

ANNUAL REPORT 2011

รายงานประจำปี
2554



FOUNDATION OF YOUR
SUCCESSFUL FUTURE



บริษัท แอล เอช ไฟแนนเชียล กรุ๊ป จำกัด (มหาชน)

LH FINANCIAL GROUP PUBLIC COMPANY LIMITED

มั่นคงไปด้วยกัน มั่นใจทุกการลงทุน

JOIN THE
SUCCESSFUL FUTURE

LH FINANCIAL GROUP PCL.

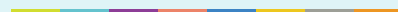


ให้บริการอย่างมืออาชีพ

PROFESSIONAL

LH FINANCIAL GROUP PCL.





ผู้นำด้านการลงทุน

INVESTMENT

LH FINANCIAL GROUP PCL.



สู่ความสำเร็จที่ยั่งยืน
ACHIEVEMENT

LH FINANCIAL GROUP PCL.



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LH FINANCIAL GROUP PCL.

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MESSAGE FROM THE CHAIRMAN

LH FINANCIAL GROUP PCL.



In 2011, the Thai economy faced numerous challenges. The industrial and export sectors were affected by the earthquakes and subsequent tsunami in Japan. The world economy slowed down, crippled by economic problems on both sides of the Atlantic. At home, the great floods dealt a massive, extensive blow later in the year. Nonetheless, domestic demand and accelerating exports in the third quarter made it possible for Thailand to expand, albeit at a slower pace than projected earlier.

In any case, the overall Thai economy is expected to rebound swiftly in the second quarter of 2012. Gross domestic product should expand in a range of 4.5% to 5% thanks to aid and economic stimulus measures, as well as public investment, even as risks remain due to the highly volatile world economy.

In 2011, the Company's core revenue came from investment in its subsidiary, Land and Houses Bank Plc., of which operating results have improved steadily over the years. As reflected in its 2011 financial statement, the Company's net profit before tax surged by 26.55% to 737 million baht from the previous year. Total assets jumped by 30.39%, or 18,934 million baht, to 81,245 million baht from the level at the end of 2010.

The year 2011 also marked another milestone for the Company as it successfully listed on the Stock Exchange of Thailand, with trading beginning on May 10, 2011 under the LHBANK symbol. On December 16, 2011, the Ministry of Finance, by the recommendation of the Bank of Thailand, approved the upgrade of Land and Houses Retail Bank Plc., the Company's subsidiary, from a retail bank into a full commercial bank under the Land and House Bank Plc. name. As a result of the change, the Bank could start operating a complete commercial banking business and offer a more diverse range of commercial banking services to its customers.

As always, the Company's Board of Directors emphasizes the importance of good corporate governance through transparent and fair operations, full accountability, protection of interests of all stakeholders and society at large, as well as management integrity. The adherence to these values has enhanced its competitiveness and serves as a solid foundation for stable and sustainable growth. We would like to take this opportunity to thank all shareholders, investors, all groups of customers, state – owned and private financial institutions and government agencies for their unfailing trust and support of the Company's operations throughout the years.

Mr. Anant Asavabhokhin
Chairman

COMPANY PROFILE

LH FINANCIAL GROUP PCL.

LH Financial Group Plc. is a non-operating holding company established with compliance's guideline on the Bank of Thailand's Notification, which has been requiring that a financial institution have to restructure the shareholder structure of its group in line with the guideline on consolidated supervision.

The Company was established on April 22, 2009 with initial registered capital of 100,000 baht, with the core objective of acting as the holding company of a financial business group. As a non-operation holding company, the Company holds shares in other companies for the purpose of acquiring their management control.

On June 19, 2009, The company submitted an application to the Bank of Thailand to establish the financial group. Then on October 28, 2009, the Bank of Thailand allowed the Company and Land and Houses Retail Bank Plc. to set up a financial business group, with the Company acting as

the holding company, the Bank as the subsidiary under the solo consolidation group, and Land and Houses Fund Management Co., Ltd as a subsidiary outside the solo consolidation group. Moreover; the company have to operate its business under the compliance supervision of the Bank of Thailand under the Financial Institutions Business Act.B.E.2551.

On June 10,2009, The company had been restructuring its shareholder's structure accord with the plan to set up financial business group which was approved by the Bank of Thailand. On November 27,2009 the Securities and Exchange Commission had approved the company to offer new securities and warrant to purchase in public under the share holding restructuring plan. On December 1 ,2009 the company has issued and offered new ordinary shares to the existing shareholders of LHBANK to exchange with LHBANK's ordinary shares at ratio of 1:1,similar on December 9, 2009, the Company registered to paid up with Ministry of commerce after that the shares holders of LHBANK has become LHFG's share holders and the company holds shares in LH BANK 99.99%.

In early 2011, The company has applied for a listing on the Stock Exchange of Thailand. In May, 2011 The company has purchased shares to initial public offering amount of 1,443,103,288 shares at a par value 1 baht, sold price 1.40 baht per share as a value of 2,020,344,603.20 Baht. On May 6, 2011, the Stock Exchange of Thailand has received the company' shares to securities listed and has begun and completed its first trading day on May 10, 2011 under the LHBANK symbol.



GENERAL INFORMATION

LH FINANCIAL GROUP PCL.

The company name	LH Financial Group Public Company Limited
Symbol	LHBANK
Registration Number	0107552000081
Type of Business	Investment business (Holding Company), At present the Company invested in Land and Houses Bank Public Company Limited, the only subsidiary
Website	www.lhfg.co.th
Established	2009
Fist Trading Day in SET	May 10, 2011
Head Office	1 Q.House Lumpini Building, 5 th Floor, South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120
Registered Capital	12,000,000,000 baht Divided into 12,000,000,000 ordinary shares
Paid-up Capital	11,472,096,320 baht as of December 31, 2011 Divided into 11,472,096,320 ordinary shares 11,484,375,920 baht as of February 6, 2012 Divided into 11,484,375,920 ordinary shares
Par value	1 baht
Preferred shares	None
Accounting Period	January 1 – December 31
Contract	Head Office Telephone 0-2359-0000, 0-2677-7111 Facsimile 0-2677-7223 Email : info@lhbanks.co.th The Company Secretary Telephone 0-2359-0000 Ext. 2020, 2019, 2013 Email : presidentoffice@lhbanks.co.th

Contract (continued)

The Audit Committee

Mr. Phairoj Hengsakul Chairman of the Audit committee
 Telephone 081-990-7448
 Email : phairojh@lhbanks.co.th

Mr. Adul Vinaiphat Member of the Audit Committee
 Telephone 081-834-0104
 Email : adulv@lhbanks.co.th

Mr. Suwit Udomsab Member of the Audit Committee
 Telephone 081-844-6372
 Email : suwitu@lhbanks.co.th

The Companies in Financial Group

LH Financial Group Public Company Limited

Head Office	1 Q.House Lumpini Building, 5 th Floor, South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120
Registered Capital	12,000,000,000 baht
Paid-up Capital	11,472,096,320 baht as of December 31, 2011 11,484,375,920 baht as of February 6, 2012
Telephone	0-2359-0000 , 0-2677-7111
Facsimile	0-2677-7223
Registration Number	0107552000081
Website	www.lhfg.co.th

Land and Houses Bank Public Company Limited

Head Office	1 Q.House Lumpini Building, G, 1st, 5th, 6th, 24th, 32rd Floor, South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120
Registered Capital	12,000,000,000 baht
Paid-up Capital	12,000,000,000 baht
Telephone	0-2359-0000 , 0-2677-7111
Facsimile	0-2677-7223
Registration Number	0107548000234
Website	www.lhbank.co.th

Land and Houses Fund Management Company Limited

Head Office	11 Q.House Sathon Building, 14th Floor, South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120
Registered Capital	200,000,000 baht
Paid-up Capital	200,000,000 baht
Telephone	0-2286-3484 , 0-2679-2155
Facsimile	0-2286-3585 , 0-2679-2150
Registration Number	0105551006645
Website	www.lhfund.co.th

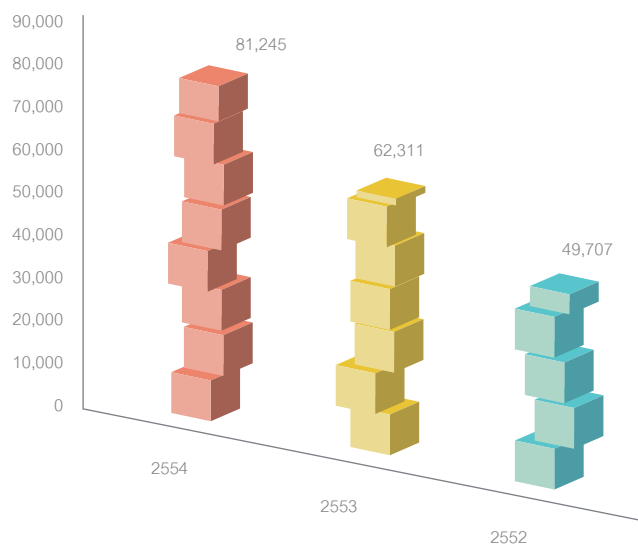
FINANCIAL HIGHLIGHT

LH FINANCIAL GROUP PCL.

Item	Consolidated Financial Statement		
	2011	2010	2009 (Restated)
Statements of financial position : million baht			
Total assets	81,245	62,311	49,707
Loans to customers	54,965	42,513	35,604
Allowance for doubtful debts	653	468	309
Non-performing loans (Gross NPLs)	976	689	435
Borrowings	35,865	18,394	10,216
Deposits	22,254	27,082	31,722
Total liabilities	67,933	56,085	46,598
Total shareholders' equity	13,312	6,227	3,109
Registered share capital	12,000	12,000	7,500
Paid-up share capital	11,472	5,516	2,758
Statements of comprehensive income : million baht			
Interest income	3,349	2,325	1,963
Interest expenses	(1,643)	(871)	(815)
Net interest income	1,706	1,454	1,148
Non-interest income	169	79	166
Non-interest expenses	(958)	(741)	(664)
Bad debts and doubtful accounts	(180)	(210)	(260)
Profit from operation before income tax expenses	737	583	390
Net profit	496	408	273
Comparing per share : baht			
Basic earnings per share	0.05	0.08	1.03
Dividend rate per share	-	0.007	-
Book value per share	1.1604	1.1289	1.1275
Financial Ratio (%)			
Return on average assets (ROA)	0.69	0.73	0.58
Return on average shareholders' equity (ROE)	5.08	8.74	9.31
Non-interest income to total income	9.01	5.17	12.57
Non-interest expenses to total income	51.07	48.31	50.54
Dividend payout ratio	-	10.14	-

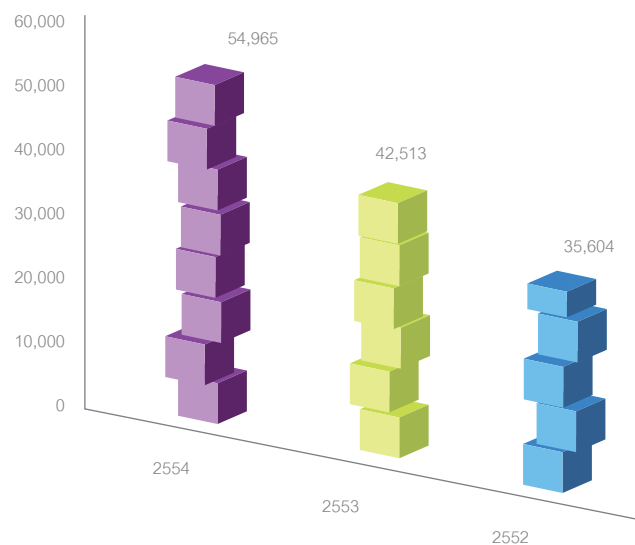
TOTAL ASSETS

(Million Baht)



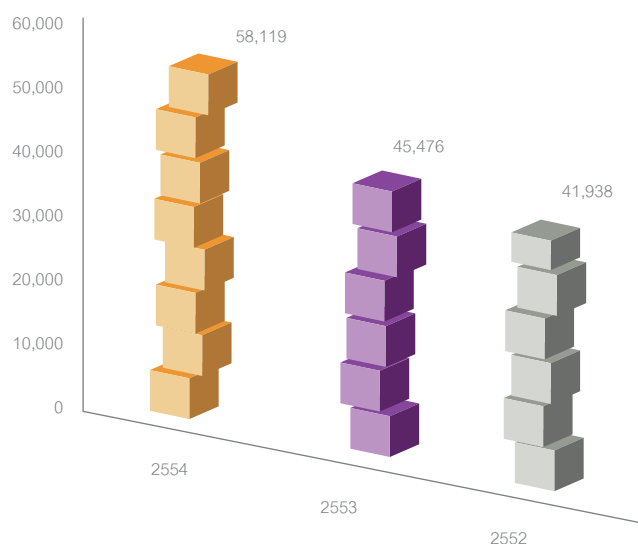
LOANS

(Million Baht)



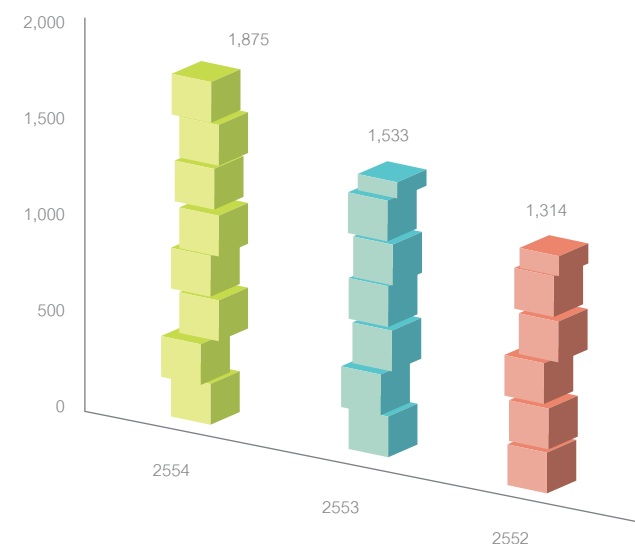
DEPOSITS & BORROWINGS

(Million Baht)



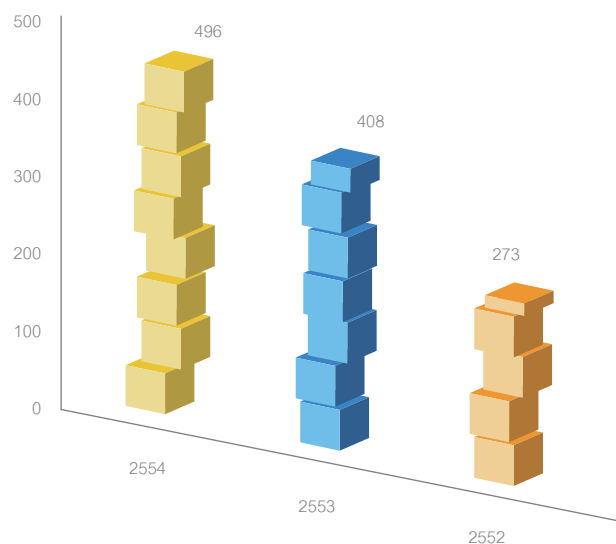
TOTAL OPERATING INCOME

(Million Baht)



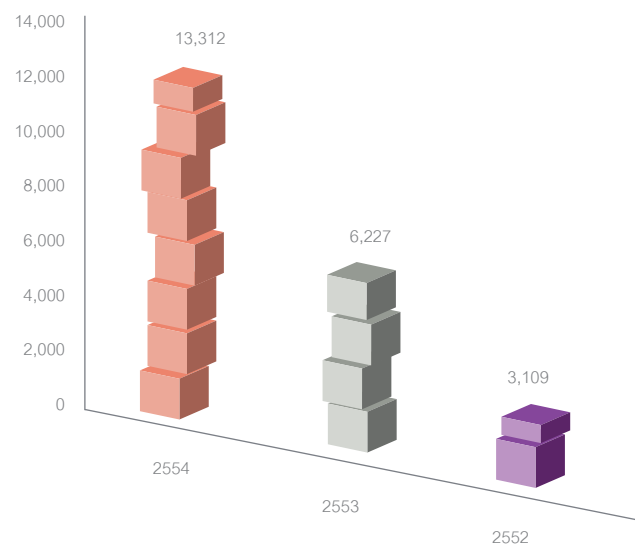
NET PROFIT

(Million Baht)



TOTAL SHAREHOLDERS' EQUITY

(Million Baht)



BOARD OF DIRECTORS

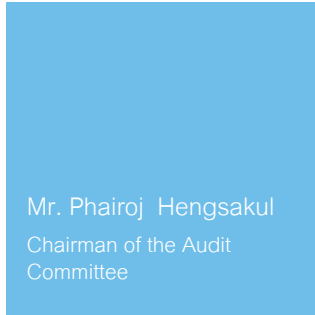
LH FINANCIAL GROUP PCL.



Mr. Anant Asavabhokhin
Chairman



Mr. Rutt Phaniijphand
Chairman of the Executive
Director



Mr. Phairoj Hengsakul
Chairman of the Audit
Committee



Mr. Suwit Udomsab
Member of the Audit
Committee



Mr. Adul Vinaiphat
Chairman of the Nomination
and Remuneration Committee



Mr. Naporn
Sunthornchitcharoen
Executive Director and
Member of the Nomination and
Remuneration Committee



Mrs. Suwanna
Buddhaprasart
Director and Member of the
Nomination and Remuneration
Committee



Mrs. Sasitorn
Phongsathorn
Executive Director and
President



Mr. Pairoj Paisansrisomsuk
Executive Director and Senior
Executive Vice President





Name	Mr. Anant Asavabhokhin
Position	Chairman
Age (Year)	61
Education	<ul style="list-style-type: none"> – Master Degree in Business Administration, Thammasat University – M.S. Industrial Engineering, Illinois Institute of Technology, Chicago, USA. – Bachelor of Engineering, Chulalongkorn University – Director Certification Program 52/2004 : IOD
Shareholding (%)	– None –
Relationship with executives	– None –

Work experiences in the past 5 years

Period	Position	Organization/Company
2009 – present	Chairman	LH Financial Group Plc.
2005 – present	Chairman	Land and Houses Bank Plc.
2005 – present	Director	L&H Property Co., Ltd.
2005 – present	Director	L&H Sathon Co., Ltd.
2004 – present	Director	LH Real Estate Co., Ltd.
2004 – present	Director	LH Asset Co., Ltd.
2002 – present	Director	Land & Houses Property Fund 2
2001 – present	Director	Plaza Hotel Co., Ltd.
2001 – present	Director	Pacific Real Estate Co., Ltd.
2001 – present	Director	QH International Co., Ltd.
2000 – present	Director	Land & Houses Property Fund 1
2000 – present	Director	Asia Asset Advisory Co., Ltd.
1995 – present	Chairman	Home Product Center Plc.
1993 – present	Director	Siam Tanee Real Estate Co., Ltd.
1991 – present	Director	Boonchai Holding Co., Ltd.
1990 – present	Director	Siam Tanee Property Co., Ltd.
1988 – present	Director	Atlantic Real Estate Co., Ltd.
1988 – present	CEO	Land & Houses Plc.
1985 – present	Chairman	Land & Houses Plc.
1983 – present	Director	Quality Houses Plc.
2005 – Mar. 2011	Chairman	Bangkok Chain Hospital Plc.
Aug. – Dec. 2005	Chairman	Book Club Finance Plc.
June – Dec. 2005	Chairman	Land and Houses Credit Foncier Plc.
1994 – Feb. 2010	Chairman	Quality Construction Products Plc.
1994 – Dec. 2009	Director	Centerpoint Management Co., Ltd.



Name	Mr. Rutt Phanijphand
Position	Chairman of the Executive Director
Age	65
Education	<ul style="list-style-type: none"> – M.S. in Business Ad., Fort Hays Kansas State University, Hay, Kansas USA. – B.S. Kasetsart University – National Defense College (Class 388) – Director Accreditation Program 4/2003: IOD – Director Certification Program 61/2005: IOD – Financial Institutions Governance Program 1/2010: IOD
Shareholding (%)	– None –
Relationship with executives	– None –

Work experiences in the past 5 years

Period	Position	Organization/Company
2010 – present	Chairman	Land and Houses Fund Management Co., Ltd.
2009 – present	Chairman of the Executive Directors	LH Financial Group Plc.
2007 – present	Chairman of the Nominating and Remuneration Committee and Director	Home Product Center Plc.
2005 – present	Chairman of the Executive Directors	Land and Houses Bank Plc.
2005 – present	Chairman of the Nominating and Remuneration Committee and Director	Banpu Plc.
2003 – present	Director	QH Management Co., Ltd.
2001 – present	Executive Director	Home Product Center Plc.
2001 – present	President and Chief Executive Officer	Quality Houses Plc.
2001 – present	Director	QH International Co., Ltd.
2006 – 2009	Director and Member of the Audit Committee	IRPC Plc.
2006 – 2008	Director	Kasetsart University Council
Feb – Dec 2005	Director	Dhipaya Insurance Plc.
2004 – 2005	Executive Director	Krung Thai Bank Plc.
2003 – 2004	Member of the Audit Committee	Krung Thai Bank Plc.
2002 – 2008	Chairman	The Activity Support Committee, Kasetsart University
2001 – 2009	Director	Centrepoint Management Co., Ltd.
2000 – 2005	Chairman	United Advisory service Co., Ltd.



Name	Mr. Phairoj Hengsakul
Position	Chairman of the Audit Committee
Age	64
Education	<ul style="list-style-type: none"> Executive MBA, Thammasat University Barrister at Law Bachelor of Law, Thammasat University Bachelor of Accountancy, Thammasat University Bank Examiner Course, Federal Deposit Insurance Corporation, Washington DC, USA Senior Executive Program, Sasin Graduate Institute of Business Administration of Chulalongkorn University Executive Program for Central Banker, Harvard University, BOT – Chaingmai Media and Public Relation Course, Ogilvy (Thailand) Director Certification Program 121/2009 : IOD Financial Institutions Governance Program 1/2010 : IOD
Shareholding (%)	– 0.07 –
Relationship with executives	– None –

Work experiences in the past 5 years

Period	Position	Organization/Company
2009 – present	Independent Director, Chairman of the Audit Committee	LH Financial Group Plc.
2009 – present	Independent Director and Chairman of the Audit Committee	Land and Houses Bank Plc.
2007 – present	Member of the Audit Committee	Prince of Songkla University
2009 – Apr 2011	Director of the Nominating and Remuneration Committee	LH Financial Group Plc.
Sep – Dec 2009	Director	Siam City Asset Management Co., Ltd.
2006 – May 2009	Director	Bangkok Commercial Asset Management Co., Ltd.
2006 – 2007	Assistant Governor, FIDF Management	Bank of Thailand
2000 – 2006	Senior Director <ul style="list-style-type: none"> Southern Region Office Project and Asset Management Department 	Bank of Thailand



Name	Mr. Adul Vinaiphat
Position	Chairman of the Nomination and Remuneration Committee
Age	65
Education	<ul style="list-style-type: none"> – MA (ECON) University of Texas at Austin, Texas, USA. – Bachelor of Economics, Thammasat University – Senior Administrator Course, Office of the Civil Service Commission – National Defense College (Class 388) – Director Certification Program 25/2002 : IOD – Audit Committee Program 7/2005 : IOD – Role of the Compensation Committee 2/2007 : IOD – Financial Institutions Governance Program 1/2010 : IOD
Shareholding (%)	0.008
Relationship with executives	– None –

Work experiences in the past 5 years

Period	Position	Organization/Company
Jan 2012 – present	Chairman of the Executive Committee	The Thai Packaging and Printing Plc.
May 2010 – present	Director	The Thai Packaging and Printing Plc.
Dec 2010 – present	Director of the Nominating and Remuneration Committee	Quality Houses Plc.
2009 – present	Independent Director, Member of the Audit Committee, and Chairman of the Nominating and Remuneration Committee	LH Financial Group Plc.
Apr 2009 – present	Chairman of the Executive Directors	Evergreen Plus Co., Ltd.
2008 – present	Director	The Thai Tapioca Development Institute
Jul 2008 – present	Chairman of the Audit Committee	Quality Houses Plc.
2007 – present	Director	I.G.S. Plc.
2005 – present	Independent Director, Member of the Audit Committee and Chairman of the Nominating and Remuneration Committee	Land and Houses Bank Plc.
2002 – present	Vice President	The Thai Tapioca Development Institute Foundation
2001 – present	Independent director	Quality Houses Plc.
Jul 2008 – Dec 2010	Chairman of the Nominating and Remuneration Committee	Quality Houses Plc.
Mar – Jul 2010	Director	Thai Airline Holding Co., Ltd.
2005 – 2009	Director	Smart Collector Co., Ltd.
Aug – Dec 2005	Member of the Audit Committee	Book Club Finance Plc.
2004 – 2005	Independent Director and Member of the Audit Committee	Land and Houses Credit Foncier Plc.
2003 – 2008	Director	The Activity Support Committee, Kasetsart University
2002 – 2007	President and Chief Executive Officer	Panjapol Paper Industry Co., Ltd.
2002 – 2007	President and Chief Executive Officer	Panjapol Pulp Industry Plc.



Name	Mr. Suwit Udomsarb
Position	Member of the Audit Committee
Age	65
Education	<ul style="list-style-type: none"> – Bachelor of Accountancy, Chulalongkorn University – Advanced Management Program, Harvard University, Boston, USA. – Director Accreditation Program 66/2007: IOD – Financial Institutions Governance Program 1/2010 : IOD
Shareholding (%)	– None –
Relationship with executives	– None –

Work experiences in the past 5 years

Period	Position	Organization/Company
2010 – present	Director – Board of Supervisors	Zheng Xin Bank Co., Ltd.
2009 – present	Independent Director and Member of the Audit Committee and the Nominating and Remuneration Committee	LH Financial Group Plc.
2009 – present	Independent Director and Member of the Audit Committee	Land and Houses Bank Plc.
2006 – present	Independent Director	Pylon Plc.
2009 – Apr 2011	Member of the Nominating and Remuneration Committee	LH Financial Group Plc.
2003 – Dec 2005	Director	Thailand – China Business Council
2003 – Dec 2005	Director	Hong Kong – Thailand Business Council
2002 – 2009	Director	Trinity Wattana Plc.
2001 – Dec 2005	Director	Thailand Securities Depository Co., Ltd.
1993 – Feb.2006	Director	AFC Merchant Bank, Singapore
1995 – 2006	Vice President	Krung Thai Bank Plc.



Name	Mr. Naporn Sunthornchitcharoen
Position	Executive Director and Member of the Nomination and Remuneration Committee
Age	53
Education	<ul style="list-style-type: none"> – MBA, Thammasat University – Bachelor of Civil Engineering, Chiangmai University – Director Accreditation Program 25/2004: IOD – Director Certification Program 53/2005: IOD – Financial Institutions Governance Program 1/2011: IOD
Shareholding (%)	– None –
Relationship with executives	– None –

Work experiences in the past 5 years

Period	Position	Organization/Company
Apr 2011 – present	Director, Executive Director and Member of the Nominating and Remuneration Committee	LH Financial Group Plc.
2005 – present	Director, Executive Director and Member of the Nominating and Remuneration Committee	Land and Houses Bank Plc.
2005 – present	Director	Phuket Future Plan Co., Ltd.
2005 – present	Director	Double Three Co., Ltd.
2004 – present	Director	LH Real Estate Co., Ltd.
2004 – present	Director	LH Asset Co., Ltd.
2002 – present	Director and Senior Executive Vice President (Operations)	Land & Houses Plc.
2002 – present	Director	Land & Houses Property Fund 2
2001 – present	Director	Muang Mai Guthrie Co., Ltd.
2001 – present	Director	Pacific Real Estate Co., Ltd.
2000 – present	Director	Land & Houses Property Fund 1
1995 – present	Director	Land & Houses Northeast Co., Ltd.
1995 – present	Director	Land & Houses North Co., Ltd.
1995 – present	Director	LH Muang Mai Co., Ltd.
1995 – present	Director	Home Product Center Plc.
1994 – present	Director	Quality Construction Products Plc.
1993 – present	Director	Siam Tanee Real Estate Co., Ltd.
1991 – present	Director	Siam Tanee Property Co., Ltd.
1988 – present	Director	Atlantic Real Estate Co., Ltd.
Aug – Dec 2005	Director	Book Club Finance Plc.
Jun – Dec 2005	Director	Land and Houses Credit Foncier Plc.
2001 – Mar 2010	Director	Q – CON Eastern Co., Ltd.
1994 – Mar 2011	Director	Bangkok Chain Hospital Plc.
1994 – Dec 2009	Director	Saraburi Vechakij Co., Ltd.
1994 – Dec 2009	Director	Sriburin Medical Co., Ltd.



Name Mrs. Suwanna Buddhaprasart

Position Director and Member of the Nomination and Remuneration Committee

Age 57

Education

- MBA, Chulalongkorn University
- Bachelor of Accounting, Chulalongkorn University
- Director Accreditation Program 29/2004: IOD
- Director Certification Program 85/2007: IOD
- Financial Institutions Governance Program 3/2011: IOD

Shareholding (%) – None –

Relationship with executives – None –

Work experiences in the past 5 years

Period	Position	Organization/Company
Apr 2011 – present	Director and Member of the Nominating and Remuneration Committee	LH Financial Group Plc.
2010 – present	Director	Idea Fitting Co., Ltd.
2008 – present	Director	L&H Management Co., Ltd.
2005 – present	Director and Member of the Nominating and Remuneration Committee	Land and Houses Bank Plc.
2003 – present	Director	Home Product Center Plc.
2003 – present	Director	Q.H. Management Co., Ltd.
2003 – present	Director	Casa Ville Co., Ltd.
2000 – present	Director and Senior Executive Vice President	Quality Houses Plc.
2000 – present	Director	The Confidence Co., Ltd.
2000 – present	Director	Q.H. International Co., Ltd.
Aug – Dec 2005	Director	Book Club Finance Plc.
1992 – 2005	Director	Land and Houses Credit Foncier Plc.



Name	Mrs. Sasitorn Phongsathorn
Position	Executive Director and President
Age	54
Education	<ul style="list-style-type: none"> – MBA Nortre Dame de Namur University Ca., USA. – Bachelor of Science, Chulalongkorn University – Capital Market Academy Leadership Program, CMA 12 – Director Accreditation Program 28/2004 : IOD – Director Certification Program 58/2005 : IOD – Financial Institutions Governance Program 3/2011: IOD
Shareholding (%)	– None –
Relationship with executives	– None –

Work experiences in the past 5 years

Period	Position	Organization/Company
2009 – present	Executive Director and President	LH Financial Group Plc.
2005 – present	Executive Director and President	Land and Houses Bank Plc.
2005 – present	Independent Director, Member of the Audit Committee	Pico (Thailand) Plc.
Jul – Dec 2005	Senior Executive Vice President	Book Club Finance Plc.
2004 – 2005	President	United Securities Plc.



Name	Mr. Pairoj Paisansrisomsuk
Position	Executive Director and Senior Executive Vice President
Age	53
Education	<ul style="list-style-type: none"> – B. Acc. (Cost Accounting), University of the Thai Chamber of Commerce – Director Accreditation Program 73/2008 : IOD – Financial Institutions Governance Program 3/2011: IOD
Shareholding (%)	– 0.82 –
Relationship with executives	– None –

Work experiences in the past 5 years

Period	Position	Organization/Company
2009 – present	Executive Director and Senior Executive Vice President	LH Financial Group Plc.
2005 – present	Executive Director and Senior Executive Vice President, Business Support Sector	Land and Houses Bank Plc.
2001 – present	Director	Siam Retail Development Co., Ltd.
2005 – 2006	Director	Book Club Finance Plc.
1991 – 2005	President	Land and Houses Credit Foncier Plc.



NATURE OF BUSINESS

LH FINANCIAL GROUP PCL.

NATURE OF BUSINESS

LH FINANCIAL GROUP PCL.

1. Business in Perspective

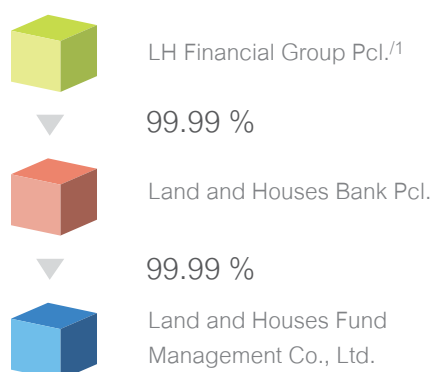
1.1 Business in Perspective of LH Financial Group Pcl.

LH Financial Group Plc. is a non-operating holding company of a financial business group, and has no other business, the competitive position can be categorized by business operations of its subsidiary companies. The company is a shareholder of Land and Houses Bank Public Company Limited which has proportion of shares held 99.99% of paid-up capital. The company aims and objectives are:

1. To invest in financial instruments, both debt and equity instruments, in pursuit of returns
2. To engage in transactions with the companies within its financial business group
3. To manage finances for itself or its financial business group
4. To finance through any means the operations of the Company and those within its business group including the issuances of debentures
5. To conduct any other business as allowed by the Bank of Thailand

The company shareholders structure as of December 31, 2011 is as follows:

Financial Business Group



Note: ^{/1} Listed on the Stock Exchange of Thailand

1.2 Business in Perspective of Land and Houses Bank Pcl.

Land and Houses Bank Pcl. has officially opened on December 19, 2005 after receiving a license to operate a retail banking business according to the Bank of Thailand's notification on the scope of businesses and transactions of retail banks. In essence, the Bank can provide credit services only to retail customers^{/1} and small- and medium-sized enterprises (SMEs)^{/2}. In terms of deposit and other services, the Bank can provide the services to all groups of customers.

Note: ^{/1} Retail customers are defined as ordinary people, regardless of their income Levels.

^{/2} Small- and medium-sized enterprises, as defined by the Ministry of Industry's Ministerial Announcement Re: Determination of the number of employees or the value of fixed assets of small- and medium-sized enterprises, are based on either the size of its employment or the net value of its fixed assets, excluding land.

On December 16, 2011, the Ministry of Finance, by the recommendation of the Bank of Thailand, approved the upgrade Land and Houses Retail Bank Pcl., the Company's subsidiary, from a retail bank to commercial bank under the Land and House Bank Pcl. name. The Bank could start operating a complete commercial banking business on December 19, 2011, as a result of the change, the Bank could start offering more diverse range of commercial banking services to its customers.

Since its inauguration until now, the Bank has steadily developed products and services and services in various areas for its customer's demands. The Bank's services can be grouped into 4 categories:

1. Deposit Service

The Bank provides a deposit service ranging from current, savings, special savings, non-fixed, fixed, fixed with insurance product, tax-free fixed accounts and certificates of deposits.

2. Bills of Exchange Service

The Bank provides a bills-of-exchange service as an option for customers looking for higher returns than bank deposits. However, they are not protected by the Deposit Protection Agency.

3. Lending Service

The Bank offers 5 major types of loans based on borrowing objectives: SME loans, Hire Purchase, Corporate loans, Housing loans and Personal loans, the details of which are as follows:

- **SME Loan** is the credit extended to businesses supporting their operations. They come in the forms of short- and long-term loans to suit the needs of customers. They are used to support production expansion or new investments in buildings, factories, machinery and equipment, and as working capital. The Bank will tailor each loan in terms of type, interest rate, credit-line usage and repayment period based on the needs of each customer such as short-term loans, long-term loans, overdraft, letters of guarantee, factoring, etc.
- **Hire Purchase** is a loan for purchasing vehicles for service both personal and corporate customers
 - Hire Purchase for retail customer offer to personal customers for purchase both new and used cars.
 - Hire Purchase for corporate customers offer to purchase vehicles for business purpose, such as logistics business, car-rent business and others.
- **Corporate Loan** is a credit extended to large and medium-sized businesses for working capital, Investment and expansion to support their operations.
- **Housing Loan** is a credit extended to customers that has been looking for buying new or second-hand houses or residential units of all projects or plan to build houses. They also include loans extended for the purpose of refinancing existing loans.
- **Personal Loan** is a credit extended to individuals seeking more conveniences and modern lifestyles, to be repaid in monthly installments over certain periods. Among them are educational loans, consumption loans, home-improvement/extension loans and mortgage reducing term assurance (MRTA).

4. Others Services

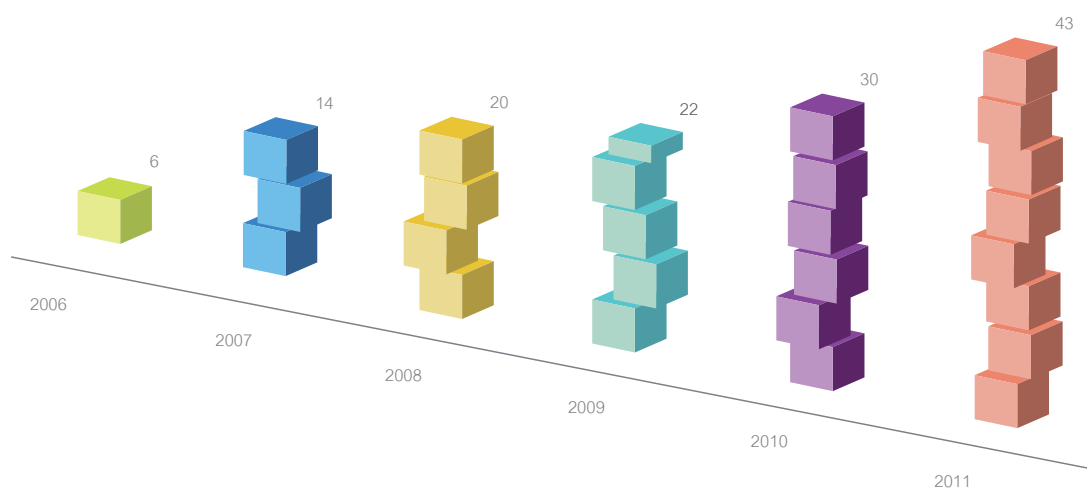
To cater to the demands of customers, the Bank provides other services in addition to the aforementioned services:

- **Electronic Services**
At present, the Bank can provide its services electronically through ATM cards, bill payments, automatic transfer system (ATS), direct debit and payroll service.
- **Fund Transfer Services**
The Bank provides the domestic fund transfer service, allowing customers to transfer funds over the counter between one's own accounts, to other accounts of the Bank, and to the accounts of other banks. It also provides a third-party fund transfer service via BAHTNET.
- **Mutual Fund Selling Agent Service**
The Bank is a selling agent of the unit trusts for Asset Plus Fund Management Co., Ltd., CIMB-Principal Asset Management Co., Ltd., ING Funds (Thailand) Co., Ltd., MFC Asset Management Plc., Finansa Asset Management Co., Ltd., SCB Asset Management Co., Ltd., One Asset Management Limited, Krung Thai Asset Management Pcl., TMB Asset Management Co., Ltd. Seamico Asset Management Co., Ltd., Krungsri Asset Management Co., Ltd., Kiatnakin Fund Management Co., Ltd., UOB Asset Management (Thai) Co., Ltd., and Lands and Houses Fund Management Co., Ltd. These asset management companies offer mutual funds of various types, from debt instruments and equity to retirement mutual funds (RMFs) and long-term equity funds (LTFs).
- **Life and Non-life Insurance Brokerage Service**
The Bank is a broker of various life and general insurance products of Muang Thai Life Assurance Co., Ltd., Ocean Life Insurance Co., Ltd., and Siam Commercial Samaggi Insurance Plc., It also sells the non-life insurance products of Siam Commercial Samaggi Insurance Plc., Deves Insurance Pcl., The Viriyah Insurance Co., Ltd., Charan Insurance Plc., Dhipaya Insurance Pcl., Synmunkong Insurance Plc., Muang Thai Insurance Co., Ltd., and MSIG Insurance (Thailand) Co., Ltd. to its customers.

- **Financial Products Services**
The Bank sells various financial products such as cashier's checks and gift checks.
- **Utility and Credit Card Payment Service**
Customers can pay their bills through the Bank's counter payment system and direct debit service. The Bank accepts payments for utility bills, credit cards, personal loans, other expenses and insurance premiums. The Bank is also an agent of Counter Service, accepting payments for more than 500 items of goods and services.
- **Agent service for securities companies**
The bank introduces potential customers to Finansia Syrus Securities Plc. and UOB Kayhian (Thailand) Pcl.
- **Agent service for private funds companies**
The bank introduces potential customers to Merchant Partners Securities Pcl.
- **Miscellaneous services**
such as safe deposit box and financial guarantee services

In addition to steady development plans for its products and services, the Bank places emphasis on the continual expansion of its network to serve its customers more extensively. Its network (excluding the Lumpini Office) grew from 6 branches in 2006 to 43 branches as of December 31, 2011.

Number of Branches



The bank has network of 43 branches (excluding the Lumpini Office) as follows:

Area	Branches
Bangkok	<div>1. Fashion Island Branch</div> <div>2. The Mall Bang Khae Branch</div> <div>3. Q House Asoke Branch</div> <div>4. The Mall Bang Kapi Branch</div> <div>5. The Old Siam Branch</div> <div>6. Home Pro Phetchakasem Branch</div> <div>7. Mah Boon Krong Center Branch</div> <div>8. Big C Rama II Branch</div> <div>9. HomePro Ekamai-Ram Intra Branch</div> <div>10. The Mall Tha Phra Branch</div> <div>11. Yaowarat Branch</div> <div>12. Silom Branch</div> <div>13. Sampheng Branch</div> <div>14. Thong Lor Branch</div> <div>15. Bang Rak Branch</div> <div>16. Khlong Thom Branch</div> <div>17. Big C Onnut Branch</div> <div>18. Saphan Kwai Branch</div> <div>19. Phran Nok Branch</div> <div>20. Vorachak Branch</div> <div>21. The Circle Ratchapruk Branch</div> <div>22. Wongwian 22 Karakada Branch</div> <div>23. Terminal21 Branch</div> <div>24. Sena Nikhom Branch</div> <div>25. Pakkhleng Talat Branch</div> <div>26. Central Rama9 Branch</div>
Boundary	<div>27. Samutsakhon Branch</div> <div>28. Big C Rattatanathibet Branch</div> <div>29. Future Park Rangsit Branch</div> <div>30. Big C Bang Na Branch</div> <div>31. Big C Bang Phli Branch</div> <div>32. The Mall Ngam Wong Wan Branch</div>
North	<div>33. Chiang Mai Branch</div> <div>34. Big C Hang Dong Branch</div> <div>35. Talat Warorot Branch</div>
East	<div>36. Home Pro Chon Buri Branch</div> <div>37. Si Racha Branch</div> <div>38. Big C Pattaya Branch</div>
NorthEast	<div>39. Khonkaen Branch</div> <div>40. Udonthani Branch</div>
South	<div>41. Phuket Branch</div> <div>42. Tesco Lotus Phuket Branch</div> <div>43. Pathong Branch</div>

1.3 Business in Perspective of Land and Houses Fund Management Co., Ltd.

Land and Houses Fund Management Co., Ltd. is a subsidiary of Land and Houses Bank Pcl. The company has registered for the name change with the Ministry of Commerce on November 23, 2010 from former name United Asset Management Co., Ltd. that was established since January 17, 2008. Presently the Company's registered capital is fully paid up capital of Baht 200 million. Land and Houses Bank Pcl. is major shareholders, ratio 99.99% of paid up capital. Presently the Company was granted various business licenses as follows;

1. Securities Business License type C

- 1.1 Mutual fund management
- 1.2 Private fund management
- 1.3 Investment unit broker
- 1.4 Investment unit dealer
- 1.5 Investment unit underwriter

1.6 Investment advisor

1.7 Venture capital management

2. Derivatives Business License

- 2.1 Derivatives fund management
- 2.2 Debt derivatives advisor

Land and Houses Fund Management Co., Ltd. operates a mutual fund, property fund and private fund management. The details of products and services are as follows;

• Mutual Funds

The company provides mutual fund management services. Mutual fund units are sold to the public investors and institutional investors with due consideration given to finding the right investment type suitable for each investor's needs. the company focuses on efficient investment based on continuous research and risk management and reports fund performance to the public regularly.

- **Property Funds**

The company provides property fund management services for invest in real estates which have steady income e.g. Office building, Services apartment, Revenue has occurred to send to investors in dividend.

- **Private Funds**

The Company provides private fund management services for individuals and corporate. Private fund will hold investment management in various types of securities e.g. bonds, debenture bonds, shares and investment units, by consideration suitable of risk management and reports fund performance to the public regularly.

Net Asset Value under management

As of December 31, 2011, Land and Houses Fund Management has funds under management, Net Asset Value amount of Baht 6,167.53 million including Property Funds amount of Baht 3,970.86 million and Bond funds amount of Baht 2,196.67 million.

2. Revenue Structure

Since the company is a non-operating holding company and has no other major business and Land and Houses Bank Pcl. is the only one subsidiary and the core company, the Company's revenue structure is the same as that of the Bank.

Revenue structure of the company and its subsidiaries for year 2011 and 2010 as follows

Table : Revenue structure

(Unit: Million Baht)

Revenue structure	Consolidated financial statements					
	2011		2010		2009 (Restated)	
	Amount	%	Amount	%	Amount	%
Interest income						
Loans to customers	2,383.05	127.11	1,718.56	112.07	1,608.67	124.09
Investment in debt securities	762.87	40.69	529.63	34.54	337.38	26.02
Interbank and money market	202.92	10.82	77.23	5.03	16.65	1.28
Total interest income	3,348.84	178.62	2,325.42	151.64	1,962.70	151.39
Interest expenses						
Deposits	(502.14)	(26.78)	(459.21)	(29.94)	(552.70)	(42.63)
Debts issued and borrowing	(799.44)	(42.64)	(195.14)	(12.73)	(67.70)	(5.22)
Interbank and money market items	(245.51)	(13.10)	(94.06)	(6.13)	(84.45)	(6.52)
Contributions to the Deposit Protection Agency	(95.77)	(5.11)	(122.76)	(8.01)	(109.83)	(8.47)
Total interest expenses	(1,642.86)	(87.63)	(871.17)	(56.81)	(814.68)	(62.84)
Net interest income	1,705.98	90.99	1,454.25	(94.83)	1,148.02	88.55
Fees and service income						
Commission income on insurance broker	42.62	2.27	42.27	2.75	25.41	1.96
Acceptances, aval and quarantees	17.21	0.92	13.35	0.87	10.51	0.81
Others	60.16	3.21	28.63	1.87	33.88	2.61
Total Fees and service income	119.99	6.40	84.25	5.49	69.80	5.38

Table : Revenue structure

(Unit: Million Baht)

Revenue structure	Consolidated financial statements					
	2011		2010		2009 (Restated)	
	Amount	%	Amount	%	Amount	%
Fees and service expenses						
Fees and charges	(25.14)	(1.34)	(18.76)	(1.22)	(17.03)	(1.31)
Others	(2.21)	(0.12)	(0.75)	(0.05)	(0.61)	(0.05)
Total fees and service expenses	(27.35)	(1.46)	(19.51)	(1.27)	(17.64)	(1.36)
Net fees and service income	92.64	4.94	64.74	4.22	52.16	4.02
Others income						
Gains on investments	73.47	3.92	10.31	0.67	90.36	6.97
Others operating income	2.75	0.15	4.22	0.28	5.88	0.46
Total others income	76.22	4.07	14.53	0.95	96.24	7.43
Others operating income	1,874.84	100.00	1,533.52	100.00	1,296.42	100.00

1. Net interest income

Total interest income consists of Loans to customers, investment in debt securities and Interbank and money market. The report of the year ended December 31, 2011, the Company and its subsidiaries had total interest income of 3,348.84 million baht, increase from year 2010 of 1,023.42 million baht or 44.01% resulted from an increase in interest income on loans increased by the growth of loans of the subsidiary.

Total Interest expenses consists Interest expenses from deposits, Debts issued and borrowing, Interbank and money market items and Contributions to the Deposit Protection Agency. In 2011 the company and its subsidiaries had total interest expenses of 1,642.86 million baht, an increase from year 2011 of 771.69 million baht or 88.58% resulted from an increase in interest expenses on Debts issued and borrowing which the company and its subsidiaries had debts issued and borrowing increase 17,470.77 million baht or 94.98% in 2011.

As at year ended December 31, 2011 the company and its subsidiaries had net interest income of 1,705.98 million baht or 90.99% of others operating income, an increase of 251.73 million baht and 557.96 million baht in 2010 and 2009 respectively, resulted from net interest income increased by the continued expansion of its subsidiaries.

2. Net fees and service income

Total Fees and service income mostly from fees direction on loans consists of commission income on insurance broker, Acceptances, aval and quarantees. As at year ended December 31, 2011. The company and its subsidiaries had total Fees and service income of 119.99 million baht, an increase of 35.74 million baht or 42.42% in 2010.

As at year ended December 31, 2011 the company and its subsidiaries had total fees and service expenses of 27.35 million baht, an increase of 7.84 million baht or 40.18% in 2010.

As at year ended December 31, 2011 the company and its subsidiaries had net fees and service income of 92.64 million baht or 4.94% of others operating income, an increase of 27.90 million baht and 40.48 million baht in 2010 and 2009 respectively which is in same direction on loans expansion to increase continuously.

3. Total other income

Total others income consists gains on investments and other operating income. As at year ended December 31, 2011 the company and its subsidiaries had total others income of 76.22 million baht, an increase of 61.69 million baht or 424.57% in 2010, result the subsidiary had gains on investments

3. Business objectives

The operations of Land and Houses Bank Pcl. throughout the years, has maintained integrated policies and strategies over the next 3 years. The plans are reviewed regularly to cope with the ever and environment changing situation.

Vision and Missions

The vision of the Bank is :

"We will be a leading private bank in supporting property buyers in Thailand."

The missions of the Bank are:

- (a) Focus on becoming a financial institution with stability and real estate expertise
- (b) Offer financial services professionally
- (c) Become a transparent financial institution that adheres to internationally accepted corporate governance principles

Business objectives of the Bank in 2012

Land and Houses Bank Pcl. has allowed from the Ministry of Finance, by the recommendation of the Bank of Thailand, approved the bank to upgrade from a retail bank into a commercial bank. The Bank could start operating a complete commercial banking business on December 19, 2011. As a result of the change, the Bank could start offering a more diverse range of commercial banking services to its individuals and corporate customers including providing financial services in other ways through its financial business group, including Land and Houses Fund Management Co., Ltd. that could offering a more financial service diverse range in response the demands of customers.

The operation of the bank in year 2012, The bank could operating a full commercial bank and goal is to extend Corporate loans, SME loans, Housing loans and Hire purchase loans, including increase the channels of services through Internet Banking, including expansion networking in Bangkok, boundary and provincial part for a services to customers.

Over the years, the Bank has maintained the policies and strategies that focus on credibility, quality services and good corporate governance. The Bank has constantly developed its operations and products to improve its potential and long-term competitiveness. In 2012, the Bank will maintain its strengths for sustainable long-term growth. The bank also seeks to create sustainable prosperity for all our communitye through corporate social responsibility activities.



CAPITAL STRUCTURE

LH FINANCIAL GROUP PCL.



1. Securities Information

1.1 Ordinary shares

As of December 31, 2011 the Company has total registered and paid-up capital as follows:

Total registered capital	—	12,000,000,000 baht
Total paid-up capital	—	11,472,096,320 baht

Divided into issued and paid-up shares capital 11,472,096,320 ordinary shares with the par value of 1 baht.

As of February 6, 2012 The company registered the increase paid up capital that the company has called for paid of new ordinary shares from exercise a warrants. The Company has total registered and paid-up capital as follows:

Total registered capital	—	12,000,000,000 baht
Total paid-up capital	—	11,484,375,920 baht

Divided into issued and paid-up shares capital 11,484,375,920 ordinary shares with the par value of 1 baht.

1.2 Warrants

1.2.1 Series 1 of Warrants

The first series ("Series 1 of Warrants" or LHBANK-WA) of 69,750,000 warrants to purchase the Company's ordinary shares was allotted to directors, major shareholders, holders of Series 1 and 2 of Land and Houses Bank Plc's warrants and a number of persons granted the right to additional warrants. Later on January 22, 2010, the Company revised up the exercise price and the number of warrants to reflect the change in par value of the Company's ordinary shares. The details of the warrants are as follows:

Number	697,500,000 units
Category	Registered, non-transferable
Offering price	N/A (0 baht a unit)
Maturity	Not more than 5 years after the date of issue
Exercise dates	<ol style="list-style-type: none"> (1) Before December 31, 2009, the warrants can be exercised on the 30th of every month. (2) After December 31, 2009, the warrants can be exercised every 3 months, on the 30th of January, April, July and October. (3) The last exercise date is November 30, 2014.
Restrictions	<ol style="list-style-type: none"> (1) Before December 31, 2009, holders of the warrants can exercise their rights on all or some of the warrants they have on the allowed exercise dates in one time or multiple times by December 31, 2009. (2) After December 31, 2009, holders of the warrants can exercise the rights on all or the remaining warrants they have (whichever is applicable) only after the Company's shares have been traded on the Stock Exchange of Thailand. The exercise dates henceforth are as follows: <ul style="list-style-type: none"> • From the 7th to the 12th months from the date the shares are first traded on the Stock Exchange of Thailand, holders of the warrants may exercise their rights on not more than 20% of their remaining warrants as of December 31, 2009. • From the 13th month to the 18th month from the date the shares are first traded on the Stock Exchange of Thailand, holders of the warrants may exercise their rights on not more than 20% of their remaining warrants as of December 31, 2009. • From the 19th month from the date the shares are first traded on the Stock Exchange of Thailand, holders of the warrants may exercise their rights on all of their remaining warrants.
Exercise price	1 baht per share
Exercise ratio	1 warrant can be exercised to purchase 1 common share

1.2.2 Series 2 of Warrants

The second series ("Series 2 of Warrants" or LHBANK-WB) of 23,256,000 warrants to purchase the Company's ordinary shares was allotted to the holders of Series 3 of Land and Houses Retail Bank Plc's warrants. Later on January 22, 2010, the Company revised up the exercise price and the number of warrants to reflect the change in par value of the Company's ordinary shares. The details of the warrants are as follows:

Number	232,560,000 units
Category	Registered, non-transferable
Offering price	N/A (0 baht a unit)
Maturity	Not more than 5 years after the date of issue
Exercise dates	(1) Every 3 months, on the 30 th of January, April, July and October. (2) The last exercise date is November 30, 2014.
Restrictions	<p>Holders of the warrants can exercise their rights to convert the warrants into ordinary shares after the shares have been traded on the Stock Exchange of Thailand, the details of which are as follows:</p> <ul style="list-style-type: none"> From the 7th to the 12th months from the date the shares are first traded on the Stock Exchange of Thailand, holders of the warrants may exercise their rights on not more than 20% of their remaining warrants as of December 31, 2009. From the 13th month to the 18th month from the date the shares are first traded on the Stock Exchange of Thailand, holders of the warrants may exercise their rights on not more than 20% of their remaining warrants as of December 31, 2009. From the 19th month from the date the shares are first traded on the Stock Exchange of Thailand, holders of the warrants may exercise their rights on all of their remaining warrants.
Exercise price	1 baht per share
Exercise ratio	1 warrant can be exercised to purchase 1 common share (except when the ratio is changed based on the criteria and conditions detailed in the specifications of the right).
Conditions	In cases where the holders of the warrants are no longer employees of the Bank, regardless of the causes, including when their employment ends upon retirement, death, resignation or termination of employment for whatever reasons, they can no longer exercise the rights on their remaining warrants and the warrants shall be void, in which case they are required to return the warrants to the Company.

On November 29 to 30, 2011 the company set to has the exercised ordinary shares in series 1 of Warrants and series 2 of Warrants No. 1 by the exercise of warrants totaling 100,967,500 units. As at December 31, 2011 the company has a number of warrants to purchase ordinary shares outstanding 509,539,680 units as follows:

Table : Changed in number of warrants as of December 31, 2011

Details	The warrants to purchase the Company's ordinary shares		
	Series 1 of Warrants	Series 2 of Warrants	Outstanding
Number of warrants to purchase the ordinary shares outstanding before exercise (units).	423,806,180	186,701,000	610,507,180
(Less) The number of warrants exercised (units)	(70,321,300)	(30,646,200)	(100,967,500)
Number of warrants canceled due to the resignation from to be employee of the bank (units)	-	-	-
Outstanding of warrants as of December 31, 2011	353,484,880	156,054,800	509,539,680

On January 27 and 30, 2012 the company set to has the exercised ordinary shares in series 1 of Warrants and series 2 of Warrants No. 1 by the exercise of warrants totaling 12,279,600 units. As at February 6, 2012 the company has a number of warrants to purchase ordinary shares outstanding 497,026,480 units as follows:

Table : Changed in number of warrants as of February 6, 2012

Details	The warrants to purchase the Company's ordinary shares		
	Series 1 of Warrants	Series 2 of Warrants	Outstanding
Number of warrants to purchase the ordinary shares outstanding before exercise (units).	353,484,880	156,054,800	509,539,680
(Less) The number of warrants exercised (units)	(8,523,600)	(3,756,000)	(12,279,600)
Number of warrants canceled due to the resignation from to be employee of the bank (units)	-	(233,600)	(233,600)
Outstanding of warrants as of December 31, 2011	344,961,280	152,065,200	497,026,480

1.3 Agreements with the major shareholders that affect the issuances and offering of equities or the management of the Company, and their effects on the operations

- None -

1.4 Obligations to issue shares in the future

- None -

2. The shareholding structure

2.1 The top 10 major shareholders

The top 10 major shareholders of the Company as of registration book closing on March 13, 2012 as follows:

No.	Shareholder Names	Number of Shares	%
1.	Land & Houses Public Company Limited	4,065,048,000	35.396
2.	Quality Houses Public Company Limited	2,552,472,000	22.226
3.	Miss Piengjai Hanpanich	1,971,014,076	17.163
4.	Asavabhokhin family group.	174,759,782	1.522
5.	Mr.Wiroj Engpaiboon	129,000,001	1.123
6.	Mrs. Pantip Techapaibul	126,017,000	1.097
7.	Mr. Pairoj Paisarnsrisomsuk	94,081,608	0.819
8.	Mrs. Sinee Sirisamphan	65,214,180	0.568
9.	Mr. Kamhaeng Hoonhiransai	62,050,181	0.540
10.	Mr. Chokechai Valitvarangkoon	57,446,600	0.500
	shareholdings of top 10 major shareholders	9,297,103,428	80.954
	Other Minority Shareholders	2,187,272,492	19.046
	Total	11,484,375,920	100.000

3. Dividend Policy

3.1 Dividend Policy of the Company

In considering a dividend payment, the Company will take into account the operating results and shareholders' return in the long term, as well as the consolidated financial statements. The payment of dividends will be in compliance with the Company's regulations, the key point being that an allocated dividend is to be divided equally by the number of shares and its payment must be approved at a shareholders' meeting. The Board of Directors may occasionally pay interim dividends when the Company has a large enough profit to warrant it, in which case it will report to the shareholders at the next meeting. Furthermore, a dividend payment must be in compliance with the Bank of Thailand's notifications and governing laws.

3.2 Regulations Related to Dividend Payments

According to the Bank of Thailand's Notification Re: Regulations on Accounting Principles for Financial Institutions, financial institutions should not pay dividends from unrealized gains or when there is no real cash inflow such as profits from mark-to-market valuations or from the reclassification of financial assets. Neither should they pay dividends from the profits arising from unrealized liquidation of assets which results in a higher profit or lower loss than they may otherwise generate, such as profits from the sale of foreclosed assets under condition that the financial institutions may repurchase them or obtain the rights to repurchase them in the future.

Furthermore, since the core revenue of the Company is the dividends it receives from the subsidiary Land and Houses Retail Bank Plc, the Bank must comply with the Bank of Thailand's notification on the guideline on classification and provisions of financial institutions. Under the notification, a financial institution which has not yet written off damaged

assets from its balance sheets or allocated in full allowances for potentially damaged and undamaged assets and obligations may not pay dividends or other forms of remuneration to its shareholders.

3.3 Dividend Policy of the Subsidiary

In considering a dividend payment of the subsidiary which is Land and Houses Bank Pcl. LH Bank will take into account the operating results and shareholders' return in the long term, as well as the consolidated financial statements. The payment of dividends will be in compliance with the Company's regulations, the key point being that an allocated dividend is to be divided equally by the number of shares and its payment must be approved at a shareholders' meeting. The Board of Directors may occasionally pay interim dividends when the Company has a large enough profit to warrant it, in which case it will report to the shareholders at the next meeting. Furthermore, a dividend payment must be in compliance with the Bank of Thailand's notifications and governing laws.

4. The number and type of shares the company holds in other companies or private companies since ten percent or higher and not exceeding fifty percent.

- None -

5. The number and type of shares the company holds in other companies or private companies since fifty percent or higher.

The company name	Land and Houses Bank Public Company Limited		
Head Office	1 Q.House Lumpini Building, G, 1 st , 5 th , 6 th , 24 th , 32 nd Floor, South Sathorn Rd., Thungmahamek, Sathorn, Bangkok 10120		
Registration Number	0107548000234		
Registered Capital	12,000,000,000 baht		
Paid-up Capital	12,000,000,000 baht		
Par value	10 baht		
All Type of shares	Include	Ordinary shares	1,200,000,000 shares
		Preferred stock	-None-
Telephone	0-2359-0000 , 0-2677-7111		
Facsimile	0-2677-7223		
Website	www.lhbank.co.th		
Major shareholders	As of December 31, 2011 major shareholders of the bank are as follows: LH Financial Group Public Company Limited holds 99.99% of the issued and paid-up capital divided into ordinary shares 1,199,999,900 shares with par value 10 baht		

ORGANIZATION CHART

LH FINANCIAL GROUP PCL.



MANAGEMENT STRUCTURE

LH FINANCIAL GROUP PCL.

The management structure of LH Financial Group Plc. consists of the Board of Directors, which in turn appoints 3 sub-committees: the Executive Directors Committee, the Audit Committee and the Nomination and Remuneration Committee. The Board of Directors and these sub-committees have clearly separated duties and responsibilities among them.

1. Board of Directors

As of December 31, 2011, the Board of Directors comprises 9 directors:

1. Mr. Anant Asavabhokhin	Chairman
2. Mr. Rutt Phaniijphand	Director
3. Mr. Phairoj Hengsakul	Independent Director
4. Mr. Adul Vinaiphat	Independent Director
5. Mr. Suwit Udomsab	Independent Director
6. Mr. Naporn Sunthornchitcharoen ¹	Director
7. Mrs. Suwanna Buddhaprasart ²	Director
8. Mrs. Sasitorn Phongsathorn	Director
9. Mr. Pairoj Paisansrisomsuk	Director
Mr. Vichian Amornpoonchai	Company Secretary

Note: ¹ Mr. Naporn Sunthornchitcharoen appointed as Directors on April 25, 2011.
² Mrs. Suwanna Buddhaprasart appointed as Directors on April 25, 2011.

Authorized signatory directors

- Mr. Rutt Phaniijphand
- Mrs. Sasitorn Phongsathorn
- Mr. Pairoj Paisansrisomsuk

Two of the following three directors together sign with the Company's seal on behalf of the Company.

Scope of Authority and Duties of the Board of Directors

The Board of Directors of the Company has a role, duty and responsibility of supervising the Company's operations with integrity and care in the best interests of the overall organization without conflicts of interest among the different groups of shareholders or any shareholder. Its duties and responsibilities are as follows:

1. Perform duties in compliance with the laws, objectives and regulations of the Company and related agencies, as well as the resolutions of the shareholders' meetings, with care and integrity in the best interests of the Company.
2. Determine the overall direction and strategic goals for the Company, consider approving the policies and operational direction proposed by the Management, supervise and oversee the Management to ensure the effective and efficient execution of the approved policies and to protect the interests of the Company and its shareholders.
3. Establish provisions on corporate Code of Conduct and business ethics, as well as the Codes of Ethics for the Directors, Executives and Employees as the organizational guidelines.
4. Follow up on the Company's operations at all times to ensure that the executive directors and the Management are operating in line with the laws and established policies.
5. Supervise to ensure that the Management is capable of managing the Company's operations, including the nomination of high-ranking executives.
6. Take action to ensure the Company has efficient internal control and audit system.
7. Supervise to ensure that the Management reports important matters of the Company to the Board of Directors and that a procedure exists for the Board

of Directors to receive adequate information from the Management to be able to perform the duties within its authority and responsibilities in full.

8. Supervise to ensure the Management has risk management controls.
9. Consider approving the roles and duties of the various sub-committees and changes in their elements, including significant changes that may affect their operations.
10. Supervise to ensure the Company has established a policy on related-party or connected transactions.
11. Supervise to ensure that a procedure exists for the Management Letter from external auditors and the opinions of the Management to be submitted to the Board of Directors within an appropriate timeframe.
12. Establish check-and-balance mechanisms between the Management and/or major shareholders at appropriate levels by determining a suitable composition or number of the independent directors on the Board.
13. Ensure that the directors attend at least half of all meetings held each year.

In the event a director or person with potential conflicts of interest has a conflict of interest in a transaction or issue, he/she will not be authorized to approve the transaction with the Company or its subsidiary as stipulated by the Securities and Exchange Commission and/or the Stock Exchange of Thailand.

Composition of the Board of Directors

The number of directors of the Company is determined at the shareholders' meeting but shall not be less than five. Of the total number of the Company's directors, executives must make up no more than one third and independent directors not less than three or one third, whichever number is greater.

Director Nomination

1. In voting to elect a director, the following rules shall apply:

- (a) One share is entitled to one vote.
- (b) Each shareholder may cast all his votes to elect one or more candidates as director(s) by non-cumulative voting.
- (c) The candidates are ranked in descending order, from the highest number of votes to the lowest, and are appointed as directors in that order until all the director positions are filled. Where the votes of candidates are tied, the chairman of the meeting has the casting vote.

2. Retirement from the position of directors

- (a) Retirement by rotation
 - At every Annual General Meeting of Shareholders, one-third of the directors shall retire by rotation.
 - For directors who retire by rotation in the first and second years after registering the company, a draw must be held to determine which directors shall be retired. For subsequent years, the directors who have served the longest terms shall retire.
 - Directors who are retired by rotation can be re-elected to resume the position.
- (b) Death
- (c) Resignation
- (d) Lack of qualifications or having forbidden qualifications by law
- (e) The shareholders vote at a meeting for his resignation with a vote of not less than three quarters of all shareholders with voting rights present and of not less than half of their shares.
- (f) Court order

3. If a vacancy on the Board of Directors occurs for reasons other than the normal rotation, the remaining directors shall elect a qualified person with no forbidden qualifications under the law on public companies to replace him at its next meeting unless the term of the director who vacates office is less than two months. The substituting director shall serve only for the remaining term of the director he replaces. Such a resolution by the Board of Directors shall require the votes of not less than three-quarters of the remaining directors.

2. Executive Directors Committee (EDC)

As of December 31, 2011, the Executive Board consists of 4 directors:

1. Mr. Rutt Phaniijphand	Chairman of the Executive Director
2. Mr. Naporn Sunthornchitcharoen ^{/1}	Executive Director
3. Mrs. Sasitorn Phongsathorn	Executive Director
4. Mr. Pairoj Paisansrisomsuk	Executive Director

Mr. Vichian Amornpoonchai	Secretary to the Executive Directors
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Note: ^{/1} Mr. Naporn Sunthornchitcharoen appointed as Executive Directors on April 25, 2011.

Scope of Authority and Duties of the Executive Directors Committee

The Executive Directors has the following authority and duties as approved by the Board of Directors:

1. Propose the policies, strategies and directions of the Company's operations to the Company's Board of Directors and implement the approved policies.
2. Consider screening other work before proposing it to the Board of Directors of the Company.
3. Manage and develop the organization to enhance efficiencies.
4. Delegate work and coordinate with lower-ranking executives, monitor the operations to ensure they are in line with the established plans. Follow up on and evaluate the operations for enhanced efficiencies and analyze the operating results to determine strengths and weaknesses, as well as solutions.
5. Report matters of significance to the Board of Directors of the Company.
6. Perform other duties assigned by the Board of Directors of the Company.

In the event an executive director or person with potential conflicts of interest has a conflict of interest in a transaction or issue, he/she will not be authorized to approve the transaction with the Company or its subsidiary as stipulated by the Securities and Exchange Commission and/or the Stock Exchange of Thailand.

3. Audit Committee

As of December 31, 2011, the Audit Committee consists of 3 directors:

1. Mr. Phairoj Hengsakul ^{/1}	Chairman of the Audit Committee
2. Mr. Adul Vinaiphat	Member of the Audit Committee
3. Mr. Suwit Udomsab ^{/1}	Member of the Audit Committee
Mr. Rong Hirunpanich	Secretary to the Audit Committee

Note: ^{/1} The members have knowledge and experience in accounting and financial.

Scope of Authority and Duties of the Audit Committee

The Audit Committee has the following scope of authority as approved by the Board of Directors of the Company:

1. Review to ensure that the Company's financial reports have been disclosed properly and adequately.
2. Review and evaluate to ensure that the Company's internal control and internal audit systems are appropriate and effective.
3. Review to ensure that the Company has complied with the laws governing its business.
4. Consider, select, and propose the appointments of the Company's auditors and their remuneration.
5. Consider accurate and comprehensive disclosures of the Company's information, especially where related lists or lists with potential conflicts of interest are concerned.
6. Prepare reports on the Audit Committee's controls and supervision and disclose this information in the Company's Annual Report.
7. Report its work to the Company's Board of Directors.
8. Perform any other duty as assigned by the Company's Board of Directors with the approval of the Audit Committee.

4. Nomination and Remuneration Committee

As of December 31, 2011, the Nomination and Remuneration Committee consists of 3 directors:

1. Mr. Adul Vinaiphat	Chairman of the Nomination and Remuneration Committee
2. Mr. Naporn Sunthornchitcharoen ^{/1}	Member of the Nomination and Remuneration Committee
3. Mrs. Suwanna Buddhaprasart ^{/2}	Member of the Nomination and Remuneration Committee
Mr. Ruangsak Vitavaskarnvej	Secretary to the Nomination and Remuneration Committee

Note: ^{/1} Mr. Naporn Sunthornchitcharoen appointed as Member of the Nomination and Remuneration Committee for Mr. Phairoj Hengsakul which effect since April 25, 2011.

^{/2} Mrs. Suwanna Buddhaprasart appointed as Member of the Nomination and Remuneration Committee for Mr. Suwit Udomsab which effect since April 25, 2011.

Scope of Authority and Duties of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee has the scope of authority as approved by the Board of Directors of the Company as follows:

1. Determine the following policies:
 - 1.1 Policy, criteria and procedures for nominating the Company's directors or high-ranking executives from senior executive vice presidents and higher
 - 1.2 Policy on the remuneration and other benefits for the Company's directors or high-ranking executives from senior executive vice presidents and higher based on clear and transparent criteria before being submitted for approval to the Company's Board of Directors.
2. Select and propose the names of individuals with suitable qualifications for the following positions to be proposed to the Company's Board of Directors:
 - 2.1 Directors (addition/substitution/rotation)
 - 2.2 High-ranking executives from the position of senior executive vice president and higher

3. Supervise to ensure that the directors and high-ranking executives holding the positions of president or higher receive remuneration (director remuneration/position remuneration/meeting allowances) or bonuses that suit their duties and responsibilities for the Company.
4. Consider the guideline on evaluating the performance of the President for the consideration of his/her annual remuneration package based on his/her duties and responsibilities for the Company.
5. Consider the budget for annual salary increases, annual bonus payment or other forms of compensation for the Company's employees to be proposed to the Board of Directors.
6. Disclose reports of the operations of the Nomination and Remuneration Committee in the Company's Annual Report.
7. Perform other duties assigned by the Board of Director of the Company

Nomination of Directors and Executives

The selection of individuals to hold the position of director of the Company is in accordance with the guideline on the appointment of directors under the Company's Articles of Association. The Nomination and Remuneration Committee considers and proposes a list of candidates to the Board of Directors, who will screen them before submitting the names to a shareholders' meeting for further consideration.

For the appointment of high-ranking executives from the Senior Executive Vice President level up to the President, the Company requires that the Nomination and Remuneration Committee nominate and propose the list of qualified individuals. In nominating the candidates, the Nomination and Remuneration Committee focuses on persons with knowledge, capabilities and experience, as well as ethics, morality and integrity. It then submits the list of names to the Company's Board of Directors.

5. The Management

As of December 31, 2011, the Company has 2 executives:

1. Mrs. Sasitorn Phongsathorn	President
2. Mr. Pairoj Paisansrisomsuk	Senior Executive Vice President

Scope of Authority of the President

1. Manage the Company in line with the policies, strategies and objectives laid down by the Board of Directors.
2. Monitor and report the status and position of the Company. Propose options and strategies in accordance with the policies and market conditions.
3. Consider and screen business operations and exercise the authority to take any business action to be in compliance with the objectives and policies.
4. Supervise and monitor the operations of the Company such as finance, risk management, internal control, operation and support, as well as resources.
5. Represent the Company with the delegating power in contacting government agencies and other regulators.
6. Supervise communications with the public, shareholders, customers and employees to enhance the reputation and image of the Company.
7. Supervise to ensure good corporate governance.

8. Take action on any other issue assigned by the Board of Directors of the Company and the subcommittees appointed by it.

In the event the President or person with potential conflicts of interest has a conflict of interest in a transaction or issue, he/she will not be authorized to approve the transaction with the Company or its subsidiary as stipulated by the Securities and Exchange Commission and/or the Stock Exchange of Thailand.

Board of Directors' Meetings

The Company regularly holds Board of Directors' meetings and extraordinary meetings are held as necessary. At each meeting, clear agenda is determined in advance which contains important agenda items such as the consideration of the Company's financial statements and performances. The meeting notice, together with the meeting agenda and addenda, is sent in advance to allow the directors ample time to review the agenda and addenda. The minutes are recorded in writing and those which have been approved by Board of Directors are then filed for future reference and accountability. In 2011, the meeting attendance records of the Board of Directors and subcommittees are as follows:

Table : Meeting Attendance Records of the Board of Directors and Sub-committees in 2011

	Name	Board of Directors	Executive Directors Committee	Audit Committee	Nomination and Remuneration Committee
1. Mr. Anant	Asavabhokhin	12/12	–	–	–
2. Mr. Rutt	Phanijphand	12/12	18/18	–	–
3. Mr. Phairoj	Hengsakul	12/12	–	7/7	1/2
4. Mr. Adul	Vinaiphat	12/12	–	7/7	2/2
5. Mr. Suwit	Udomsab	12/12	–	7/7	1/2
6. Mr. Naporn	Sunthornchitcharoen ^{/1}	5/12	14/18	–	1/2
7. Mrs. Suwanna	Buddhaprasart ^{/2}	8/12	–	–	1/2
8. Mrs. Sasitorn	Phongsathorn	12/12	16/18	–	–
9. Mr. Pairoj	Paisansrisomsuk	12/12	18/18	–	–

Note : ^{/1} The Annual General Meeting of Shareholders for the year 2011 on April 25, 2011 has appointed Mr. Naporn Sunthornchitcharoen as Director, Executive Director and Member of the Nomination and Remuneration Committee for Mr. Phairoj Hengsakul has effected April 25, 2011. He has joined the Board of Directors No. 5/2011 on May 12, 2011, jointed the Executive Board No. 2/2011 on May 6, 2011 and jointed the Nomination and Remuneration Committee No. 2/2011 on December 16, 2011 for the first time.

^{/2} The Annual General Meeting of Shareholders for the year 2011 on April 25, 2011 has appointed Mrs. Suwanna Buddhaprasart as Director and Member of the Nomination and Remuneration Committee for Mr. Suwit Udomsab has effected April 25, 2011. She has joined the Board of Directors No. 5/2011 on May 12, 2011 and jointed the Nomination and Remuneration Committee No. 2/2011 on December 16, 2011 for the first time.

Remuneration for Directors and Executives

Remuneration for Directors is determined by the shareholders meeting in form of monetary consist of Monthly remuneration and Allowance meeting. In addition Remuneration for Directors has passed the approval of the Board of Directors by presented of the Nomination and Remuneration Committee which Remuneration for Directors will be clearly defined and transparently based on the general practice in the industry, experience, knowledge for comply with the duties and responsibilities of Directors in directing work

of the company and taking into consideration the best interests of the company and its shareholders.

Since the directors and executives of the Company hold the same positions in the subsidiary, Land and Houses Bank Plc., for which they had already been remunerated in the form of salary, bonus and other, the Company did not pay them compensation.

Furthermore the remuneration for directors of LH Financial Group Pcl., the Annual General Meeting for year 2011 on April 25, 2011 approved the remuneration and the allowances meeting of Directors as follows:

Table: The Remuneration for Directors for the year 2011 and 2010

Remuneration for Directors	2011		2010	
	Monthly remuneration (baht/month)	Allowance meeting (baht/time)	Monthly remuneration (baht/month)	Allowance meeting (baht/time)
Board of Directors				
Chairman	50,000	25,000	40,000	20,000
Director	40,000	20,000	30,000	15,000
Director as Executive	40,000	–	30,000	–
Audit Committee				
Chairman of the Audit Committee	–	25,000	–	20,000
Member of the Audit Committee	–	20,000	–	15,000
Executive Directors Committee				
Chairman of the Executive Director	–	20,000	–	15,000
Executive Director	–	15,000	–	10,000
Nomination and Remuneration Committee				
Chairman of the Nomination and Remuneration Committee	–	20,000	–	15,000
Member of the Nomination and Remuneration Committee	–	15,000	–	10,000



Table : The remuneration for directors and other remuneration benefits for the year 2011 and 2010

			2011 ^{/2}			2010 ^{/1}		
Board of Director		Date appointed as Director	Remuneration and Allowance meeting (baht)	Bonus	Other remuneration benefits ^{/3}	Remuneration and Allowance meeting (baht)	Bonus	Other remuneration benefits ^{/3}
1. Mr. Anant	Asavabhokhin	15 May 2009	600,000	-None-	-None-	None	-None-	-None-
2. Mr. Rutt	Phanijphand	15 May 2009	800,000	-None-	-None-	None	-None-	-None-
3. Mr. Phairoj	Hengsakul	15 May 2009	630,000	-None-	-None-	None	-None-	-None-
4. Mr. Adul	Vinaiphat	15 May 2009	620,000	-None-	-None-	None	-None-	-None-
5. Mr. Suwit	Udomsab	15 May 2009	600,000	-None-	-None-	None	-None-	-None-
6. Mr. Naporn	Sunthornchitcharoen	25 April 2011	635,000	-None-	-None-	None	-None-	-None-
7. Mrs. Suwanna	Buddhaprasart	25 April 2011	495,000	-None-	-None-	None	-None-	-None-
8. Mrs. Sasitorn	Phongsathorn	15 May 2009	320,000	-None-	-None-	None	-None-	-None-
9. Mr. Pairoj	Paisansrisomsuk	15 May 2009	320,000	-None-	-None-	None	-None-	-None-
Total			5,020,000					

Note : ^{/1} Remuneration for Directors for year 2010, since the directors and executives of the Company hold the same positions in the subsidiary, Land and Houses Bank Plc., for which they had already been remunerated in the form of salary, bonus and other, the Company did not pay them compensation.

^{/2} Remuneration for Directors for year 2011, since the directors and executives of the Company hold the same positions in the subsidiary, Land and Houses Bank Plc., In 2011 the company payment remuneration to directors and executives of the company by the Bank did not pay remuneration to directors.

^{/3} Other remuneration of Directors for the year 2554 was other remuneration benefits another types of shares and debentures including apart from other rights benefits as well as the monetary and not the monetary apart from the benefits that they receive regular consist of salaries and allowances meeting.

Table : Shareholding in the company and its subsidiaries's Board of Director as at December 31, 2011
and December 31, 2010

			December 31, 2011		December 31, 2010	
Board of Director	Position		Shareholding (%)		Shareholding (%)	
			The Company ^{/1}	The Subsidiary ^{/2}	The Company ^{/1}	The Subsidiary ^{/2}
1. Mr. Anant Asavabhokhin	Chairman		-None-	-None-	None	-None-
2. Mr. Rutt Phanijphand	Chairman of the Executive Director		-None-	-None-	None	-None-
3. Mr. Phairoj Hengsakul	Chairman of the Audit Committee		0.07 (decreased 0.04)	-None-	0.11	-None-
4. Mr. Adul Vinaiphat	Chairman of the Nomination and Remuneration Committee and Member of the Audit Committee		0.008 (decreased 0.002)	-None-	0.01	-None-
5. Mr. Suwit Udomsab	Member of the Audit Committee		-None-	-None-	-None-	-None-
6. Mr. Naporn Sunthornchitcharoen	Executive Director and Member of the Nomination and Remuneration Committee		-None-	-None-	-None-	-None-
7. Mrs. Suwanna Buddhaprasart	Director and Member of the Nomination and Remuneration Committee		-None-	-None-	-None-	-None-
8. Mrs. Sasitorn Phongsathorn	Executive Director and President		-None- (decreased 0.05)	-None-	0.05	-None-
9. Mr. Pairoj Paisansrisomsuk	Executive Director and Senior Executive Vice President		0.82 (decreased 0.11)	-None-	0.93	-None-

Note : ^{/1} Company refers to LH Financial Group Public Company Limited

^{/2} Subsidiaries refers to Land and Houses Bank Public Company Limited

Remuneration of the auditor

The company paid remuneration for the auditors to Ernst & Young Office Limited which is company's auditor.

- For the fiscal year 2011 amount of 680,000 baht
- For the fiscal year 2010 amount of 640,000 baht

RISK FACTORS

LH FINANCIAL GROUP PCL.



LH Financial Group Public Company Limited was established to act as the holding company of a financial business group and the parent company of Land and Houses Bank Pcl in accordance with the Bank's shareholding structure approved by the Bank of Thailand. Since the Company does not conduct business on its own, its risks are directly linked with the Bank and similar to what are faced by other commercial banks in Thailand.

Risk Management in Perspective

The Company realizes the importance of risk management and supervises risk management systematically and efficiently. The risk-management structure and policies have been defined clearly in writing with the main goal being the prevention and management of risks. Moreover, the guidelines have been set within the framework of the Bank of Thailand's supervision guidelines and in accordance with good corporate governance principles. They take into consideration fair, accurate and transparent provision of financial services to deposit and credit customers, as well as the maximum benefits of shareholders.

Risk Management Policies



The Company's risk management policies have main objectives to supervise and oversee transactions within and without the financial business group to have acceptable risks and adequate internal control system. In conducting each type of transaction within the financial group, analysis procedures have been put in place to manage potential risks appropriately and adequately. Companies within the financial group will report their performances at least once a quarter or whenever the situation arises that threatens the group's stability. In addition, roles, duties and responsibilities for the Company's various committees have been clearly defined as following;

- **The Board of Directors**

The Board of Directors has its duty and responsibility of determining the overall business direction and strategy as well as risk management policy for the financial business group. This will also include the business continuity management, the transactions within the group and the availability of adequate and appropriate internal control system. All companies within the financial group will be ensured to operate in line with the internal control system and the transactions within the group will be conducted based on the framework set by Bank of Thailand.

- **The Executive Director Committee**

The Executive Director Committee has its authority and duty of proposing the Company's business directions, policies and strategies to the Board of Directors and screening all plans and works before proposing them to the Board. It will manage and develop the organization, enhance its efficiency and monitor the work implementations to ensure that they are in line with the approved plans. Furthermore, the Executive Director Committee will follow up and evaluate the operations for higher efficiencies and also analyze the Company's

operating results to determine strengths and weakness, as well as solutions.

- **The Audit Committee**

The Audit Committee has its duty and responsibility to review the financial reports for the financial business group to ensure that they have been disclosed properly and adequately. It will ensure that the information disclosure is complied with the accounting standard and the regulations set by the Bank of Thailand. Moreover, the Audit Committee will review to ensure that the financial group has appropriate and effective internal control and internal audit systems. It will also follow up and monitor the policy implementation by the group.

- **The Risk Management Committee**

The Company did not have its own Risk Management Committee. So, the Risk Management Committee at Land and Houses Bank Plc will supervise risk management for the whole financial business group. This committee has its duty and responsibility to follow up and monitor all companies within the financial group to ensure that they do business properly in line with the established risk management policy. It will also evaluate the group's risk management and report it directly to the Board of Directors with a consistent manner.

Risks of LH Financial Group Public Company Limited

The Company was established with major objectives to be a non-operating holding company. Then, potential risks faced by the Company can be classified into two areas including the Company's inherent operational risks and the risks from subsidiaries, in which the Company has invested in such as Land and Houses Bank Pcl.

1. **Operational risks of the Company**

Since the founding objective of the Company is to act as a holding company, with no other business of its own, its operating results are heavily influenced by the operating results of the Company in which it has invested. The fact that the Bank made operating profits in the past does not guarantee that it will continue to create profits for the Company. The Bank's operating results depend on several factors such as the overall local and global economies and other risk factors.

In any case, the Company recognizes the importance of the selection of companies in which it will invest in the future. It plans to invest in the businesses that will enhance the competitive potential of the group. Among the decisive factors are their industry growth trends, competitiveness and long-term profitability for the maximum benefits of the Company's shareholders, with an emphasis on prudent risk management.

2. Risk involving shareholding of investors of its securities

As part of a financial business group, the Company is obliged to comply with the provisions of the Financial Institutions Business Act B.E. 2551. Holders of its securities must abide by the following regulations:

- Section 17 prescribes that any person holding or having shares of five percent (5%) or more of the total sold shares of any financial institution, either directly or indirectly, shall report his holding or having of such shares to the Bank of Thailand as per rules and criteria stipulated by the Bank of Thailand.
- Section 18 prohibits any person from holding or having shares of any financial institution, directly or indirectly, exceeding ten percent of total sold shares, unless permitted by the Bank of Thailand or unless it is in compliance with rules and criteria prescribed and announced by the Bank of Thailand.
- Section 19 provides that in consideration of any person who acquires shares of any financial institution until the number of shares held or had by such person is in breach of Section 18, such person shall offer for sale the exceeding shares to third persons within ninety days from the date of receiving such shares, unless such person receives an extension by the Bank of Thailand for not more than another ninety days. In the event that the person does not sell the exceeding shares within the specified time period, the Bank of Thailand may request the court to rule that such shares be sold. If the court considers that such holding or having of such shares is in breach of Section 18, the Court shall have the power to order a public offering or otherwise.

Risks of Land and Houses Bank Public Company Limited (The subsidiary)

Banking business is directly linked to the fast-changing financial market and the local and global economies. Furthermore, business environment, whether it involves regulatory changes or adjustments by competitors, affects the operation of a banking business.

Risk management in line with the guideline of the Bank of Thailand involves 5 areas: strategic risk, credit risk, market risk, liquidity risk and operational risk and the bank has the policies and procedures to manage the risks as follows:

1. Strategy Risk

Strategy risk refers to the risk originated from inappropriate formulation of strategies and the inability to execute the laid-down strategies, as well as disharmony of strategies, policies, objectives, organization structure, competition and resources as a result of internal and external factors. It may affects the competitiveness, revenue and capital funds of the bank.

1.1 Risk incurred by economic and competition uncertainty

Since overall economic uncertainties may affect credit growth and quality, the bank prepares its business plans, annual budget and capital funds estimates. Executives of each unit participate in the preparations of such plans and estimates to ensure they are appropriately in line with the Bank's strategies and strategic risk controls of the Bank. The executives of different departments share their opinions and propose the plans to the Board of Directors of the Bank for approval. In any case, the Bank will review its strategies, business plans and budgets to suit the changing economic situation. The Executive will regularly follow up on the implementation of each department, comparing it with the objective-oriented annual plans, to evaluate the success of the laid-down strategies.

1.2 Risk incurred by inadequacy of capital funds

As of December 31, 2011, the Bank's statutory reserve totaled 12,310.29 million baht, Tier-1 capital was 12,111.53 million baht of the total or 98.39%, Tier-2 capital was 198.76 million baht, or 1.61%. Such levels are adequate for business operations and could support growth under normal circumstances and crises. As for the capital adequacy ratio, the proportion of risk-weighted assets against capital, the figure was 24.81 as of December 31, 2011, well above the minimum 8.50% stipulated by the Bank of Thailand.

2. Credit Risk

Credit/default risk is a chance or probability in which a counterparty cannot fulfill the agreed obligation, including a chance where the counterparty's credit risk will be downgraded and the deterioration of the quality of credit or investment where prices cannot be adjusted to offset the higher risk. These scenarios may affect earnings and capital fund of the Bank. Credit risk is very important as it involves credit extension, which is a major transaction of the Bank, both credits that are assets and contingent liabilities of the Bank such as lending and transactions where a counter-party are obliged to deliver assets or repay debts to the Bank, as well as investment-related transactions where there is a chance that the credit risk of the counter-party may be downgraded and losses from lower marked-to-market value of financial instruments.

Credit Risk Management Tools

The Bank has developed tools to screen and classify the risk levels of debtors, both individuals and juristic persons, to facilitate efficient credit approval. These tools are:

- **Credit Scoring Model** is the tool to classify and designate the risk levels of individual borrowers. The model used by the Bank in considering credit at present was developed based on the fundamental statistics of its customers, together with the discretion of experts (expert base).
- **Credit Rating Model** is the tool to screen and classify the risk levels of juristic persons.

The Bank has also kept track of the accuracies and efficiencies of the tools it has used in considering loan extensions by following up on the results of using the models and analyzing their efficiencies regularly for steady development and improvements of the credit risk management tools so that they can support its operations continually.

Credit Risk Management Process

The Bank has put in place a credit risk management process where checks and balances are incorporated through a clear separation of duties among marketing officers, credit-risk analysts, collateral valuers, risk-management supervisors and credit review officers. Furthermore, in considering approving credit, the Bank has set up independent units; namely, the Credit Risk Analysis: Corporate Loan Office and the Credit Risk Analysis: Retail Loan Office, to supervise and give opinions on risk elements that may be incurred from extending credit to each customer. This is to ensure that the credit the Bank approves has been considered and screened prudently.

Credit Portfolio Management

The Bank pays attention to the quality of its credit customers, categorized by type of business and concentration of credit based on the different types of businesses in its credit portfolio. In doing so, the Bank tracks changes in its credit portfolio in various dimensions such as the quality of its credit portfolio by credit and business type and the proportion of outstanding credit extended to the top 20 largest credit customers in the Bank's capital fund and compare them to the entire commercial banking system. The goal is to determine the quality of its credit portfolio and potential risks so that the Bank can identify, monitor and control the potential risks in a timely manner.

2.1 Risk incurred from deterioration of credit quality

The Bank has laid down a process to control non-performing loans by emphasizing the credit-management efficiency from the more stringent credit-approving process. It involves the determination of the criteria in approving retail credit to serve as a standard in approving credit and keep the use of discretion by officers at a



minimum, the setting of minimum down payment for high-risk customers and the tightening of minimum standards of loan applicants' qualifications in each area to mitigate the risk from credit-approving process.

3. Market Risk

Market risk refers to risk arisen from movements of interest rate, foreign exchange rates and prices of instruments in the money and capital markets which negatively affect the earning and capital of the Bank. Market risks can be classified into 3 types: price risk, interest rate risk and foreign exchange risk. The Bank has a policy to control and manage all of these risks at appropriate levels in accordance with its risk-management policy.

3.1 Price risk

Price risk is a risk where damage may occur as a result of changes in interest rates or prices of securities. At present, the Bank is exposed to minimal price risk since it has no policy to invest in high-risk securities such as derivatives.

Most of the Bank's investments are for the purpose of maintaining liquid assets as required by the Bank of Thailand and as intraday liquidity. As such, it has chosen to invest in low-risk securities, most of which are issued by government agencies and state enterprises.

As of December 31, 2011, net investment had a fair value of 20,232.50 million baht. Of the total, 17,549.02 million baht was short-term and long-term investments in government agencies and state enterprises, 2,678.68 million baht was long-term investments in private-sector debentures and 4.80 million baht was marketable and non-marketable equity securities.

To manage price risk in compliance with the Bank of Thailand's notification, the Bank uses the Value-at-Risk (VaR) Model to measure the maximum loss at each different level of confidence if the securities are held within a specified period. The Bank uses the calculated risk values as a guideline in determining the acceptable risk levels. It has the policy of testing the VaR Model by conducting back testing and stress tests. Different circumstances that may cause

security prices to plunge sharply are simulated and stress tests are conducted to estimate the potential damages to its earnings and income funds.

3.2 Interest rate risk

Interest rate risk refers to risk arisen from movements of interest rates which may result in changes in the value of financial instruments value or volatilities of earnings or shareholders' equity value, both on- and off-balance sheets. Interest rate risk is a result of the structure and terms of rate-sensitive assets, debts and shareholders' equity and a timing mismatch in fixing new interest rates for assets, debts and off-balance sheet items. An asset and debt management committee is tasked with monitoring and supervising the interest rate risk arising from the mismatches in the interest rate structure by designing an appropriate interest rate structure for each period. It also supervises to ensure the interest rate structure is working as planned and controls the proportions of assets and debts with different terms at acceptable levels.

Nonetheless, the Bank closely monitors the market and interest rate situations and prepares period of changes in interest rates of assets and debts. It also emulates net interest income to determine impacts on the Bank's earnings within the maximum risk level defined by the market and interest rate risk management policy.

3.3 Exchange rate risk

Since the Bank has no transaction or services involving money exchange at present, it has no exchange rate risk.

4. Liquidity Risk

Liquidity risk means risk resulting from the Bank's failure to pay its debts and obligations when due because of its inability to convert assets into cash, or its failure to procure enough fund by schedule and at appropriate costs, a scenario which could cause damage to the Bank. Sources of liquidity risk include internal and external factors. Internal factors hinge on the structures of assets and liabilities and reserve requirement to support demand. External factors include market liquidity and a lack of depositors' confidence.

The Bank is able to efficiently plan and manage its liquidity risk at an appropriate and adequate level, enabling it to repay its debts both at present and in the future should the need arise. In addition, the Bank issues new products to raise funds both for the short and long terms in line with market conditions.

As of December 31, 2011, the Bank has 26,025.41 million baht in liquid assets. Of the total, 822.51 million baht was cash, 5,342.76 million baht was interbank and money market items, and 19,860.14 million baht net investment. Therefore, as of December 31, 2011, The Bank's reserve therefore totaled 116.94% of total deposits

5. Operational Risk

Operational risk refers to risk arising from mistakes or inadequacies of work processes, human resources, work systems or information technology systems, which cause direct or indirect damage on the Bank's operations and image, as well as its financial stability. As a result, the Bank has improved and enhanced the efficiencies of its work processes and internal control systems. Past mistakes have been analyzed and used to bolster the efficiencies of policies, operational plans, work processes and internal control. Importantly, to ensure uninterrupted customer service, the Bank has prepared a business continuity plan, participated by all departments. Core banking drills are also held each year.

The Bank has clearly defined the framework of its operational risk management policy. It also has good internal control system and has published an operating manual so that every employee understands the work flow and can perform their duties efficiently. Procedures have been laid down for business analysis, risk evaluation and risk monitoring, etc. Moreover, the Bank has developed its processes and tools to manage operational risk. Data on damages, whether they are monetary or non-monetary and past or preventable ones, have been collected and used for improvements and to prevent them from recurring.

Furthermore, the Bank has measures, work plans and tools to manage other areas of operational risk such as a business continuity plan for emergency use such as in the event of contingent losses and disasters when



the Bank's operations may be halted. It has also tested, evaluated and revised the plan every year so that core transactions can be conducted at a time of emergency efficiently. Risk control self-assessment (RCSA) is evaluated yearly and a loss report prepared to identify risky areas in the operating process of each unit and to assess whether the Bank's existing internal control system is adequate and appropriate for the control of those risks. The data are also processed to determine key risk indicators to follow up on the risks.

The Bank regularly develops its personnel to enhance the efficiency of the employees' performances. Employees are sent to attend seminars conducted by external organizers. Internal seminars are also held as needed by inviting conductors with expertise and knowledge to educate and enhance the skills of the employees.

5.1 Impacts of the Deposit Protection Agency

The Deposit Protection Agency Act, which took effect in August 2008, aims to reduce deposit guarantees by the government on a sliding scale to one million baht per depositor per financial institution by 2012.

The new law, as well as the decree setting the amount of deposits to be protected, has provided a clear maximum guarantee per depositor per financial institution. It may trigger changes in the business environment of financial institutions. In the view of depositors, a financial institution will no longer be a safe haven for their deposits and interest with the benefit of full protection by the government. Deposits may then be transferred

from bank to bank or from the commercial banking system to other investment channels. The law will therefore intensify competition among deposit products.

To meet the challenge, the Bank has developed more diversified deposit products and financial instruments to provide more options to its customers and meet more diverse, complicated demands. Land and Houses Fund Management Co., Ltd. was also set up to retain the Bank's existing customer base and increase its potential to build a new one or expand it. More service channels are added through the continual expansion of its branch network. These, together with its efficient operations, will strengthen the financial position of the Bank.

MANAGEMENT DISCUSSION AND ANALYSIS

LH FINANCIAL GROUP PCL.



LH Financial Group Pcl. was established on April 22, 2009 as a holding company under the shareholding restructuring plan of Land and Houses Bank Pcl. The Company is the non-operating holding company of a financial business group. It now holds 99.99% of all paid-up shares of Land and Houses Bank Plc, which is its core company. The Company's performances are therefore linked to the performance of the Bank.

The Economic Overview

The Thai economy expanded at a declining rate in 2011 due mainly to the impact of global economic slowdown, which sent export revenue to shrink and the Thai baht got stronger during the third quarter on the back of heavy capital inflows. Moreover, the flood crisis in the fourth quarter hurt the entire economy in both agricultural and industrial sectors. However, it is forecast that an economic recovery will be seen eventually in 2012 with the higher growth than in 2011.

Bank of Thailand raised the policy interest rate many times in 2011 from 2% at the end of 2010 to 2.25% and 2.5% in the first quarter before hiking to 2.75% and 3% in the second quarter. The policy rate was then lifted to 3.25% and 3.5% in the third quarter following higher inflationary pressure. But the rate was revised down to 3.25% in the last quarter to stimulate economic activities after the massive floods.

Overall Performance

In 2011, LH Financial Group Pcl. and its subsidiaries posted operating profit before income taxes at 737.31 million baht, an increase of 154.70 million baht or 26.55% from 2010. After paying income taxes 241.48 million baht, its consolidated net profit was 495.83 million baht, up 87.71 million baht or 21.49% from 2010. Contributing to the sharp rise of net profit was net interest income rose 251.73 million baht or 17.31% while net fee and service income went up to 43.10% following the growth of all loan types. Moreover, other incomes also rose 424.57% due to gains on investment sales.

The Company and its subsidiaries recorded operating profit before bad debts and doubtful accounts in 2011 at 917.31 million baht, an increase of 124.70 million baht or up 15.73% from 792.61 million baht in 2010.

The operating profit margin before bad debts and doubtful accounts to total revenues ratio in 2011 was 48.93%, down from 51.69% in 2010, because other operating expenses rose at a higher pace than total incomes.

Diluted earnings per share in 2011 was 0.05 baht, down from 0.08 baht in 2010, due mainly to the Company's capital increase, while the return on shareholders' equity was 5.08%, compared to 8.74% in 2010.

Earning per share (EPS) in 2011 was 0.05 baht, down from 0.08 baht in 2010, following the rise of paid-up capitals.

Table : Operating Results

(unit: million baht)

Operating Results	Consolidated Financial Statement			Change (2011 compare to 2010)	
	2011	2010	2009 (Restated)	Amount	%
Net interest income	1,705.98	1,454.25	1,148.02	251.73	17.31
Net fee and service income	92.64	64.74	52.16	27.90	43.10
Total dividend and non-interest income	76.22	14.53	96.24	61.69	424.57
Total operating income	1,874.84	1,533.52	1,296.42	341.32	22.26
Other operating expenses	(957.53)	(740.91)	(646.45)	216.62	29.24
Operating profit	917.31	792.61	649.97	124.70	15.73
Bad debts, doubtful accounts and impairment loss	(180.00)	(210.00)	(259.50)	(30.00)	(14.29)
Profit before income taxes	737.31	582.61	390.47	154.70	26.55
Income taxes	(241.48)	(174.49)	(117.75)	66.99	38.39
Net profit	495.83	408.12	272.72	87.71	21.49
Earnings per share (EPS) (baht)	0.05	0.08	1.03	-	-
Return on shareholders' equity (ROE)	5.08 %	8.74 %	9.31 %	-	-
Return on total assets (ROA)	0.69 %	0.73 %	0.58 %	-	-

Operating Income

The Company and its subsidiaries recorded operating income totaling 1,874.84 million baht in 2011, up 341.32 million baht or 22.26% from 1,533.52 million baht in 2010. The rise of operating income stemmed from an increase of net interest income, net fee and service income and other income. Meanwhile, interest expenses in 2011 stood at 1,642.86 million baht, up 771.69 million baht or 88.58% from 2010 as following;

Table : Operating Income

(unit: million baht)

Operating Results	Consolidated Financial Statement			Change (2011 compare to 2010)	
	2011	2010	2009 (Restated)	Amount	%
Interest income	3,348.84	2,325.42	1,962.70	1,023.42	44.01
Interest expenses	1,642.86	871.17	814.68	771.69	88.58
Net interest income	1,705.98	1,454.25	1,148.02	251.73	17.31
Fee and service income	119.99	84.25	69.80	35.74	42.42
Fee and service expense	27.35	19.51	17.64	7.84	40.18
Net fee and service income	92.64	64.74	52.16	27.90	43.10
Dividend income	0.42	0.38	0.84	0.04	10.53
Gain on investment	73.47	10.31	90.36	63.16	612.61
Other operating incomes	2.33	3.84	5.04	(1.51)	(39.32)
Total other operating incomes	76.22	14.53	96.24	61.69	424.57
Total operating income	1,874.84	1,533.52	1,296.42	341.32	22.26
Net interest margin	2.41%	2.64%	2.50%	-	-

Net interest income

In 2011, the Company and its subsidiaries had net interest income of 1,705.98 million baht, an increase of 251.73 million baht or 17.31% from 1,454.25 million baht in 2010, as interest income rose by 44.01% or 1,023.42 million baht to 3,348.84 million baht following the continuing loan growth. At the same time, interest expense amounted 1,642.86 million baht, up 771.69 million baht from 871.17 million baht in 2010 or an 88.58% rise in line with the higher interest rate trend in the market. Thus the Company's net interest margin in 2011 was 2.41%.

Net fee and service income

The Company and its subsidiaries generated net income from fee and service at 92.64 million baht in 2011, up 27.90 million baht or 43.10% from 64.74 million baht in 2010. The main cause was a 42.42% surge of fee and service income or worth 35.74 million baht to 119.99 million baht following a hike of front end fee from the expansion of credits. On the other hands, fee and service expenses totaled 27.35 million baht, up 40.18% or 7.84 million baht, but the rise of fee and service expenses grew at a slower pace than the increase of fee and service income.

Other incomes

The Company and its subsidiaries had 76.22 million baht in other incomes (non-interest incomes) in 2011, rising 61.69 million baht or up 424.57% from 14.53 million baht in 2010, due mainly to the Bank having 73.47 million baht in profits from sales of marketable securities.

Net interest income after bad debts, doubtful accounts and impairment loss

Land and Houses Bank Pcl. records allowances for bad debts and doubtful accounts each year based on the guideline and criteria of the Bank of Thailand. It evaluates the status of debtors based on its experiences in considering credit risks.

In 2011, the Bank recorded net interest income after bad debts, doubtful accounts and impairment loss at 1,525.98 million baht, up 281.73 million baht or 22.64% from 1,244.25 million baht in 2010. It set allowances for bad debts and doubtful accounts and loss from debt restructuring at 180 million baht in 2011 and 210 million baht in 2010. The Bank's allowance to the general provision required by the Bank of Thailand ratio stood at 138.40% in 2011 and 142.78% in 2010.

Table : Net interest income after bad debts, doubtful accounts and impairment loss

(unit: million baht)

Net interest income after bad debt, doubtful accounts and impairment loss	Consolidated Financial Statement			Change (2011 compare to 2010)	
	2011	2010	2009 (Restated)	Amount	%
Net interest income	1,705.98	1,454.25	1,148.02	251.73	17.31
Bad debts, doubtful accounts and impairment loss	180.00	210.00	259.50	(30.00)	(14.29)
Net interest income after bad debts, doubtful accounts and impairment loss	1,525.98	1,244.25	888.52	281.73	22.64
Allowance to the general provision ratio	138.40%	142.78%	140.04%	-	-

Other operating expenses

The Company and its subsidiaries had other operating expenses of 957.53 million baht in 2011, rising 216.62 million baht or up 29.24% from 740.91 million baht in 2010. This caused the other operating expenses to total operating income ratio grew to 51.70% in 2011 from 48.32% in 2010. The main contributors were an increase of personnel expenses, premise and equipment expenses and sale promotion and advertising expenses as following;



Table : Other operating expenses

(unit: million baht)

Other operating expense	Consolidated Financial Statement			Change (2011 compare to 2010)	
	2011	2010	2009 (Restated)	Amount	%
Personnel expenses	463.65	353.24	308.79	110.41	31.26
Expenses on directors' remuneration	7.16	5.26	4.23	1.90	36.12
Premise and equipment expenses	273.44	214.32	184.66	59.12	27.58
Tax and duty expenses	82.25	59.27	54.99	22.98	38.77
Sale promotion and advertising expenses	40.20	24.88	17.99	15.32	61.58
Expenses on intangible asset sale	31.39	37.43	32.57	(6.04)	(16.14)
Other expenses	59.44	46.51	43.22	12.93	27.80
Total other operating expenses	957.53	740.91	646.45	216.62	29.24
Other operating expense to total operating incomes ratio	51.07%	48.32%	49.86%	-	-

Personnel expenses

In 2011, the Company and its subsidiaries paid personnel expenses totaling 463.65 million baht, up 110.41 million baht or 31.26% from 353.24 million baht in 2010. The rise of staff expenses was because the higher salary adjustment and annual bonus payment to accommodate the Bank's business and branch expansion.

As of December 31, 2011, the Company had 2 employees and the Bank had total 934 employees, rising 222 people, when compared to 712 at the end of 2010. Most of the personnel increase was made along with the opening of new bank branches.

	December 31, 2011		December 31, 2010		December 31, 2009	
	Company ^{/1}	Bank ^{/2}	Company ^{/1}	Bank ^{/2}	Company ^{/1}	Bank ^{/2}
The number of employee	2	934	2	712	2	608

Note : ^{/1} LH Financial Group Pcl.
^{/2} Land and Houses Bank Pcl.

Premise and equipment expenses

The Company and its subsidiaries had total premise and equipment expenses of 273.44 million baht in 2011, which rose 59.12 million baht or up 27.59% from 214.32 million baht in 2010. This caused from the Bank's branch expansion to 43 at the end of 2011 from 30 at the end of 2010.

Other expenses

In 2011, other expenses of the Company and its subsidiaries amounted 59.44 million baht, up 27.80% or 12.93 million baht from 46.51 million baht in 2010. This caused from the rising of stationery and printed form expenses.

Sale promotion and advertising expenses

The Company and its subsidiaries in 2011 saw expenses on sale promotion and advertising jump 61.58% to 40.20 million baht from 24.88 million baht in 2010. Most of the expenses were spent on advertising and public relations on radio, television and print media when the Company floated its ordinary shares to the public before listing on the Stock Exchange of Thailand.

An Analysis of Financial Positions

An analysis of financial positions of the Company and its subsidiaries was made to compare the financial positions as of Dec 31, 2011 and Dec 31, 2010.

Table : Total Assets

(unit: million baht)

Total assets	Consolidated Financial Statement			Change (2011 compare to 2010)	
	December 31, 2011	December 31, 2010	December 31, 2009 (Restated)	Amount	%
Asset					
Cash	822.51	428.89	324.16	393.62	91.78
Interbank and money market items-net	5,342.76	5,146.32	3,280.14	196.44	3.82
Investment-net	19,860.14	14,129.65	10,313.31	5,730.49	40.56
Loans and accrued interest receivable					
Loans	54,964.78	42,513.14	35,620.87	12,451.38	29.29
Accrued interest receivables	129.20	61.61	58.39	67.59	109.71
Total loans and accrued interest receivables	55,093.98	42,574.75	35,679.26	12,519.23	29.41
Less Deferred revenue	(17.43)	(15.33)	(16.66)	2.10	13.70
Allowance for doubtful accounts	(585.46)	(414.53)	(262.73)	170.93	41.23
Allowance for troubled debt restructuring	(68.01)	(53.49)	(46.31)	14.52	27.15
Loans and accrued interest receivables-net	54,423.08	42,091.40	35,353.56	12,331.68	29.30
Land, premises and equipment-net	276.42	121.74	123.06	154.68	101.27
Intangible asset-net	146.62	74.57	77.14	72.05	96.62
Aval bills of exchange-net	1.74	40.21	38.61	(38.47)	(95.67)
Deferred tax assets	56.21	88.70	47.37	(32.49)	36.63
Accrued interest receivables from investment	182.47	127.79	127.79	54.68	42.79
Other assets-net	133.51	61.79	22.35	71.72	116.07
Total assets	81,245.46	62,311.06	49,707.49	18,934.40	30.39

Total Assets

Major assets of the Company and its subsidiaries comprised loans and net accrued interest receivables, accounting for 67 - 72% of total assets, and then net investment 20-25%. As of December 31, 2011, total assets stood at 81,245.46 million baht, surging 30.39% or 18,934.40 million baht from the year before. The sharp rise of asset caused from an increase of net investment and the growth of credits to business sectors, particularly loans for big corporate clients and small and medium enterprises (SMEs).

Loans

As of December 31, 2011, loans in the consolidated financial statement came entirely from loans extended by all subsidiaries. The loans can be classified into three major types including loans for big corporations, loans for SMEs and loans for retail customers, which consist of housing loans, leasing loans and other loans.

As of December 31, 2011, loans to Saving Cooperative net of deferred revenue totaled 58,381.63 million baht, up 23.65% or 11,166.81 million baht from 47,214.82 million baht at the end of 2010. Most of loans were housing loans, which represented 49.72% of total loans.

Table : Loans classified by sector (include Saving Cooperative)

(unit: million baht)

Loans by sector	Consolidated Financial Statement			Change (2011 compare to 2010)	
	December 31, 2011	December 31, 2010	December 31, 2009 (Restated)	Amount	%
Corporate loans	932.99	232.87	803.62	700.12	300.65
SME loans	27,023.85	17,311.28	7,801.02	9,712.57	56.11
Retail loans	30,424.79	29,670.67	27,159.56	754.12	2.54
Loans to customers net of deferred revenue	58,381.63	47,214.82	35,764.20	11,166.81	23.65
Add : Accrued interest receivables	129.20	61.61	58.39	67.59	109.71
Total loans and accrued interest receivables net of deferred revenue	58,510.83	47,276.43	35,822.59	11,234.40	23.76

The Bank's main strategy in 2012 will continue to focus on capturing more market share by extending three major loan types continually. The three loan types are loans for big corporate customers, SME loans, retail loans and expand its branches in both Bangkok and its vicinities and provinces to increase financial-service flexibility and convenience for customers. It will also add a new service channel through Internet Banking.

Table : Loans by type (including saving cooperative)

(unit: million baht)

Loans by type	Consolidated Financial Statement			Change (2011 compare to 2010)	
	December 31, 2011	December 31, 2010	December 31, 2009 (Restated)	Amount	%
Housing loans	29,024.69	28,678.62	26,319.13	346.07	1.21
Manufacturing and commerce	5,405.77	4,324.22	4,087.65	1,081.55	25.01
Utilities and services	9,633.19	4,551.81	1,974.22	5,081.38	111.63
Property and construction	6,257.24	3,161.50	1,941.33	3,095.74	97.92
Agriculture and mining	99.91	12.23	4.39	87.68	716.93
Saving cooperative	3,434.31	4,717.01	160.00	(1,282.70)	(27.19)
Others	4,526.52	1,769.43	1,277.48	2,757.09	155.82
Total loans net of deferred revenue	58,381.63	47,214.82	35,764.20	11,166.81	23.65

Net Investments

As of December 31, 2011, the Company's net investments in securities recorded at 19,860.14 million baht in book value, up 5,730.49 million baht or 40.56% from 14,129.65 million baht at the end of 2010. Most of investments were in government and state enterprise securities.

Table : Investment by term and type in book value

(unit: million baht)

Net investments	Consolidated Financial Statement			Change (2011 compare to 2010)	
	December 31, 2011	December 31, 2010	December 31, 2009 (Restated)	Amount	%
Short-term investments					
Government and state enterprise securities	3,253.32	77.28	271.61	3,176.04	4,109.78
Private-sector debentures	-	-	140.61	-	-
Net short-term investments	3,253.32	77.28	412.22	3,176.04	4,109.78
Long-term investments					
Government and state enterprise securities	13,921.37	14,007.58	9,856.29	86.21	0.62
Private-sector debentures	2,680.65	40.00	40.00	2,640.65	6,601.63
Local non-marketable securities	4.80	4.80	4.80	-	-
Net long-term investments	16,606.82	14,052.38	9,901.09	2,554.44	18.18
Net investments	19,860.14	14,129.65	10,313.31	5,730.49	40.56

Allowance for doubtful accounts and revaluation allowance for debt restructuring

Its subsidiaries set allowances for doubtful accounts totaling 585.46 million baht in 2011, increasing 170.93 million baht or up 41.23% from 414.53 million baht in 2010.

Their revaluation allowances for debt restructuring amounted 68.01 million baht, up 14.52 million baht or 27.15% from 53.49 million baht in 2010.

Non-performing loans

As of December 31, 2011, gross non-performing loans (NPL) stood at 976 million baht, rising 286.98 million baht or 41.65% from 689.02 million baht at the end of 2010. The non-performing loans represented 1.63% of total loans.

Net non-performing loans of 649.37 million baht were 1.09% of total loans after allowance for doubtful accounts.

Total liabilities

As of December 31, 2011, total liabilities stood at 67,933.25 million baht, up 11,848.72 million baht or 21.13% from 56,084.53 million baht in 2010. Most of liabilities were deposits and borrowing, which made up 32.76% of total liabilities, and borrowings 52.79%.

Table : Liabilities by Type

(unit: million baht)

Liabilities	Consolidated Financial Statement			Change (2011 compare to 2010)	
	December 31, 2011	December 31, 2010	December 31, 2009 (Restated)	Amount	%
Net deposits	22,254.49	27,082.43	31,721.73	(4,827.94)	17.83
Interbank and money market items	8,827.90	10,032.32	4,261.94	(1,204.42)	100.12
Liabilities payable on demand	182.59	123.28	164.88	59.31	48.11
Borrowings	35,864.78	18,394.01	10,216.42	17,470.77	94.98
Others	803.49	452.49	233.24	351.00	77.57
Total liabilities	67,933.25	56,084.53	46,598.21	11,848.72	21.13

Shareholders' equity

The Company was established on April 22, 2009 under the shareholding restructuring plan. As of December 31, 2011, shareholders' equity in the Company and its subsidiaries totaled 13,312.21 million baht, jumping 113.80% or 7,085.68 million baht from 6,226.53 million baht in 2010. Major contributors to the sharp rise were the increase of issued shares and paid-up capital, which comprised (1) the capital increase in February 2010 for 4,412.45 million baht (2) the initial public offering in May 2011 for 2,020.34 million baht and (3) the exercise of warrants to convert them into ordinary shares in December 2011 for 100.97 million baht. Besides, capital surplus from the change of investment values was 180.67 million baht.

Capital Adequacy and Total Capital to Risk-Weighted Assets

As of December 31, 2011, Land and Houses Bank maintained the total capital to risk-weighted assets (BIS) ratio at 24.81%, higher than the 8.5% minimum requirement by The Bank of Thailand and up% from 17.64% in 2010.

Tier 1 ratio/risk weight was 24.41% higher than the 4.25% minimum requirement by The Bank of Thailand and up% from 16.85% as of December 31, 2011.

Table : Total capital to risk-weighted assets ratio

Total capital to risk-weighted assets ratio	December 31, 2011		December 31, 2010		December 31, 2009 (Restated)	
	Million baht	%	Million baht	%	Million baht	%
Tier 1-Capital						
Bank	12,111.53	24.41	5,618.98	16.85	2,689.28	11.30
Minimum legal requirement		4.25		4.25		4.25
Difference		20.16		12.60		7.05
Total Capital						
Bank	12,310.29	24.81	5,880.20	17.64	2,826.64	11.88
Minimum legal requirement		8.50		8.50		8.50
Difference		16.31		9.14		3.38

Off-Balance Sheet Commitments

As of December 31, 2011, the Company and its subsidiaries had off-balance sheet commitments totaling 3,912.39 million baht, rising constantly by 66.10% or 1,556.90 million baht from 2,355.49 million baht in 2010. The higher commitment was mainly due to a 74.67% increase in undrawn overdraft from 1,392.21 million baht in 2010 to 2,431.78 million baht in 2011.

Table : Off-Balance Sheet Commitments

(unit: million baht)

Off-balance sheet commitments	Consolidated Financial Statement			Change (2011 compare to 2010)	
	December 31, 2011	December 31, 2010	December 31, 2009 (Restated)	Amount	%
Aval to bills	277.44	-	3.02	277.44	100.00
Other guarantees	1,203.17	963.28	745.03	239.89	24.90
Undrawn overdraft balance	2,431.78	1,392.21	720.93	1,039.57	74.67
Total off-balance sheet commitments	3,912.39	2,355.49	1,468.98	1,556.90	66.10

GOOD CORPORATE GOVERNANCE

LH FINANCIAL GROUP PCL.



GOOD CORPORATE GOVERNANCE

LH FINANCIAL GROUP PCL.

The Board of Directors of the Company emphasizes on good corporate governance in order to increase competitiveness and the confidence of shareholders, investors and all stakeholders. Good Corporate Governance is an important basis for the effective, transparent and trustworthy operation of the Company. In addition, it encourages management with integrity which increases competitiveness, value of business, sustainable stability and business growth. Furthermore, it places importance on internal control systems, internal auditing, equitable treatment of shareholders and stakeholders, ethics in business, supervision to prevent conflicts of interest, adequate disclosure of information while considering risks and appropriate risk management. In managing the business and operations properly for the best effectiveness and efficiency, the Company places great importance on good corporate governance, which is a necessity for business operation. The Company adheres to 4 policies in order to create confidence for all stakeholders and as a basis for sustainable growth of the business as follows:

Transparency

Integrity

Accountability

Competitiveness

The Board of Directors of the Company has the duty and responsibility as prescribed by law and the shareholders' meeting resolutions. The Board of Director of the Company has confidence in the good corporate governance process as a key factor leading to success and achieving the highest goals of the Company, which are maximizing the shareholders' value, while at the same time creating confidence that its business and operations can compete well within the frameworks of good ethics and the law.

The Board of Directors of the Company has defined its good corporate governance policy within writing to provide guiding to the directors, management, and employees of the company in order to ensure that the Group complies with all relevant laws and regulations. The good corporate governance principle covers 5 main areas as follows:

Category 1 Shareholders' Rights

- The Company is aware of the rights and equitability of the shareholders where every shareholder has the right to receive adequate and timely information, to vote, to receive equitable treatment and attend shareholders' meetings.
- The Board of Directors have given importance to the rights of all groups of stakeholders, whether they are insiders; namely, employees and executives of the Company, or outsiders such as competitors, government agencies and other related agencies. The Company has a policy to conduct its business transparently with good corporate governance, to support the cooperation between the Company and its stakeholders for mutual benefits and to ensure that the stakeholders are well protected and treated by emphasizing the rights of all groups of stakeholders.
- The Board of Directors of the Company has arranged for an Annual General Meeting of Shareholders once a year, within 4 months from the end of the accounting year, the Board of Directors may summon an extra-ordinary meeting. The subject consider that to the requirements presented to the shareholders.
- In the Annual General Meeting of Shareholders, the Company has arranged to send out meeting invitation letters with relevant information for each item on the agenda as an attachment to every shareholder not less than 7 business days in advance and 14 days in advance for the meetings with important agenda items. This is to allow shareholders to study the information carefully and so that the Company may also give more choice to shareholders in giving proxies to independent directors in the event that the shareholders cannot

attend the meeting. In addition, the shareholders can vote on various agenda items of the shareholders' meeting such as in the election of directors and the appointment of auditors.

- The meeting attendance, The Company assigned officers to check shareholders' or proxies' documents according to the requirements stated in the notice. Moreover, the company allowed enough time for any shareholder to register to attend the meeting in advance of the meeting time. The company utilized a computer and barcode system for registration and printing of voting forms for each agenda item to facilitate shareholder participation, and to ensure prompt and accurate registration, and for vote counting procedure. For shareholders unable to attend the meeting and would like to appoint a proxy, the company proposes more than one independent directors by presenting director profiles for the shareholders' selection. The shareholders can download other types of proxy forms and Voting Form from the Company's website.
- Before the meeting starts considering the agenda, the shareholders will be informed of number and proportion of shareholders or proxy attended the meeting, their voting right, total votes required for each agenda and the voting process for each agenda.
- The conduct of the meeting and voting, the meeting is conducted in accordance with the order of agenda as arranged in the notice of the meeting, unless the shareholders holding an aggregate number of shares not less than two-third of total number of shareholders attending the meeting resolve to change the order of the agenda. In addition, the shareholders holding an aggregate number of shares not less than one-third of the total number of paid-up shares may request that the meeting consider other matters in addition to those specified in the notice of the meeting.
- The Company accommodates the shareholder's meeting by keeping the process simple and to allocating the time appropriately. The Chairman of the meeting will encourage equal opportunity for shareholders to express their opinions and raise their queries at the meeting as per the agenda. The company shall endeavor to arrange for all directors, executives of the company and subsidiaries, as well as the auditors to attend the shareholders' meeting to answer the queries.

The Company will arrange to record the minutes of the meetings with complete and relevant information and Shareholders audited report later.

Category 2 Equitable Treatment of Shareholders

- The Board of Directors of the company is aware of the rights and equitability of the shareholders and treats all shareholders, majority or minority, individual of institutional, foreign or Thai, fairly and equally. All shareholders receive important and accurate information at the same time fairly and to protect the basic rights of shareholders.
- The shareholders who also serve as executives shall not add agenda items without advance notice unless they are absolutely necessary, especially the important ones that the shareholders would need a long time to scrutinize before making the decisions.
- The Board of Directors of the Company realizes the importance of protecting internal information and preventing it from possible abuses.
- The company has set the code of conduct for employees to ensure that employees comply with stipulated laws and regulation, Conduct their duties with integrity, consider the Company's interest above their own, and refrain from exploiting inside information for their own benefit.
- The company has determined that the Directors, Top Management or top 4 management whose ranks are subsequent to the Top Management, any person holding equivalent position of the fourth ranked management, and Accounting department managers must report their securities holding in the company, as well as the securities holding of their spouse and any minor children, to the Securities and Exchange Commission. This report on securities holding must be filed within 30 days from the date of appointment and within 3 working days from the date of the change. In additional, Directors and management shall file with the company a report on his interest or a related person's interest in relation to management of the company or the subsidiaries the accordance with the rules, conditions and procedures specified by the Company in compliance with the Securities and Exchange Commission requirement.



- The facilities and set up to the minority shareholders to propose agenda and qualified candidates for director positions before the annual general meeting date, the Company has not carried out

Category 3 Roles of Stakeholders

The Company is the holding company of a financial institution entrusted to raise capital in the country. It is thus responsible for protecting the interests of depositors and customers. The Company must maintain its good reputation, honor, and image as a quality bank which embraces transparency, integrity and responsibilities in order to create confidence among investors in financial institutions. Furthermore, all directors, executives and employees have the duty to comply with the Code of Ethics to instill in them conscience of ethical operations, as well as to embrace the operational guidelines with honesty, sincerity and righteousness in their treatment of the Company and all stakeholder groups, the public and society at large.

At every meeting of the Board of Directors or the shareholders, the directors, executives, or shareholders with conflicts of interest in any agenda item shall disclose the information on such conflicts of interest to the meeting. They shall not have the rights to vote on that agenda item so that the meeting can freely consider the Company's

transaction with potential conflicts of interest for the overall benefits of the Company.

Therefore, the Company has created the Code of Conduct and Ethics to serve as guidelines as follows:

Code of Conduct and Business Ethics
for the Company

Code of Ethics for the Directors

Code of Ethics for the Employees

1. **Code of Conduct and Business Ethics for the Company**
The Company strives to operate with transparency and integrity in line with its Articles of Association and governing laws, notifications and regulations within the strongly adhered principles: integrity, transparency, righteousness and responsibility. The directors, executives and all employees are determined to perform their duties and abide by the following principles:

1. Customers		The Company strives to provide its customers with maximum benefits and satisfaction by overseeing their interests, offering services fairly and keeping their information confidential.
2. Shareholders		The Company aims to operate its business efficiently and transparently while creating appropriate returns for shareholders by maintaining good operating results and putting in effect efficient internal controls, internal audit and risk management systems.
3. Employees		The Company regards all employees as a valuable resource. It strives to support continual personnel development, steadily develop its personnel, promote their career advancement and job security and appropriately compensate them based on their knowledge, competencies and performances.
4. Partners and Competitors		The Company treats all partners and competitors fairly and keeps their confidentiality within related regulations and laws. It does not seek information on its partners and competitors in a corrupt and unfair manner.
5. Creditors and Suppliers		The Company upholds honesty in complying with the conditions it has pledged with the creditors lenders and suppliers within the conditions and criteria specified by law.
6. Society and Environment		The Company conducts its business with responsibilities towards society and the environment. It applies care when considering any action that may affect public sentiment and encourages the employees to have conscience and responsibility towards the environment.
7. Conflicts of Interest		The Company conducts its business by taking into consideration the maximum benefits of its customers and the Company. The Company monitors and pays due attention to possibly inappropriate transactions with potential conflicts of interest, connected transactions or related-party transactions that might constitute conflicts of interests. For connected transactions, the Company has a policy to treat them as normal transactions by applying the same prices and conditions as those in similar transactions with outsiders and in normal trade terms that can compete with the Company and other financial institutions. They are also approved by a clear, transparent and fair process in keeping with good corporate governance and the criteria laid down by the Company.
8. Disclosures		The Company strives to disclose its news and information on its shareholders, investors and the public with accuracy, completeness, in a timely manner including financial data reports and general information by propagating it through several channels of the Company in accordance with abiding laws and regulations.
9. Corporate Governance		The Company conducts operations according to good corporate governance and the Company will cooperate with organizations that govern the Company by reporting information to the governing bodies with accuracy, completeness and in a timely manner.

2. Ethical Standards for Directors

Since the Board of Directors of the Company plays an important role as the leader who brings the organization to success, determines policies and directs the Company's personnel to the right directions, the Board of Directors holds on to the following principles and guidelines under the Code of Conduct and Ethics to set a good example for the executives and all levels of employees:

2.1 Management Duties

- Manage the Company in a manner that does not excessively compromise its stability.
- Perform duties with integrity, transparency, morality and justice to ensure that the maximum benefits of the Company has been taken into consideration when making any decision or taking any action without discrimination or abstention by upholding the principle of equality.
- Perform duties as professionals, with knowledge, skill, determination and care. Knowledge and skills are applied without restraints in managing the Company.
- Refrain from seeking personal gains or benefits for related persons by disclosing or exploiting internal information which has not yet been disclosed to the public, or doing any act that may constitute conflicts of interest both intentionally and unintentionally with a third party. Information gained from their positions is not used for the financial gains of themselves and others.
- Oversee the Company's operations to ensure they are in compliance with related laws, regulations and state policies. Supervise to ensure no facts are concealed and that information is reported accurately, completely, timely and regularly.
- Carry out duties according to the laws and regulations relating to the business operations.

2.2 Relationship with Shareholders, Customers, Creditors, Traders and Employees

- Directors have responsibilities to shareholders on issues such as information disclosures, accounting practices, the use of internal information and conflicts of interest.

- Protect customers' interests at all times, take care and full responsibilities of the customers in providing services, presenting quality products and upholding those standards.
- Conform within the rules of healthy competition by refraining from tarnishing their reputation and from seeking their information in a dishonest or unfair manner.
- Oversee to ensure equal employment opportunities and establish other employee-related principles to build confidence that the employees have the knowledge and skills necessary for the operations.

2.3 Social and Environmental Responsibilities

- Operate the business with responsibilities to society and the environment.
- Take proper care and pay due attention when proceeding with any act that may affect the public.
- Encourage the employees to have good conscience and responsibilities toward the environment.

3. Code of Ethics for Employees

is grouped into 4 categories as follows:

Category 1: Integrity

Integrity is a fundamental quality of the officials and executives of all levels of the Company. Executives at all levels have opportunities to provide gains or incur damages to the customers, colleagues, shareholders, the financial system, as well as the general public. As a consequence, in order to win trust and credibility among the customers, shareholders and regulators, all employees and executives must be honest, mentally strong and ethical and perform their duties with justice. They may not succumb to bribery or personal gains and have to act in the best interests of the customers, as well as the public.

Category 2: Confidentiality

In the Company's business, keeping confidentiality means securing all important information of the Company and the customers. The important information includes:

- Financial information

- Information about the Company's assets
- Information about the internal management of the Company including statistical figures and various reports
- Information on the Company's former and existing employees
- Information about the Company's trade partners
- Information about business communications with the government or its agencies

Keeping the confidentiality of the Company and its customers is very important for any financial and banking business, of which businesses are closely linked. Due to the nature of the business, the employees are privy to the confidential information of customers, which, if disclosed, can cause damage to the customers or other parties. Therefore, a guideline has been laid down to protect the reputation and avoid damage to the Company which the employees work for, the customers or the public.

Category 3: Professionalism

The Board of Directors of the Company places importance on creating conscience among the executives, employees and employees at all levels of the Company so that they conform within the appropriate ethical, moral and justice frameworks which will result in a good overall image for the Company's business.

Category 4: Service to Community

The Company's employees intend to perform their duties with integrity, unity and fraternity. They also act as good citizens with responsibilities to the local communities where the Company's branches are located, help conserve the environment, arts and culture. They refrain from behaving inappropriately that may affect their own images and the Company's reputation. They also use resources, both capital and energy, in an efficient manner.

Category 4 Disclosures and Transparency

The Board of Directors of the Company has a policy of operating with transparency and accountability. Information, both financial and non-financial, is properly disclosed to shareholders, investors and the general public in line with related laws and regulations through easily accessible channels and in an equitable and acceptable manner.

- The Board of Directors of the Company has a policy of disclosing the information of the Company to shareholders, investors and public with transparency, accuracy, completeness, adequacy, timeliness and verifiability, according to all applicable laws and regulations.
- The company has notification of meeting details, materials and prepares Notice of the shareholder meeting in both Thai and English and notifies the meeting details to investors prior to the meeting date through the Stock Exchange of Thailand's information dissemination channel and its website to allow shareholders adequate time to study meeting materials. The information presented on the website shall be the same as that presented in the meeting materials sent to the shareholders. In addition, the company shall publish Notice of the shareholder meeting in a daily newspaper for 3 consecutive days and no being proposed for acknowledgement, for approval, or for consideration, as the case may be, and include the opinions of the Board of Directors in said matters.
- The company shall give notification of the shareholders' meeting resolutions to all investors through the SET's information dissemination channel within the same day of the meeting or at least on hour before the opening of the Stock Exchange of Thailand on the next working day. In addition, the Company shall also prepare the minutes of the meeting in which all relevant information. The company shall disseminate the above minutes on its website and submit in to the Stock Exchange of Thailand within 14 days from the date of the meeting. The minutes of the meeting will be kept at the office.
- The Board of Directors of the Company has appointed the Nomination and Remuneration Committee to perform the duty of nominating and determining the remuneration of the president and directors clearly and transparently, in accordance with their roles, duties and responsibilities. In determining the remuneration of the directors, an approval is required from the shareholders' meeting and the remuneration must be disclosed in the Annual Report.
- The Company recognizes the importance of disclosing information such as financial statements, annual

reports, Capital Requirement Disclosure (Pillar 3) and other information and is confident of disclosing the information in an accurate, complete, transparent, comprehensive and timely manner. It also makes sure all shareholders and stakeholder groups have equal access to the information. It does not use undisclosed or confidential information of the Company or reveal it to outsiders. To ensure equal access to information.

The company has channels of information and contact at:

Address	1 Q.House Lumpini Building, 5 th Floor, South Sathorn Rd., Thungmahamek, Sathorn, Bangkok 10120
Telephone	0 – 2359 – 0000 Ext. 2020, 2019, 2013
Facsimile	0 – 2677 – 7223
Email	presidentoffice@lhbank.co.th
Website	www.lhfg.co.th

- The Board of Directors of the Company places emphasis on the quality of financial statements by reviewing financial data and adequately disclosing important information in the notes to the financial statements and explanation and analysis for the benefits of shareholders and the general public who use its financial statements.
- The Board of Directors prepares and includes the Accountability Report to the Company's Financial Statements and Financial Information alongside the Audit Committee Report in the Annual Report. The Company's financial statements are prepared by internationally accepted accounting standards. Appropriate accounting policy is selected and applied regularly. In this area, the Board of Directors appointed the Audit Committee, which consists of independent and non-executive directors, to directly supervise the quality of the financial statements.
- The company arranges for the disclosure of the names and responsibilities of directors and other committees, the number of meetings, each director's meeting attendance record, their remuneration, profile of directors and management, and other corporate information in the Annual Report and the Company's website.
- The company assigned its Company Secretary to represent the Company in communications with shareholders, investors, analysis to interested parties

through various channels, including report submitted to the SET, The SEC and the Company's website under the topic of "Investor Relations" for interested persons can information conveniently. Furthermore, the company has set up numerous activities to portray or update the Company's information as well as to provide responses to inquiries from investors by the senior management participating in the to clarify.

The mentioned activities are also participated by senior management. In this respect, the activities arranged in 2011 were as follows;

- 1 SET Opportunity Day, arranged by the Stock Exchange of Thailand, with approximately 40-50 analysis and investor attended the meeting.
- 2 Press Conferences with approximately 30-40 media representatives attended each conference.

Category 5 Responsibilities of the Board of Directors

1. Structure of the Board of Directors

- The Board of Directors of the Company is composed of 9 members. The Company has clearly established the proper structure of the Board as well as with regarding to executive directors of 2 members, non-executive directors of 4 members and independent directors of 3 members. The proportion is based on fair and reasonable. To ensure the independence of the Chairman of the Board and to separate the authorities and duties of determining supervision policies and of managing routine operations, the Chairman of the Board of Directors, the Chairman of the Executive Directors Committee and the Chairman of the Audit Committee must not be the same person as the President. The powers and duties are also clearly separated to prevent anyone from having unlimited powers.
- The Board of Directors of the Company consist of directors who are not employees or receive a salary from the Company, are independent from the Company's major shareholders and are able to oversee minor shareholders' interests. There are at least 3 independent directors or at least one third of the total members of the Board, whichever number is higher.

- The Board of Directors are selected on the basis of among other things, knowledge, experience, skill diversity of expertise, integrity, ability to make independent analytical inquiries, and their understanding of the Financial Business Group.
- The Company delegates management power efficiently, with transparency in management. The Board of Directors set up and appointed a number of sub-committees. They are the Executive Director Committee, the Audit Committee and the Nominating and Remuneration Committee. If it deems it necessary, the Board may consider appointing other sub-committees to assist in overseeing the Company's operations and carrying out functions as assigned by the Board.
- The Board of Directors has not set a number of companies that the directors director to be appointed to other companies. However, the Bank of Thailand has guidelines to directors to be appointed to other companies for the directors has sufficient time in the Company's management. Furthermore, The Directors and Management to avoid a position or jobs that might cause a conflict of interest.
- The Board of Directors appointed Mr. Vichian Amornpoonchai as the Company's secretary since May 15, 2009 with the Securities and Exchange Act (No. 4) B.E. 2551 (2008) and the principles of good corporate governance to act as effective.

Duties and responsibilities of the Company Secretary.

1. Prepare and retain the following documents:
 - 1.1 Director registration
 - 1.2 Notice of board meeting to Directors, minutes of the Board of Directors meeting and the annual report of the company.
 - 1.3 Notice of shareholders general meeting and minutes of such meeting.
2. Retain the reports on interest reported by Directors and Executives.
 - 2.1 The Directors and Executives have a duty to report on the interest. (namely the Directors and Management are responsible for reporting its interest and relevance to the Bank.)

2.2 The Company Secretary held a copy of the report to the President within seven days from the date of receipt of the report.

2.3 To provided a system of a storing documents and evidence related to the accuracy, completeness and can be checked within a period of not less than five years from the date of such document or information.

3. Take any other actions are prescribed by the Capital Market Supervisory Board.

2. Sub-Committees

- The Board of Directors of the Company has delegated its authority effectively and transparently by the Board of Directors has setting up 3 sub-committees: the Executive Directors Committee, the Audit Committee and the Nomination and Remuneration Committee. They help study details and filter the work, relieving the Board of the workload and allowing it to spend more time considering issues with more clarity. This practice is also in accordance with a good corporate governance policy.
- The Chairman of the Audit Committee and the Nomination and Remuneration Committee are independent directors for transparency and independence in performing their duties.

3. Board of Directors' Meetings

- The Company arranges for its Board of Directors to meet regularly by scheduling in advance for it to meet every month over a one-year course. Additional meetings are held as necessary. The Company will inform all directors of the schedule in advance so that they can arrange their schedules to accommodate them. Every member of the Board of Directors of the Company recognizes the importance of the meetings and attends every one of them. Agenda items are defined in advance and are important such as considering the quarterly financial statement, monitoring the operations, etc. Invitation letters with clearly defined agenda items are sent 7 days ahead of the meeting dates to allow them ample time to study the agenda items and related documents.

Normally, each meeting takes about 1-2 hour and the minutes are recorded in writing. The minutes approved by the Board of Directors are kept for reference in the future.

- At the meetings of the Board of Directors of the Company, the Chairman of the Board allocates adequate time for all directors to discuss the important issues. On certain agenda items, the President is invited to join them to provide further details since he/she is directly responsible for the issues under discussion.

4. Self-evaluation of the Board of Directors

The Board of Directors of the Company has evaluated its overall performance and take care about good corporate governance since 2009. In order to develop effective prevention work as follows.

- The evaluate the performance of good corporate governance.
- The self-evaluation of The Board of Directors.

5. Remuneration

The Board of Directors of the Company has appointed the Nomination and Remuneration Committee, chaired by an independent director, to lay down the policies, methods and criteria in remunerating the directors and the President in a fair and transparent manner which links to the Company's operating results and the performance of each director in line with industry's standards. The remuneration, which must be high enough to retain the directors with desirable qualifications, must be approved at the Company's shareholders' meeting and disclosed in the Annual Report.

6. Development of the Directors and Executives

The Board of Directors of the Company supports the development of its directors and executives by sending them to attend trainings and seminars organized by both other organizations and the Company. In order to improve the knowledge in various fields.

7. Supervision on the use of insider information

The Board of Directors has set the guideline on confidentiality in the corporate governance principles.

For equal access to information and good corporate governance, and to prevent the exploitation of insider information for personal gains by directors, executives and employees, including their spouses and minor children, the Company has set the following guideline on the use of insider information.

- Directors, executives and employees including their spouses and minor children who are privy to sensitive information and financial statements which have not been disclosed to the public may not propagate or disclose them to other persons, both inside and outside the Company. Access to information across departments is also prohibited to prevent premature revelation of undisclosed sensitive information unless it is necessary for a department to acknowledge it in which case it will protect the information in the same manner as the owning department does.

This does not include the disclosure of information to governing government agencies; namely, the Bank of Thailand, the Securities and Exchange Commission and the Stock Exchange of Thailand.

- Directors, executives and employees, including their spouses and minor children, who are privy to sensitive information and the financial statements of the Company may not buy, sell, transfer or accept the transfer of the Company's shares 7 days before the disclosure of the financial statements to the public.



CORPORATE SOCIAL RESPONSIBILITY

LH FINANCIAL GROUP PCL.



CORPORATE SOCIAL RESPONSIBILITY

LH FINANCIAL GROUP PCL.

Land and Houses Bank Plc., or LH Bank, has a determination to operate its business with responsibility to society by adhering to ethics and corporate governance principles. LH Bank's corporate social responsibility (CSR) activities emphasize participation of employees at all levels to continually instill in them social responsibility.

So far, LH Bank has supported social activities on different occasions and opportunities for maximum benefits to society and communities. It has implemented various creative, beneficial activities in support of the activities of the public and private sectors. Donations have been made to public charity organizations such as the Thai Red Cross Society, Chaipattana Foundation, the Thai Fund Foundation, etc. LH Bank also helps victims of natural disasters through several activities such as giving aids to flood victims, donating drinking water, among others.

LH Bank's corporate social activities can be grouped into three categories: education; society and the environment; and arts and culture. The focus is on laying the foundation and creating and expanding networks for sustainable growth. They are:

1. Education

Land and Houses Bank Plc. is aware of the importance of continual educational promotion. For instance, the Bank invited its employees to donate books under the "Sending Books, Propagating Knowledge to Libraries" project to be delivered to needy youth libraries all over the countries and the Department of Corrections. LH Bank also cooperated with Kasetsart University's Business Administration Faculty in allowing bachelor's degree graduates to join the "LH Bank Junior Banker" project. Under the program, interested students can apply to join the scheme, which propagates the knowledge and understanding of the Bank's operations. Through the program, the Bank aims to lay a solid foundation for the country's future and nurture the seedlings of the country's driving force into the future.



LH Bank joins hands with Kasetsart University's Business Administration Faculty in the LH Bank Junior Banker program.



LH Bank employees donate books under the Sending Books, Propagating Knowledge to Libraries project.



LH Bank donates computers to the Yang Mitrararb School in Surin province.

2. Society and the Environment

Land and Houses Bank Plc. always supports social and environmental development projects. The Bank also invites customers and the public, in addition to its employees, to make donations to help victims of natural disasters. Among the projects are the donations of drinking water to help flood-hit victims and cash through the Thai Red Cross Society to help natural-disaster victims nationwide. In recognition of the importance of dike construction to reduce the prevailing flooding problem and preserve watersheds for forests, the Bank also participated in the activity to grow bulrush and build dikes under His Majesty the King's Royal Initiative. It also held the My Bank My Love project for its customers to thank them for their trust in the Bank and its services, an activity that has steadily attracted more responses.

Social activities



LH Bank's customers and employees donate cash to aid programs for flood victims.



LH Bank's customers and employees donate cash to the flood relief project.



LH Bank donates drinking water to help flood victims in the South.

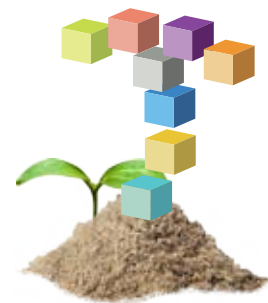


LH Bank hands out necessities to help flood victims in the South.

Environmental activities



LH Bank supports the activity to grow bulrush and build dikes under His Majesty the King's Royal Initiative through the Thai Fund Foundation.



My Bank My Love Project



LH Bank organizes the Molding for Love project.



LH Bank holds the Painting for Love project.



LH Bank organizes the Sewing & Embroidery project.

- Aid for natural disaster victims

The great floods in late 2011 have affected people all over the country including the Bank's customers and employees, as well as the general public. The calamity has caused a lot of damage and suffering. With social responsibility, LH Bank joined relief efforts to help the victims promptly by implementing a series of measures. Its employees, customers and the public were invited to donate cash to relief and rehabilitation efforts through the Thai Red Cross Society. Various measures were also introduced to help the Bank's flood-hit customers and employees. They include:

Measures to help flood-hit customers

The Bank launched special aid and relief measures for flood-hit victims such as extending credit lines to improve liquidity, reducing installment burdens by allowing customers to pay only interest, rescheduling payment dates, etc.

Measures to help flood-hit employees

LH Bank was concerned about the safety and welfare of its flood-hit employees and came up with relief measures to help them, which included cash aid to alleviate troubles and loans for housing rehabilitation. It also allowed the affected employees to take special leave.

Measures to help society

The Bank opened an account for donations to help disaster victims of which inter-branch transfer fees were exempted.

- Youth learning promotion and development

LH Bank recognized the importance of the youth as the future of the country. To help transform our youth into good, competent people, the Bank support the Children's Day activities at Ban Manangkhasila and the Library of Learning at Lumpini Park where children joined the Bank's activities through Facebook under the "Let's Become Fans" project. Souvenirs and gifts were also handed out to participating children.



LH Bank supports the Children's Day activities at Ban Manangkhasila.



LH Bank supports Children's Day activities at the Library for Learning at Lumpini Park.

- Promotion and development the quality of life of the Handicapped

Land and Houses Bank Plc. joined the promotion and development of the quality of life of the handicapped under the Thai with Disability Foundation. At its Lumpini office, handicapped people demonstrated their painting skills and products made by the disabled were on sale to customers and the people.



LH Bank sets aside space at its Lumpini Office where the handicapped from the Thai with Disability Foundation demonstrated their painting skills and goods made by the disabled were sold to the customers and the public.



- Unity and volunteer spirit activities to help improve society

Doing good for society starts with a conscience to help others. Aware of the importance of providing Thais with opportunities to do good for the public, LH Bank invited employees of all levels to take part in the following unity and volunteer spirit activities in 2011:



LH Bank joined an activity "The unity of the stock market to help flood victims project"



LH Bank joined an activity held by the Thai Listed Companies Association in which listed companies helped pack survival bags for flood victims.



LH Bank joins the Thai Red Cross Society in donating blood for patients nationwide.

3. Arts and Cultures

Land and Houses Bank Plc. supports cultural activities of people in the areas where it serves such as tourism promotion, Chinese New Year, the lotus-casting festival to jointly promote traditions, arts and culture with communities around its branches.



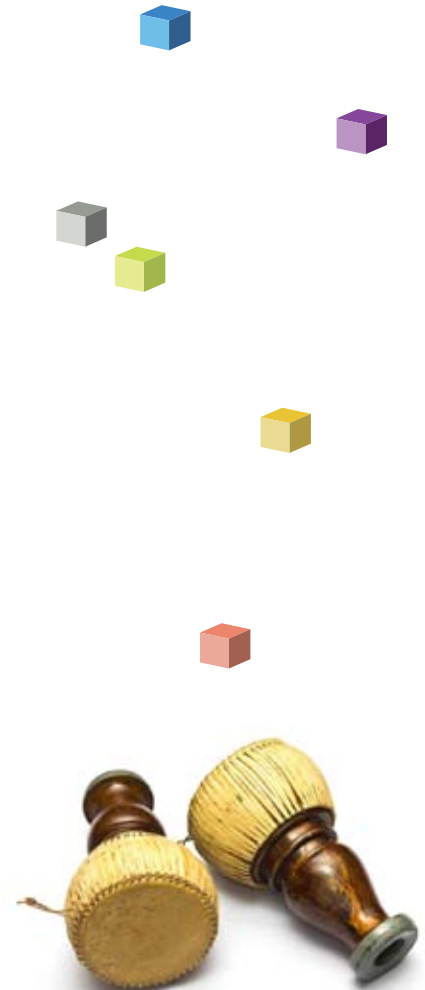
LH Bank supports tourism promotion activities to help perpetuate Thai culture and traditions.



LH Bank organizes Chinese New Year activities to tighten relationships with communities.



LH Bank joins the conservation and revival of noble local culture and traditions by supporting the lotus-casting festival in Bang Phli, Samut Prakan province, every year.



INTERNAL CONTROL

LH FINANCIAL GROUP PCL.

The Company's Board of Directors is responsible for managing the group's operations to ensure that the transactions within the financial business group and with external parties incur acceptable levels of risks and that adequate internal control is in place.

The Company operates its business within the framework of controls based on written policies, regulations and guidelines. This is to build confidence that the Company is fully capable of managing its business according to the established policies. The structures and responsibilities of the sub-committees have also been clearly defined to ensure implementation by the objectives.

The operating results of companies within the financial business group are regularly reported to the Board of Directors, along with business trends, projections and comparisons with the objectives and the operating results of the previous fiscal year. Progress has also been followed up closely. All of the Company's financial information has been regularly prepared according to appropriate accounting principles.

The Audit Committee has reviewed the financial statements, considered the performance of the auditors in the past year and proposed the appointment and nomination and remuneration of the auditors, including which proposed the appointment and nomination and remuneration of the auditors to the Board of Directors. In addition, the Audit Committee's meetings, independent auditors are invited to propose significant issues they believe are relevant to the internal control environment and the financial statements of the Company and its subsidiary.

The Auditor of the company is Ernst & Young Office Limited which is auditor in fiscal year 2011 and proposed to report on the financial statements that unqualified opinion.



RELATED-PARTY TRANSACTION

LH FINANCIAL GROUP PCL.

Related-party transactions are defined as transactions which are similar to or competitive with one another or have any other relation that may constitute conflicts of interests between the Company and a party with potential conflicts of interests. In considering related-party transactions with related persons/companies, the Company applies normal policies, trade terms and conditions in accordance with predefined processes in an appropriate, transparent and accurate manner, taking into consideration the utmost benefits of the Company and its shareholders.

In 2011, the Company and its subsidiary Land and Houses Bank Plc. conducted some related-party transactions. They were based on the trade terms and conditions agreed by the Company and its subsidiary on one side, and related persons and businesses on the other, which is a normal practice. They did not constitute conflicts of interests and were disclosed in Items 37 of the Notes to the Financial Statements of the Company and its subsidiary. The details are as follows:

Outstanding credits, deposits, borrowings and commitments involving related persons/businesses as of December 31, 2011

(Unit: million baht)

Relationship ^{/1}	Consolidated financial statements												
	Investment in securities	Accrued interest receivables (on investments in securities)	Loans to customers	Accrued interest receivables (on loans to customers)	Office rental deposits	Fees receivable	Deposits	Debits issued and borrowings	Liabilities payable on demand	Accrued interest payables	Accrued expenses	Other payables	Interbank and money market items (assets)
1. Any person or company who holds more than 10% of share in the company	-	-	-	-	0.45	-	717.89	260.00	90.23	0.15	0.03	0.45	-
2. The Company's subsidiary is Land and Houses Bank PCL.	-	-	-	-	-	-	-	-	-	-	-	-	-
3. A subsidiary of the Company's subsidiary is Land and Houses Fund Management Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-
4. The Subsidiaries of the major shareholders of the Company (shareholders as stated in No.1 above) who have transactions with the Company and its subsidiaries	-	-	-	-	1.19	-	438.29	54.00	8.65	0.01	0.02	-	-
5. The associates of the major shareholders of the Company (shareholders as stated in No. 1 above) who have transactions with the Company and its subsidiaries	-	-	-	-	14.88	0.75	112.32	1,726.00	-	1.29	0.55	0.04	-
6. The companies, which are related through the Company's and the subsidiaries' management and have transactions with the Company and its subsidiaries	-	-	-	-	2.06	-	13.75	65.00	-	0.13	0.20	-	-
7. The companies, which are related through the major shareholders of the Company (shareholders as stated in No. 1 above) and have transactions with the Company and its subsidiaries	-	-	-	-	-	-	175.66	188.64	-	0.96	-	-	-
8. The companies, which are controlled by the Company's and subsidiaries, related person and have transactions with the Company and its subsidiaries	225.00	2.36	-	-	-	-	1.56	-	-	-	-	-	-
9. Directors and executives	-	-	-	-	-	-	443.17	46.35	-	0.66	-	0.01	-
10. Related persons	-	-	66.45	0.01	-	-	201.28	123.19	-	1.72	-	-	-
Total	225.00	2.36	66.45	0.01	18.58	0.75	2,103.92	2,463.18	98.88	4.92	0.80	0.50	-

^{/1} The nature of the relationships are detailed under Item 37 of the Notes to the Financial Statement "Related-Party Transactions"

(Unit: million baht)

Separate financial statements

Relationship ^{/1}	Investment in securities	Accrued interest receivables (on investments in securities)	Loans to customers	Accrued interest receivables (on loans to customers)	Office rental deposits	Fees receivable	Deposits	Debts issued and borrowings	Liabilities payable on demand	Accrued interest payables	Accrued expenses	Other payables	Interbank and money market items (assets)
The Company's subsidiary is Land and Houses Bank PCL.	-	-	-	-	0.30	-	-	-	-	-	-	-	447.26
Total	-	-	-	-	0.30	-	-	-	-	-	-	-	447.26

^{/1} The nature of the relationships are detailed under Item 37 of the Notes to the Financial Statement "Related-Party Transactions"

Revenue and expenses

Revenue and expenses incurred between the Company and its subsidiary and related persons/businesses as of December 31, 2011 are as follows:

(Unit: million baht)

Consolidated financial statements

Relationship ^{/1}	Type of transaction	Value	Pricing policy
1. Any person or company who holds more than 10% of share in the company	Interest expenses	22.30	The same rates that a subsidiary paid to general depositors
	Rental and service expenses	2.77	As specified in the agreements
2. The Company's subsidiary is Land and Houses Bank Pcl.	-None-	-None-	-None-
3. A subsidiary of the Company's subsidiary is Land and Houses Fund Management Co., Ltd.	-None-	-None-	-None-
4. The Subsidiaries of the major shareholders of the Company (shareholders as stated in No.1 above) who have transactions with the Company and its subsidiaries	Interest expenses	5.12	The same rates that a subsidiary paid to general depositors
	Rental and service expenses	0.68	As specified in the agreements
5. The associates of the major shareholders of the Company (shareholders as stated in No. 1 above) who have transactions with the Company and its subsidiaries	Fees and service income	1.25	As specified in the agreements
	Interest expenses	24.27	The same rates that a subsidiary paid to general depositors
	Rental and service expenses	59.99	As specified in the agreements
6. The companies, which are related through the Company's and the subsidiaries' management and have transactions with the Company and its subsidiaries	Interest expenses	0.28	The same rates that a subsidiary paid to general depositors
	Rental and service expenses	3.49	As specified in the agreements
7. The companies, which are related through the major shareholders of the Company (shareholders as stated in No. 1 above) and have transactions with the Company and its subsidiaries	Interest expenses	6.94	The same rates that a subsidiary paid to general depositors
8. The companies, which are controlled by the Company's and subsidiaries, related person and have transactions with the Company and its subsidiaries	Interest Income	4.91	As specified in prospectus
	Interest expenses	0.02	The same rates that a subsidiary paid to general depositors
9. Directors and executives	Interest expenses	7.89	The same rates that a subsidiary paid to general depositors
	Rental and service expenses	0.58	As specified in the agreements
10. Related persons	Interest Income	1.71	The same rates that a subsidiary paid to general depositors
	Interest expenses	6.34	The same rates that a subsidiary paid to general depositors

^{/1} The nature of the relationships are detailed under Item 37 of the Notes to the Financial Statement "Related-Party Transactions"

(Unit: million baht)

Relationship ^{/1}	Separate financial statements		
	Type of transaction	Value	Pricing policy
The Company's subsidiary is Land and Houses Bank PCL.	Interest income	8.15	The same rates that a subsidiary paid to general depositors
	Dividend income	210.00	As declared by subsidiary
	Office rental income	0.20	As specified in the agreements

^{/1} The nature of the relationships are detailed under Item 37 of the Notes to the Financial Statement "Related-Party Transactions"

Necessity and Rationale of the Transactions

The Company and its subsidiary conduct related-party transactions with care and in the best interests of the Company, its subsidiary and their shareholders. All related-party transactions conducted by the Company and its subsidiary with persons with potential conflicts of interests are either normal business transactions or are necessary and fully justified in support of the routine businesses of the Company and its subsidiary. The terms and conditions of the related-party transactions are normal trade terms and the prices are regular market prices, the same as applied to transactions with customers conducting the same or similar transactions.

Measures to Approve Related-Party Transactions

In approving the related-party transactions, the Company takes into consideration the interests of the Company, its subsidiary and shareholders. Such transactions are subjected to due procedures based on the regulations of the Company and its subsidiary and scrutinized by responsible committees and price them based on comparable trade terms with a third party. The Company has sought approval in principle for the Company and its subsidiary to conduct transactions with normal trade terms with their directors, executives and related persons as follows: "Since the Company and its subsidiary may conduct related-party transactions in the future, the Company seeks approval in principle for management to approve such transactions provided they have the same trade terms as what a person with ordinary prudence would apply with his counterparty under the same circumstance and with trade bargaining power void of influence from their status as directors, executives or related persons. The Company will prepare a summary of the transactions to be reported to the Board of Directors' meeting as requested by the Board of Directors." In the event a director, executive director, president or person with a potential conflict of interests has a conflict of interest in a transaction, he or she is not authorized to approve the transaction with the Company or the subsidiary as stipulated by the Securities and Exchange Commission and/or the Stock Exchange of Thailand.

Furthermore, the Audit Committee shall examine related-party transactions that may occur in the future with persons with potential conflicts of interest or stakeholders and gives opinions on the necessity and rationale of such transactions. In the case where the Audit Committee does not have the expertise in considering such transactions, the Company will have independent experts or its auditors give opinions on the transactions on which the Board of Directors, the Audit Committee and the shareholders, whichever is applicable, will base their decisions. In any case, the Company will always disclose such transactions in its audited financial statements.

Policy or Trend for Future Related-Party Transactions

The Company has a policy of continuing to conduct related-party transactions with persons with potential conflicts of interest or stakeholders in the future by treating them as normal transactions with other customers. The important guidelines for such transactions are that they must be priced fairly and in line with normal trade terms which are competitive with other financial institution. They must also undergo clear, transparent and fair approving process in accordance with good corporate governance principles and the guidelines set by the Company and its subsidiary. They must also be approved only by the authority assigned to approve the transactions.

For related-party transactions which may occur in the future, the Board of Directors of the Company shall comply with the law on equities and the stock exchange, as well as related regulations, notifications, orders and guidelines of the Stock Exchange of Thailand, including those on disclosure of connected transactions or the acquisitions or disposals of key assets

List of director having an interest in any contracts made between the company's fiscal year

- None -

REPORT OF THE AUDIT COMMITTEE

LH FINANCIAL GROUP PCL.

The Audit Committee of LH Financial Group Plc. consists of 3 independent directors:

- | | | |
|----------------|-----------|---------------------------------|
| 1. Mr. Phairoj | Hengsakul | Chairman of the Audit Committee |
| 2. Mr. Adul | Vinaiphat | Member of the Audit Committee |
| 3. Mr. Suwit | Udomsab | Member of the Audit Committee |

In 2011, the Audit Committee held 7 meetings to perform the following:

- Reviewed and approved the quarterly and annual financial statements and auditors report by licensed auditors to ensure that prepared in accordance with the generally accepted accounting standards and adequate disclosure.
- Considered the performance of the external auditors in the past year and proposed their nomination and compensation.
- Acknowledge the results of an audit of Land and Houses Bank Public Company Limited.

The Audit Committee aligned with the auditors that the financial statements and disclosures are accurate, adequate and in line with generally accepted accounting standards including which the generally accepted accounting principles and the company has the appropriate and efficient internal audit control system.



(Mr. Phairoj Hengsakul)
Chairman of the Audit Committee



REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

LH FINANCIAL GROUP PCL.

Appointed by the Bank's Board of Directors, the Nominating and Remuneration Committee consists of 3 directors. Mr. Adul Vinaiphat is the Chairman and Mrs. Suwanna Buddhaprasart and Mr. Naporn Sunthornchitcharoen are members of the Nomination and Remuneration Committee. All three of them are non-executive directors and the Chairman of the Nomination and Remuneration Committee is an independent director. In 2011, the committee met 2 times.

The Nomination and Remuneration Committee has the duty to search for qualified individuals to fill the positions of director and high-ranking executives from the ranks of Senior Executive Vice President and higher as well as their remuneration. It also determines the performance evaluation guideline of the Senior Executive Vice President, and considers the annual pay raise and annual bonus budgets and other remuneration for employees to be proposed to the Company's Board of Directors.

In nomination the Company's directors and high-ranking executives, the Nomination and Remuneration Committee takes into consideration their qualifications, knowledge, capabilities, skills, experiences, expertise and leadership, as well as their visions and attitudes toward the organization which will be beneficial to the Company's operations. The appropriate size, structure and composition of the Board of Directors were also considered to promote good corporate governance and efficient management in line with the regulations of governing authorities and the changing environment.

In 2011, the Nomination and Remuneration Committee considered the main agenda as follows;

- Nomination for 2 new directors and present to the Board of Directors.
- Nomination for new directors to replace the original term expires and proposed to the Board of Directors.
- Establishing a framework for the remuneration and meeting allowances for the Board of Directors, Executive Directors Committee, the Audit Committee and Nomination and Remuneration Committee and proposed to the Board of Directors.



(Mr. Adul Vinaiphat)

Chairman of the Nomination and Remuneration Committee



REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENT

LH FINANCIAL GROUP PCL.

The Board of Directors of LH Financial Group Public Company Limited is responsible for the separated and consolidated financial statements and for financial information presented in this annual report. The aforementioned financial statements were prepared in accordance with the generally accepted accounting principles, applying appropriate and consistent accounting policies and with careful judgments. Important information is adequately and transparently disclosed shareholders and other investors in the notes to financial statements.

The Board of Directors has established and maintained appropriate and effective risk management and internal control system in order to rationally assure that the accounting information is correctly and completely recorded and adequate to sustain assets of the company.

The Board of Directors has appointed the Audit Committee comprising independent directors responsible for the quality of financial statements and internal control. The Audit Committee's comments on these issues are included in the Audit Committee Report in this annual report.

The separated and consolidated financial statements of the company were audited by the certified public accountant of Ernst & Young Office Limited. In the auditing, the company has supports all information and document in order that the auditor would be able to audit and address opinion to the auditing standards. The auditor's opinion was included in the Report of independent Auditor in this annual report.

The Board of Directors is of the opinion the Company has an internal audit system which is appropriate and adequate for the credibility of the separated and consolidated financial statements of the Company as of December 31, 2011.



(Mr. Anant Asavabhokhin)
Chairman





FINANCIAL STATEMENTS AND NOTES TO FINANCIAL STATEMENTS

LH FINANCIAL GROUP PCL.



REPORT OF INDEPENDENT AUDITOR

LH FINANCIAL GROUP PCL.

To the Shareholders of LH Financial Group Public Company Limited

I have audited the accompanying consolidated statement of financial position of LH Financial Group Public Company Limited and its subsidiaries as at 31 December 2011 and 2010, the consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and have also audited the separate financial statements of LH Financial Group Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LH Financial Group Public Company Limited and its subsidiaries and of LH Financial Group Public Company Limited as at 31 December 2011 and 2010, and the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.

Without qualifying my opinion on the afore-mentioned financial statements, I draw attention to the matters as described in Note 4 to the financial statements that during the fourth quarter of 2010, the Company and its subsidiaries changed their accounting policy on Income Taxes whereby they early adopted TAS 12 regarding Income Taxes before the effective date and as described in Note 3.1 to the financial statements, during the current year, the Company and its subsidiaries adopted a number of revised and new accounting standards as issued by the Federation of Accounting Professions, and applied them in the preparation and presentation of their financial statements.



Nonglak Pumnoi

Certified Public Accountant (Thailand) No. 4172

Ernst & Young Office Limited

Bangkok: 24 February 2012

LH Financial Group Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2011	2010	2011	2010
Assets					
Cash		822,509	428,892	2	3
Interbank and money market items - net	7, 37.3	5,342,756	5,146,320	447,261	343,778
Investments - net	8, 37.3	19,860,144	14,129,653	-	-
Investment in a subsidiary	9	-	-	11,999,999	5,499,999
Loans to customers and accrued interest receivables	10				
Loans to customers	10.1, 37.3, 37.4	54,964,781	42,513,138	-	-
Accrued interest receivables	10.1, 37.3	129,201	61,610	-	-
Total loans to customers and accrued interest receivables		55,093,982	42,574,748	-	-
Less : Deferred revenue		(17,435)	(15,331)	-	-
Allowance for doubtful debts	11	(585,458)	(414,523)	-	-
Revaluation allowance for debt restructuring	12	(68,013)	(53,489)	-	-
Loans to customers and accrued interest receivables - net		54,423,076	42,091,405	-	-
Premises and equipment - net	13	276,414	121,737	37,910	-
Intangible assets - net	14	146,620	74,566	-	-
Notes receivable - net	15	1,743	40,207	-	-
Deferred tax assets	16	56,214	88,702	-	-
Accrued interest receivables on investments	37.3	182,470	127,790	-	-
Other assets - net	17, 37.3	133,511	61,785	1,389	87
Total assets		81,245,457	62,311,057	12,486,561	5,843,867

The accompanying notes are an integral part of the financial statements.

LH Financial Group Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2011 and 2010

(Unit: Thousand Baht)

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2011	2010	2011	2010
Liabilities and shareholders' equity					
Deposits	19, 37.3, 37.4	22,254,489	27,082,426	-	-
Interbank and money market items	20	8,827,898	10,032,321	-	-
Liabilities payable on demand	37.3	182,590	123,274	-	-
Debts issued and borrowings	21, 37.3, 37.4	35,864,779	18,394,014	-	-
Interest payables	37.3	346,361	137,174	-	-
Accrued expenses	37.3	69,970	103,703	682	407
Provisions for employee benefits	22	40,645	-	-	-
Deferred tax liabilities	16	55,907	2,784	-	-
Tax payable		117,859	147,196	142	-
Other liabilities	23, 37.3	172,755	61,635	300	-
Total liabilities		67,933,253	56,084,527	1,124	407
Shareholders' equity					
Share capital					
Registered share capital	24				
12,000,000,000 ordinary shares of Baht 1 each		<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>
Issued and paid-up share capital	24				
11,472,096,320 ordinary shares of Baht 1 each					
(31 December 2010: 5,515,569,740 shares of Baht 1 each)		11,472,096	5,515,570	11,472,096	5,515,570
Share premium	24	480,196	-	480,196	-
Other component of shareholders' equity					
Revaluation surplus on investments	8.2	187,166	6,497	-	-
Retained earnings					
Appropriated - statutory reserve	26	156,000	119,035	29,000	18,700
Unappropriated		<u>1,016,745</u>	<u>585,427</u>	<u>504,145</u>	<u>309,190</u>
Equity attributable to equity holders of the Company		13,312,203	6,226,529	12,485,437	5,843,460
Non-controlling interests		<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total shareholders' equity		13,312,204	6,226,530	12,485,437	5,843,460
Total liabilities and shareholders' equity		81,245,457	62,311,057	12,486,561	5,843,867

The accompanying notes are an integral part of the financial statements.

LH Financial Group Public Company Limited and its subsidiaries

Statements of comprehensive income

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
Interest income	29, 37.1	3,348,840	2,325,419	8,149	1,530
Interest expenses	30, 37.1	(1,642,865)	(871,169)	-	-
Net interest income		1,705,975	1,454,250	8,149	1,530
Fees and service income	37.1	119,995	84,257	-	-
Fees and service expenses		(27,351)	(19,510)	(5,804)	(2,466)
Net fees and service income	31	92,644	64,747	(5,804)	(2,466)
Dividend income		420	377	210,000	375,087
Gains on investments		73,468	10,314	-	-
Other operating income		2,334	3,839	200	-
Total operating income		1,874,841	1,533,527	212,545	374,151
Other operating expenses					
Employees' expenses		463,648	353,238	-	-
Directors' remuneration	32	7,160	5,261	5,030	-
Premises and equipment expenses	37.1	273,443	214,318	90	-
Taxes and duties		82,249	59,270	98	-
Advertising and promotion expenses		40,196	24,880	745	260
Amortisation on intangible assets		31,394	37,432	-	-
Other expenses		59,441	46,513	1,327	1,089
Total other operating expenses		957,531	740,912	7,290	1,349
Bad debts, doubtful accounts and impairment loss	33	180,000	210,000	-	-
Profit from operation before income tax expenses		737,310	582,615	205,255	372,802
Income tax expenses	34	(241,477)	(174,495)	-	-
Profit for the years		495,833	408,120	205,255	372,802
Other comprehensive income					
Gains (losses) on remeasuring available-for-sale investments		233,791	(10,407)	-	-
Income taxes relating to gains (losses) on remeasuring available-for-sale investments		(53,122)	3,123	-	-
Net other comprehensive income (loss)		180,669	(7,284)	-	-
Total comprehensive income		676,502	400,836	205,255	372,802

The accompanying notes are an integral part of the financial statements.

LH Financial Group Public Company Limited and its subsidiaries

Statements of comprehensive income (continued)

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

Note	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Profit for the years attributable to:				
Equity holders of the Company	495,833	408,120	<u>205,255</u>	<u>372,802</u>
Non-controlling interests	<u>-</u>	<u>-</u>		
	<u>495,833</u>	<u>408,120</u>		
Total comprehensive income attributable to:				
Equity holders of the Company	676,502	400,836	<u>205,255</u>	<u>372,802</u>
Non-controlling interests	<u>-</u>	<u>-</u>		
	<u>676,502</u>	<u>400,836</u>		
Earnings per share of equity holders of the Company 35				
Basic earnings per share (Baht per share)	<u>0.05</u>	<u>0.08</u>	<u>0.02</u>	<u>0.07</u>
Diluted earnings per share (Baht per share)	<u>0.04</u>	<u>0.08</u>	<u>0.02</u>	<u>0.07</u>

The accompanying notes are an integral part of the financial statements.

Statements of changes in shareholders' equity

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

Consolidated financial statements

Equity attributable to equity holders of the Company									
		Other component of shareholders' equity -			Retained earnings		Total equity attributable to equity holders of the Company		
		Issued and paid-up share capital	Share premium	Revaluation surplus on investments	Appropriated - statutory reserve	Unappropriated			Non-controlling interests
Note									Total
	Balance as at 31 December 2009	2,757,785	-	13,781	79,635	258,074	3,109,275	1	3,109,276
24	Issuance of additional ordinary shares	2,757,785	-	-	-	-	2,757,785	-	2,757,785
26	Appropriated to statutory reserve	-	-	-	39,400	(39,400)	-	-	-
27	Dividends paid	-	-	-	-	(41,367)	(41,367)	-	(41,367)
	Total comprehensive income (loss)	-	-	(7,284)	-	408,120	400,836	-	400,836
	Balance as at 31 December 2010	5,515,570	-	6,497	119,035	585,427	6,226,529	1	6,226,530
	Cumulative effect of the change in accounting policy relating to employee benefits	-	-	-	-	(27,550)	(27,550)	-	(27,550)
24	Issuance of additional ordinary shares	5,956,526	480,196	-	-	-	6,436,722	-	6,436,722
26	Appropriated to statutory reserve	-	-	-	36,965	(36,965)	-	-	-
	Total comprehensive income	-	-	180,669	-	495,833	676,502	-	676,502
	Balance as at 31 December 2011	11,472,096	480,196	187,166	156,000	1,016,745	13,312,203	1	13,312,204

The accompanying notes are an integral part of the financial statements.

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

		Separate financial statements					
		Note	Issued and paid-up share capital	Share premium	Retained earnings		Total
					Appropriated - statutory reserve	Unappropriated	
Balance as at 31 December 2009			2,757,785	-	-	(3,545)	2,754,240
Issuance of additional ordinary shares		24	2,757,785	-	-	-	2,757,785
Appropriated to statutory reserve		26	-	-	18,700	(18,700)	-
Dividends paid		27	-	-	-	(41,367)	(41,367)
Total comprehensive income			-	-	-	372,802	372,802
Balance as at 31 December 2010			5,515,570	-	18,700	309,190	5,843,460
Issuance of additional ordinary shares		24	5,956,526	480,196	-	-	6,436,722
Appropriated to statutory reserve		26	-	-	10,300	(10,300)	-
Total comprehensive income			-	-	-	205,255	205,255
Balance as at 31 December 2011			11,472,096	480,196	29,000	504,145	12,485,437

The accompanying notes are an integral part of the financial statements.

LH Financial Group Public Company Limited and its subsidiaries

Statements of cash flows

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash flows from operating activities				
Profit from operation before income tax expenses	737,310	582,615	205,255	372,802
Adjustments to reconcile profit from operation before income tax expenses to net cash provided by (paid for) operating activities:				
Depreciation and amortisation	90,581	98,772	188	-
Bad debts, doubtful accounts and impairment loss	180,000	210,000	-	-
Provisions for employee benefits	6,616	-	-	-
Gain on disposal/write off of equipment	(705)	(12)	-	-
Gain on sales of available-for-sale investments	(73,468)	(10,314)	-	-
Amortisation of deferred revenue/expenses - net	(2,858)	(1,474)	-	-
Amortisation of discount on revaluation of notes receivable to be interest income	(325)	(1,592)	-	-
Increase (decrease) in accrued expenses	(21,969)	5,494	275	117
Dividend income	(420)	(377)	(210,000)	(375,087)
Net interest income	(1,705,975)	(1,454,250)	(8,149)	(1,530)
Cash received on interest income	2,510,330	1,788,207	7,402	1,470
Cash paid on interest expenses	(1,445,443)	(771,671)	-	-
Cash paid on income tax expenses	(243,584)	(112,780)	(84)	(14)
Income (loss) from operations before changes in operating assets and liabilities	30,090	332,618	(5,113)	(2,242)
(Increase) decrease in operating assets				
Interbank and money market items	(187,495)	(1,907,575)	(102,736)	(243,788)
Loans to customers	(12,449,539)	(6,893,604)	-	-
Notes receivable	38,789	-	-	-
Other assets	(84,148)	(26,517)	(1,316)	(72)
Increase (decrease) in operating liabilities				
Deposits	(4,827,937)	(4,639,310)	-	-
Interbank and money market items	(1,204,423)	6,306,219	-	-
Liabilities payable on demand	59,316	(41,605)	-	-
Debts issued and borrowings	17,470,765	7,645,549	-	-
Provisions for employee benefits	(1,925)	-	-	-
Other liabilities	143,578	36,576	442	(2)
Net cash provided by (used in) operating activities	(1,012,929)	812,351	(108,723)	(246,104)

The accompanying notes are an integral part of the financial statements.

LH Financial Group Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the years ended 31 December 2011 and 2010

(Unit: Thousand Baht)

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2011	2010	2011	2010
Cash flows from investing activities					
Proceeds from available-for-sale investments		1,093,468	312,080	-	-
Proceeds from matured debt securities		40,000	63,230	-	-
Cash received on interest income on investments		753,369	541,523	-	-
Cash received on dividend income		420	377	210,000	375,087
Investments in available-for-sale investments		(829,214)	(20,386)	-	-
Investment in held-to-maturity debt securities		(5,772,669)	(4,207,061)	-	-
Investment in a subsidiary		-	(16,284)	(6,500,000)	(2,845,500)
Cash paid for purchases of leasehold improvements and equipment		(214,976)	(57,870)	(38,000)	-
Proceeds from disposal of equipment		769	281	-	-
Cash paid for acquisitions of intangible assets		(101,343)	(39,932)	-	-
Net cash used in investing activities		(5,030,176)	(3,424,042)	(6,328,000)	(2,470,413)
Cash flows from financing activities					
Cash paid on dividends	27	-	(41,367)	-	(41,367)
Proceeds from issuance of additional ordinary shares and conversion of warrants	24	6,436,722	2,757,785	6,436,722	2,757,785
Net cash provided by financing activities		6,436,722	2,716,418	6,436,722	2,716,418
Net increase (decrease) in cash and cash equivalents		393,617	104,727	(1)	(99)
Cash and cash equivalents as at 1 January		428,892	324,165	3	102
Cash and cash equivalents as at 31 December		822,509	428,892	2	3

Supplemental cash flows information

Non - cash related items:

Purchases of assets on credit	16,019	15,979	-	-
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The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

LH FINANCIAL GROUP PCL.

1. Corporate information

On 22 April 2009, LH Financial Group Public Company Limited ("the Company") was incorporated as a public limited company under Thai laws to engage in investment holding business whereby it has been established to invest in Land and Houses Bank Public Company Limited (formerly known as "Land and Houses Retail Bank Public Company Limited") ("LH Bank") under the shareholding restructure plan of LH Bank. The Company's registered office is located at No. 1, on the 5th Floor of Q-House Lumpini Building, South Sathorn Road, Thungmahamek Sub-district, Sathorn District, Bangkok.

As at 31 December 2011 and 2010, the Company had investments in ordinary shares of LH Bank at the rate of 99.99% of its issued and paid-up share capital. Originally, LH Bank had been licensed since 19 December 2005 to conduct banking businesses rendering retail banking services, specifically to public individuals and small and medium sized enterprises. Later on 16 December 2011, the Bank of Thailand notified LH Bank of the following:

1. The Minister of Finance permitted LH Bank to operate commercial banking business under the commercial banking license.
2. The Minister of Finance permitted LH Bank to transact business relating to foreign currency settlements.
3. The effective date of these permissions is the date that LH Bank commences operation and LH Bank filed with the Bank of Thailand to commence operation as a commercial bank on 19 December 2011.

As at 31 December 2011, the Company has 3 major shareholders, which are Land and Houses Public Company Limited, Quality Houses Public Company Limited and Ms. Piengjai Harnpanich and their shareholding percentages in the Company are 35.75%, 22.45%, and 17.33%, respectively (As at 31 December 2010, the Company has 3 major shareholders, which are Land and Houses Public Company Limited, Quality Houses Public Company Limited and Ms. Piengjai Harnpanich and their shareholding percentages in the Company were 40.95%, 25.71%, and 19.04%, respectively).

2. Basis of preparation of the financial statements

2.1 Basis of financial statement preparation

These financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and the presentation of the financial statements has been made in compliance with the Bank of Thailand ("BOT")'s Notification No. Sor Nor Sor. 11/2553 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", dated 3 December 2010, which is effective for fiscal years beginning on or after 1 January 2011. Hence, the Company and its subsidiaries reclassified certain items of the comparative financial statements as described in Note 40 to the financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed under Note 5 to the financial statements regarding significant accounting policies.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from these financial statements in Thai language.

2.2 Basis of consolidation

- (a) The consolidated financial statements include the financial statements of the Company and its subsidiaries as follows:

Company's name	Nature of business	Country of incorporation	Percentage of Shareholding as of 31 December		Assets as a percentage to the consolidated totals as at 31 December		Revenues as a percentage to the consolidated totals for the years ended 31 December	
			2011	2010	2011	2010	2011	2010
			Percent	Percent	Percent	Percent	Percent	Percent
<u>Subsidiary directly held by the Company</u>								
Land and Houses Bank Public Company Limited	Banking business	Thai	99.99	99.99	99.93	100	99.93	100
<u>Subsidiary indirectly held by the Company (held by its subsidiary)</u>								
Land and Houses Fund Management Company Limited	Fund Management business	Thai	99.99	99.99	0.02	-	0.07	-

- (b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- (c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- (d) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- (e) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statements of financial position.

2.3 The separate financial statements

The separate financial statements, which present investment in a subsidiary under the cost method, have been prepared solely for the benefit of the public.

3. Revised and newly issued accounting standards

3.1 Adoption of revised and newly issued accounting standards during the year

During the current year, the Company and its subsidiaries adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows

Accounting standards (continued):

TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate
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Accounting Standing Interpretations:

SIC 31	Revenue-Barter Transactions Involving Advertising Services
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These accounting standards do not have any significant impact on the financial statements, except for the following accounting standards.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as an expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. The Company and its subsidiaries previously accounted for such employee benefits when they were incurred.

Hence, the Company and its subsidiaries have changed this accounting policy in the current year and recognised the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current year. This resulted in the decrease in the retained earnings brought forward as at 1 January 2011 in the consolidated financial statements by Baht 27 million (net of relevant deferred income taxes). The cumulative effect of such changes in the accounting policy has already been presented under the heading of "Cumulative effect of the change in accounting policy regarding employee benefits" in the statements of changes in shareholders' equity, and comprises:

(Unit: Thousand Baht)	
	Consolidated financial statements
	2011
Cumulative effect of the change in accounting policy on employee benefits	35,954
Less: Deferred income taxes	(8,404)
Decrease in retained earnings brought forward as at 1 January 2011 by	27,550

In addition, the change in such accounting policy also has the effect of decreasing profit for the year (excluding other comprehensive income/loss) in the consolidated financial statements for the year ended 31 December 2011 by Baht 5.1 million (net of relevant deferred income taxes) or Baht 0.0005 per share.

3.2 Revised and newly issued accounting standards not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's and its subsidiaries' management has assessed and believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for TAS 12 - Income Taxes that the Company and its subsidiaries recorded income tax in accordance with such accounting standard in 2010 and hence it is considered that such standard was adopted before the effective date as described in Note 4 to the financial statements.

4. Adoption of an accounting standard before the effective date

During the fourth quarter of 2010, the Company and its subsidiaries early adopted TAS 12 regarding Income Taxes before the effective date. This standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines. The Company and its subsidiaries recorded the effect of such accounting policy change by adjusting to the beginning balance of retained earnings of 2009 as if the Company and its subsidiaries had always recognised such deferred tax assets/liabilities. Such change in accounting policy regarding Income Taxes does not have an impact on the separate financial statements.

5. Significant accounting policies

5.1 Revenue recognition

(a) Interest and discount on loans to customers

The subsidiary, which engages in banking business, recognises interest and discounts on loans to customers as revenue on an accrual basis, based on the amount of principal outstanding. For (a) loans on which principal or interest payments have been defaulted for more than three months from the due date; (b) loans on which principal or interest payments have been defaulted for not more than three months but are classified as sub-standard, doubtful or doubtful of loss; and (c) factoring loans, which have been defaulted from the due dates, the subsidiary ceases accrual of interest income and instead recognises interest income on a cash basis and reverses any interest previously accrued as revenue, in accordance with the Notification of the Bank of Thailand. However, the subsidiary does not reverse the interest income recorded prior to the issuance of the Notification of the Bank of Thailand dated 31 March 1998.

Hire purchase income is recognised as revenue, using the effective interest rate method, over the period of the contracts. For hire purchase receivables on which installments have been defaulted and overdue for more than three months from the due dates, the subsidiary ceases accrual of revenue and reverses the revenue previously accrued from its accounts.

The subsidiary recognises Interest income on restructured loans as revenue on the same accrual basis as applied on loans to customers discussed above, with the exception of restructured loans that are subject to monitoring for compliance with restructuring conditions. On those loans, the subsidiary recognises interest income on a cash basis until the borrower has been able to comply with the restructuring conditions for a period of not less than three consecutive months or three consecutive installments, whichever is longer.

Interest or discounts which are already included in the face value of notes receivable or loans are recorded as deferred interest and taken up as income evenly throughout the term of the notes or loans.

(b) Interest and dividends on investments

Interest on investments is recognised as revenue on an accrual basis. Dividends from securities are recognised as revenue when the right to receive the dividends is established.

(c) Gains (losses) on investments

Gains (losses) on investments are recognised as revenue/expenses on the transaction dates.

(d) Fees and service income

Fees income is recognised as revenue on an accrual basis. Service income is recognised as revenue when services are rendered taking into account the stage of completion.

5.2 Expense recognition

(a) Interest expenses

Interest expenses are recognised on an accrual basis. Interest on notes payable included in the face value is recorded as deferred interest expense, which will be amortised to expenses evenly throughout the term of the notes.

(b) Other expense

The Company and its subsidiaries adopt an accrual basis on expense recognition.

5.3 Cash and cash equivalents

Cash and cash equivalents are the amounts included in the statements of financial position under the caption of "Cash", which consists of cash on hand and cheques in transit.

5.4 Securities purchased under resale agreements/securities sold under repurchase agreements

The subsidiary enters into agreements to purchase securities or to sell securities that include agreements to sell or purchase the securities back at certain dates in the future at fixed prices. Amounts paid for securities purchased subject to a resale commitment are presented as assets under the caption of "Interbank and money market items" (assets) in the statements of financial position, and the underlying securities are treated as collateral to such receivables while securities sold subject to repurchase commitments are presented as liabilities under the caption of "Interbank and money market items" (liabilities) in the statements of financial position at the amounts received from the sale of those securities, and the underlying securities are treated as collateral.

The differences between the purchase and sale considerations are recognised as interest income or expenses over the transaction periods.

5.5 Investments

Available-for-sale investments are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income and will be recorded in profit or loss from operation when the securities are sold.

Investments in held-to-maturity debt securities are presented at amortised costs less allowance for impairment (if any). The premium/discount on debt securities is amortised by the effective interest rate method with the amortised amount presented as an adjustment to the interest income.

Investments in non-marketable equity securities which are classified as general investments are valued at cost less allowance for impairment (if any).

Investment in a subsidiary is accounted for in the separate financial statements using the cost method.

The fair value of marketable securities is based on the last bid price quoted on the last working day of the reporting period on the Stock Exchange of Thailand. The fair value of debt securities is based on the yield rates quoted by the Thai Bond Market Association. The fair value of investment units is determined based on their net asset value as of the statement of financial position date.

Losses on impairment (if any) of investments are recognised in profit or loss from operation.

In cases where there is reclassification of investment type, such investments will be readjusted to their fair value as at the reclassification dates. The difference between the carrying amount and the fair value on the date of reclassification are recorded in profit or loss from operation or recorded in other comprehensive income/loss, depending on the type of investment that is reclassified.

Purchases and sales of investments are recorded on the trading dates, except for purchases of investments in debt securities, which are recorded on the settlement dates.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss from operation. The weighted average method is used for computation of the cost of investments when sold.

5.6 Loans to customers

Loans to customers are presented at the principal balances, excluding accrued interest receivables, except for overdrafts which are presented at the principal balances plus accrued interest receivables. Deferred revenue and unearned discounts on loans to customers are deducted from the loans to customers balances

Hire purchase receivables are stated at the outstanding balances under the agreements less the balance of unearned income, which is presented net of deferred commission expenses and initial direct costs.

5.7 Allowance for doubtful debts

The subsidiary provides allowance for doubtful accounts in accordance with BOT guidelines, using the minimum rates stipulated by the BOT, and making further adjustments to reflect additional amounts that are not expected to be collectible from debtors based on evaluation of the current status of the debtors, taking into accounts the subsidiary's experience of debtor's repayment capability, credit risk and the value of collateral.

For loans classified as "pass" (including restructured loans) and "special-mention", the subsidiary sets provision at the rates of 1% and 2%, respectively, of the loan balances (excluding accrued interest receivables) after deducting collateral value in accordance with criteria stipulated by the BOT.

For non-performing loans, which classified as "sub-standard", "doubtful" and "doubtful of loss", the Bank sets provision at a rate of 100% of the excess of the loan balance over the present value of expected future cash flows from debt collection or from collateral disposal for loans, in accordance with criteria stipulated by the BOT. The discount rate and expected time required to dispose collateral used in determining the present value is in accordance with criteria stipulated by the BOT.

For hire purchase credit, the subsidiary sets provision at percentages of the amount of principal outstanding net of unearned income, based on the number of months overdue (with reference to the classification of loans under the BOT's guidelines). Allowance for doubtful accounts is provided based on the loan balances, without deducting collateral value.

Allowance for doubtful debts additionally set up during the years is recognised as expense for the years.

Amounts written off as bad debts are deducted from the allowance for doubtful debts and in case of recovery being made from bad debts, the recovered amount is recognised as revenue in the years it is recovered.

5.8 Troubled debt restructuring and losses from troubled debt restructuring

The subsidiary records troubled debt restructuring transactions with reference to criteria stipulated by the Bank of Thailand.

In cases where the troubled debt restructuring involves modification of the repayment conditions, the subsidiary will determine the present value of expected future cash flows to be received in accordance with the new restructuring agreements, discounted by the loan's original interest rates. The excess of the recorded outstanding loans and receivables due from a debtor over the then-determined present value of future cashflows is accounted for as revaluation allowance for debt restructuring. If the then-determined revaluation allowance for debt restructuring exceeds the allowance for doubtful debts already provided for such loans and receivables, the subsidiary will recognise such

excess as loss from troubled debt restructuring in profit or loss from operation on the debt restructuring dates.

In cases where the debt restructuring has been processed through the courts, the subsidiary will calculate discounted cash flows from the disposal of collateral or expected future cash flows from repayment using the original contract rate. Any excess of the book value of receivables over the present value of expected future cash flows is recorded as revaluation allowance for debt restructuring and expensed in profit or loss from operation as at the restructuring date to the extent that it exceeds the existing allowance for doubtful debts.

In cases where the troubled debt restructuring involves debts/assets swap and/or debts/equity swap, the subsidiary recognises a loss from troubled debt restructuring in profit or loss from operation equal to the excess of the recorded outstanding loan and receivable balances due from a debtor over the fair value of assets and/or equity received in settlement of debts (after deducting the estimated selling expense). However, the value of assets being transferred to the subsidiary will be recorded at the amount not exceeding the sum of the book value of loans and receivables and non-accrued interest income to which the subsidiary is entitled legally.

In cases where the troubled debt restructuring involves reduction of principal and/or interest previously accrued as revenue, the subsidiary recognises it as expenses.

5.9 Premises and equipment/Depreciation

Land is stated at cost less allowance for impairment (if any). Buildings, leasehold improvements and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Depreciation of buildings, leasehold improvements and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives.

Buildings	—	20 years
Leasehold improvements	—	5 years
Furniture and fixtures	—	5 years
Office equipment	—	5 years
Vehicles	—	5 years

Depreciation of buildings, leasehold improvements and equipment is recognised as expense in profit or loss from operation.

No depreciation is provided on land and leasehold improvements under construction.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss from operation when the asset is derecognised.

5.10 Intangible assets/Amortisation

Intangible assets are measured at cost upon initial recognition and subsequently measured at cost less any accumulated amortisation and allowance for impairment losses (if any). Intangible assets with finite lives are amortised on a systematic basis over their economic useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and method for such intangible assets are reviewed at least at each financial year end. The amortisation expenses are recognised as expenses in profit or loss from operation.

Intangible assets with finite useful lives of the Company and its subsidiaries are computer softwares and deferred license fee, which have an estimated useful life of 5 and 10 years and no amortisation is provided on computer softwares under development.

5.11 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the premises, leasehold improvements and equipment and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries recognise loss on impairment when the recoverable amount of asset is less than the carrying amount. The recoverable amount of an asset, is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining fair value less costs to sell, the Company and its subsidiaries assess value that reflects the amount that they could obtain from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the costs of disposal. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised as expense in profit or loss from operation.

5.12 Employee benefits

Short-term employment benefits

Salary, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits

Defined contribution plan

The subsidiaries and the employees have jointly established a provident fund. The fund is monthly contributed by employees and by the subsidiaries. The fund's assets are held in a separate trust fund and the subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plan

The subsidiaries treat the severance payments they must make to employees upon retirement under labor law as a post-employment retirement benefit plan.

The obligation under the post-employment retirement benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss from operation.

For the first-time adoption of TAS 19 Employee Benefits, the subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current year.

5.13 Income tax

Income tax expense represents the sum of current income tax expenses and deferred income taxes.

Current income tax expenses

Current income tax expenses are provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred income taxes

Deferred income taxes are provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period. In cases where there are several tax rates, the Company and its subsidiaries will use the tax rate in effect in the periods they expect that deferred tax assets be utilised or deferred tax liabilities be obliged.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting period-end date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that they are no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred taxes directly to shareholders' equity if the taxes relate to items that are recorded directly to shareholders' equity.

5.14 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by the Bank and its subsidiary, whether directly or indirectly, or which are under common control with the Company and its subsidiaries.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company and its subsidiaries that give them significant influence over the Company and its subsidiaries, key management personnel, directors and officers with authority in the planning and direction of the Company's and its subsidiaries' operations, together with closed family members of such persons and companies which are controlled or influenced by them, whether directly or indirectly.

6. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. The significant accounting judgments and estimates are as follows:

6.1 Fair value of financial instruments

In determining the fair value of financial instruments that are not freely traded in an open market or for which quoted market prices are not readily available, the management exercises judgment in estimating the fair value of such financial instruments, using the generally accepted valuation method. The inputs used in such fair value calculation are comparable to those from the observable markets, taking into consideration of liquidity and correlation and long-term volatility of financial instruments.

6.2 Allowance for doubtful debts on loans to customers and accrued interest receivables

Allowances for doubtful debts on loans to customers and accrued interest receivables are intended to adjust the value of loans and receivables for probable credit losses. The management follows the BOT's guidelines regarding the provision of allowance for doubtful debts, including the use of judgment to estimate losses expected to be incurred on loans and/or accrued interest receivables, taking into consideration an analysis of each debtor's status, payment history,

collection experience from the debtor, the value of collateral and surrounding economic conditions. However, the use of different estimates and assumptions could affect the amounts of allowances for doubtful debts and adjustments to the allowances may therefore be required in the future.

6.3 Premises and equipment and depreciation

In determining depreciation of premises and equipment, the management is required to make estimates of the useful lives and residual values of the Company and its subsidiaries' premises and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and record impairment losses (if any) in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

6.4 Intangible assets

In consideration of impairment on intangible assets, it requires management to forecast cash flows that will be generated by the assets or the cash generating units, and to select a suitable discount rate in order to determine the present value of those cash flows. In addition, in amortising intangible assets, the management estimates the useful lives of those intangible assets that have finite useful lives and reviews these estimates whenever circumstances change.

6.5 Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimated future profits. The amount of deferred tax assets that will be utilised by the Company and its subsidiaries in the future may differ from these estimates.

6.6 Provision for employee benefits

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate and mortality rate, based on their best knowledge of current events and arrangement. However, actual payments of post-employment benefits may differ from the estimates.

6.7 Assessment of risk and rewards

When considering the recognition or derecognition of assets and liabilities, the management use judgment in considering and assessing risk and rewards. Although management uses their best judgment and knowledge of current events in making assessments of risk and rewards, actual risks and rewards may ultimately differ.

6.8 Litigation

The subsidiaries have contingent liabilities as a result of litigation claims. The management has used judgement to assess of the outcome of the litigation and believe that there will be no loss. Therefore no contingent liabilities are recorded as at the end of reporting period. However, actual results could differ from the estimates.

7. Interbank and money market items (assets)

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2011			31 December 2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand	400,636	-	400,636	324,811	-	324,811
Commercial banks	196,308	350,000	546,308	149,377	-	149,377
Specialised financial institutions	18	997,431	997,449	18	-	18
Other financial institutions	749,877	2,684,443	3,434,320	-	4,717,012	4,717,012
Total domestic items	1,346,839	4,031,874	5,378,713	474,206	4,717,012	5,191,218
Add: Accrued interest receivables	105	1,781	1,886	-	2,162	2,162
Less: Allowance for doubtful debts	(7,499)	(30,344)	(37,843)	-	(47,060)	(47,060)
Interbank and money market						
items - net	1,339,445	4,003,311	5,342,756	474,206	4,672,114	5,146,320

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2011			31 December 2010		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	446,455	-	446,455	6,710	337,009	343,719
Add: Accrued interest receivables	806	-	806	-	59	59
Interbank and money market						
items - net	447,261	-	447,261	6,710	337,068	343,778

8. Investments

8.1 Classified by investment type

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December 2011	31 December 2010
<u>Available-for-sale investments - fair value</u>		
Government and state enterprise securities	3,253,317	37,303
Total available-for-sale investments	3,253,317	37,303
<u>Held-to-maturity debt securities - cost/amortised cost</u>		
Government and state enterprise securities	13,921,373	14,047,550
Private sector debt securities	2,680,654	40,000
Total held-to-maturity debt securities	16,602,027	14,087,550
<u>General investments - cost</u>		
Non-marketable equity securities	5,365	5,365
Less: Allowance for impairment	(565)	(565)
General investments - net	4,800	4,800
Investments - net	19,860,144	14,129,653

8.2 Revaluation surplus on investments

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Balances at beginning of the years	9,281	19,688
Increase from changes in value of securities	22,783	1,428
Increase from reclassification of investment types (Note 8.3)	290,736	-
Decrease from changes in value of securities	-	(159)
Decrease as a result of realising it as revenue due to matured debt securities	-	(419)
Amortisation of revaluation surplus on investment as a result of reclassification of investment types to be recognised as revenue	(1,358)	(1,251)
Realised as gains on sales of investments	(78,369)	(10,006)
Balances at end of the years	243,073	9,281
Less: The effect of deferred tax liabilities at the tax rates of 23% for the year 2011 and 30% for the year 2010	(55,907)	(2,784)
Balances at end of the years - net	187,166	6,497

8.3 Transfer of investments

On 17 October 2011, the Board of Director's Meeting No. 10/2011 of the subsidiary passed a resolution approving the following reclassifications of the subsidiary's investment portfolio:

- (a) Approval on the reclassification from investments in debt securities expected to be held to maturity to available-for-sale investments in order to correspond to funding cost trend of the subsidiary.

Following the approval, on 21 October 2011 the subsidiary reclassified investments in government and state enterprise securities, which were classified as held-to-maturity debt securities, to available-for-sale investments. The fair value and the carrying value of these securities at the transfer date amounted to approximately Baht 4,291 million and Baht 4,051 million, respectively.

- (b) Approval on the reclassification from investments in private sector debt securities, which were classified as available-for-sale investments, to held-to-maturity debt securities when the subsidiary's status is upgraded to that of a commercial bank since the regulations applicable to retail banking operation previously licensed to the subsidiary do not permit the subsidiary to classify its investments in private sector debt securities, issued by juristic entities other than those allowed by regulations as held-to-maturity debt securities. Hence, when the subsidiary's status is upgraded to that of a commercial bank there would be no such restriction and management would be able to review the objective of the subsidiary's holdings in private sector debt securities by it.

The subsidiary received an approval to be a commercial bank on 19 December 2011 from the Bank of Thailand and therefore on 26 December 2011, the subsidiary reclassified investments in private sector debt securities classified as available-for-sale investments to held-to-maturity debt securities. The fair value and the carrying value of these securities at the transfer date amounted to approximately Baht 2,509 million and Baht 2,459 million, respectively.

The differences between the carrying amounts and their fair values of the investments on the dates of the reclassification in (a) and (b) above, totaling Baht 290 million, were recorded in "Revaluation surplus on investments" in shareholders' equity.

8.4 Investments in companies having problems relating to financial position and operating results

(Unit: Thousand Baht)

Consolidated financial statements							
31 December 2011				31 December 2010			
Number of companies	Cost	Fair value/ book value	Allowance for impairment	Number of companies	Cost	Fair value/ book value	Allowance for impairment
General investments							
Companies with auditors' report indicating going concern issues							
2	481	-	481	2	481	-	481
2	481	-	481	2	481	-	481

8.5 Investments in equity securities which the Company and its subsidiaries have in possession exceeding 10 percent of the paid-up share capital but not treated as investments in subsidiaries or associated companies

As at 31 December 2011 and 2010, the Company and its subsidiaries have not investments in any companies or funds exceeding 10 percent of the paid-up share capital which is not treated as investments in subsidiaries or associated companies.

8.6 Investments subject to restriction

8.6.1 As at 31 December 2011, the subsidiary placed with a commercial bank the government bonds and state enterprise securities totaling Baht 1,503.7 million (face value) as securities against those sold under repurchase agreements (As at 31 December 2010, the subsidiary placed with 2 commercial banks the state enterprise securities totaling Baht 2,663.2 million (face value) as securities against those sold under repurchase agreements).

8.6.2 As at 31 December 2011 and 2010, the Company and its subsidiaries have no obligations with respect to any agreements to resell its equity or debt securities, which were received as a result of debt restructuring.

9. Investment in subsidiaries

Investment in subsidiaries, which is presented in the separate financial statements, is detailed below.

(Unit: Thousand Baht)

Company's name	Nature of business	Type of investment	Paid-up capital		Shareholding percentage		Cost		Dividend received during the years ended 31 December	
			31 December		31 December		31 December			
			2011	2010	2011	2010	2011	2010	2011	2010
					(%)	(%)				
<u>Subsidiary directly held by the Company</u>										
Land and Houses Bank Public Company Limited	Banking business	Ordinary share	12,000,000	5,500,000	99.99	99.99	11,999,999	5,499,999	210,000	375,088
<u>Subsidiary indirectly held by the Company (held by its subsidiary)</u>										
Land and Houses Fund Management Company Limited	Fund Management Business	Ordinary share	200,000	100,000	99.99	99.99	157,289 ⁽¹⁾	57,289 ⁽¹⁾	-	-

⁽¹⁾ As this is a subsidiary held by the Company's subsidiary, the investment cost of such company is shown at the separate financial statements of that subsidiary.

On 28 January 2011, Meeting No.2/2011 of the Executive Directors Committee of the subsidiary passed a resolution to call up payment of Baht 4,500 million on the additional ordinary shares to be made on 8 February 2011. The Company already made payment of such additional share capital to the subsidiary.

On 22 April 2011, Meeting No.8/2011 of the Executive Directors Committee of the subsidiary passed a resolution to allot additional 200,000,000 ordinary shares with a par value of Baht 10 each, totaling Baht 2,000 million. The Company already made payment of such additional share capital to the subsidiary.

10. Loans to customers and accrued interest receivables

10.1 Classified by loan types

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December 2011	31 December 2010
Overdrafts	2,958,783	1,547,640
Loans	43,024,103	35,910,527
Bills	8,981,895	5,054,971
Total loans to customers	54,964,781	42,513,138
Less: Deferred revenue	(17,435)	(15,331)
Loans to customers net of deferred revenue	54,947,346	42,497,807
Add: Accrued interest receivables	129,201	61,610
Total loans to customers and accrued interest receivables	55,076,547	42,559,417
Less: Allowance for doubtful debts	(585,458)	(414,523)
Revaluation allowance for debt restructuring	(68,013)	(53,489)
Loans to customers and accrued interest receivables - net	54,423,076	42,091,405

During late 2011, there was widespread flooding in Thailand, which has affected some of the subsidiary's debtors. The subsidiary has assisted these debtors in accordance with the policy framework of the Bank of Thailand, by rescheduling principal or interest payments for a certain period of time and not classifying those loans as restructured loans. As at 31 December 2011, 1,504 debtors with outstanding balances of Baht 8,738 million due to the subsidiary had rescheduled terms of payments due to the impact of the floods. The subsidiary has set aside allowance for doubtful debts on those loans with reference to the loan classification under the BOT's guidelines.

10.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2011			31 December 2010		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	54,947,346	-	54,947,346	42,497,807	-	42,497,807
Loans to customers net of deferred revenue	54,947,346	-	54,947,346	42,497,807	-	42,497,807

10.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2011					
	Pass	Special mention	Sub - standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	96,411	3,504	-	-	-	99,915
Manufacturing and commerce	5,095,514	191,699	45,260	30,581	42,719	5,405,773
Real estate and construction	6,052,598	164,978	-	18,194	21,472	6,257,242
Public utilities and services	9,093,061	508,884	774	6,785	23,692	9,633,196
Housing loans	27,649,555	618,742	114,047	280,114	362,235	29,024,693
Others	4,469,145	26,829	9,691	10,972	9,890	4,526,527
Loans to customers net of deferred revenue	52,456,284	1,514,636	169,772	346,646	460,008	54,947,346

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2010					
	Pass	Special mention	Sub - standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	12,230	-	-	-	-	12,230
Manufacturing and commerce	4,199,728	58,039	4,227	47,159	15,065	4,324,218
Real estate and construction	3,143,104	6,690	5,660	675	5,373	3,161,502
Public utilities and services	4,522,688	5,428	-	-	23,692	4,551,808
Housing loans	27,464,223	644,270	64,429	323,924	181,776	28,678,622
Others	1,730,582	21,810	3,384	6,233	7,418	1,769,427
Loans to customers net of deferred revenue	41,072,555	736,237	77,700	377,991	233,324	42,497,807

10.4 Classified by loan classification

(Unit: Thousand Baht)

Consolidated and separate financial statements								
31 December 2011					31 December 2010			
	Loans to customers and accrued interest receivables	Balance net of collateral ⁽¹⁾	Minimum provisioning rates	Allowance provided in the accounts	Loans to customers and accrued interest receivables	Balance net of collateral ⁽¹⁾	Minimum provisioning rates	Allowance provided in the accounts
			(%)				(%)	
Provision at BOT's minimum required rates								
Pass	52,570,438	10,091,579	1	100,916	41,130,060	5,729,799	1	57,298
Special-mention	1,529,683	63,125	2	1,263	740,342	20,340	2	407
Sub-standard	169,772	63,257	100	61,573 ⁽²⁾	77,700	26,834	100	24,456 ⁽²⁾
Doubtful	346,646	93,490	100	72,067 ⁽²⁾	377,991	124,651	100	108,023 ⁽²⁾
Doubtful of loss	460,008	170,310	100	154,430 ⁽²⁾	233,324	76,136	100	67,485 ⁽²⁾
Total	55,076,547	10,481,761		390,249	42,559,417	5,977,760		257,669
Additional provision for specific debtors				135,209				-
General provision				60,000				156,854
Total				585,458				414,523

(1) Balance net of collateral means principal balance net of collateral in case of loans classified as pass and special mention or debt balance after deduction of the present value of future cash flows expected to be received from debt collection or from the disposal of collateral.

(2) As at 31 December 2011 and 2010, the subsidiary included allowance for doubtful debts approximately totaling Baht 39 million and Baht 28 million, respectively, in "Revaluation allowance for debt restructuring" account since those amounts are for the restructured loans.

10.5 Non-performing loans

As at 31 December 2011 and 2010, the subsidiary has the following non-performing loans.

Consolidated financial statements		
	31 December 2011	31 December 2010
Non-performing loans (Thousand Baht)	976,426	689,016
Percentage of non-performing loans to total loans ⁽¹⁾	1.66%	1.46%

(1) The denominator base included interbank and money market items (assets).

Non-performing loans as at 31 December 2011 and 2010, as presented above are in accordance with the Notification of the Bank of Thailand, defining the non-performing loans to be classified as "sub-standard", "doubtful" and "doubtful of loss", and exclude outstanding loans for which debt restructuring agreements have been made and which have already met the conditions for upgrade to "pass" or "special mention" under the Bank of Thailand's criteria.

10.6 Non-accrued loans to customers

As at 31 December 2011 and 2010, the subsidiary has the following loans on which interest income recognition has been ceased on an accrual basis:

	Consolidated financial statements	
	31 December 2011	31 December 2010
Non-accrued loans (Thousand Baht)	1,146,226	731,615
Percentage of non-accrued loans to total loans ⁽¹⁾	1.95%	1.55%

⁽¹⁾ The denominator base included interbank and money market items (assets).

10.7 Loans to customers having problems in repayments of debts or defaulted payments

As at 31 December 2011 and 2010, the subsidiary had loans to customers and accrued interest receivables due from companies and persons, which have problems in repayments of debts or defaulted payments, against which allowance for doubtful debts has been made as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2011			
	Number of Debtors	Debt balance	Collateral	Allowance for doubtful debts
Companies and persons, which have problems in repayments of debts or defaulted payments	471	2,506,109	2,100,879	385,185

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2010			
	Number of Debtors	Debt balance	Collateral	Allowance for doubtful debts
Companies and persons, which have problems in repayments of debts or defaulted payments	377	1,429,358	1,177,292	241,594

The subsidiary has inadequate information to disclose transactions in respect of companies whose auditors' reports indicate that there is substantial doubt about their ability to continue their businesses as a going concern and unlisted companies whose financial position and results of operations are the same as those of listed companies under The Stock Exchange of Thailand delisting criteria. However, the subsidiary has taken into accounts the guidelines of the Bank of Thailand in classification and provision for doubtful accounts.

10.8 Troubled debt restructuring

For the years ended 31 December 2011 and 2010, the subsidiary had completed restructuring of troubled debts for which number of debtors and the outstanding debt balances (including accrued interest receivables) before restructuring could be summarised as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the year ended 31 December 2011		For the year ended 31 December 2010	
	Number of debtors	Debt balances before restructuring	Number of debtors	Debt balances before restructuring
Debtors executing debt restructuring agreements	63	232,519	123	520,179

The restructured debts discussed above can be classified by method of debt restructuring as follows:

(Unit: Thousand Baht)

	Consolidated financial statements					
	For the year ended 31 December 2011					
	Number of debtors	Debt balances		Type of assets transferred	Fair value	Present value loss from debt restructuring
		Before restructuring	After restructuring			Loss on debt restructuring ⁽¹⁾
Modification of terms of payments	63	232,519	232,519	-	-	-
Total restructured debts during the year	63	232,519	232,519		-	-
Loans to customers and accrued interest receivables as at 31 December 2011	10,040		55,076,547			

⁽¹⁾ Losses on debt restructuring shown are the amounts before deducting allowance for doubtful debts already provided in the accounts for the troubled debtor on the restructuring dates.

(Unit: Thousand Baht)

	Consolidated financial statements					
	For the year ended 31 December 2010					
	Number of debtors	Debt balances		Type of assets transferred	Fair value	Present value loss from debt restructuring
		Before restructuring	After restructuring			Loss on debt restructuring ⁽¹⁾
Modification of terms of payments	123	520,179	520,179	-	-	-
Total restructured debts during the year	123	520,179	520,179		-	-
Loans to customers and accrued interest receivables as at 31 December 2011	9,441		42,559,417			

⁽¹⁾ Losses on debt restructuring shown are the amounts before deducting allowance for doubtful debts already provided in the accounts for the troubled debtor on the restructuring dates.

During the years ended 31 December 2011 and 2010, the debts restructured by means of modification of the terms of repayment and combination of methods referred to above can be classified by the term of repayment under the restructuring agreements as follows:

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2011				For the year ended 31 December 2010		
Term of repayment under restructuring agreements	Number of debtors	Debt balances		Number of debtors	Debt balances	
		Before restructuring	After restructuring		Before restructuring	After restructuring
Less than 5 years	-	3	3	2	3	3
5 - 10 years	29	99	99	28	105	105
10 - 15 years	3	11	11	10	73	73
More than 15 years	31	120	120	83	339	339
Total	63	233	233	123	520	520

Supplemental information for the years ended 31 December 2011 and 2010, relating to the restructured debts, are as follows:

(Unit: Thousand Baht)

Consolidated financial statements			
For the year ended 31 December 2011		For the year ended 31 December 2010	
Principal	Interest	Principal	Interest
Cash settlement by debtors	116,993	92,669	68,071

As at 31 December 2011 and 2010, troubled debts which the subsidiary has completed restructuring can be summarised as follows:

(Unit: Thousand Baht)

	Number of debtors	Debt balances ⁽¹⁾
Balance of restructured debts up to 31 December 2011	324	1,547,298
Balance of restructured debts up to 31 December 2010	294	1,481,455

⁽¹⁾ Excluded advances paid

As at 31 December 2011 and 2010, the subsidiary had no outstanding commitments to provide additional loans facilities after restructuring.

11. Allowance for doubtful debts

(Unit: Thousand Baht)

	Consolidated financial statements							
	For the year ended 31 December 2011							
	Provision at BOT's minimum required rates					Additional provision for specific debtors	General provision	Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss			
Balances - beginning of the year	57,298	407	24,456	108,023	67,485	-	156,854	414,523
Increased (decrease) during the year	43,618	856	35,468	(30,561)	94,530	135,209	(99,120)	180,000
Transferred from allowance for doubtful debts for interbank and money market items	-	-	-	-	-	-	9,217	9,217
Transferred from (transferred to) revaluation allowance for debt restructuring	-	-	1,649	(5,395)	(7,585)	-	(3,193)	(14,524)
Transferred to allowance for doubtful debts for other assets	-	-	-	-	-	-	(3,884)	(3,884)
Transferred from provisions for other liabilities	-	-	-	-	-	-	126	126
Balances - end of the year	100,916	1,263	61,573	72,067	154,430	135,209	60,000	585,458

(Unit: Thousand Baht)

	Consolidated financial statements							
	For the year ended 31 December 2010							
	Provision at BOT's minimum required rates					Additional provision for specific debtors	General provision	Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss			
Balances - beginning of the year	52,341	481	39,783	66,381	14,938	50,073	38,737	262,734
Increased (decrease) during the year	4,957	(74)	(15,595)	49,023	61,198	(50,073)	160,564	210,000
Transferred to allowance for doubtful debts for interbank and money market items	-	-	-	-	-	-	(45,460)	(45,460)
Transferred from (transferred to) revaluation allowance for debt restructuring	-	-	268	(7,381)	(8,651)	-	8,580	(7,184)
Transferred to allowance for doubtful debts for other assets	-	-	-	-	-	-	(5,567)	(5,567)
Balances - end of the year	57,298	407	24,456	108,023	67,485	-	156,854	414,523

12. Revaluation allowance for debt restructuring

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the year ended 31 December 2011	For the year ended 31 December 2010
Balances - beginning of the years	53,489	46,306
Increase during the years	27,817	24,479
Decrease during the years	(13,293)	(17,296)
Balances - end of the years	68,013	53,489

13. Premises and equipment

(Unit: Thousand Baht)

	Consolidated financial statements						
	For the year ended 31 December 2011						
	Land	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicles	Leasehold improvement under construction Total
Cost:							
31 December 2010	-	-	111,336	47,850	190,979	5,690	357,612
Additions	35,358	2,642	30,990	19,214	85,429	3,130	213,737
Disposals/written-off	-	-	-	-	(31)	(2,729)	(2,760)
Transferred in	-	-	34,335	815	3,581	-	38,731
Transferred out	-	-	-	-	-	-	(38,731)
31 December 2011	35,358	2,642	176,661	67,879	279,958	6,091	568,589
Accumulated depreciation:							
31 December 2010	-	-	70,661	30,099	129,686	5,429	235,875
Accumulated depreciation on disposal/written-off	-	-	-	-	(26)	(2,720)	(2,746)
Depreciation charged for the year	-	90	19,193	8,018	30,985	760	59,046
31 December 2011	-	90	89,854	38,117	160,645	3,469	292,175
Net book value:							
31 December 2010	-	-	40,675	17,751	61,293	261	121,737
31 December 2011	35,358	2,552	86,807	29,762	119,313	2,622	276,414
Depreciation for the year ended 31 December 2011							59,046

Consolidated financial statements

		Leasehold improvements	Furniture and fixtures	Office equipment	Vehicles	Leasehold improvement under construction	Total
-	-	88,474	38,440	163,483	5,690	1,215	297,302
-	-	275	251	437	-	-	963
-	-	12,324	9,410	27,223	-	10,961	59,918
-	-	(156)	(251)	(164)	-	-	(571)
-	-	10,419	-	-	-	-	10,419
-	-	-	-	-	-	(10,419)	(10,419)
-	-	111,336	47,850	190,979	5,690	1,757	357,612
-	-	51,614	21,757	96,582	4,291	-	174,244
-	-	135	124	343	-	-	602
-	-	(80)	(128)	(104)	-	-	(312)
-	-	18,992	8,346	32,865	1,138	-	61,341
-	-	70,661	30,099	129,686	5,429	-	235,875
-	-	36,860	16,683	66,901	1,399	1,215	123,058
-	-	40,675	17,751	61,293	261	1,757	121,737
							61,341

(Unit: Thousand Baht)

Separate financial statement

For the year ended 31 December 2011

Cost:

31 December 2010

Additions

31 December 2011

Accumulated depreciation:

31 December 2010

Depreciation charged for the year

31 December 2011

Net book value:

31 December 2011

Depreciation for the year ended 31 December 2011

	Land	Buildings	Total
31 December 2010	-	-	-
Additions	35,358	2,642	38,000
31 December 2011	35,358	2,642	38,000
31 December 2010	-	-	-
Depreciation charged for the year	-	90	90
31 December 2011	-	90	90
31 December 2011	35,358	2,552	37,910
Depreciation for the year ended 31 December 2011			90

As at 31 December 2011 and 2010, the subsidiaries have certain leasehold improvements and equipment, which have been fully depreciated but are still in use. The original cost before deducting accumulated depreciation of those assets amounted to Baht 167 million and Baht 107 million, respectively.

14. Intangible assets

(Unit: Thousand Baht)

Consolidated financial statements

For the year ended 31 December 2011

Cost:

31 December 2010

Additions

Transferred in

Transferred out

31 December 2011

Accumulated amortisation:

31 December 2010

Amortisation charged for the year

31 December 2011

Net book value:

31 December 2010

31 December 2011

Amortisation for the year ended 31 December 2011**Remaining amortisation (years)**

	Computer softwares	Deferred license fee	Computer softwares under development	Total
31 December 2010	208,061	-	4,930	212,991
Additions	40,004	28,273	35,460	103,737
Transferred in	17,246	-	-	17,246
Transferred out	-	-	(17,246)	(17,246)
31 December 2011	265,311	28,273	23,144	316,728
31 December 2010	138,425	-	-	138,425
Amortisation charged for the year	29,302	2,381	-	31,683
31 December 2011	167,727	2,381	-	170,108
31 December 2010	69,636	-	4,930	74,566
31 December 2011	97,584	25,892	23,144	146,620
Amortisation for the year ended 31 December 2011				31,683
Remaining amortisation (years)	0 - 5	1 - 9	-	

(Unit: Thousand Baht)

Consolidated financial statements			
For the year ended 31 December 2010			
	Computer softwares	Computer softwares under development	Total
Cost:			
31 December 2009	174,795	1,065	175,860
Increase from purchase of a subsidiary during the year	4,983	-	4,983
Additions	27,121	5,048	32,169
Disposal	(21)	-	(21)
Transferred in	1,183	-	1,183
Transferred out	-	(1,183)	(1,183)
31 December 2010	208,061	4,930	212,991
Accumulated amortisation:			
31 December 2009	98,720	-	98,720
Increase from purchase of a subsidiary during the year	2,284	-	2,284
Accumulated amortization on disposals	(11)	-	(11)
Amortisation charged for the year	37,432	-	37,432
31 December 2010	138,425	-	138,425
Net book value:			
31 December 2009	76,075	1,065	77,140
31 December 2010	69,636	4,930	74,566
Amortisation for the year ended 31 December 2010			37,432
Remaining amortisation (years)	0 - 5	-	

As at 31 December 2011 and 2010, the subsidiaries have certain computer softwares, which have been fully amortised but are still in use. The original cost before deducting accumulated amortisation of those assets amounted to Baht 95 million and Baht 80 million, respectively.

15. Notes receivable

On 28 February 2007 the subsidiary received price settlement on disposal of properties foreclosed to Bangkok Commercial Asset Management Company Limited ("BAM") in the form of transferable promissory notes totalling Baht 175 million issued by BAM. Such promissory notes have maturity periods of 2-7 years and are non-interest bearing. As at 31 December 2011 and 31 December 2010, the subsidiary has promissory notes issued by BAM, with details as follows:

(Unit: Thousand Baht)

Consolidated financial statements				
Due	31 December 2011		31 December 2010	
	Face value	Carrying value	Face value	Carrying value
28 February 2011	-	-	25,699	25,530
18 July 2011	-	-	13,090	13,005
28 February 2014	1,896	1,743	1,896	1,672
	1,896	1,743	40,685	40,207

16. Deferred tax assets and deferred tax liabilities

As of 31 December 2011 and 2010, the components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2011	31 December 2010	Change in deferred tax assets/liabilities reported in the statements of comprehensive income for the years ended 31 December	
			2011	2010
Deferred tax assets				
Allowance for doubtful debts - general provision	13,800	47,056	(33,256)	35,435
Allowance for doubtful debts - other assets	2,769	2,525	244	1,670
Non-accrued interest income	2,716	1,751	965	668
Depreciation/amortisation of assets	13,145	18,149	(5,004)	4,082
Bad debt written-off	14,516	19,078	(4,562)	(39)
Provisions for employee benefits	9,233	-	829 ⁽²⁾	-
Discount on revaluation of notes receivable	35	143	(108)	(478)
Deferred tax assets	56,214	88,702	(40,892)	41,338
Deferred tax liabilities				
Revaluation surplus on investments	55,907	2,784	- ⁽¹⁾	-
Deferred tax liabilities	55,907	2,784	-	-

⁽¹⁾ Change in deferred tax liabilities on this transaction is directly recorded to equity.

⁽²⁾ Change in deferred tax assets reported in the statements of comprehensive income represent difference in deferred tax assets arising from provisions for employee benefits as of 31 December 2011 and 31 December 2010 amounting to Baht 9.23 million and Baht 8.40 million, respectively.

In October 2011, the Cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013 onwards and later in December 2011, in order to comply with the resolution of the Cabinet, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. The Company and its subsidiaries therefore reflected the changes in tax rates in its deferred tax calculation as presented above.

As at 31 December 2011 the Company and a subsidiary of the subsidiary have tax-deductible temporary differences and unused brought forward tax losses totaling Baht 70 million, on which deferred tax assets have not been recognised since the Company and that subsidiary already considered that there might not have adequate taxable income in the future to utilise such tax benefit.

17. Other assets

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Deposits and guarantees	36,403	23,100	-	-
Advance paid	69,105	21,430	-	-
Suspense accounts - debtors	13,263	8,693	-	-
Withholding taxes	42	5,149	-	15
Prepaid expenses	6,083	4,145	1,389	72
Fees receivables	1,107	2,514	-	-
Others	20,324	5,685	-	-
Total	146,327	70,716	1,389	87
Less: Allowances for doubtful accounts/impairment	(12,816)	(8,931)	-	-
Other assets - net	133,511	61,785	1,389	87

18. Classification of assets

As at 31 December 2011 and 2010, the subsidiary has assets, which are categorised in compliance with the regulations of the Bank of Thailand as follows:

(Unit: Thousand Baht)

Consolidated financial statements					
31 December 2011					
	Interbank and money market items (assets) and accrued interest receiva- bles	Investments	Loans to customers and accrued interest receivables	Other assets	Total
<u>Classification of assets</u>					
Pass	3,785,409	-	52,570,438	-	56,355,847
Special mention	-	-	1,529,683	-	1,529,683
Sub-standard	-	-	169,772	-	169,772
Doubtful	-	-	346,646	-	346,646
Doubtful of loss	-	565	460,008	12,301	472,874
Total	3,785,409	565	55,076,547	12,301	58,874,822

(Unit: Thousand Baht)

Consolidated financial statements

31 December 2010

	Interbank and money market items (assets) and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets	Total
<u>Classification of assets</u>					
Pass	4,719,174	-	41,130,060	-	45,849,234
Special mention	-	-	740,342	-	740,342
Sub-standard	-	-	77,700	-	77,700
Doubtful	-	-	377,991	-	377,991
Doubtful of loss	-	565	233,324	8,417	242,306
Total	4,719,174	565	42,559,417	8,417	47,287,573

19. Deposits

19.1 Classified by types of deposits

(Unit: Thousand Baht)

Consolidated financial statements

	31 December 2011	31 December 2010
At call	1,129,281	1,377,460
Savings deposits	9,260,600	9,863,741
Time deposits		
- Less than 1 year	10,601,785	6,992,957
- Over 1 year	1,262,823	8,848,268
Total deposits	22,254,489	27,082,426

19.2 Classified by currency and residency of depositors

(Unit: Thousand Baht)

Consolidated financial statements

	31 December 2011			31 December 2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	22,254,489	-	22,254,489	27,082,426	-	27,082,426
Total	22,254,489	-	22,254,489	27,082,426	-	27,082,426

20. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2011			31 December 2010		
	At call	Term	Total	At call	Term	Total
Domestic:						
Commercial banks	200,923	1,497,663	1,698,586	416,752	2,798,992	3,215,744
Specialised financial institutions	450,000	2,995,000	3,445,000	-	1,737,217	1,737,217
Finance, finance and securities, securities, credit foncier companies	1,804,795	910,176	2,714,971	2,033,302	2,481,464	4,514,766
Other financial institutions	224,641	744,700	969,341	204,594	360,000	564,594
Total interbank and money market items	<u>2,680,359</u>	<u>6,147,539</u>	<u>8,827,898</u>	<u>2,654,648</u>	<u>7,377,673</u>	<u>10,032,321</u>

21. Debts issued and borrowings

As at 31 December 2011 and 2010, the subsidiaries have debts issued and borrowings in the form of bills of exchange, which can be summarised as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
Issued to	31 December 2011			31 December 2010		
	Due date	Interest rate per annum	Amount	Due date	Interest rate per annum	Amount
Related parties	At call	2.75% - 3.00%	552,000	At call	-	-
	Within 1 year	3.00% - 4.00%	1,741,640	Within 1 year	1.25% - 2.00%	2,020,000
Related persons	At call	2.75%	7,477	At call	0.75% - 1.00%	11,382
	Within 1 year	3.00% - 4.25%	162,062	Within 1 year	1.55% - 2.00%	147,196
	Over 1 year	-	-	Over 1 year	3.00%	10,100
Funds	At call	2.75% - 3.00%	18,054	At call	-	-
	Within 1 year	3.00% - 4.25%	2,112,478	Within 1 year	1.85% - 2.20%	880,183
	Over 1 year	3.00%	2,000	Over 1 year	3.00%	3,100
Limited companies	At call	2.75% - 3.15%	399,625	At call	1.25% - 1.30%	238,006
	Within 1 year	2.25% - 4.25%	9,092,293	Within 1 year	1.00% - 2.25%	4,807,807
	Over 1 year	3.05%	1,000	Over 1 year	2.50% - 3.05%	5,000
Other juristics	At call	-	-	At call	1.25%	2,513
	Within 1 year	3.75% - 4.00%	26,990	Within 1 year	1.55% - 2.00%	51,316
Individuals	At call	2.75% - 3.00%	394,278	At call	1.00% - 1.65%	20,607
	Within 1 year	2.50% - 7.50%	16,851,167	Within 1 year	1.13% - 3.05%	8,458,419
	Over 1 year	2.80% - 3.75%	74,204	Over 1 year	2.50% - 3.05%	559,307
Non-profit organisations	Within 1 year	3.50% - 4.25%	113,768	Within 1 year	2.00% - 2.10%	220,000
Other financial institutions	At call	2.75% - 2.90%	609,801	At call	0.75% - 1.00%	22,000
	Within 1 year	2.50% - 4.25%	3,683,997	Within 1 year	1.50% - 2.10%	935,478
	Over 1 year	-	-	Over 1 year	2.50% - 3.00%	1,600
Others	Within 1 year	3.75% - 4.05%	21,945	Within 1 year	-	-
Total			<u>35,864,779</u>			<u>18,394,014</u>

22. Provisions for employee benefits

(Unit: Thousand Baht)

Consolidated financial statements	
31 December 2011	
Provisions for post-employment retirement benefits	33,004
Vacation leave accounts	7,641
Total provisions for employee benefits	40,645

Movements in provisions for employee benefits are as follows:

(Unit: Thousand Baht)

Consolidated financial statements	
Cumulative effect of the change in accounting policy on employee benefits (Note 3.1)	35,954
Current service costs	5,455
Interest costs	1,161
Benefits paid during the year	(1,925)
Balance as at 31 December 2011	40,645

The employee benefit expenses for the year ended 31 December 2011 are as follows:

(Unit: Thousand Baht)

Consolidated financial statements	
For the year ended 31 December 2011	
Current service costs	5,455
Interest costs	1,161
Total employee benefit expenses	6,616

The principal assumptions used in determining provisions for post-employment retirement benefits, using actuarial techniques, are shown below.

Consolidated financial statements	
31 December 2011	31 December 2010
(% per annum)	(% per annum)
Future salary incremental rates	5
Turnover rates	0 - 25
Discount rates	4.1, 5

23. Other liabilities

(Unit: Thousand Baht)

Consolidated financial statements		
	31 December 2011	31 December 2010
Suspense accounts - creditors	117,177	19,868
Income collected in advance	22,630	17,541
Accounts payable on purchases of equipment and intangible assets	16,196	15,979
Deposits - safe boxes	5,583	3,927
Fund subscription received in advance	3,610	-
Others	7,559	4,320
Total	172,755	61,635

(Unit: Thousand Baht)

Separate financial statements		
	31 December 2011	31 December 2010
Office rental deposits	300	-
Total	300	-

24. Share capital

Separate financial statements

	For the year ended 31 December 2011		For the year ended 31 December 2010	
	Number of shares	Baht	Number of shares	Baht
<u>Registered share capital</u>				
Ordinary share capital at beginning of the years	12,000,000,000	12,000,000,000	750,000,000	7,500,000,000
Add: Effect from the reduction in par value from Baht 10 per share to Baht 1 per share	-	-	6,750,000,000	-
Less: Decrease in the registered share capital during the years	-	-	(1,343,088,080)	(1,343,088,080)
Add: Increase in the registered share capital during the years	-	-	5,843,088,080	5,843,088,080
Ordinary share capital at end of the year	12,000,000,000	12,000,000,000	12,000,000,000	12,000,000,000

	Separate financial statements			
	For the year ended 31 December		For the year ended 31 December	
	2011		2010	
	Number of shares	Baht	Number of shares	Baht
Issued and fully paid-up share capital				
Ordinary share capital at beginning of the years	5,515,569,740	5,515,569,740	275,778,487	2,757,784,870
Add: Effect from the reduction in par value from Baht 10 per share to Baht 1 per share	-	-	2,482,006,383	-
Conversion of warrants to ordinary shares (Note 25)	100,967,500	100,967,500	-	-
Add: Issue of additional ordinary shares during the year	5,855,559,080	5,855,559,080	2,757,784,870	2,757,784,870
Ordinary share capital at end of the year	11,472,096,320	11,472,096,320	5,515,569,740	5,515,569,740

On 22 January 2010 the Extraordinary General Meeting No. 1/2010 of the Company's Shareholders passed resolutions approving the following with respect to ordinary share capital and warrants:

1. A change in the par value of the Company's ordinary shares from Baht 10 to Baht 1 per share. As a result, the number of shares increased from 750,000,000 to 7,500,000,000 shares while the registered share capital remained at Baht 7,500 million. The Company already registered such change in par value on 27 January 2010.
2. A change in exercise price and number of units of the first and second series of warrants (W1 and W2), to reflect the change in the par value of the Company's ordinary shares from Baht 10 to Baht 1 per share, as mentioned above. The changes in the exercise prices and numbers of the first and second series of warrants are detailed below.
 - 2.1 The number of the first series warrants was changed from 69,750,000 units to 697,500,000 units and the exercise price from Baht 10 per share to Baht 1 per share.
 - 2.2 The number of the second series warrants was changed from 23,256,000 units to 232,560,000 units and the exercise price from Baht 10 per share to Baht 1 per share.

On 24 February 2010 the Board of Directors Meeting No. 2/2010 passed resolutions relating to the listing of shareholders entitled to an allotment of additional shares and shareholders entitled to receive the first interim dividend, as follows:

1. The shareholders who were to be allotted for additional 278,779,400 ordinary shares were determined on 15 March 2010 and the dates for such capital call were during 29 - 31 March 2010 and on 1 April 2010.
2. In 2010, the Company has a plan to pay an interim dividend when it has net operating income. The Company listed the shareholders entitled to participate in the interim dividend distribution on 15 March 2010. The additional shares allotted on 15 March 2010 are not entitled to receive payment of this first interim dividend.

During 29 March 2010 - 1 April 2010, the Company received Baht 2,757,784,870 from the issue of additional shares and then registered the additional paid-up share capital with the Ministry of Commerce on 7 April 2010.

On 23 April 2010, the Board of Directors Meeting No. 4/2010 passed a resolution relating to the interim dividend payment, the decrease in the registered share capital, and the increase in the registered share capital, as follows:

1. Approving an interim dividend payment of Baht 0.015 per share, or a total of Baht 41,366,773.05 from the Company's earnings for the period ended 30 April 2010. The dividend was paid on 14 May 2010 to those shareholders whose names appear on the shareholders' register book as at 15 March 2010.
2. Approving the decrease in the registered share capital by canceling the unissued 1,343,088,080 registered shares with a par value of Baht 1 each, totaling Baht 1,343,088,080. As a result, the registered share capital will decrease from 7,500,000,000 shares, amounting to Baht 7,500,000,000 to 6,156,911,920 shares, amounting to Baht 6,156,911,920.
3. Approving the increase in the registered share capital by 5,843,088,080 shares with a par value of Baht 1 each, or a total of Baht 5,843,088,080, resulting the total registered shares of 12,000,000,000 shares, amounting to Baht 12,000,000,000. The additional shares are to be allotted as below.
 - 3.1 Allotment of 1,800,000,000 ordinary shares, totaling Baht 1,800,000,000, for a public offering.
 - 3.2 Allotment of 4,043,088,080 ordinary shares, totaling Baht 4,043,088,080, for offering to specific investors for up to 35 investors.

Such decrease and increase in the registered share capital were approved by resolution from the Extraordinary General Meeting of shareholders held on 14 May 2010, and the reduction of the registered share capital and investment of funds released in the Land and Houses Bank Public Company Limited were authorised by the Bank of Thailand on 27 May 2010. The Company registered the decrease and increase in its registered share capital with the Ministry of Commerce on 2 June 2010 and 3 June 2010, respectively.

On 15 October 2010, the Board of Directors Meeting No.10/2010 passed a resolution relating to allotment of the ordinary shares, as follows:

1. Approving the cancellation of the following resolutions passed by the Board of Directors Meeting No.4/2010 held on 23 April 2010 and the Extraordinary General Meeting of shareholders No.2/2010 held on 14 May 2010:
 - 1.1 Cancellation of 641,342,180 ordinary shares with a par value of Baht 1 each, totaling Baht 641,342,180 to support the exercise of warrants of the Company, as follows:
 - (a) Cancellation of 423,806,180 ordinary shares with a par value of Baht 1 each, totaling Baht 423,806,180 issued to support the exercise of the first series of warrants of the Company. (W1)
 - (b) Cancellation of 217,536,000 ordinary shares with a par value of Baht 1 each, totaling Baht 217,536,000 issued to support the exercise of the second series of warrants of the Company. (W2)
 - 1.2 Cancellation of 1,800,000,000 ordinary shares with a par value of Baht 1 each, totaling Baht 1,800,000,000, issued for a public offering
 - 1.3 Cancellation of 4,043,088,080 ordinary shares with a par value of Baht 1 each, totaling Baht 4,043,088,080, issued for offering to up to 35 specific investors

2. Approving the issue of 6,484,430,260 ordinary shares with a par value of Baht 1 each, totaling Baht 6,484,430,260, as follows:
 - 2.1 Allotment of 628,871,180 ordinary shares with a par value of Baht 1 each, totaling Baht 628,871,180 to support the exercise of warrants of the Company, as follows:
 - (a) Allotment of 423,806,180 ordinary shares with a par value of Baht 1 each, totaling Baht 423,806,180, to support the exercise of the first series of warrants of the Company. (W1)
 - (b) Allotment of 205,065,000 ordinary shares with a par value of Baht 1 each, totaling Baht 205,065,000, to support the exercise of the second series of warrants of the Company. (W2)
 - 2.2 Allotment of 4,412,455,792 ordinary shares with a par value of Baht 1 each, totaling Baht 4,412,455,792, to the Company's existing shareholders in a ratio of 5:4 (i.e. five ordinary shares entitle the holder to purchase four additional ordinary shares) at a price of Baht 1 per share.
 - 2.3 Allotment of 1,443,103,288 ordinary shares with a par value of Baht 1 each, totaling Baht 1,443,103,288, for a public offering.

All above-mentioned matters as resolved in the Board of Director Meeting No. 10/2010 were approved by resolution from the Extraordinary General Meeting of shareholders No.3/2010 held on 12 November 2010.

On 12 November 2010, the Extraordinary General Meeting of the Company's Shareholders No.3/2010 passed a resolution approving the allocation of 4,412,455,792 shares with a par value of Baht 1 each, totaling Baht 4,412,455,792, to be offered to the existing shareholders in a ratio of 4 new shares for every 5 existing ordinary shares (5:4) at an offer price of Baht 1 each. The period set for subscription and payment was from 1 - 4 February 2011 and the offering was fully subscribed by the shareholders. The Company registered such increase in its issued and paid-up share capital with the Ministry of Commerce on 8 February 2011. Hence, the Company had the registered, issued and paid-up capital of Baht 9,928,025,532 since that date.

On 12 November 2010, the Extraordinary General Meeting of the Company's Shareholders No. 3/2010 held passed a resolution to increase the Company's registered share capital through an initial public offering of 1,443,103,288 ordinary shares with a par value of Baht 1 each, totaling Baht 1,443,103,288. On 28 March 2011, Meeting No. 3/2011 of the Board of Directors of the Company passed a resolution to specify an initial public offering period and the share subscription payment to be during 27 - 29 April 2011 with an offer price of Baht 1.40 per share. The Company received payment for those newly issued shares and registered such increase in its issued and paid-up share capital with the Ministry of Commerce on 4 May 2011. This resulted in the Company having the total issued and paid-up share capital of Baht 11,371,128,820 and share premium of Baht 480,195,864 (net of cost incurred as a result of its public offering and issuance of ordinary shares). The Company's ordinary shares have been trading in the Stock Exchange of Thailand since 10 May 2011.

25. Warrants

On 1 June 2009, the Extraordinary General Meeting of shareholders No. 1/2009 of the Company's shareholders passed a resolution approving the issuance of 73,206,000 units of warrants and on 18 September 2009, the Extraordinary General Meeting of shareholders No. 2/2009 passed certain resolutions to cancel the resolutions resolved in the Extraordinary General Meeting of shareholders No. 1/2009 regarding the approval of issuance of 73,206,000 units of warrants. The meeting also passed resolutions approving the issuance of 93,006,000 warrants to be offered to the warrant holders of Land and Houses Bank Public Company Limited under the shareholding restructure plan of Land and Houses Bank Public Company Limited. Later on 22 January 2010, the Company changed the exercise price and number of unit of warrants to reflect the change in the par value of the Company's ordinary shares as mentioned in Note 26 to the financial statements. The details of each series of the warrants to be issued by the Company are summarised below.

The first series of warrants

On 1 December 2009, the Company issued the 69,750,000 units of the first series of warrants ("Warrant#1" or "W1") to directors, major shareholders, the holders of warrant#1 and warrant#2 of Land and Houses Bank Public Company Limited and additional persons. Later on 22 January 2010, the Company changed the exercise price and number of unit of warrants to reflect the change in the par value of the Company's ordinary shares as mentioned in Note 24 to the financial statements.

Details of warrants are as follows:

Number of units of warrants to offer : 697,500,000 units

Type of warrants : Registered and non-transferable

Offer price : None (Baht 0 per 1 unit of warrant)

Term of warrants : Not exceeding five years from the issuance date

Exercise dates : (1) On the 30th of every months until 31 December 2009.
 (2) On the 30th of January, April, July and October of every years from 31 December 2009.
 (3) Last exercise date is on 30 November 2014.

Restriction on exercise : (1) Until 31 December 2009, warrant holders can exercise all or a portion of their allotted warrants on a single or multiple occasions on the exercise dates.
 : (2) After 31 December 2009, when the Company's ordinary shares are traded on the Stock Exchange of Thailand, warrant holders can exercise any remaining allotted warrants during the following various timing periods commencing the first trading date and with respect to the following proportion.

- During 7-12 months from the first day's trading, not more than 20 percent of the remaining warrants can be exercised.
- During 13-18 months the first day's trading, not more than 20 percent of the remaining warrants can be exercised.
- From 19 months after the first day's trading, all remaining warrants can be exercised.

Exercise price : Baht 1 per share

Exercise ratio : ordinary share per 1 unit of warrant

The second series of warrants

On 1 December 2009, the Company issued the 23,256,000 units of the second series of warrants ("Warrant#2" or "W2") to the holders of warrant#3 of Land and Houses Bank Public Company Limited. Later on 22 January 2010, the Company changed the exercise price and number of unit of warrants to reflect the change in the par value of the Company's ordinary shares as mentioned in Note 24 to the financial statements.

Details of the warrants are as follows:

Number of units of warrants to offer : 232,560,000 units

Type of warrants : Registered and non-transferable

Offer price : None (Baht 0 per 1 unit of warrant)

Term of warrants : Not exceeding five years from the issuance date

Term of warrants : (1) On the 30th of January, April, July and October over the term of the warrants.
(2) Last exercise date is on 30 November 2014.

Restriction on exercise : Warrant holders can exercise any allotted warrants when the Company's ordinary shares are traded on the Stock Exchange of Thailand, with the timing in relation to the first day's trading and the amounts of the warrant exercises as detailed below.

- : • 7-12 months from the first day's trading, not more than 20 percent of the allocated warrants
- 13-18 months the first day's trading, not more than 20 percent of the allocated warrants
- From 19 months after the first day's trading, all remaining warrants can be exercised

Exercise price : Baht 1 per share

Exercise ratio : 1 ordinary share per 1 unit of warrant (unless the rights are adjusted in accordance with the criteria and conditions stipulated under the terms of the warrants)

Movements in the number of units of warrants during the years were as follows:

(Unit: units)

	Separate financial statements		
	For the years ended 31 December 2011 and 2010		
	Warrant#1	Warrant#2	Total
Number of units of warrants as at 31 December 2009	42,380,618	21,956,400	64,337,018
Add: Effect from the reduction in par value from Baht 10 per share to Baht 1 per share	381,425,562	197,607,600	579,033,162
Less: Employees resigned during the year	-	(15,408,000)	(15,408,000)
Number of units of warrants as at 31 December 2010	423,806,180	204,156,000	627,962,180
Less: Conversion of warrants to ordinary shares	(70,321,300)	(30,646,200)	(100,967,500)
Employees resigned during the year	-	(17,455,000)	(17,455,000)
Number of units of warrants as at 31 December 2011	353,484,880	156,054,800	509,539,680

26. Statutory reserve

Pursuant to Section 116 of the Public Company Limited Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income for the year, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of its registered share capital. This reserve is not available for dividend distribution.

27. Dividends

On 23 April 2010, the Board of Directors Meeting No. 4/2010 passed a resolution to approving an interim dividend payment of Baht 0.015 per share, or a total of Baht 41,366,773 from the Company's earnings for the period ended 30 April 2010. The dividend was paid on 14 May 2010 to those shareholders whose names appeared on the shareholders' register book as at 15 March 2010.

28. Capital funds

The primary objectives of the Group's capital management are to maintain its ability to continue as a going concern and to maintain a capital adequacy ratio in accordance with the Act on Undertaking of Banking Business B.E. 2551. Capital funds of the subsidiary operating banking business are as follows:

(Unit: Thousand Baht)

	31 December 2011	31 December 2010
<u>Tier 1 capital fund</u>		
Issued and fully paid up share capital	12,000,000	5,500,000
Statutory reserve	127,000	100,335
Statutory reserve	40,747	18,649
Less: Deferred tax assets	(56,214)	-
Total Tier 1 capital fund	12,111,533	5,618,984
<u>Tier 2 capital fund</u>		
Reserve for assets classified as "Pass" and general reserve	198,759	261,213
Total Tier 2 capital fund	198,759	261,213
Total capital funds	12,310,292	5,880,197

The capital fund ratios of the Land and Houses Bank Plc. ("LH Bank"), as reported to the Bank of Thailand, as at 31 December 2011 and 2010, are as follows:

(Unit: Percentage)

	31 December 2011		31 December 2010	
	LH Bank	Minimum rates required by law	LH Bank	Minimum rates required by law
The ratio of tier 1 capital fund to risk assets	24.41	4.25	16.85	4.25
The ratio of total capital funds to risk assets	24.81	8.50	17.64	8.50

In compliance with Basel II's Pillar III about concerning disclosure of capital adequacy information, under the Notification of the Bank of Thailand, LH Bank disclosed capital adequacy and capital risk exposure information as of 31 December 2010 through LH Bank's website at www.lhbank.co.th on 28 April 2011. Moreover, LH Bank is to disclose capital adequacy and capital risk exposure information as of 31 December 2011 through the LH Bank's website within April 2012.

29. Interest income

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2011	2010	2011	2010
Interbank and money market items	202,924	77,228	8,149	1,530
Investment in debt securities	762,864	529,634	-	-
Loans to customers	2,383,052	1,718,557	-	-
Total interest income	3,348,840	2,325,419	8,149	1,530

30. Interest expenses

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Deposits	502,146	459,210
Interbank and money market items	245,510	94,056
Contributions to the Deposit Protection Agency	95,766	122,759
Debts issued and borrowings	799,443	195,144
Total interest expenses	1,642,865	871,169

31. Net fees and service income

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2011	2010	2011	2010
Fees and service income				
Acceptances, aval and guarantees	17,206	13,351	-	-
Commission income on insurance broker	42,628	42,270	-	-
Others	60,161	28,636	-	-
Total fees and service income	119,995	84,257	-	-
Fees and service income				
Fees and charges	25,136	18,765	5,804	2,466
Others	2,215	745	-	-
Total fees and service expenses	27,351	19,510	5,804	2,466
Net fees and service income	92,644	64,747	(5,804)	(2,466)

32. Directors' remuneration

Directors' remuneration represents the benefits (exclusive of salaries and related benefits payable to executive directors) paid to the directors of the Company and its subsidiaries in accordance with Section 90 of the Public Company Limited Act.

33. Bad debts, doubtful accounts and impairment loss

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Bad debts and doubtful accounts		
Loans to customers	185,459	158,973
Interbank and money market items	(9,217)	45,460
Other assets	3,884	5,567
Provisions for other liabilities	(126)	-
Total bad debts, doubtful accounts and impairment loss	180,000	210,000

34. Income tax

Income tax expenses of the subsidiary for the years ended 31 December 2011 and 2010 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Current income taxes:		
Current income tax charges	200,585	215,833
Deferred taxes:		
Relating to origination and reversal of temporary differences	26,166	(41,338)
Effects of changes in tax rates	14,726	-
Income tax expenses reported in the statement of comprehensive income	241,477	174,495

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2011 and 2010 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Deferred tax relating to unrealised gains or losses on re-measuring available-for-sale investments	(70,138)	3,123
Effects of changes in tax rates	17,016	-
	(53,122)	3,123

Reconciliation between income tax expenses and the product of accounting profit and the applicable tax rates for the years ended 31 December 2011 and 2010 is as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2011	2010
Profit from operation before income taxes	787,310	582,615
Applicable tax rate	30%	30%
Profit from operation before income taxes multiplied by applicable tax rate	227,765 ⁽¹⁾	176,088 ⁽²⁾
Effects of changes in tax rates	14,726	-
Effect of expenses that are granted for special privilege	(1,833)	(1,825)
Effect of non-tax deductible expenses	819	232
Income tax expenses reported in statements of comprehensive income	241,477	174,495

⁽¹⁾ The Company and a subsidiary of its subsidiary had loss from operation totaling Baht 22 million. Therefore, there was no tax expense for the year ended 31 December 2011 for the Company and that subsidiary.

⁽²⁾ The Company and a subsidiary of its subsidiary had loss from operation totaling Baht 4 million. Therefore, there was no tax expense for the year ended 31 December 2010 for the Company and that subsidiary.

35. Earnings per share

Basic earnings per share is calculated by dividing profit for the years attributable to equity holders of the Company (excluding other comprehensive income/loss) by the weighted average number of ordinary shares in issue during the years, after adjusting by the number of ordinary shares proportionately as a result of the issue of stock dividends after the reporting period, as described in Note 41.3 to the financial statements. The number of ordinary shares of prior period has also been adjusted as if stock dividends had been issued at the beginning of the earliest period reported.

Diluted earnings per share is calculated by dividing profit for the years attributable to equity holders of the Company (excluding other comprehensive income/loss) by the weighted average number of ordinary shares in issue during the years, after adjusting by the same number of ordinary shares as a result of the issue of stock dividends as determined for calculation of basic earnings per share as described above, plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

The following table sets forth the computation of basic and diluted earnings per share:

	Consolidated financial statements					
	For the years ended 31 December					
	Profit for the years		Weighted average number of ordinary shares		Earnings per share	
	2011	2010	2011	2010	2011	2010
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares (Restated)	Baht	Baht (Restated)
Basic earnings per share						
Profit for the years attributable to equity holders of the Company	495,833	408,120	10,911,379 ⁽¹⁾	5,218,381 ⁽¹⁾	0.05	0.08
Effect of dilutive potential ordinary shares						
Warrants	-	-	190,878	⁽²⁾ -		
Diluted earnings per share						
Profit for the years attributable to equity holders of the Company assuming the conversion of warrants to ordinary shares	495,833	408,120	11,102,257	5,218,381	0.04	0.08

(1) The weighted average number of ordinary shares was adjusted by the number of ordinary shares proportionately as a result of the issue of stock dividends of 383 million shares, and the number of ordinary shares of the prior periods has also been adjusted as if stock dividends had been issued at the beginning of the earliest period reported.

(2) The number of the then-determined potential ordinary shares is zero since the Company's management believed that under circumstances during that period the exercise price substantially approximated the fair value of the ordinary shares of the Company. The presented diluted earnings per share is therefore the same as basic earnings per share.

Separate financial statements						
For the years ended 31 December						
Profit for the years		Weighted average number of ordinary shares		Earnings per share		
2011	2010	2011	2010	2011	2010	
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares (Restated)	Baht	Baht (Restated)	
Basic earnings per share						
Profit for the years attributable to equity holders of the Company	205,255	372,802	10,911,379 ⁽¹⁾	5,218,381 ⁽¹⁾	0.02	0.07
Effect of dilutive potential ordinary shares						
Warrants	-	-	190,878	⁽²⁾ -		
Diluted earnings per share						
Profit for the years attributable to equity holders of the Company assuming the conversion of warrants to ordinary shares	205,255	372,802	11,102,257	5,218,381	0.02	0.07

(1) The weighted average number of ordinary shares was adjusted by the number of ordinary shares proportionately as a result of the issue of stock dividends of 383 million shares, and the number of ordinary shares of the prior periods has also been adjusted as if stock dividends had been issued at the beginning of the earliest period reported.

(2) The number of the then-determined potential ordinary shares is zero since the Company's management believed that under circumstances during that period the exercise price substantially approximated the fair value of the ordinary shares of the Company. The presented diluted earnings per share is therefore the same as basic earnings per share.

36. Contingent liabilities and commitments

36.1 Commitments

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2011			31 December 2010		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	277,440	-	277,440	-	-	-
Guarantee - others	1,203,171	-	1,203,171	963,283	-	963,283
Undrawn bank overdrafts	2,431,783	-	2,431,783	1,392,211	-	1,392,211
Total	3,912,394	-	3,912,394	2,355,494	-	2,355,494

36.2 Commitments under long-term lease agreements

As at 31 December 2011 and 2010, the subsidiaries entered into a number of long-term lease agreements for buildings and equipment and related service agreements under which future rental and service fees, which are to payable by the subsidiaries, can be summarised as follows:

(Unit: Million Baht)

Year	Consolidated financial statements	
	31 December 2011	31 December 2010
2011	-	102
2012	169	68
2013 onwards	231	89

As at 31 December 2011 and 2010, the above commitments included commitments totaling Baht 175 million and Baht 62 million, respectively under lease and related service agreements entered into with their related parties.

36.3 Other commitments

- (a) The subsidiary entered into various agreements relating to computer system development consultancy services and computer system and software development and installation services. As at 31 December 2011 and 2010, the subsidiary is obligated to pay a further Baht 27 million and Baht 18 million, respectively.
- (b) From 2011 onwards, a subsidiary of its subsidiary is required to pay license fees to the Office of the Securities and Exchange Commission in accordance with the new announcement with regard to the operation of businesses as follows:
 - Management fee at the rates as specified and calculated based on the averaged month-end net asset value (NAV) of the fund.
 - Registrar fee charged at a rate of 1 percent of registrar fee income.

The minimum total fee is Baht 500,000 per annum.

- (c) A subsidiary of its subsidiary entered into computer software license agreements with a supplier whereby it agreed to pay for maintenance fee totaling Baht 1.74 million per annum. This is in effect unless terminated by it giving a written notice of at least thirty days in advance.
- (d) A subsidiary of its subsidiary entered into a software development agreement totaling Baht 1.1 million relating to the fund registrar system and the investment system with a supplier for the purpose of enhancing the systems' performance. As at 31 December 2011, it has commitment to pay unpaid balance portion of Baht 0.6 million under such agreement. The payment will be made when software development has been completed and accepted by it. Moreover, it has commitment to pay maintenance fee at the rate of 20 percent of software development cost. This is in effect unless terminated by it giving a written notice of at least thirty days in advance.

37. Related party transactions

The Company and its subsidiaries had significant business transactions with their related parties, including transactions with directors, executive or equal position, and entities that the referred persons have management authorities or entities in which the Company and its subsidiaries or directors or such executives or equal position hold in the aggregate more than 10 percent of the issued share capital of those entities.

Relationship with related parties can be summarised as follows:

1. Any person or company who holds more than 10 percent of share in the Company is as follows:
 - 1.1 Land and Houses Public Company Limited
 - 1.2 Quality Houses Public Company Limited
 - 1.3 Ms. Piengjai Harnpanich
2. The Company's subsidiary is Land and Houses Bank Public Company Limited.
3. A subsidiary of the Company's subsidiary is Land and Houses Fund Management Company Limited.
4. The subsidiaries of the major shareholders of the Company (shareholders as stated in No. 1 above), who have transactions with the Company and its subsidiaries, consist of:
 - 4.1 The Confidence Company Limited
 - 4.2 QH Management Company Limited
 - 4.3 QH International Company Limited
 - 4.4 LH Asset Company Limited
 - 4.5 L&H Property Company Limited
 - 4.6 L&H Sathorn Company Limited
 - 4.7 Atlantic Real Estate Company Limited
 - 4.8 Casa Ville Company Limited
 - 4.9 Casa Ville (Rayong 2553) Company Limited
 - 4.10 Casa Ville (Rayong 2553) Company Limited
 - 4.11 Casa Ville (Chonburi 2554) Company Limited
 - 4.12 Casa Ville (Prajubkirikhan 2554) Company Limited
 - 4.13 LH Real Estate Company Limited
 - 4.14 Pacific Real Estate Company Limited
 - 4.15 Property Host Company Limited
 - 4.16 Gusto Village Company Limited

5. The associates of the major shareholders of the Company (shareholders as stated in No. 1 above), who have transactions with the Company and its subsidiaries, consist of:
 - 5.1 Home Product Center Public Company Limited
 - 5.2 Asia Asset Advisory Company Limited
 - 5.3 Quality Construction Products Public Company Limited
 - 5.4 Land and Houses Property and Loan Fund
 - 5.5 Quality Houses Leasehold Property Fund
6. The companies, which are related through the Company's and the subsidiaries' management and have transactions with the Company and its subsidiaries, consist of:
 - 6.1 Siam Retail Development Company Limited
 - 6.2 Pico (Thailand) Public Company Limited
 - 6.3 L&H Management Company Limited
 - 6.4 Idea Fitting Company Limited
 - 6.5 Pylon Public Company Limited
7. The companies, which are related through the major shareholders of the Company (shareholders as stated in No. 1 above), and have transactions with the Company and its subsidiaries, consist of:
 - 7.1 Industry Housing Company Limited
 - 7.2 Mayland Company Limited
 - 7.3 A.A. Property Company Limited
 - 7.4 Northern Real Estate Company Limited
 - 7.5 B.C. Real Estate Company Limited
 - 7.6 Prachachuen Real Estate Company Limited
 - 7.7 Surasaya Company Limited
 - 7.8 Attachat Company Limited
 - 7.9 Land and Houses Real Estate Company Limited
 - 7.10 Dahra Company Limited
 - 7.11 Pathumthani Real Estate Company Limited
 - 7.12 A&P Associate Company Limited
 - 7.13 Autumnland Company Limited
8. The companies, which are controlled by the Company's and subsidiaries' related person and have transactions with the Company and its subsidiaries, consist of:
 - 8.1 Pornpol Subcharearn Company Limited
 - 8.2 A.A. Property (Chiang Mai) Company Limited
 - 8.3 Asian Property Development Public Company Limited
9. Directors and executives, who are the Company's directors, the subsidiary's directors, president, senior executive vice president, first executive vice president and senior vice president.
10. Related persons, who are directors of related parties, directors and persons with close relationship of the major shareholders of the Company (shareholders as stated in No. 1 above) and persons with close relationship with related parties of the subsidiary.

37.1 Transactions during the years

During the years, the Company and its subsidiaries had significant business transactions with its related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company, its subsidiaries and its related parties.

(Unit: Thousand Baht)

	Consolidated financial statements		
	For the years ended 31 December		
	2011	2010	Pricing policy
Interest income			
Pacific Real Estate Company Limited	-	3	The same rates that a subsidiary charged to general customers
Asian Property Development Public Company Limited	4,910	-	As specified in prospectus
Related persons	1,711	386	The same rates that a subsidiary charged to general customers
	6,621	389	
Fees and service income			
Land and Houses Property and Loan Fund	1,250	-	As specified in the agreements
	1,250	-	
Interest expenses			
Land and Houses Public Company Limited	11,951	3,228	The same rates that a subsidiary paid to general depositors
Quality Houses Public Company Limited	9,648	5,962	The same rates that a subsidiary paid to general depositors
Ms. Piengjai Hampanich	704	74	The same rates that a subsidiary paid to general depositors
The Confidence Company Limited	562	62	The same rates that a subsidiary paid to general depositors
QH Management Company Limited	167	363	The same rates that a subsidiary paid to general depositors
QH International Company Limited	607	796	The same rates that a subsidiary paid to general depositors
LH Asset Company Limited	298	135	The same rates that a subsidiary paid to general depositors
L&H Property Company Limited	79	8	The same rates that a subsidiary paid to general depositors
Atlantic Real Estate Company Limited	271	75	The same rates that a subsidiary paid to general depositors
Casa Ville Company Limited	1,913	1,837	The same rates that a subsidiary paid to general depositors
Casa Ville (Rayong 2553) Company Limited	57	14	The same rates that a subsidiary paid to general depositors
Casa Ville (Petchburi 2553) Company Limited	27	13	The same rates that a subsidiary paid to general depositors
Casa Ville (Chonburi 2554) Company Limited	27	-	The same rates that a subsidiary paid to general depositors
Casa Ville (Chonburi 2554) Company Limited	12	-	The same rates that a subsidiary paid to general depositors
LH Real Estate Company Limited	262	191	The same rates that a subsidiary paid to general depositors
Pacific Real Estate Company Limited	691	1,417	The same rates that a subsidiary paid to general depositors
Property Host Company Limited	37	-	The same rates that a subsidiary paid to general depositors
Property Host Company Limited	107	-	The same rates that a subsidiary paid to general depositors
Home Product Center Public Company Limited	22,069	5,629	The same rates that a subsidiary paid to general depositors
Asia Asset Advisory Company Limited	240	82	The same rates that a subsidiary paid to general depositors
Quality Construction Products Public Company Limited	163	44	The same rates that a subsidiary paid to general depositors
Land and Houses Property and Loan Fund	1,674	883	The same rates that a subsidiary paid to general depositors
Quality Houses Leasehold Property Fund	124	84	The same rates that a subsidiary paid to general depositors
Siam Retail Development Company Limited	6	161	The same rates that a subsidiary paid to general depositors
Pico (Thailand) Public Company Limited	2	100	The same rates that a subsidiary paid to general depositors

(Unit: Thousand Baht)

	Consolidated financial statements		
	For the years ended 31 December		
	2011	2010	Pricing policy
Interest expenses (continued)			
L&H Management Company Limited	8	4	The same rates that a subsidiary paid to general depositors
Idea Fitting Company Limited	47	2	The same rates that a subsidiary paid to general depositors
Pylon Public Company Limited	217	-	The same rates that a subsidiary paid to general depositors
Industry Housing Company Limited	2,533	67	The same rates that a subsidiary paid to general depositors
Mayland Company Limited	3,198	538	The same rates that a subsidiary paid to general depositors
A.A. Property Company Limited	14	7	The same rates that a subsidiary paid to general depositors
Northern Real Estate Company Limited	17	13	The same rates that a subsidiary paid to general depositors
B.C. Real Estate Company Limited	1	1	The same rates that a subsidiary paid to general depositors
Prachachuen Real Estate Company Limited	2	1	The same rates that a subsidiary paid to general depositors
Attachat Company Limited	13	6	The same rates that a subsidiary paid to general depositors
Land and Houses Real Estate Company Limited	227	35	The same rates that a subsidiary paid to general depositors
Dahra Company Limited	32	4	The same rates that a subsidiary paid to general depositors
Pathumthani Real Estate Company Limited	723	339	The same rates that a subsidiary paid to general depositors
A&P Associate Company Limited	176	-	The same rates that a subsidiary paid to general depositors
Pornpol Subcharearn Company Limited	3	11	The same rates that a subsidiary paid to general depositors
A.A. Property (Chiang Mai) Company Limited	17	-	The same rates that a subsidiary paid to general depositors
Directors and executives	7,884	2,342	The same rates that a subsidiary paid to general depositors
Related persons	6,333	4,043	The same rates that a subsidiary paid to general depositors
	73,143	28,571	
Rental and service expenses			
Quality Houses Public Company Limited	2,774	2,032	As specified in the agreements
L&H Property Company Limited	471	-	As specified in the agreements
QH Management Company Limited	205	214	As specified in the agreements
Home Product Center Public Company Limited	2,479	2,399	As specified in the agreements
Quality Houses Leasehold Property Fund	57,509	46,267	As specified in the agreements
Siam Retail Development Company Limited	2,595	2,398	As specified in the agreements
Pico (Thailand) Public Company Limited	897	1,007	As specified in the agreements
Directors and executives	581	-	As specified in the agreements
	67,511	54,317	

(Unit: Thousand Baht)

	Separate financial statements		
	For the years ended 31 December		
	2011	2012	Pricing policy
Interest income			
Land and Houses Bank Public Company Limited	8,149	1,530	The same rates that a subsidiary paid to general depositors
	8,149	1,530	
Dividend income			
Land and Houses Bank Public Company Limited	210,000	375,088	As declared by a subsidiary
	210,000	375,088	
Office rental income			
Land and Houses Bank Public Company Limited	200	-	As specified in the agreements
	200	-	

37.2 Directors and executive's compensation

For the years ended 31 December 2011 and 2010, directors and executives' compensation, included in profit or loss from operation, was classified as follows.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2011	2010	2011	2010
Short-term employee benefits	35.10	30.20	4.97	-
Post-employment benefits	1.47	1.37	-	-

Directors and executives of the Company and its subsidiaries are directors, president, senior executive vice president, first executive vice president and senior vice president.

37.3 The outstanding balances as at statements of financial position dates

As at 31 December 2011 and 2010, the outstanding balances of transactions between the Company and its subsidiaries and their related parties can be summarised as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December 2011	31 December 2010
Investment in securities		
Asian Property Development Public Company Limited	225,000	-
	225,000	-
Accrued interest receivables (on investment in securities)		
Asian Property Development Public Company Limited	2,358	-
	2,358	-

(Unit: Thousand Baht)

Consolidated financial statements

Loans to customers

Related persons

31 December 2011	31 December 2010
66,449	29,812
66,449	29,812

Accrued interest receivables (on loans to customers)

Related persons

15	6
15	6

Office rental deposits

Quality Houses Public Company Limited

Quality Houses Public Company Limited

Home Product Center Public Company Limited

Quality Houses Leasehold Property Fund

Siam Retail Development Company Limited

449	237
1,191	-
314	314
14,561	9,978
2,064	905
18,579	11,434

Fees receivable

Land and Houses Property and Loan Fund

750	-
750	-

Prepaid expenses

Siam Retail Development Company Limited

-	177
-	177

Deposits

Land and Houses Public Company Limited

Quality Houses Public Company Limited

Ms. Piengjai Harnpanich

The Confidence Company Limited

QH Management Company Limited

QH International Company Limited

LH Asset Company Limited

L&H property Company Limited

L&H Sathorn Company Limited

Atlantic Real Estate Company Limited

Casa Ville Company Limited

Casa Ville (Rayong 2553) Company Limited

Casa Ville (Petchburi 2553) Company Limited

Casa Ville (Chonburi 2554) Company Limited

Casa Ville (Prajubkirikhan 2554) Company Limited

LH Real Estate Company Limited

Pacific Real Estate Company Limited

Property Host Company Limited

Gusto Village Company Limited

273,254	317,025
435,690	414,964
8,947	3,789
76,339	40,539
6,899	15,707
63,132	36,999
34,032	34,524
17,989	4,249
11	11
20,397	17,868
180,213	199,335
6,478	891
8,571	1,451
952	-
2,717	-
2,626	17,155
2,093	11,490
8,960	-
6,880	-

(Unit: Thousand Baht)

Consolidated financial statements

	31 December 2011	31 December 2010
Deposits (continued)		
Home Product Center Public Company Limited	2,321	1,575
Asia Asset Advisory Company Limited	24,541	12,349
Quality Construction Products Public Company Limited	133	224
Land and Houses Property and Loan Fund	68,404	67,390
Quality Houses Leasehold Property Fund	16,916	26,583
Siam Retail Development Company Limited	26	313
Pico (Thailand) Public Company Limited	313	312
L&H Management Company Limited	642	2,495
Idea Fitting Company Limited	4,839	4,973
Pylon Public Company Limited	7,933	-
Industry Housing Company Limited	83,288	3,450
Mayland Company Limited	4,102	67,790
A.A. Property Company Limited	1,785	1,812
Northern Real Estate Company Limited	1,460	1,761
B.C. Real Estate Company Limited	136	147
Prachachuen Real Estate Company Limited	208	219
Surasaya Company Limited	3	6
Attachat Company Limited	1,685	1,684
Land and Houses Real Estate Company Limited	15,628	17,641
Dahra Company Limited	1,838	1,810
Pathumthani Real Estate Company Limited	53,027	48,869
A&P Associate Company Limited	12,476	-
Autumnland Company Limited	24	-
Pornpol Subcharearn Company Limited	217	646
A.A. Property (Chiang Mai) Company Limited	1,346	-
Directors and executives	443,169	289,378
Related persons	201,276	303,965
	<u>2,103,916</u>	<u>1,971,389</u>
Debts issued and borrowings		
Land and Houses Public Company Limited	260,000	800,000
LH Real Estate Company Limited	14,000	-
Pacific Real Estate Company Limited	40,000	-
Home Product Center Public Company Limited	1,726,000	1,195,000
Pylon Public Company Limited	65,000	-
Industry Housing Company Limited	28,640	25,000
Mayland Company Limited	160,000	-
Directors and executives	46,349	124,293
Related persons	123,189	44,385
	<u>2,463,178</u>	<u>2,188,678</u>

(Unit: Thousand Baht)

Consolidated financial statements

	31 December 2011	31 December 2010
Liabilities payable on demand		
Land and Houses Public Company Limited	47,534	45,535
Quality Houses Public Company Limited	42,700	-
Ms. Piengjai Harnpanich	-	5
LH Asset Company Limited	-	9,930
Atlantic Real Estate Company Limited	-	8,440
Casa Ville Company Limited	8,650	-
Quality Houses Leasehold Property Fund	-	26
	<u>98,884</u>	<u>63,936</u>
Accrued interest payables		
Land and Houses Public Company Limited	43	252
Ms. Piengjai Harnpanich	107	30
LH Real Estate Company Limited	2	-
Pacific Real Estate Company Limited	7	-
Home Product Center Public Company Limited	937	436
Asia Asset Advisory Company Limited	20	3
Land and Houses Property and Loan Fund	330	129
Pylon Public Company Limited	136	-
Industry Housing Company Limited	625	93
Mayland Company Limited	329	-
Dahra Company Limited	8	3
Pornpol Subcharearn Company Limited	-	14
Directors and executives	658	136
Related persons	1,721	662
	<u>4,923</u>	<u>1,758</u>
Accrued expenses		
Quality Houses Public Company Limited	29	172
QH Management Company Limited	17	17
Home Product Center Public Company Limited	19	21
Quality Houses Leasehold property Fund	529	393
Siam Retail Development Company Limited	15	9
Pico (Thailand) Public Company Limited	190	-
	<u>799</u>	<u>612</u>
Other payables		
Quality Houses Public Company Limited	452	452
Quality Houses Leasehold Property Fund	39	32
Directors and executives	9	5
	<u>500</u>	<u>489</u>

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December 2011	31 December 2010
Interbank and money market items (assets)		
Land and Houses Bank Public Company Limited	447,261	343,778
	447,261	343,778
Office rental deposits		
Land and Houses Bank Public Company Limited	300	-
	300	-

37.4 Movements of related party loans, deposits and debts issued and borrowings

The movements of related party loans, deposits and debts issued and borrowings for the year ended 31 December 2011 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the year ended 31 December 2011			
	Balance as at 31 December 2010	Increase	Decrease	Balance as at 31 December 2011
Loans to customers				
Related persons	29,812	79,052	(42,415)	66,449
	29,812	79,052	(42,415)	66,449
Deposits				
Land and Houses Public Company Limited	317,025	56,777,575	(56,821,346)	273,254
Quality Houses Public Company Limited	414,964	59,470,288	(59,449,562)	435,690
Ms. Piengjai Harnpanich	3,789	1,922,487	(1,917,329)	8,947
The Confidence Company Limited	40,539	4,076,393	(4,040,593)	76,339
QH Management Company Limited	15,707	152,380	(161,188)	6,899
QH International Company Limited	36,999	547,801	(521,668)	63,132
LH Asset Company Limited	34,524	2,011,897	(2,012,389)	34,032
L&H Property Company Limited	4,249	107,591	(93,851)	17,989
L&H Sathorn Company Limited	11	-	-	11
Atlantic Real Estate Company Limited	17,868	838,878	(836,349)	20,397
Casa Ville Company Limited	199,335	20,014,958	(20,034,080)	180,213
Casa Ville (Rayong 2553) Company Limited	891	396,081	(390,494)	6,478
Casa Ville (Petchburi 2553) Company Limited	1,451	299,967	(292,847)	8,571
Casa Ville (Chonburi 2554) Company Limited	-	87,857	(86,905)	952
Casa Ville (Prajubkirikhan 2554) Company Limited	-	906,228	(903,511)	2,717
LH Real Estate Company Limited	17,155	29,518	(44,047)	2,626
Pacific Real Estate Company Limited	11,490	437,862	(447,259)	2,093

(Unit: Thousand Baht)

Consolidated financial statements

For the year ended 31 December 2011

	Balance as at 31 December 2010	Increase	Decrease	Balance as at 31 December 2011
Deposits (continued)				
Property Host Company Limited	-	29,383	(20,423)	8,960
Gusto Village Company Limited	-	1,555,099	(1,548,219)	6,880
Home Product Center Public Company Limited	1,575	902,854	(902,108)	2,321
Asia Asset Advisory Company Limited	12,349	231,704	(219,512)	24,541
Quality Construction Products Public Company Limited	224	174,011	(174,102)	133
Land and Houses Property and Loan Fund	67,390	205,082	(204,068)	68,404
Quality Houses Leasehold Property Fund	26,583	496,971	(506,638)	16,916
Siam Retail Development Company Limited	313	95,420	(95,707)	26
Pico (Thailand) Public Company Limited	312	1	-	313
L&H Management Company Limited	2,495	20,186	(22,039)	642
Idea Fitting Company Limited	4,973	648	(782)	4,839
Pylon Public Company Limited	-	55,210	(47,277)	7,933
Industry Housing Company Limited	3,450	252,203	(172,365)	83,288
Mayland Company Limited	67,790	3,211,447	(3,275,135)	4,102
A.A. Property Company Limited	1,812	14	(41)	1,785
Northern Real Estate Company Limited	1,761	17	(318)	1,460
B.C. Real Estate Company Limited	147	1	(12)	136
Prachachuen Real Estate Company Limited	219	1	(12)	208
Surasaya Company Limited	6	10	(13)	3
Attachat Company Limited	1,684	13	(12)	1,685
Land and Houses Real Estate Company Limited	17,641	227	(2,240)	15,628
Dahra Company Limited	1,810	56	(28)	1,838
Pathumthani Real Estate Company Limited	48,869	4,276	(118)	53,027
A&P Associate Company Limited	-	259,655	(247,179)	12,476
Autumnland Company Limited	-	36	(12)	24
Pornpol Subcharearn Company Limited	646	2,371	(2,800)	217
A.A. Property (Chiang Mai) Company Limited	-	1,594	(248)	1,346
Directors and executives	289,378	2,143,635	(1,989,844)	443,169
Directors and executives	303,965	912,413	(1,015,102)	201,276
	<u>1,971,389</u>	<u>158,632,299</u>	<u>(158,499,772)</u>	<u>2,103,916</u>

(Unit: Thousand Baht)

Consolidated financial statements

For the year ended 31 December 2011

	Balance as at 31 December 2010	Increase	Decrease	Balance as at 31 December 2011
Debts issued and borrowings				
Land and Houses Public Company Limited	800,000	11,888,805	(12,428,805)	260,000
Quality Houses Public Company Limited	-	15,152,396	(15,152,396)	-
Ms. Piengjai Harnpanich	-	958,588	(958,588)	-
L&H Property Company Limited	-	50,094	(50,094)	-
Casa Ville Company Limited	-	50,012	(50,012)	-
LH Real Estate Company Limited	-	101,105	(87,105)	14,000
Pacific Real Estate Company Limited	-	490,494	(450,494)	40,000
Home Product Center Public Company Limited	1,195,000	37,934,866	(37,403,866)	1,726,000
Pylon Public Company Limited	-	85,062	(20,062)	65,000
Industry Housing Company Limited	25,000	35,715	(32,075)	28,640
Mayland Company Limited	-	1,031,143	(871,143)	160,000
Directors and executives	124,293	226,252	(304,196)	46,349
Related persons	44,385	248,535	(169,731)	123,189
	<u>2,188,678</u>	<u>68,253,067</u>	<u>(67,978,567)</u>	<u>2,463,178</u>

(Unit: Thousand Baht)

Separate financial statements

For the year ended 31 December 2011

	Balance as at 31 December 2010	Increase	Decrease	Balance as at 31 December 2011
Interbank and money market items (assets)				
Land and Houses Bank Public Company Limited	343,778	15,292,880	(15,189,397)	447,261
	<u>343,778</u>	<u>15,292,880</u>	<u>(15,189,397)</u>	<u>447,261</u>

38. Segment information

The Company and its subsidiaries' business operations involve 3 principal segments: Investment Holding business, Banking business and Fund Management business. These operations are mainly carried on in Thailand. Below is the financial information of the Company and its subsidiaries by segment:

(Unit: Thousand Baht)

For the year ended 31 December 2011					
	Investment Holding business	Banking business	Fund Management business	Eliminations	Total
Net interest income	8,149	1,695,906	1,920	-	1,705,975
Net fees and service income	(5,804)	97,811	1,437	(800)	92,644
Gain on investments	210,000	420	-	(210,000)	420
Dividend income	-	73,468	-	-	73,468
Other operating incomes	200	2,316	17	(199)	2,334
Other operating expenses	(7,290)	(930,705)	(20,536)	1,000	(957,531)
Bad debts, doubtful accounts and impairment loss	-	(180,000)	-	-	(180,000)
Income tax expenses	-	(241,477)	-	-	(241,477)
Profit (loss) for the year before non-controlling interests	205,255	517,739	(17,162)	(209,999)	495,833

(Unit: Thousand Baht)

For the year ended 31 December 2010					
	Investment Holding business	Banking business	Fund Management business	Eliminations	Total
Net interest income	1,530	1,452,628	92	-	1,454,250
Net fees and service income	(2,466)	67,746	(532)	(1)	64,747
Gain on investments	375,087	377	-	(375,087)	377
Dividend income	-	10,314	-	-	10,314
Other operating incomes	-	3,831	8	-	3,839
Other operating expenses	(1,349)	(737,936)	(1,627)	-	(740,912)
Bad debts, doubtful accounts and impairment loss	-	(210,000)	-	-	(210,000)
Income tax expenses	-	(174,495)	-	-	(174,495)
Profit (loss) for the year before non-controlling interests	372,802	412,465	(2,059)	(375,088)	408,120

(Unit: Thousand Baht)

As at 31 December 2011

	Investment Holding business	Banking business	Fund Management business	Eliminations	Total
Cash	2	822,506	1	-	822,509
Interbank and money market items	447,261	5,342,519	124,944	(571,968)	5,342,756
Investments - net	-	19,860,144	-	-	19,860,144
Investment in a subsidiary	11,999,999	157,289	-	(12,157,288)	-
Loans and accrued interest receivable- net	-	54,423,076	-	-	54,423,076
Leasehold improvements and equipment - net	37,910	234,526	3,978	-	276,414
Intangible assets - net	-	139,019	7,601	-	146,620
Notes receivable - net	-	1,743	-	-	1,743
Deferred tax assets	-	56,214	-	-	56,214
Accrued interest receivables on investments	-	182,470	-	-	182,470
Other assets	1,389	126,273	6,149	(300)	133,511
Total assets	12,486,561	81,345,779	142,673	(12,729,556)	81,245,457

(Unit: Thousand Baht)

As at 31 December 2010

	Investment Holding business	Banking business	Fund Management business	Eliminations	Total
Cash	3	428,887	2	-	428,892
Interbank and money market items	343,778	5,146,259	51,892	(395,609)	5,146,320
Investments - net	-	14,129,653	-	-	14,129,653
Investment in a subsidiary	5,499,999	57,289	-	(5,557,288)	-
Loans and accrued interest receivable- net	-	42,091,405	-	-	42,091,405
Leasehold improvements and equipment - net	-	119,615	2,122	-	121,737
Intangible assets - net	-	72,128	2,438	-	74,566
Notes receivable - net	-	40,207	-	-	40,207
Deferred tax assets	-	88,702	-	-	88,702
Accrued interest receivables on investments	-	127,790	-	-	127,790
Other assets	87	60,542	1,156	-	61,785
Total assets	5,843,867	62,362,477	57,610	(5,952,897)	62,311,057

39. Financial instruments

Financial instruments are any contract which gives rise to both a financial asset of one enterprise and a financial liability or equity security of another enterprise.

39.1 Credit risk

Credit risk is the chance or probability that debtors or counterparties will not be able to meet their obligations, and the risk of deterioration of investment or credit quality while the subsidiary is unable to adjust the price to compensate for the additional risk, which may affect the subsidiary's revenues and capital funds.

Credit risk is recognised as highly significant to financial institutions, as credit transactions, are the core both in terms of providing credit and in terms of obligations business transactions of the subsidiary. Maximum credit loss of the company and its subsidiaries is the carrying value of loans to customers including commitments in relation to guarantee, aval or others that have similar characteristic.

The Company and its subsidiaries manage credit risk by limiting transactions to reliable counterparties and requiring sufficient collateral to decrease credit risk. Other key risk management measures include the following:

(1) Risk Identification

The Company and its subsidiaries consider a borrower's profile, business, and external factors that may adversely impact the revenues and the operations of the counterparty, and also monitors credit quality and historical payment trends that can help provide a picture of asset quality and credit risk for the counterparty. In addition, the Company and its subsidiaries conduct reviews of borrower risk level and their alignment with the identified risk factors.

(2) Risk Measurement

The Company and its subsidiaries have developed tools to help them measure credit quality. These are a Credit Rating Model, which is used to assign credit ratings to small and medium sized enterprises, and a Credit Scoring Model which is used for retail and personal banking customers. Both were developed by the risk management department in order to reduce the use of judgement by credit approvers during the credit approval procedure.

(3) Risk Monitoring and Reporting

The Company and its subsidiaries conduct continuous monitoring of counterparties' credit risk, so that its awareness of the volume and level of risk remains current. Financial reviews and customer visits are required to be carried out at least annually, and the value and liquidity of collateral is appraised and reported on, together with compliance of counterparties with conditions, in status reports provided to executives on a regular basis.

(4) Risk Control and Mitigation

The Company and its subsidiaries set credit concentration limits at the industry level, and individual client level, in order to ensure the Company's and its subsidiaries' risk exposure to a particular industry or client is not excessive. If a limit is reached, the responsible department is to investigate the reason of an abnormal circumstance, in order to maintain risk exposure within acceptable parameters. The Company and its subsidiaries also have internal control and audit procedures in place to ensure that its risk management is in accordance with the frameworks and processes laid down by them.

Furthermore, the Company and its subsidiaries conduct stress testing that covers credit risk at least annually, in order to forecast potential losses on individual accounts or counterparties and on different types of credit in its portfolio, and consider whether the resulting deterioration in credit quality within its portfolio would affect its capital adequacy and its current loan provisions, so they will be able to take timely action to mitigate the risk.

39.2 Market risk

Market risk is the risk that the value of assets, liabilities and commitments will change as a result of changes in interest rate, securities prices, commodity prices and exchange rates. As such, market risk consists of following:

39.2.1 Interest rate risk

Interest rate risk is the risk that volatility in market interest rates will result in changes in the values of financial instruments, or fluctuations in income or the values of financial assets and liabilities. Interest rate risk is a consequence of the structure and the nature of the items in assets, liabilities, and shareholders' equity, and mismatches between the maturities and the re-pricing terms of assets and liabilities.

The Company's and its subsidiaries' assets structure mainly consists of loans to customers and investments in debt securities, whereas the liabilities structure mainly consists of deposits, and debts issued and borrowings. These key transactions may be affected by interest rate fluctuations, which give rise to the risk that income and/or economic value (shareholders' equity value) will be impacted. The Company and its subsidiaries therefore needs to manage interest rate risk in the banking books in order to mitigate the impact.

Interest rate risk adversely affects the income or capital adequacy of the subsidiary as fluctuations in interest rates impacts all rate-sensitive assets, liabilities and commitments. The cause is maturity mismatches and re-pricing risk for assets and liabilities in its statements of financial position.

The nature of the subsidiary's exposures to interest rate risk in the banking book is as follows:

(1) Repricing Risk

This arises due to mismatches between the maturities of assets and liabilities, or whenever interest rates fluctuate (if the asset or liabilities are subject to floating interest rate)

(2) Basis Risk

This arises due to differences between the reference interest rates of assets and those of liabilities, regardless of whether they have corresponding repricing dates.

The Company and its subsidiaries have developed interest risk measurement tools to capture interest rate risk and report it to Asset and Liability Committee ("ALCO"). The Company and its subsidiaries set risk limits in order to keep risk levels within stipulated parameters and to report risk levels to ALCO on a monthly basis.

Moreover, the Company and its subsidiaries perform stress tests simulating an interest rate crisis, using simulations provided by the Bank of Thailand and/or appropriate simulations established by themselves, with quarterly reporting of the results of this testing to the Risk Committee.

As at 31 December 2011 and 2010, financial assets and liabilities, classified by types of interest rate, are as follows:

(Unit: Thousand Baht)

Consolidated financial statements				
31 December 2011				
Description	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial Assets</u>				
Cash	-	-	822,509	822,509
Interbank and money market items	-	4,781,751	596,962	5,378,713
Investments	-	19,855,344	5,365	19,860,709
Loans to customers ⁽¹⁾	40,093,911	13,893,570	977,300	54,964,781
Notes receivable	-	1,743	-	1,743
<u>Financial Liabilities</u>				
Deposits	10,862,417	11,338,099	53,973	22,254,489
Interbank and money market items	158,160	8,671,876	199	8,830,235
Liabilities payable on demand	-	-	182,590	182,590
Debts issued and borrowings	-	35,864,779	-	35,864,779

⁽¹⁾ In case that the loan agreements charge fixed rate of interest over a certain period and charge floating rate over the remaining periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the presentation date.

(Unit: Thousand Baht)

Consolidated financial statements				
31 December 2010				
Description	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial Assets</u>				
Cash	-	-	428,892	428,892
Interbank and money market items	48	4,717,012	474,158	5,191,218
Investments	-	14,124,854	5,365	14,130,219
Loans to customers ⁽¹⁾	29,568,407	12,255,492	689,239	42,513,138
Notes receivable	-	40,207	-	40,207
<u>Financial Liabilities</u>				
Deposits	10,909,831	16,154,611	17,984	27,082,426
Interbank and money market items	308,762	9,707,673	15,886	10,032,321
Liabilities payable on demand	-	-	123,274	123,274
Debts issued and borrowings	-	18,394,014	-	18,394,014

⁽¹⁾ In case that the loan agreements charge fixed rate of interest over a certain period and charge floating rate over the remaining periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the presentation date.

(Unit: Thousand Baht)

Separate financial statements				
31 December 2011				
Description	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial Assets</u>				
Cash	-	-	2	2
Interbank and money market items	28	445,936	491	446,455
Investment in a subsidiary	-	-	11,999,999	11,999,999

(Unit: Thousand Baht)

Separate financial statements				
31 December 2010				
Description	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial Assets</u>				
Cash	-	-	3	3
Interbank and money market items	450	337,009	6,260	343,719
Investment in a subsidiary	-	-	5,499,999	5,499,999

The remaining periods counting from 31 December 2011 and 2010 to the repricing dates or maturity dates (whichever are sooner) of financial instruments carrying interest at fixed rates are as follow:

(Unit: Thousand Baht)

Consolidated financial statements							
Counting from 31 December 2011							
Descriptions	Remaining periods to repricing dates or maturity dates						Interest rate (% p.a.)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	
<u>Financial Assets</u>							
Interbank and money market items	749,877	4,031,874	-	-	-	4,781,751	3.00 - 5.30
Investments	-	105,999	13,433	8,987,955	10,747,957	19,855,344	2.80 - 7.11
Loans to customers	981,471	5,823,374	4,012,823	2,918,611	157,291	13,893,570	0.88 - 9.13
Notes receivable	-	-	-	1,743	-	1,743	4.42
<u>Financial Liabilities</u>							
Deposits	333,391	5,053,384	5,115,981	835,343	-	11,338,099	1.50 - 4.13
Interbank and money market items	2,522,000	5,905,176	214,700	30,000	-	8,671,876	2.50 - 4.00
Debts issued and borrowings	1,981,235	24,897,924	8,908,416	77,204	-	35,864,779	2.25 - 7.50

(Unit: Thousand Baht)

	Consolidated financial statements						
	Counting from 31 December 2010						
	Remaining periods to repricing dates or maturity dates						Interest rate (% p.a.)
Descriptions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	
<u>Financial Assets</u>							
Interbank and money market items	-	4,717,012	-	-	-	4,717,012	3.00 - 3.25
Investments	-	39,974	-	3,987,625	10,097,255	14,124,854	2.80 - 7.11
Loans to customers	8,329	6,459,667	5,561,505	184,743	41,248	12,255,492	1.50 - 10.13
Notes receivable	-	25,530	13,005	1,672	-	40,207	4.42
<u>Financial Liabilities</u>							
Deposits	727,933	5,445,734	6,810,237	3,170,707	-	16,154,611	0.75 - 4.25
Interbank and money market items	2,330,000	7,117,673	260,000	-	-	9,707,673	1.00 - 2.50
Debts issued and borrowings	294,508	13,746,693	3,773,706	579,107	-	18,394,014	0.75 - 3.05

(Unit: Thousand Baht)

Separate financial statements							
Counting from 31 December 2011							
Descriptions	Remaining periods to repricing dates or maturity dates					Total	Interest rate (% p.a.)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial Assets</u>							
Interbank and money market items	445,936	-	-	-	-	445,936	2.75

(Unit: Thousand Baht)

Separate financial statements							
Counting from 31 December 2010							
Descriptions	Remaining periods to repricing dates or maturity dates					Total	Interest rate (% p.a.)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial Assets</u>							
Interbank and money market items	-	337,009	-	-	-	337,009	1.60

In addition, the average balances of the financial assets and liabilities of a subsidiary generating revenues/ incurring expenses, respectively, calculated based on the average balances outstanding during the periods, and the average interest rate for the years ended 31 December 2011 and 2010 can be summarised as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
For the years ended 31 December						
Descriptions	2011			2010		
	Average balances	Interest	Average Rate (%)	Average balances	Interest	Average Rate (%)
<u>Performing financial assets</u>						
Interbank and money market items	5,556,495	202,924	3.65	2,953,544	77,228	2.61
Investments	18,173,173	762,864	4.20	12,054,121	529,634	4.39
Loans to customers	45,076,777	2,383,052	5.29	39,048,608	1,718,557	4.40
<u>Performing financial liabilities</u>						
Deposits	23,159,224	597,912	2.58	29,717,415	581,969	1.96
Interbank and money market items	10,240,317	245,510	2.40	6,624,857	94,056	1.42
Debts issued and borrowings	24,183,854	799,443	3.31	12,972,281	195,144	1.50

39.2.2 Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities may result in changes in the value of investments, and fluctuations in revenue and the value of financial assets.

The maximum equity position risk exposure is the carrying values of investments after adjust by allowance for revaluation and allowance for impairment.

39.3 Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries will be unable to liquidate its financial assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in the Company and its subsidiaries incurring a financial loss.

The Company and its subsidiaries manage liquidity risk by performing through liquidity gap analysis. The analysis has two components, a Contractual Liquidity Gap report and a Behavior Liquidity Gap report, which analyse the net liquidity of the Company and its subsidiaries at each point in time and consider the cash flow adequacy of the Company and its subsidiaries over the next year. Moreover, the Company and its subsidiaries assess liquidity risk based on the accumulated outstanding net capital by maturity adjusted to reflect depositor behaviour, in order to maintain deposits at the appropriate levels stipulated by the Company and its subsidiaries.

In addition, the Company and its subsidiaries monitor the liquidity ratio and liquidity cushion to contractual liquidity gap: at call ratio, as well as setting trigger points for monitoring the Company's and its subsidiaries' liquidity risk levels, to enable them to maintain appropriate amounts of liquid assets and efficiently cope with fluctuations in cash inflows and outflows.

The Company and its subsidiaries conducted a study of the effect on liquidity of various factors, such as early deposit withdrawal and deposit rollover, by creating simulations incorporating normal scenarios and stress scenarios. The Risk Management Department were responsible for carrying out the study and reporting to ALCO the results, which measured liquidity requirements under each scenario, and provided a framework for establishing contingency plans.

The periods to maturity, counting from the statements of financial position dates, of financial instruments outstanding as at 31 December 2011 and 2010 are as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
Counting from 31 December 2011						
Descriptions	At call	Less than 3 months	3 - 12 month	More than 1 year	No maturity	Total
<u>Financial Assets</u>						
Cash	822,509	-	-	-	-	822,509
Interbank and money market items	1,346,839	4,031,874	-	-	-	5,378,713
Investments	-	105,999	13,433	19,735,912	5,365	19,860,709
Loans to customers ⁽¹⁾	5,156,518	6,907,102	3,551,754	39,349,407	-	54,964,781
Notes receivable	-	-	-	1,743	-	1,743
<u>Financial Liabilities</u>						
Deposits	10,389,881	5,188,578	5,413,207	1,262,823	-	22,254,489
Interbank and money market items	2,680,359	5,905,176	214,700	30,000	-	8,830,235
Liabilities payable on demand	182,590	-	-	-	-	182,590
Debts issued and borrowings	1,981,235	24,897,924	8,908,416	77,204	-	35,864,779

⁽¹⁾ Baht 977 million of the loans to customers that mature at call represent default, non-performing loans. Therefore, the terms of these loans depends upon the results of debt restructuring

(Unit: Thousand Baht)

Consolidated financial statements						
Counting from 31 December 2010						
Descriptions	At call	Less than 3 months	3 - 12 month	More than 1 year	No maturity	Total
<u>Financial Assets</u>						
Cash	428,890	-	-	-	-	428,890
Interbank and money market items	474,206	4,717,012	-	-	-	5,191,218
Investments	-	39,974	-	14,084,880	5,365	14,130,219
Loans to customers ⁽¹⁾	2,491,411	4,894,377	2,598,123	32,529,227	-	42,513,138
Notes receivable	-	25,530	13,005	1,672	-	40,207
<u>Financial Liabilities</u>						
Deposits	11,253,643	5,492,100	6,908,052	3,428,631	-	27,082,426
Interbank and money market items	2,654,648	7,117,673	260,000	-	-	10,032,321
Liabilities payable on demand	123,274	-	-	-	-	123,274
Debts issued and borrowings	294,508	13,746,693	3,773,706	579,107	-	18,394,014

⁽¹⁾ Baht 689 million of the loans to customers that mature at call represent default, non-performing loans. Therefore, the terms of these loans depends upon the results of debt restructuring.

(Unit: Thousand Baht)

Separate financial statements						
Counting from 31 December 2011						
Descriptions	At call	Less than 3 months	3 - 12 month	More than 1 year	No maturity	Total
Financial Assets						
Cash	2	-	-	-	-	2
Interbank and money market items	446,455	-	-	-	-	446,455
Investment in a subsidiary	-	-	-	-	11,999,999	11,999,999

(Unit: Thousand Baht)

Separate financial statements						
Counting from 31 December 2010						
Descriptions	At call	Less than 3 months	3 - 12 month	More than 1 year	No maturity	Total
Financial Assets						
Cash	3	-	-	-	-	3
Interbank and money market items	6,710	337,009	-	-	-	343,719
Investment in a subsidiary	-	-	-	-	5,499,999	5,499,999

39.4 Commitments

As at 31 December 2011 and 2010, the Company and its subsidiaries had the following commitments from avals to bills, guarantees and undrawn bank overdrafts as summarised by the periods to maturity, counting from the statements of financial position dates, of the contracts:

(Unit: Thousand Baht)

	Consolidated financial statements					
	Counting from 31 December 2011			Counting from 31 December 2010		
	Not more ⁽¹⁾ than 1 year	Over 1 year	Total	Not more ⁽¹⁾ than 1 year	Over 1 year	Total
Avals to bills	277,440	-	277,440	-	-	-
Other guarantees	1,044,154	159,017	1,203,171	698,620	264,663	963,283
Undrawn bank overdrafts	2,431,783	-	2,431,783	1,392,211	-	1,392,211

⁽¹⁾ Included contracts with no maturity date

39.5 Fair value

Fair value represents the amount for which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction. The Company and its subsidiaries have estimated the fair value of their financial instruments as follows:

(a) Financial assets

The methodology used for determining the fair value is dependent upon the characteristics of the financial instruments. The fair values of financial assets are presented as the amount stated in the statements of financial position, including cash, interbank and money market items and loans to customers, which are considered to approximate their respective carrying values since they are predominantly subject to market interest rates. Financial instruments that have standard terms and conditions and which are traded on an active and liquid market, such as investments in securities, fair values are determined from the quoted market price.

Although the subsidiary charges interests on housing loans at the low rates during the first two years of the contract periods, which may cause the fair value of such loans be lower than their carrying value, the subsidiary's management expects that the difference is immaterial and therefore estimates the fair value of loans to customers and accrued interest receivables to be equal to their carrying value.

(b) Financial liabilities

The fair values of financial liabilities, including deposits, liabilities payable on demand, interbank and money market items and debt issued and borrowings are considered to approximate their respective carrying values for the same reasons as described above.

As at 31 December 2011 and 2010, the fair value of financial instruments of the Company and its subsidiaries are as follow.

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2011		31 December 2010	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash	822,509	822,509	428,892	428,892
Interbank and money market items - net	5,342,756	5,342,756	5,146,320	5,146,320
Investments - net	19,860,144	20,232,504	14,129,653	14,475,400
Loans to customers and accrued interest receivables - net	54,423,076	54,423,076 ⁽¹⁾	42,091,405	42,091,405 ⁽¹⁾
Notes receivable - net	1,743	1,743	40,207	40,207
Financial liabilities				
Deposits	22,254,489	22,254,489	27,082,426	27,082,426
Interbank and money market items	8,827,898	8,827,898	10,032,321	10,032,321
Liabilities payable on demand	182,590	182,590	123,274	123,274
Debts issued and borrowings	35,864,779	35,864,779	18,394,014	18,394,014

⁽¹⁾ Although the subsidiary charges interests on housing loans at the low rates during the first two years of the contract periods, which may cause the fair value of such loans be lower than their carrying value, the Company and its subsidiary's management expects that the difference is immaterial and therefore estimates the fair value of loans to be equal to their carrying value.

(Unit: Thousand Baht)

	Separate financial statements			
	31 December 2011		31 December 2010	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash	2	2	3	3
Interbank and money market items - net	447,261	447,261	343,778	343,778
Investment in a subsidiary	11,999,999	11,999,999	5,499,999	5,499,999

40. Reclassification

Certain items in the financial statements as at 31 December 2010 and for the year ended 31 December 2010 have been reclassified to conform to the current period's classification, in accordance with the Bank of Thailand's notification No. Sor Nor Sor. 11/2553 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", dated 3 December 2010 which is effective for fiscal years beginning on or after 1 January 2011, but no effect to previously reported profit for the year or shareholders' equity. The reclassifications are as follow:

(Unit: Thousand Baht)

Statements of financial position as at 31 December 2010				
	Consolidated financial statements		Separate financial statements	
	After reclassification	As previously reported	After reclassification	As previously reported
Interbank and money market items (assets)	-	-	343,778	343,719
Accrued interest receivables on investments	127,790	-	-	-
Other asset - net	61,785	190,583	87	146
Interbank and money market items (liabilities)	10,032,321	10,985,190	-	-
Debts issued and borrowings	18,394,014	17,434,936	-	-
Tax payable	147,196	-	-	-
Other liabilities	61,635	216,048	-	-

(Unit: Thousand Baht)

Statements of comprehensive income for the year ended 31 December 2010				
	Consolidated financial statements		Separate financial statements	
	After reclassification	As previously reported	After reclassification	As previously reported
Interest income	2,325,419	2,322,801	1,530	376,617
Interest expenses	871,169	748,410	-	-
Fee and service incomes	84,257	87,253	-	-
Fee and service expenses	19,510	34,681	2,466	3,106
Dividend income	377	-	375,087	-
Premise and equipment expenses	214,318	251,499	-	-
Contribution to Deposit Protection Fund	-	122,759	-	-
Advertising and promotion expenses	24,880	-	260	-
Intangible asset amortisation	37,432	-	-	-
Other expenses	46,513	56,474	1,089	709

41. Significant event after the reporting period

41.1 Litigation

On 23 January 2012, the subsidiary was sued for claims of Baht 5 million and is in the process of countersuing. Management has exercised judgment to evaluate the outcome of the litigation and is confident that the subsidiary will not incur any loss.

41.2 Exercise of warrant

During 27 to 30 January 2012, the holders of Warrant#1 and Warrant#2 exercised their rights to convert warrants into 12,279,600 ordinary shares. The Company received payment for the newly issued shares resulting from the exercise of the warrants and registered the increase in the issued and paid-up share capital with the Ministry of Commerce on 6 February 2012. Consequently, the Company's issued and paid-up share capital is Baht 11,484,375,920 on that date.

41.3 Dividend payment and capital increase of the Company

On 24 February 2012, Board of Director's Meeting No.2/2012 of the Company passed the following resolutions:

1. Approved the following dividend payments for the year 2011 from its 2011 operating results as follows:
 - 1.1 Stock dividend payment to shareholders at 1 dividend share for every 30 shares held, totaling not to exceed 382,812,531 shares with a par value of Baht 1 each, or Baht 382,812,531, which is equivalent to a dividend payment of Baht 0.0333 per share.

Any shareholders has shares leftover after the allocation of stock dividends is to be paid in cash at a rate of Baht 0.0333 per share.

- 1.2 Cash dividend payment of Baht 0.0037 per share, or not exceeding Baht 42,492,191 in total.

The combined stock and cash dividend payments are Baht 0.037 per share and income tax will be withheld by the Company at the rate of 10%, as required by law, on both stock and cash dividend payments. The amount withheld will be deducted from cash dividend payment.

2. Approved the adjustments on the exercise prices and ratios of Warrant#1 and Warrant#2 as follows:

	Before adjustment	After adjustment
Exercise price	Baht 1 per share	Baht 0.9677 per share
Exercise ratio	1 unit of warrant is entitled to 1 ordinary share	1 unit of warrant is entitled to 1.0333 ordinary share

However, the adjustments as above are as a result of stock dividend payment to its shareholders. The change will be immediately in effect from the first date that the shareholders have no right to receive stock dividend or ex-dividend date.

3. Approved the increase of the Company's registered share capital from Baht 12,000,000,000 to Baht 12,399,982,813 by issuing new 399,982,813 ordinary shares with a par value of Baht 1 each, totaling Baht 399,982,813. The objective of the capital increase is to reserve shares for stock dividend payment and the adjustments of warrants.

However, the dividend payment for the year 2011 and the increase in the Company's registered share as mentioned above are awaiting approval by resolutions of the Annual General Meeting of the Company's shareholders, which is to be held on 23 April 2012.

41.4 Dividend payment and capital increase of the subsidiary

On 24 February 2012, Board of Director's Meeting No.2/2012 of the subsidiary passed the following resolutions:

1. Approved a dividend payment for the year 2011 at Baht 0.20 per share, or Baht 240,000,000, from the year 2011 operating results.
2. Approved an increase in the subsidiary's registered capital from Baht 12,000 million to Baht 20,000 million, through the issue of additional 800,000,000 ordinary shares with a par value of Baht 10 each, totaling Baht 8,000 million.

However, the dividend payment for the year 2011 and the increase of the subsidiary's registered share capital are awaiting approval by resolutions of the Annual General Meeting of the subsidiary's shareholders, which is to be held on 19 March 2012.

42. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2012.

REFERENCE INFORMATION

LH FINANCIAL GROUP PCL.

Securities registrar	Thailand Securities Depository Co., Ltd.
Address	62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110
Telephone	0 - 2229 - 2800
Facsimile	0 - 2359 - 1259
Website	www.tsd.co.th
Auditors	Ernst & Young Office Limited
Auditors	Miss Ratana Jala Certified Public Accountant (Thailand), No. 3734 Miss Sumalee Reewarabandith Certified Public Accountant (Thailand), No. 3970 Mrs. Noglak Pumnoi Certified Public Accountant (Thailand), No. 4172
Address	193/136-137, 33 rd Floor, Lake Rajada Office Complex Rajadapisek Road, Klongtoey, Bangkok 10110
Telephone	0 - 2264 - 0777
Facsimile	0 - 2264 - 0789 - 90
Website	www.ey.com
Financial Advisor	Asia Plus Advisory Company Limited
Address	11/F Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn, Bangkok 10120
Telephone	0 - 2680 - 4000
Facsimile	0 - 2670 - 9291
Website	www.asiaplus.co.th

BRANCH INFORMATION

LH FINANCIAL GROUP PCL.

BANGKOK

LUMPINI OFFICE	0-2677-7111	Thong Lor Branch	0-2392-6053-5
Fashion Island Branch	0-2947-5588	Bang Rak Branch	0-2235-7050-3
The Mall Bang Khae Branch	0-2454-9204-6	Khlong Thom Branch	0-2223-2024-6
Q House Asoke Branch	0-2204-2515-7	Big C Onnut Branch	0-2331-6471-3
The Mall Bang Kapi Branch	0-2363-3489-91	Saphan Khwai Branch	0-2278-1755-7
The Old Siam Branch	0-2223-9866-8	Phannaok Branch	0-2411-1272-74
Home Pro Phetchakasem Branch	0-2444-3045-7	The Circle Ratchapruk Branch	0-2863-8757-9
Mah Boon Krong Center Branch	0-2686-3930	Vorachak Branch	0-2221-6946-8
Big C Rama II Branch	0-2415-3737	Wongwian 22 Karakada Branch	0-2223-4194-5
Home Pro Ekamai-Rarm Intra Branch	0-2514-9112-4	Pakkhlong Talat Branch	0-2225-4932-4
The Mall Tha Phra Branch	0-2477-9525	Sene Nikhom Branch	0-2561-5577
Yaowarat Branch	0-2221-4600-2	Central Rama9 Branch	0-2160-3866-8
Silom Branch	0-2235-8372-4	Terminal21 Branch	0-2254-0045-7
Sampheng Branch	0-2225-3552		

BRANCHES IN THE PROVINCES

Samutsakhon Branch	034-870737-9	Big C Bang Na Branch	0-2361-6324-6
Big C Rattatanathibet Branch	0-2594-2578-80	Big C Bang Phli Branch	0-2312-2626
Future Park Rangsit Branch	0-2958-5271-3	The Mall Ngam Wong Wan Branch	0-2550-1287-9
		Talat thai Branch	0-2529-6192-3

NORTH

Chaing Mai Branch	053-851-671-5	Talat Warorot Branch	053-252-223-5
Big C Hang Dong Branch	053-447-855-7		

EAST

Home Pro Chon Buri Branch	038-387-924-6	Big C Pattaya Branch	038-428-946-8
Si Racha Branch	038-325-693-5		

NORTH EAST

Khonkaen Branch	043-235-244	Udonthani Branch	042-230-280-2
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SOUTH

Tesco Lotus Phuket Branch	076-304-113-5	Pathong Branch	076-340-770-1
Phuket Branch	076-523-306-10		



มันคงไปด้วยกัน มันใจทุกการลงทุน

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