesses in their countries or domestic tourism despite availability of Covid-19 vaccines by that time in a bid to rejuvenate their own countries' tourism and prevent leakage of funds for spending elsewhere. Thailand is a small-sized open country adversely affected by several external factors through the baht appreciation and trade protectionism rather than political uncertainties or the second wave of the virus. We may have to pin our hope on the Ministry of Finance and the BOT to curb such hot money or work out measures to accelerate demand for US dollars for investment overseas as a way to deter further baht strengthening. Nonetheless, we believe that these measures may not easily contain hot money inflows. Thai economic recovery in 2021 may revolve only around the export sector as domestic demand could remain weak and fragile and SMEs, in particular, have still recorded slow growth of sales. The increasing bad debts in the system may also prompt commercial banks to be more cautious in lending business loans, while people are increasingly careful in spending amid the persistently high household debts. With the working hours not yet returning to normalcy, people's income could stay at low levels compared to those pre-Covid-19. We may see Thai economy in 2021 at the reviving pace but mainly in the export sector before economic activity could be passed on to sustain various internal sectors. Domestic economy should gain strength more clearly in H2/2021 before strong economic revival to the level pre-Covid-19 could be seen in 2022.

Highlights of Corporate Branding Activities in 2020

2020 was a challenging year for all mankind in encountering and coping with Coronavirus-2019 (or Covid-19). Economies had been adversely affected globally. Everyone needed to adopt the "New Normal" in an attempt to live a normal life as much as possible.

CIMB Thai has realized our key mission, as a financial institution, on joining in the drive of Thailand's economy and society. We have responded to the BOT policy in aiding Covid-19-affected clients at both Bank and subsidiaries'. We have played a part in educating our clients to learn and understand more how to make financial transactions in a new normal era, which is increasingly moving toward digital world, in line with our strategy to be a Digital-Led Bank with ASEAN Reach, together with the "FORWARD" brand promise. As guided by CIMB Group's policies, we will continue to emphasize the need to focus on each client segment's needs and strongly support them to achieve their goals. That is our main mission in building and broadening our brand awareness.

In 2020, we have given importance to connecting the dots, especially in the area of crisis communications. Our communications have gone through many social media channels, including Facebook, LINE, Instagram, Twitter, LinkedIn and YouTube, where our client-aiding measures, product information, financial tips & tricks, marketing activities and promotions, including other interesting topics and daily life general knowledge, were publicized. We also have a closed-group Facebook named *CIMB Thai Internal Live* to connect our employees performing work at branches, offices or at their homes and open their access to knowledge on financial innovations and ensure their understandings of the developing situations and the best practices for our business continuity. We believe that good branding and servicing should start when our people possess common understanding and apply that in delivering quality products and solutions to clients.

Despite the massive impact of Covid-19 on people's lives and every business sector, the pandemic could be a good accelerator for businesses to adapt themselves in all directions to stay survival. For CIMB Group and CIMB Thai, we have stressed our positions as an ASEAN Bank who sees and understands the charm of different but united ASEAN. We are committed to synergy in creating financial opportunities to move everyone forward in line with our "FORWARD ASEAN" aspiration, as reflected in our ads via all available channels and stickers inside our branches as means to optimize our media spaces. One of our pride that highlights our ASEAN strength is a

sharing of “ASEAN Charms” story on the Bank’s desk calendars, which won the *Suriyossithorn Prize* for “Desk Calendar of General Type” at the event no. 40 for year 2020, as organized by Thailand Public Relations Association.

This year, we have another highlight activity of “CIMB Thai Triathlon FORWARD ASEAN Pride,” which was held for a third year. The event attracted more than 800 participants. However, due to the Covid-19 situation the race was re-scheduled from 5 July 2020 to 13 December 2020, where race safety guidelines and Covid-19 preventive measures were properly and sufficiently put in place. CIMB Thai Triathlon FORWARD ASEAN Pride helped raise the public awareness of CIMB Thai and build up the Bank’s reputation in a broader extent.

We have also participated in the Money Expo, exhibiting booths in five provinces including Bangkok, Nakhon Ratchasima, Udon Thani, Chiang Mai and Song Khla (Hat Yai District) under the theme of “Happiness Nursery House,” which emphasizes expanding client bases in each region, clients’ financial health and better quality of live with Covid-19-free. Public relation media were transformed from papers to digital, where visitors could scan QR codes to see details of promotions and products without any touch. This year, CIMB Thai booth was presented with the *Best Design Excellence Award* for the booth sized 200 - 262 sqm. from Money & Banking Award 2020. Our booth was designed to represent CIMB Thai as a happiness nursery house who keeps providing clients with financial advisory and planning services and financial solutions to grow their returns.

We have continually realized the importance of ongoing publication of our news and movements, especially during this time where people need accurate and prompt information to support their proactive business adaptations in response to Covid-19, ASEAN investment opportunities, product innovations, and new service channels for consumers. We have also provided onshore and offshore economic researches and analyses by our Research Office, which has been catching great interest from presses.