

PROACTIVE SERVICE
FOR EXCELLENCE



บริษัท แอล เอช ไฟแนนซ์เชียล กรุ๊ป จำกัด (มหาชน)
LH FINANCIAL GROUP PUBLIC COMPANY LIMITED

Annual Report 2012 2555
รายงานประจำปี

PROACTIVE SERVICE
FOR EXCELLENCE



Customer Service Plan





Service Mind



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MESSAGE FROM THE CHAIRMAN

In 2012, the Thai economy which is the result of private section's confidence, expansion of service and tourism, and supporting from the government through importance policy such as First-car policy/First-home policy, the raise of government's officers benefit policy. However, export sector has effected by Global Economic condition such as the deflation of the US economy, China economy and European sovereign debt crisis resulted in deflation of lower rate of export including manufacturing production.

For overview of Thai economy in 2013 is expected to expand in the rate that approximate to the year 2012 by supporting from the expenditure of the government for infrastructure investment project including export direction which should be better because of the Global economic's recovery.

In 2012, the Company's core revenue came from investment in its subsidiary, Land and Houses Bank Pcl., of which operating results have improved steadily over the years. As reflected in its 2012 financial statement, the Company's net profit before tax surged by 21.88% to Baht 898 million from the previous year. Total assets jumped by 50.68%, or Baht 41,181 million to Baht 122,426 million from the level at the end of 2011.

The year 2012 Land and Houses Bank Public Company Limited, which is the core Company has steadily developed products and services in various areas for its customers demand and for adding some channels in order to increase fee income such as Internet Banking Services beyond the name "LH BANK SPEEDY", the additional services of the branch expansion increased of 43 branches in year 2011 to 65 branches in year 2012, the increase of ATM Booth, Mobile Branch Services which is on the developed process to stop to service at various points, Mobile Banking Service, 3 in 1 ATM Booth which provides various kinds of service such as deposit cash, withdraw

cash and update passbook in the same booth and the transaction services at branch counter without slip-filling, etc. In addition, these developing products and services are formulated to support customers' demand and to facilitate the customer for using our services.

As always, the Company's Board of Directors pays attention to 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 Bank's operations throughout the years.



A handwritten signature in black ink, appearing to read 'Anant Asavabhokhin'.

(Mr. Anant Asavabhokhin)
Chairman



COMPANY PROFILE

LH Financial Group Pcl. 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.

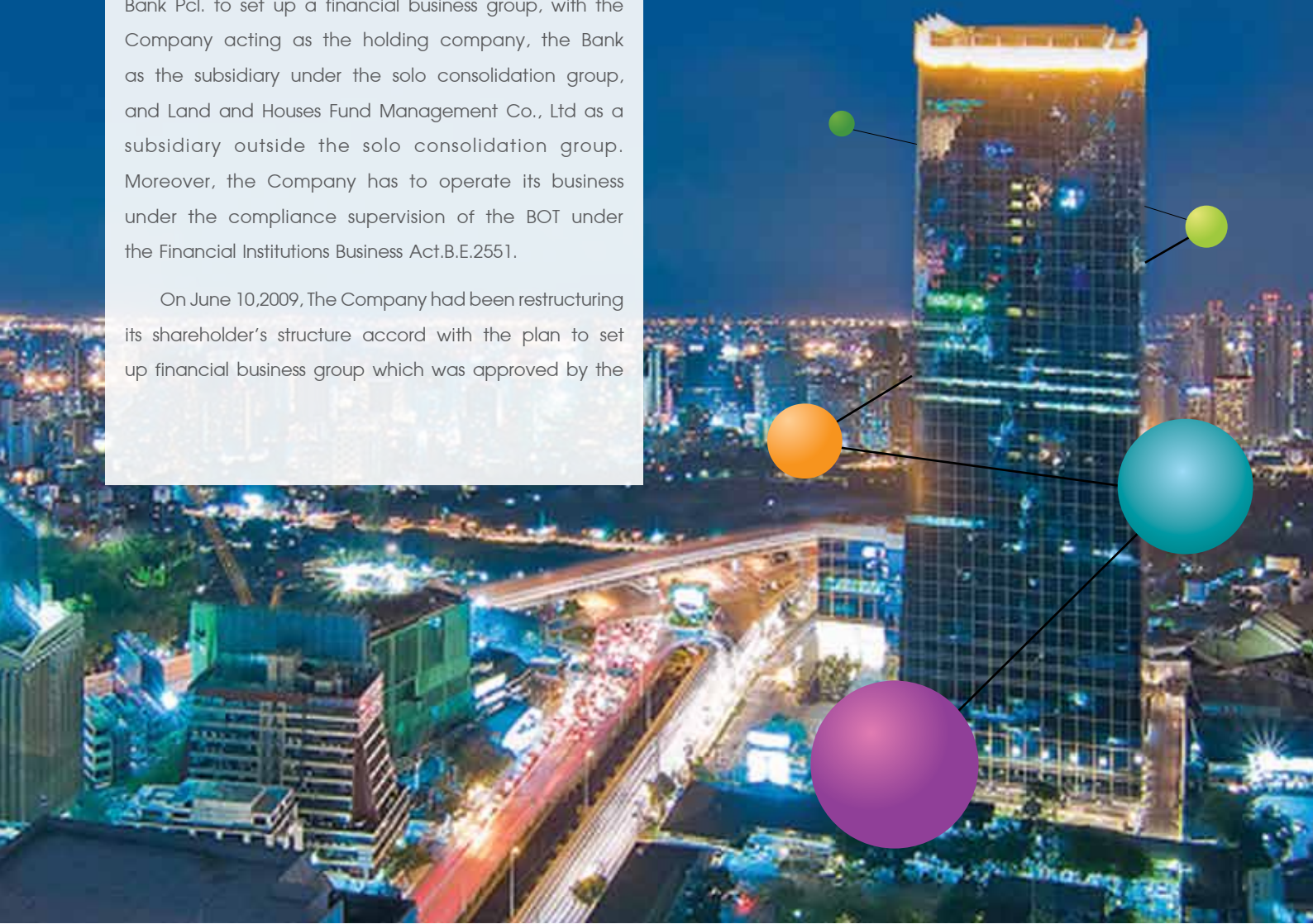
The Company was established on April 22, 2009 with initial registered capital of 100,000 baht, with the core objective of acting as the holding company of a financial business group. As a non-operation holding company, the Company holds shares in other companies for the purpose of acquiring their management 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 Bank Pcl. 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 has to operate its business under the compliance supervision of the BOT 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

BOT. 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 commercial after that the shares holders of LHBANK has become LHFG's share holders and the Company holds shares in LH BANK 99.99%.

The Stock Exchange of Thailand has received the Company's shares to securities listed and has begun and completed its first trading day on May 10, 2011 under the LHBANK symbol.





GENERAL INFORMATION

The Company name	:	LH Financial Group Public Company Limited
Symbol	:	LHBANK
Registration Number	:	0107552000081
Type of Business	:	Investment business (Holding Company) The Company invested in Land and Houses Bank Public Company Limited, its 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 Sathorn Rd., Thungmahamek, Sathorn, Bangkok 10120
Registered Capital	:	12,399,982,813 baht Divided into 12,399,982,813 ordinary shares
Paid-up Capital	:	11,978,911,286 baht as of December 31, 2012 Divided into 11,978,911,286 ordinary shares 12,213,672,326 baht as of February 5, 2013 Divided into 12,213,672,326 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 Fax 0-2677-7223 Email : info@lhbank.co.th
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The Company Secretary
Telephone 0-2359-0000 Ext. 2020, 2019, 2021
Email : presidentoffice@lhbank.co.th

The Audit Committee	:	Mr. Phairoj Hengsakul	Chairman of the Audit committee
		Telephone 081-990-7448	
		Email : phairojh@lhbank.co.th	
		Mr. Adul Vinaiphat	Member of the Audit Committee
		Telephone 081-834-0104	
		Email : adulv@lhbank.co.th	
		Mr. Sun Vithespongse	Member of the Audit Committee
		Telephone 089-829-7711	
		Email : sunv@lhbank.co.th	



Auditors	:	Miss Ratana Jala
		Certified Public Accountant (Thailand), No.3734
	:	Mrs. Noglak Pumnoi
		Certified Public Accountant (Thailand), No.4172
	:	Miss Rachada Yongsawadvanich
		Certified Public Accountant (Thailand), No.4951
	:	Ernst & Young Office Limited
		193/136-137, 33rd Floor, Lake Rajada Office Complex
		Rajadapisek Road, Klongtoey, Bangkok 10110
Telephone	:	0-2664-0777, 0-2661-9190
Fax	:	0-2664-0789-90, 0-2661-9192

The Companies in Financial Group

Land and Houses Bank Public Company Limited

Head Office	:	1 Q.House Lumpini Building, G, 1st, 5th, 6th, 24th, 32 rd Floor, South Sathorn Rd., Thungmahamek, Sathorn, Bangkok 10120
Registered Capital	:	20,000,000,000 baht
Paid-up Capital	:	12,500,000,000 baht
Telephone	:	0-2359-0000, 0-2677-7111
Fax	:	0-2677-7223
Registration Number	:	0107548000234
Website	:	www.lhbank.co.th

Land and Houses Fund Management Company Limited

Head Office	:	11 Q.House Sathorn Building, 14th Floor, South Sathorn Rd., Thungmahamek, Sathorn, Bangkok 10120
Registered Capital	:	300,000,000 baht
Paid-up Capital	:	300,000,000 baht
Telephone	:	0-2286-3484, 0-2679-2155
Fax	:	0-2286-3585, 0-2679-2150
Registration Number	:	0105551006645
Website	:	www.lhfund.co.th





FINANCIAL HIGHLIGHTS

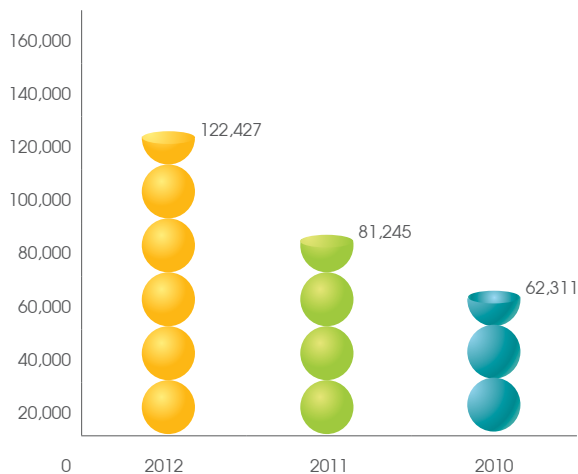
Consolidated Financial Statement			
Items	2012	2011	2010
Statements of financial position : million baht			
Total assets	122,427	81,245	62,311
Loans to customers	86,248	54,965	42,513
Allowance for doubtful debts	929	653	468
Non-performing loans (Gross NPLs)	1,624	976	689
Deposits	84,224	22,254	27,082
Borrowings	769	35,865	18,394
Total Deposits and Borrowings	84,993	58,119	45,476
Total Liabilities	108,260	67,933	56,085
Total shareholders' equity	14,166	13,312	6,227
Registered share capital	12,400	12,000	12,000
Paid-up share capital	11,979	11,472	5,516
Statements of comprehensive income : million baht			
Interest income	4,856	3,380	2,332
Interest expenses	(2,728)	(1,643)	(871)
Net interest income	2,128	1,737	1,461
Non-interest income	356	138	73
Total operating income	2,484	1,875	1,534
Non-interest expenses	(1,308)	(958)	(741)
Bad debts and doubtful accounts	(277)	(180)	(210)
Profit from operation before income tax expenses	899	737	583
Net profit	683	496	408
Comparing per share : baht			
Basic earnings per share	0.0573	0.0454	0.0800
Dividend rate per share	⁽¹⁾	⁽²⁾	0.007
Book Value per share	1.1826	1.1604	1.1289
Financial Ratio (%)			
Return on average assets (ROA)	0.67	0.69	0.73
Return on average shareholders' equity (ROE)	4.97	5.08	8.74
Non-interest income to total income	14.33	7.36	4.76
Non-interest expenses to total income	52.65	51.09	48.31
Dividend payout ratio	⁽¹⁾	85.70	10.14

Notes : ⁽¹⁾ In 2012, the Company has paid the Dividend Payment 2012 and Interim Dividend Payment according to the operating result of the year ended February 28, 2013 in the ratio of baht 0.0333 per share.

⁽²⁾ In 2011, the Company has paid the Stock Dividend in the ratio of 1 dividend share for every 30 existing ordinary shares.

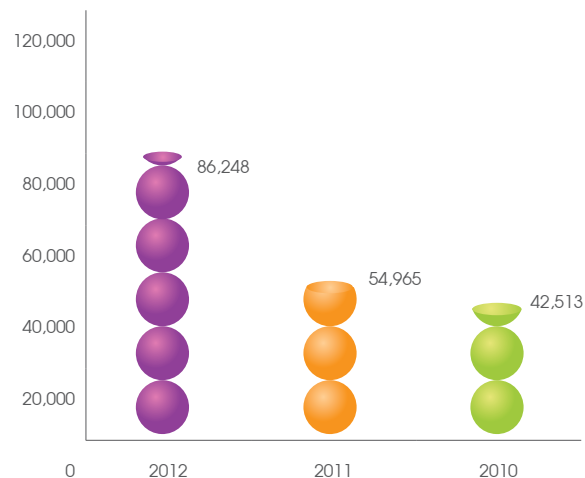
Total assets

(Million Baht)



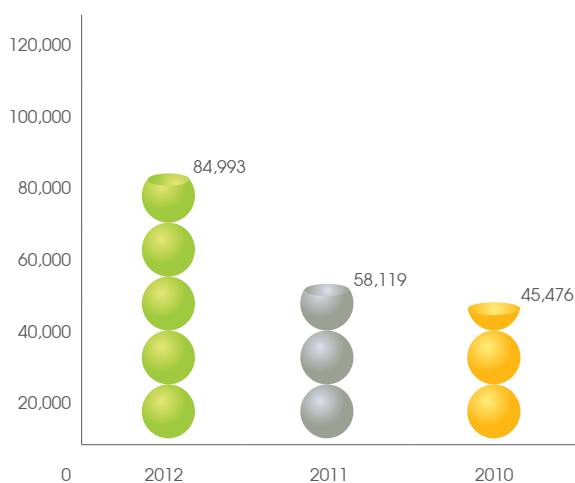
Loans

(Million Baht)



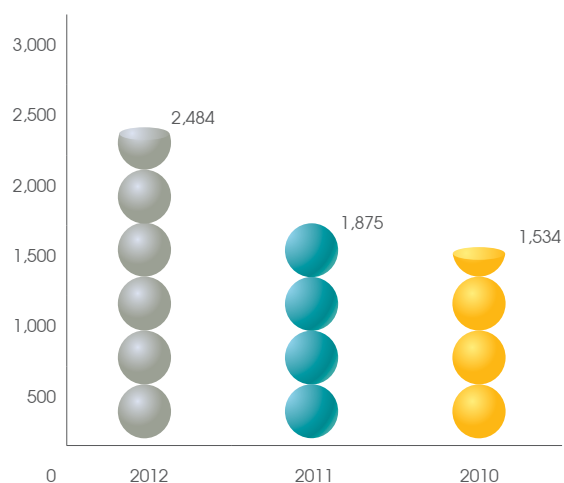
Deposits and Borrowings

(Million Baht)



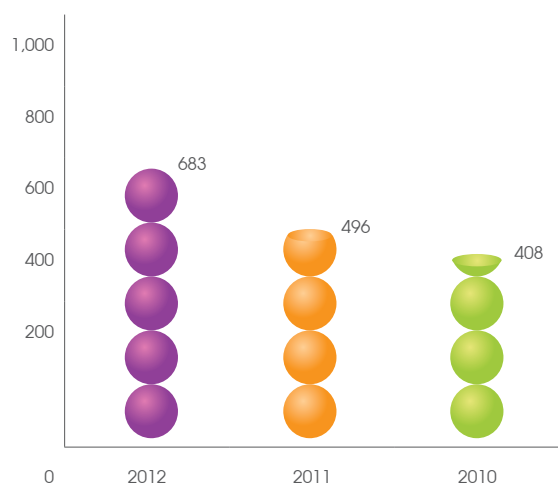
Total Operating Income

(Million Baht)



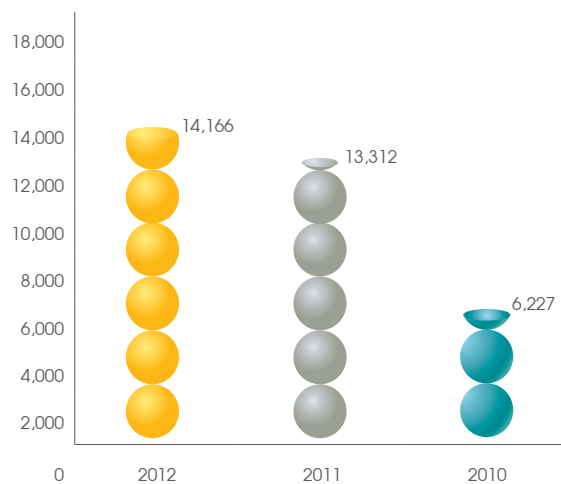
Net profit

(Million Baht)



Total Shareholders' Equity

(Million Baht)





Mr. Anant Asavabhokhin



BOARD OF DIRECTORS



Mr. Rutt Phanijphand



Mr. Phairoj Hengsakul



Mr. Adul Vinaiphat



Mr. Sun Vithespongse



Mr. Naporn Sunthornchitcharoen



Mrs. Suwanna Buddhaprasart



Mrs. Sasitorn Phongsathorn



Mr. Pairoj Paisansrisomsuk





Name: Mr. Anant Asavabhokhin
Position: Chairman
Age: 62

Education:

- 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 Pcl.
2005 - present	Chairman	Land and Houses Bank Pcl.
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 Pcl.
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	Chief Executive Officer	Land & Houses Pcl.
1985 - present	Chairman	Land & Houses Pcl.
1983 - present	Director	Quality Houses Pcl.
2005 - Mar. 2011	Chairman	Bangkok Chain Hospital Pcl.
2001 - Mar. 2010	Director	Q-CON Eastern Co., Ltd.
Aug. - Dec. 2005	Chairman	Book Club Finance Pcl.
Jun. - Dec. 2005	Chairman	Land and Houses Credit Foncier Pcl.
1994 - Feb. 2010	Chairman	Quality Construction Products Pcl.
1994 - Dec. 2009	Director	Centerpoint Management Co., Ltd.



Name: Mr. Rutt Phanijphand
Position: Chairman of the Executive Director
Age: 66

Education:

- M.S. in Business Ad., Fort Hays Kansas State University, Hays, 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
Oct. 2010 - present	Chairman of Director	Land and Houses Fund Management Co., Ltd.
Apr. 2009 - present	Chairman of Executive Director	LH Financial Group Pcl.
Sep. 2008 - present	Director of Best Practices Committee on Compensation	Thai Institute of Directors
Apr. 2007 - present	Chairman of the Remuneration and Compensation Committee	Home Product Center Pcl.
Dec. 2005 - present	Chairman of Executive Director	Land and Houses Bank Pcl.
2005 - present	Chairman of the Compensation Committee	Banpu Pcl.
Jan. 2003 - present	Director	QH Management Co., Ltd.
2001 - present	Director	Home Product Center Pcl.
Aug. 2001 - present	President and Chief Executive Officer	Quality Houses Pcl.
Aug. 2001 - present	Director	QH International Co., Ltd.
2006 - 2009	Independent Director and Audit Committee's Director	IRPC Pcl.
2006 - 2008	Director	Kasetsart University Council
Feb. - Dec. 2005	Director	Dhipaya Insurance Pcl.
2004 - 2005	Executive Director	Krung Thai Bank Pcl.
Apr. 2003 - Apr. 2004	Member of the Audit Committee	Krung Thai Bank Pcl.
2002 - 2008	Chairman	The Activities Promotion Committee, Kasetsart University
Aug. 2001 - Dec. 2009	Director	Centerpoint Management Co., Ltd.
2000 - 2005	Chairman	United Advisory service Co., Ltd.



Name: Mr. Phairoj Hengsakul
Position: Chairman of the Audit committee
Age: 65

Education:

- 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-Chiangmai
- Media and Public Relation Course, Ogilvy (Thailand)
- Director Certification Program 121/2009 : IOD
- Financial Institutions Governance Program 1/2010 : IOD

Shareholding (%) 0.076

Relationship with executives - None -

Work experiences in the past 5 years

Period	Position	Organization/Company
Apr. 2009 - present	Independent Director, Chairman of the Audit Committee	LH Financial Group Pcl.
Feb. 2009 - present	Independent Director and Chairman of the Audit Committee	Land and Houses Bank Pcl.
2007 - present	Member of the Audit Committee	Prince of Songkla University
Apr. 2009 - Apr. 2011	Director of the Nomination and Remuneration Committee	LH Financial Group Pcl.
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 - Southern Region Office - Project and Asset Management Department	Bank of Thailand



Name: Mr. Adul Vinaiphath
Position: Chairman of the Nomination and Remuneration Committee
Age: 66

Education:

- 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
- Capital Market Academy Leader Program, CMA 14
- 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 (%) 0.024

Relationship with executives - None -

Work experiences in the past 5 years

Period	Position	Organization/Company
Jan. 2012 - present	Chairman	The Thai Packaging and Printing Pcl.
May. 2010 - present	Director	The Thai Packaging and Printing Pcl.
Dec. 2010 - present	Director of the Nomination and Remuneration Committee	Quality Houses Pcl.
Apr. 2009 - present	Independent Director, Member of the Audit Committee, and Chairman of the Nomination and Remuneration Committee	LH Financial Group Pcl.
Apr. 2009 - present	Chairman of the Executive Director	Evergreen Plus Co., Ltd.
2008 - present	Director	The Thai Tapioca Development Institute
Jul. 2008 - present	Chairman of the Audit Committee	Quality Houses Pcl.
2007 - present	Director I.G.S. Pcl.	
Dec. 2005 - present	Independent Director, Member of the Audit Committee and Chairman of the Nomination and Remuneration Committee	Land and Houses Bank Pcl.
2002 - present	Vice President	The Thai Tapioca Development Institute Foundation
Aug. 2001 - present	Independent director	Quality Houses Pcl.
Jul. 2008 - Dec.2010	Chairman of the Nomination and Remuneration Committee	Quality Houses Pcl.
Mar. - Jul. 2010	Director	Thai Airline Holding Co., Ltd.
2005 - Dec. 2009	Director	Smart Collector Co., Ltd.
Aug. - Dec. 2005	Member of the Audit Committee	Book Club Finance Pcl.
June.2004 - Dec.2005	Independent Director and Member of the Audit Committee	Land and Houses Credit Foncier Pcl.
2003 - 2008	Director	The Activities Promotion 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 Pcl.



Name: Mr. Sun Vithespongse
Position: Member of the Audit Committee and Member of the Nomination and Remuneration Committee
Age: 58

Education: - Bachelor of Economic, University of Tasmania, Australia (Colombo Plan Scholarship)
 - National Defense College Class of 4616

Shareholding (%) - None -

Relationship with executives - None -

Work experiences in the past 5 years

Period	Position	Organization/Company
Oct. 2012 - present	Independent Director , Member of the Audit Committee and Member of the Nomination and Remuneration Committee	LH Financial Group Pcl.
2011 - present	Commissioner	Energy Regulatory Commission
2010 - 2011	Senior Advisor in Finance	Ministry of Finance
2008 - 2010	Executive Director	World Bank, Washington D.C.
2007 - 2008	Advisor in Finance	Ministry of Finance
2007 - 2008	Director	Mass Transit Authority of Thailand
2006 - 2007	Director	Expressway & Rapid Transit Authority of Thailand
2006 - 2006	Director	Electricity Generating Authority of Thailand
2005 - 2006	Director	Mass Transit Authority of Thailand
2004 - 2007	Director and Member of Audit Committee	Financial Institution Development Fund
2003 - 2006	Director	Suvarnabhumi Airport Hotel Co.Ltd.
2001 - 2006	Director and Member of Audit Committee	Gulf Electric Pcl.,
2001 - 2002	Director	ASEAN Potash Mining Co.Ltd.
2000 - 2002	Director and Chairman of Audit Committee	Wastewater Management Authority
1999 - 2007	Deputy Director-General	Public Debt Management Office, Ministry of Finance
1998 - 1999	Director	Loan Policy and Management Division, Fiscal Policy Office, Ministry of Finance
1996 - 1998	Alternative Executive Director	World Bank, Washington D.C.
1994 - 1996	Assistant Executive Director	World Bank, Washington D.C.
1988 - 1991	Assistant Director	ASEAN Secretariat, Jakarta, Indonesia
1982 - 1988	Economist	Fiscal Policy Office, Ministry of Finance
1980 - 1982	Program Officer	Department of Technical and Economic Cooperation



Name : Mr. Naporn Sunthornchitcharoen
 Position : Executive Director and Member of the Nomination and Remuneration Committee
 Age : 54

Education :
 - 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 2/2011: IOD

Shareholding (%) - None -
 Relationship with executives - None -

Work experiences in the past 5 years

Period	Position	Company /Organization
Apr. 2011 - present	Director, Executive Director and Member of the Nomination and Remuneration Committee	LH Financial Group Pcl.
2005 - present	Director, Executive Director and Member of the Nomination and Remuneration Committee	Land and Houses Bank Pcl.
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 Pcl.
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 Pcl.
1994 - present	Director	Quality Construction Products Pcl.
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 Pcl.
Jun. - Dec. 2005	Director	Land and Houses Credit Foncier Pcl.
2001 - Mar. 2010	Director	Q-CON Eastern Co., Ltd.
1994 - Mar. 2011	Director	Bangkok Chain Hospital Pcl.
1994 - Dec. 2009	Director	Saraburi Vechakij Co., Ltd.
1994 - Dec. 2009	Director	Sriburin Medical Co., Ltd.



Name : Mrs. Suwanna Buddhaprasart
 Position: Director
 Age: 58

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

Term	Position	Company /Organization
Jun. 2012 - present	Director	Center point Hospitality Co., Ltd.
Feb. 2012 - present	Director	L&H Hotel Management Co., Ltd.
Apr. 2011 - present	Director	LH Financial Group Pcl.
2010 - present	Director	Idea Fitting Co., Ltd.
2008 - present	Director	L&H Management Co., Ltd.
2003 - present	Director	Home Product Center Pcl.
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 Pcl.
2000 - present	Director	The Confidence Co., Ltd.
2000 - present	Director	Q.H. International Co., Ltd.
Apr. 2011 - Apr. 2012	Member of the Nomination and Remuneration Committee	LH Financial Group Pcl.
2005 - Feb. 2012	Director and Member of the Nomination and Remuneration Committee	Land and Houses Bank Pcl.
Aug. - Dec. 2005	Director	Book Club Finance Pcl.
1992 - 2005	Director	Land and Houses Credit Foncier Pcl.



Name: Mrs. Sasitorn Phongsathorn
 Position: Executive Director and President
 Age: 55

Education:

- MBA, Nortre Dame de Namur University Ca., USA
- Bachelor of Science, Chulalongkorn University
- Capital Market Academy Leader Program, CMA 12
- Director Accreditation Program 28/2004 : IOD
- Director Certification Program 58/2005 : IOD
- Financial Institutions Governance Program 3/2011: IOD

Shareholding (%) 0.092
 Relationship with executives - None -

Work experiences in the past 5 years

Period	Position	Organization/Company
Aug. 2012 - Present	Director and Member of the Nomination and Corporate Governance Committee	The Stock Exchange of Thailand
Apr. 2009 - present	Executive Director and President	LH Financial Group Pcl.
Dec. 2005 - present	Executive Director and President	Land and Houses Bank Pcl.
Aug. 2005 - present	Independent Director and Member of the Audit Committee	Pico (Thailand) Pcl.
Jul. - Dec. 2005	Vice President	Book Club Finance Pcl.
Jan. 2004 - May 2005	Director and President	United Securities Pcl.
Apr. 2000 - Dec. 2003	Senior Director	United Advisory Service Co., Ltd.
Nov. 1998 - Jul. 1999	Chief Financial Officer	The Cogeneration Pcl.
Sep. 1983 - Jul. 1998	Senior Vice President	Dhana Siam Finance and Securities Pcl.



Name: Mr. Pairoj Paisansrisomsuk
 Position: Executive Director and Senior Executive Vice President
 Age: 54

Education: - B. Acc. (Cost Accounting),
 University of the Thai Chamber of Commerce
 - Director Accreditation Program 73/2008 : IOD
 - Financial Institutions Governance Program 2/2011: IOD

Shareholding (%) 0.858
 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 Pcl.
2005 - present	Executive Director and Senior Executive Vice President, Business Support Sector	Land and Houses Bank Pcl.
2001 - present	Director	Siam Retail Development Co., Ltd.
2005 - 2006	Director	Book Club Finance Pcl.
1991 - 2005	President	Land and Houses Credit Foncier Pcl.



1. Business in Perspective

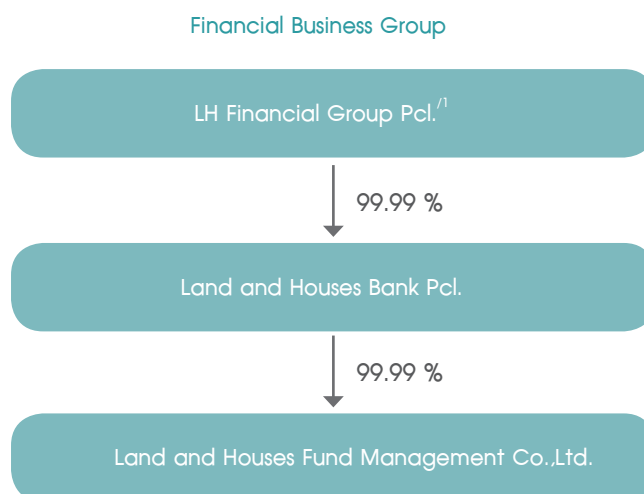
1.1 Business in Perspective of LH Financial Group Pcl.

LH Financial Group Pcl. 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. Therefore, Land and Houses Bank Public Company is core Company.

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, 20125 is as follows:



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 steadily developed products and services and services in various areas for its customer's demands. The Bank's services can be grouped into 3 categories:

1. Deposit Service

The Bank provides a deposit service namely current account, savings account, saving account gets maximum, non-fixed account, fixed and tax-free fixed accounts.

2. Lending Service

The Bank offers many types of loans namely SME loans, Corporate loans and Big Corporate, Hire Purchase loans, Housing loans and Personal loans, the details of which are as follows:



- SME Loans and Corporate loans is the credit extended to businesses supporting their operations. They come in the forms of short-term 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. The type of loans such as short-term loans, long-term loans, overdraft, factoring, Acceptance and Aval Including financial guarantee services, etc.
- Hire Purchase Loan is a loan for purchasing vehicles for service both personal and corporate customers which divided into two type as follows :
 - 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.
- Housing Loan is a credit extended to customers that have 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 Loans 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).

3. Other Services

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

- **Electronic Services** The Bank's service channels are as follows :
 - LH Bank Speedy, offer to personal customers and corporate customers, which could be verified the balance and printed out the statement, fund transfer over the bank, fund transfer to the account of other bank and payment for commodities and services.
 - ATM cards and ATM booth, withdraws services, fund transfer over the bank, fund transfer to the account of other bank and payment for commodities and services, print out the last 10 lists of statement.
 - Direct Debit and Automatic Transfer System (ATS).
 - Salary Payroll.
- **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.
- **Insurance Brokerage Service** The bank provides various of insurance based on the needs of customers for Life and Non-Life insurance which the customer could choose the securities companies as the follow lists:
 - Broker service of Life insurance for
Muang Thai Life Assurance Co.,Ltd.





Ocean Life Insurance Co., Ltd.

- Selling the non-life insurance products for

Siam Commercial Samaggi Insurance Pcl.

Deves Insurance Pcl.

Charan Insurance Pcl.

Dhipaya Insurance Pcl.

Synmunkong Insurance Pcl.

Muang Thai Insurance Co., Ltd.

MSIG Insurance (Thailand) Co., Ltd.

- **Mutual Fund Selling Agent Service** The Bank is a selling agent of the unit trusts for many asset management companies which offer mutual funds of various types, from debt instruments and equity to retirement mutual funds (RMFs) and long-term equity funds (LTFs). The Bank is a selling agent for asset management companies as follow;

Lands and Houses Fund Management Co., Ltd.

Asset Plus Fund Management Co., Ltd.

CIMB-Principal Asset Management Co., Ltd.

ING Funds (Thailand) Co., Ltd.

MFC Asset Management Pcl.

Finansa Asset Management Co., Ltd.

SCB Asset Management Co., Ltd.

One Asset Management Limited

Krung Thai Asset Management Pcl.

TMB Asset Management Co., Ltd.

Solaris Asset Management Co., Ltd.

Krungsri Asset Management Co., Ltd.

Kiatnakin Fund Management Co., Ltd.

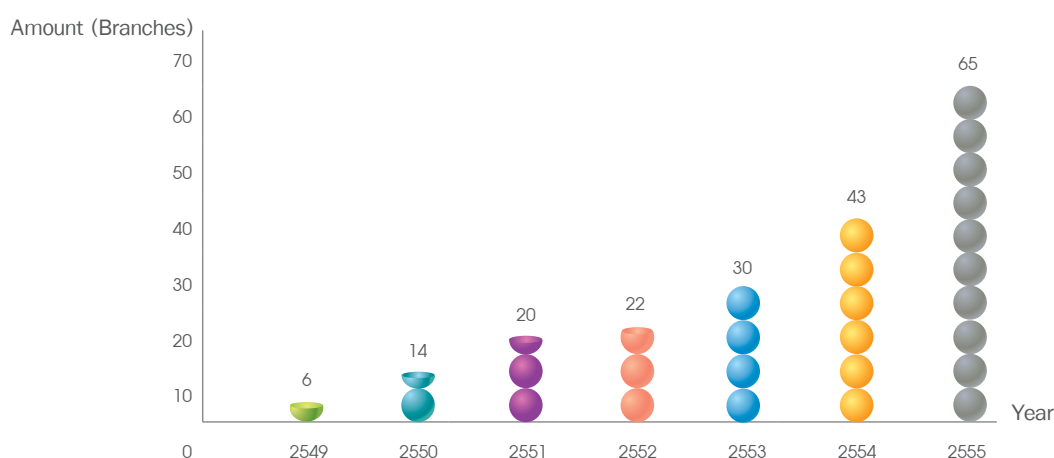
UOB Asset Management (Thai) Co., Ltd.

- **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 Pcl. 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.

4. Branches 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 65 branches as of December 31, 2012.



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

Area	Branches		
Bangkok	1. Fashion Island Branch	2. The Mall Bang Khae Branch	3. Q House Asoke Branch
	4. The Mall Bang Kapi Branch	5. The Old Siam Branch	6. Home Pro Phetchakasem Branch
	7. Mah Boon Krong Center Branch	8. Big C Rama II Branch	9. Home Pro Ekamai-Rarm Intra Branch
	10. The Mall Tha Phra Branch	11. Yaowarat Branch	12. Silom Branch
	13. Sampheng Branch	14. Thong Lor Branch	15. Bang Rak Branch
	16. Khlong Thom Branch	17. Big C Onnut Branch	18. Saphan Kwai Branch
	19. Phran Nok Branch	20. Vorachak Branch	21. The Circle Ratchapruk Branch
	22. Wongwian 22 Karakada Branch	23. Terminal21 Branch	24. Sena Nikhom Branch
	25. Pakklong Talat Branch	26. Central Rama9 Branch	27. Big C Bangna Branch
	28. The Promenade Branch	29. Seacon Bangkae Branch	30. Water Gate Branch
	31. Seacon Square Branch	32. Jan Road Branch	33. Bo Bae Branch
	34. Park lane (Ekamai) Branch	35. Noi Market Branch	36. Saphan Mai Branch
	37. Tesco Lotus Rama IV Branch	38. Wave Place (Phloen Chit) Branch	39. Central Plinglao Branch

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เขตพื้นที่	สาขา		
Boundary	40. Samutsakhon Branch	41. Big C Rattatanathibet Branch	42. Future Park Rangsit Branch
	43. Big C Bang Phli Branch	44. The Mall Ngam Wong Wan Branch	45. Talat thai Branch
	46. Suksawati Branch	47. Big C Tiwanon Branch	48. Tesco Lotus Bangna-Trad Branch
	49. Nakornprathom Branch		
Middle	50. Huahin Branch		
North	51. Chiang Mai Branch	52. Big C Hang Dong Branch	53. Talat Warorot Branch
East	54. Home Pro Chon Buri Branch	55. Sri Racha Branch	56. Big C Pattaya Branch
	57. Rayong Branch		
North East	58. Khonkaen Branch	59. Udonthani Branch	60. IT Plaza Udonthani Branch
	61. The Mall Nakorn Ratchasima		
South	62. Phuket Branch	63. Tesco Lotus Phuket Branch	64. Pathong Branch
	65. Central Suratthani Branch		

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. 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.

- **Provident Funds**

The Company provides management service for Provident Funds which set up by the willingness of the Company that required to saving money as the security for their employee when the employee resign or retire and the employee saving money for another part of this fund. The employee would get tax benefit from investment of the management company in the appropriate period of investment in order to get sufficiently accumulated benefit for the living after retired or resigned. The Provident Funds has two types which is employee's choice which enables the employee the choice to select an investment policy which may be more suited to their objectives and risk or Provident Fund Committee's choice. The management company shall regularly provide statement of balances for members and evaluate the returns for the employees and employer's Company according to the regulation of law.

- **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, 2012, Land and Houses Fund Management has funds under management, Net Asset Value amount of Baht 27,215.01 million including Property Funds amount of Baht 17,584.68 million ,Bond funds amount of Baht 8,786 million, Equity Funds amount of Baht 43.95 million and Provident Funds amount of Baht 800.38 million.

2. Revenue Structure

Since the Company is a non-operating holding Company and has no other major business. Land and Houses Bank Pcl. is a directly shareholder's subsidiary and the core Company and Land and Houses Fund Management Co.,Ltd. is an indirectly shareholder's subsidiary. Therefore, the Company's revenue structure is the same as that of the Bank.

Revenue structure of the Company and its subsidiaries for year 2012, 2011 and 2010 as follows:



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Table : Revenue structure

(Unit: Million Baht)

Revenue structure	Consolidated financial statements					
	2012		2011		2010	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Interest income						
Loans to customers	3,738.68	150.49	2,414.39	128.78	1,725.43	112.51
Investment in debt securities	971.39	39.10	762.87	40.69	529.63	34.54
Interbank and money market	146.05	5.88	202.92	10.82	77.23	5.03
Total interest income	4,856.12	195.47	3,380.18	180.29	2,332.29	152.09
Interest expenses						
Deposits	(1,495.29)	(60.19)	(502.14)	(26.78)	(459.21)	(29.94)
Debts issued and borrowing	(663.62)	(26.71)	(799.44)	(42.64)	(195.14)	(12.73)
Interbank and money market items	(266.43)	(10.72)	(245.51)	(13.10)	(94.06)	(6.13)
Contributions to the Deposit Protection Agency and Bank of Thailand	(302.35)	(12.17)	(95.77)	(5.11)	(122.76)	(8.01)
Total interest expenses	(2,727.69)	(109.80)	(1,642.86)	(87.63)	(871.17)	(56.81)
Net interest income	2,128.43	85.67	1,737.32	92.66	1,461.12	95.28
Fees and service income						
Commission income on insurance broker	59.15	2.38	44.82	2.39	42.27	2.75
Acceptances, aval and quarantees	23.40	0.94	17.21	0.92	13.35	0.87
Others	70.90	2.85	26.62	1.42	21.76	1.42
Total Fees and service income	153.45	6.18	88.65	4.73	77.38	5.05
Fees and service expenses						
Fees and charges	(23.45)	(0.94)	(25.14)	(1.34)	(18.76)	(1.22)
Others	(16.48)	(0.66)	(2.21)	(0.12)	(0.75)	(0.05)
Total fees and service expenses	(39.93)	(1.61)	(27.35)	(1.46)	(19.51)	(1.27)
Net fees and service income	113.52	4.57	61.30	3.27	57.87	3.77
Others income						
Gains on investments	194.74	7.84	73.47	3.92	10.31	0.67
Others operating income	47.63	1.92	2.75	0.15	4.22	0.28
Total others income	242.37	9.76	76.22	4.07	14.53	0.95
Net operating income	2,484.32	100.00	1,874.84	100.00	1,533.52	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, 2012, the Company and its subsidiaries had total interest income of Baht 4,856.12 million, increase from year 2011 of Baht 1,475.94 million or 43.66% resulted from an increase in interest income on loans increased by the growth of loans of the subsidiaries.

Total Interest expenses consists Interest expenses from deposits, Debts issued and borrowing, Interbank and money market items and contributions to the Deposit Protection Agency and Bank of Thailand. In 2012 the Company and its subsidiaries had total interest expenses of Baht 2,727.69 million, an increase from year 2011 of Baht 1,084.83 million or 66.03% resulted from an increase in interest expenses on deposits which the Company and its subsidiaries had deposits increase Baht 61,969.02 million or 278.46% in 2012.

As at year ended December 31, 2012 the Company and its subsidiaries had net interest income of Baht 2,128.43 million or 85.67% of others operating income, an increase of Baht 391.11 million and Baht 667.31 million in 2011 and 2010 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, 2012. The Company and its subsidiaries had total fees and service income of Baht 153.45 million, an increase of Baht 64.80 million or 73.10% in 2011.

As at year ended December 31, 2012 the Company and its subsidiaries had total fees and service expenses of Baht 39.93 million, an increase of Baht 12.58 million or 46.00% in 2011.

As at year ended December 31, 2012 the Company and its subsidiaries had net fees and service income of Baht 113.52 million or 4.57% of Net operating income, an increase of Baht 52.22 million and Baht 55.65 million in 2011 and 2010 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, 2012 the Company and its subsidiaries had total others income of Baht 242.37 million, an increase of Baht 166.15 million or 217.99% in 2011 resulted from gains on investments increased of Baht 72.46 million and net gain on trading transactions of Baht 48.82 million of its subsidiaries.

3. Business objectives

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 a non-operating holding Company of a financial business group. It now holds 99.99% of all paid-up shares of Land and Houses Bank Pcl., which is its core Company.

The Company does business with vision and mission of Land and Houses Bank Pcl. because of Land and Houses Bank Pcl. is its core Company for the same direction and objective of the operation of the Company. Vision encompasses the ultimate goal of the Company whereas Values encompasses mission and standard of the Company. The Bank has put in writing clearly defined statement outlining its Vision and Mission as follows ;



The vision

" We aim at being a bank with a fast - forward growth and high quality."

The missions

- (a) To be a solid financial institution and to grow to be in one of the top three commercial banks in Thailand.
- (b) To provide a professional service with spirit and to develop a satisfying information system for customers.
- (c) To operate with corporate governance and consider the benefit at stakeholders and society.
- (d) To develop and support human resource development system in of knowledge and for the benefit of employees.

Land and Houses Bank Public Company Limited.

The operations of Land and Houses Bank Pcl. throughout the years, has maintained integrated policies and strategies over the next 3 years according to Vision and Mission by considering external business environments such as the economy, domestic and international politics. Not only are external factors incorporated into strategic plan revision, but internal factors are also included, such as strengths, weaknesses, opportunities, threats, critical success factors and priority issues. The management will take all of these issues into consideration to determine a Corporate Theme and the Corporate Strategy Map. The plans are reviewed regularly to cope with the ever and environment changing situation.

The vision

" We aim at being a bank with a fast - forward growth and high quality."

The missions

- (a) To be a solid financial institution and to grow to be in one of the top three commercial banks in Thailand.
- (b) To provide a professional service with spirit and to develop a satisfying information system for customers.
- (c) To operate with corporate governance and consider the benefit at stakeholders and society.
- (d) To develop and support human resource development system in terms of knowledge and for the benefit of employees.

Business objectives of the Bank in 2013

Throughout the years, The Bank has continuously developed for the products, deposit and loans, expansion of branches to serve over all the area, service for our customers, our employees including IT system to improve the potential in competitiveness and respond the needs of customers.

The operation of the bank in year 2012, The Bank has continuously developed the expansion of loans service to new group of customers, expansion of depositor base, increase various channels in order to maximize customer's service, generating fee income, emphasize on a knowledge and expertise of personal in financial product of the Bank including develop products and services to maximize customer's needs. For the purpose that to achieve the Mission "To be a solid financial institution and continuously growth"



Moreover, the Bank also emphasized on a good corporate governance, prevention of corruption payments, strengthening the extensive of the risk management including operate the business with responsibilities to society.

Land and Houses Fund Management Co.,Ltd.

The Vision

Land and Houses Fund Management Company Limited aims to be high business standard with good governance and client-best-interest protection by Duty of Loyalty and Duty of Care.

The Missions

Land and Houses Fund Management Company Limited's mission is to diversify LH Financial Group Public Company Limited's line of business, to be investors' choice for investing via mutual fund, property fund, provident fund and private fund under professional fund management, and to deliver satisfactory returns for unit holders and shareholders.

Business objectives of Land and Houses Fund Management Co.,Ltd.

In 2013, the Company aims to increase the market share in the fund management industry and to be one of the top ten market participants: The Company will also strive to build on prudential investment foundation which offers one-step investment services to meet clients' preferences.



1. Securities Information

1.1 Ordinary shares

As of December 31, 2012 the Company has total registered and paid-up capital as follows:

Total registered capital : 12,399,982,813 baht

Total paid-up capital : 11,978,911,286 baht

Divided into issued and paid-up shares capital 11,978,911,286 ordinary shares with the par value of 1 baht.

As of February 5, 2013 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 : 12,399,982,813 baht

Total paid-up capital : 12,213,672,326 baht

Divided into issued and paid-up shares capital 12,213,672,326 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 Pcl.'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 :

- (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 :

- (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:
 - 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
New Exercise ratio	: 1 warrant can be exercised to purchase 1.0333 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 Bank Pcl.'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
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 30th of January, April, July and October. (2) The last exercise date is November 30, 2014.
Restrictions	: 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: <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
New Exercise ratio	: 1 warrant can be exercised to purchase 1.0333 common share
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 2012 the Company set to has the exercised ordinary shares in series 1 of Warrants and series 2 of Warrants by the exercise of warrants totaling 120,406,513 units. As at December 31, 2012 the Company has a number of warrants to purchase ordinary shares outstanding 375,364,167 units as follows:

Table : Changed in number of warrants as of December 31, 2012

Details	The warrants to purchase the Company's ordinary shares		
	Series 1 of Warrants	Series 2 of Warrants	Outstanding.
Number of warrants outstanding as of December 31, 2011(units).	353,484,880	156,054,800	509,539,680
(Less) The number of warrants exercised (units)	(81,959,472)	(38,447,041)	(120,406,513)
Number of warrants canceled due to the resignation from to be employee of the bank (units)	-	(13,769,000)	(13,769,000)
Outstanding of warrants as of December 31, 2012	271,525,408	103,838,759	375,364,167

On January 29 and 30, 2013 the Company set to has the exercised ordinary shares in series 1 of Warrants and series 2 of Warrants by the exercise of warrants totaling 227,195,567 units. As at February 5, 2013 the Company has a number of warrants to purchase ordinary shares outstanding 148,010,800 units as follows:

Table : Changed in number of warrants as of February 5, 2013

Details	The warrants to purchase the Company's ordinary shares		
	Series 1 of Warrants	Series 2 of Warrants	Outstanding.
Number of warrants outstanding as of December 31, 2012(units).	271,525,408	103,838,759	375,364,167
(Less) The number of warrants exercised (units)	(140,936,308)	(86,259,259)	227,195,567
Number of warrants canceled due to the resignation from to be employee of the bank (units)	-	(157,800)	(157,800)
Outstanding of warrants as February 5, 2013	130,589,100	17,421,700	148,010,800



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 February 6, 2013 as follows:

No.	Shareholder Names	Number of Shares	%
1.	Land & Houses Public Company Limited	4,200,549,600	34.392
2.	Quality Houses Public Company Limited	2,637,554,400	21.595
3.	Miss Piengjai Hanpanich	2,036,714,545	16.676
4.	Asavabhokhin family group	180,585,107	1.478
5.	Mr. Wiroj Engpaiboon	135,000,001	1.105
6.	Mrs. Pantip Techapaibul	131,384,233	1.076
7.	Mr. Pairoj Paisarnsrisomsuk	104,778,316	0.858
8.	Thai NVDR Company Limited	79,875,451	0.654
9.	Mrs. Sinee Sirisamphan	67,387,986	0.552
10.	Mr. Kamhaeng Hoonhiransai	64,118,520	0.525
shareholdings of top 10 major shareholders		9,637,948,159	78.911
Other Minority Shareholders		2,575,724,167	21.089
Total		12,213,672,326	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 Bank Pcl., 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 subsidiaries which is Land and Houses Bank Pcl. The 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.

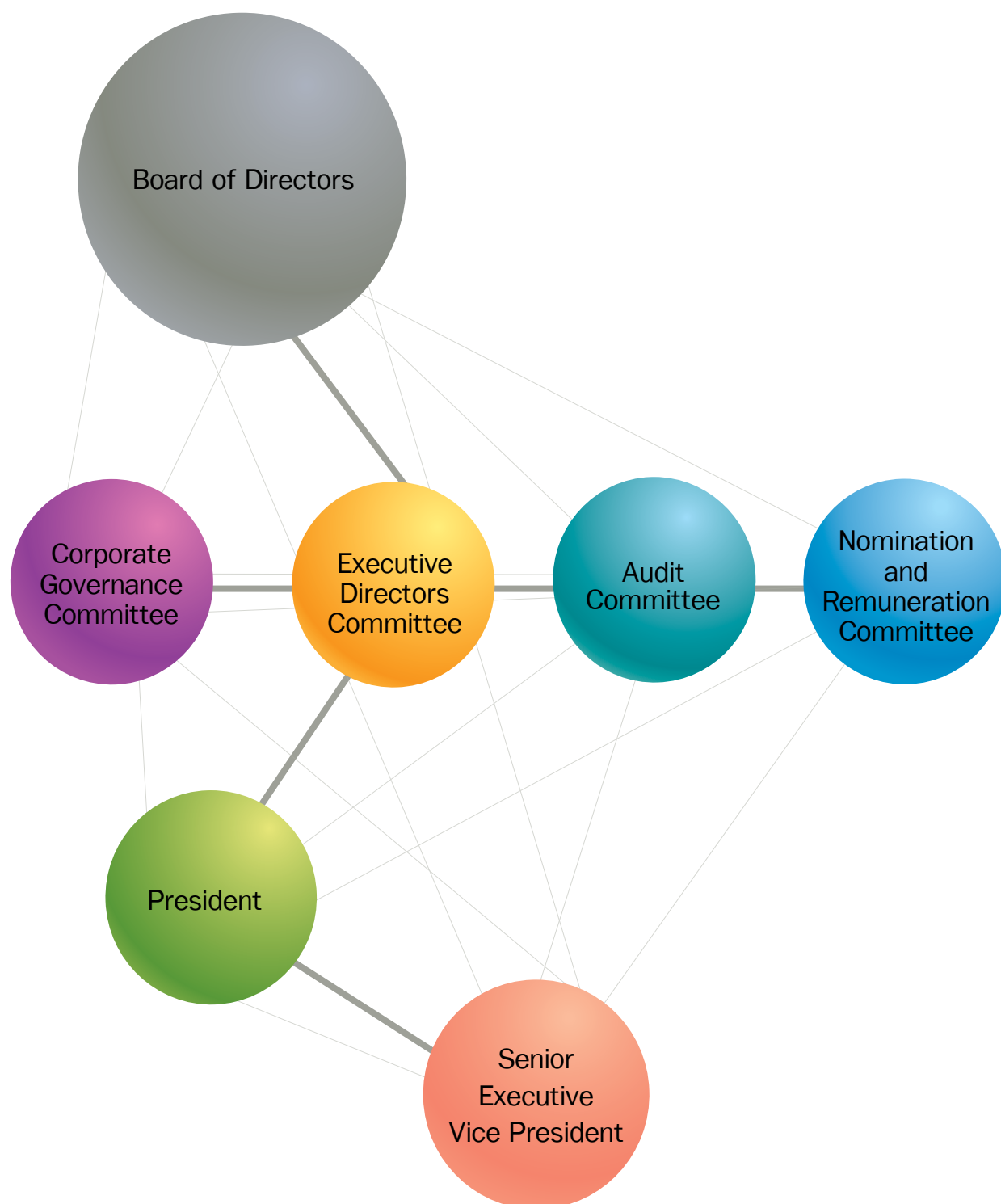
4. The number and type of shares the Company holds in other companies or private companies since ten percent or higher and not exceeding fifty percent.

- none -

5. The number and type of shares the Company holds in its subsidiaries since fifty percent or higher.

The Company name	:	Land and Houses Bank Public Company Limited
Head Office	:	1 Q.House Lumpini Building, G, 1st, 5th, 6th, 24th, 32rd Floor, South Sathorn Rd., Thungmahamek, Sathorn, Bangkok 10120
Registration Number	:	0107548000234
Registered Capital	:	20,000,000,000 baht
Paid-up Capital	:	12,500,000,000 baht
Par value	:	10 baht
All Type of shares	:	Include Ordinary shares 1,250,000,000 shares Preferred shares -None-
Telephone	:	0-2359-0000, 0-2677-7111
Fax	:	0-2677-7223
Website	:	www.lhbank.co.th
Major shareholders	:	As of December 31, 2012 major shareholders of the Company as follows: LH Financial Group Public Company Limited holds 99.99% of the issued and paid-up capital divided into ordinary shares 1,249,999,900 shares with par value 10 baht







Skill & Enthusiastic Service

The management structure of LH Financial Group Pcl. consists of the Board of Directors, which in turn appoints 4 sub-committees: the Executive Board, the Audit Committee, the Corporate Governance 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, 2012, the Board of Directors comprises 9 directors:

1. Mr. Anant Asavabhokhin _____ Chairman
2. Mr. Rutt Phanijphand _____ Director
3. Mr. Phairoj Hengsakul _____ Independent Director
4. Mr. Adul Vinaiphat _____ Independent Director
5. Mr. Sun Vithesponge^{/1} _____ Independent Director
6. Mr. Naporn Sunthornchitcharoen _____ Director
7. Mrs. Suwanna Buddhaprasart _____ Director
8. Mrs. Sasitorn Phongsathorn _____ Director
9. Mr. Pairoj Paisansrisomsuk _____ Director
- Mr. Vichian Amornpoonchai _____ Company Secretary

Note: ^{/1} Mr. Sun Vithesponge appointed as Directors on October 10, 2012 for Mr. Suwit Udomsab which effect since July 25, 2012.

Authorized signatory directors

Mr. Rutt Phanijphand, Mrs. Sasitorn Phongsathorn, Mr. Pairoj Paisansrisomsuk and Mr. Naporn Sunthornchitcharoen, two of those four 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

As of December 31, 2012, the Executive Directors Committee consists of 4 directors:

- 1. Mr. Rutt Phanijphand _____ Chairman of the Executive Director
- 2. Mr. Naporn Sunthornchitcharoen _____ Executive Director
- 3. Mrs. Sasitorn Phongsathorn _____ Executive Director
- 4. Mr. Pairoj Paisansrisomsuk _____ Executive Director
- Mr. Vichian Amornpoonchai _____ Secretary

Scope of Authority and Duties of the Executive Directors Committee

The Executive Directors Committee 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, 2012, 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. Sun Vitthesponge^{/1/2} _____ Member of the Audit Committee
- Ms. Chutima Boonmee _____ Secretary to the Audit Committee

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

^{/2} Mr. Sun Vitthesponge appointed as Member of Audit Committee on October 10, 2012 for Mr. Suwit Udomsarb which effect since July 25, 2012.



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. Corporate Governance Committee^{/1}

1. Mr. Adul Vinaiphat _____ Chairman of the Corporate Governance Committee
2. Mr. Phairoj Hengsakul _____ Member of the Corporate Governance Committee
3. Mr. Sun Vithesponge _____ Member of the Corporate Governance Committee
- Ms. Chutima Boonmee _____ Secretary

Note: ^{/1} The Corporate Governance Committee has been appointed by the Board of Director on February 21, 2013.

1. To determine and review the principle of good governance
2. To determine and review the principle of Anti-corruption.
3. To monitor the progress of the corporate governance and to give recommendations and necessary supports to related work teams in order to achieve the set objectives of each plan;
4. To carry out the internal evaluation under the corporate governance criteria in order to determine areas for improvement;
5. To represent the Company in communication and execution of corporate governance activities and Anti-corruption with the executives, employees and external units;
6. To perform any other duties as assigned by the Board of Directors with consent from the Corporate Governance Committee

5. Nomination and Remuneration Committee

As of December 31, 2012, the Nomination and Remuneration Committee consists of 3 directors:

1. Mr. Adul Vinaiphat _____ Chairman of the Nomination and Remuneration Committee
2. Mr. Naporn Sunthornchitcharoen _____ Member of the Nomination and Remuneration Committee
3. Mr. Sun Vithespongse ^{/1} _____ Member of the Nomination and Remuneration Committee
- Mr. Ruangsak Vitavaskarnvej _____ Secretary

Note: ^{/1} Mr. Sun Vithespongse appointed as Member of the Nomination and Remuneration Committee on October 10, 2012 for Mr. Suwit Udomsarb which effect since July 25, 2012.



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 Bank's 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.



MANAGEMENT STRUCTURE

6. The Management

As of December 31, 2012, 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, the Company's performances and the Financial Group's performance. The meeting notice, together with the meeting agenda and addenda, is sent in advance to allow the directors ample time to review the information. 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 2012, the meeting of the Board of Directors and subcommittees consist of the number of the meeting and attendance records of the Board of Directors as follows:

Table : Meeting Attendance Records of the Board of Directors and Sub-committees in 2012

Name	Board of Directors	Executive Board	Audit Committee	Nomination and Remuneration Committee
1. Mr. Anant Asavabhokhin	11/12	-	-	-
2. Mr. Rutt Phanijsaphand	11/12	22/25	-	-
3. Mr. Phairoj Hengsakul	11/12	-	9/9	-
4. Mr. Adul Vinaiphath	12/12	-	8/9	2/2
5. Mr. Suwit Udomsab ^{/1}	7/12	-	4/9	-
6. Mr. Sun Vitthespongse ^{/2}	3/12	-	1/9	1/2
7. Mr. Naporn Sunthornchitcharoen	12/12	24/25	-	2/2
8. Mrs.Suwanna Buddhaprasart ^{/3}	12/12	-	-	-
9. Mrs.Sasitorn Phongsathorn	11/12	24/25	-	-
10. Mr. Pairoj Paisansrisomsuk	12/12	24/25	-	-

Note: ^{/1} Mr. Suwit Udomsab appointed by the Board of Directors as Member of the Nomination and Remuneration Committee for Mrs. Suwanna Buddhaprasart which effect since April 23, 2012 However, Mr. Suwit Udomsab has resigned of Director, Member of Audit Committee and Member of the Nomination and Remuneration Committee on 2012 July 25, 2012.

^{/2} Mr. Sun Vitthespongse appointed by the Board of Directors as Executive Director on October 10, 2012 for Mr. Suwit Udomsab which effect since July 25, 2012. Mr. Sun Vitthespongse has joined the Board of Directors No. 10/2012 on October 15, 2012, the Audit Committee No. 7/2012 on October 12, 2012 and the Nomination and Remuneration Committee No. 3/2012 on December 12, 2012

^{/3} Mrs. Suwanna Buddhaprasart , resignation of Member of the Nomination and Remuneration Committee has effected April 23, 2012.



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.

Furthermore the remuneration for directors of LH Financial Group Pcl., the Annual General Meeting for year 2012 on April 25, 2012 approved the remuneration and the allowances meeting of Directors as follows:

Table: The Remuneration for Directors for the year 2012 and 2011

The Board of Director	2012		2011	
	Monthly remuneration (baht/month)	Allowance meeting (baht/time)	Monthly remuneration (baht/month)	Allowance meeting (baht/time)
The Board of Director				
Chairman	50,000	25,000	50,000	25,000
Director	40,000	20,000	40,000	20,000
Director as Executive	40,000	-	40,000	-
The Audit Committee				
Chairman of the Audit Committee	-	25,000	-	25,000
Member of the Audit Committee	-	20,000	-	20,000
The Executive Board				
Chairman of the Executive Board	-	20,000	-	20,000
Executive Director	-	15,000	-	15,000
The Nomination and Remuneration Committee				
Chairman of the Nomination and Remuneration Committee	-	20,000	-	20,000
Member of the Nomination and Remuneration Committee	-	15,000	-	15,000



Table : The remuneration for directors and other remuneration benefits for the year 2012 and 2011

Board of Director	Date appointed as Director	2012			2011 ^{/1}		
		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	875,000	-None-	-None-	600,000	-None-	-None-
2. Mr. Rutt Phanijphand	15 May 2009	1,140,000	-None-	-None-	800,000	-None-	-None-
3. Mr. Phairoj Hengsakul	15 May 2009	925,000	-None-	-None-	630,000	-None-	-None-
4. Mr. Adul Vinaiphat	15 May 2009	960,000	-None-	-None-	620,000	-None-	-None-
5. Mr. Suwit Udomsab ^{/2}	15 May 2009	540,000	-None-	-None-	600,000	-None-	-None-
6. Mr. Sun Vitthespongse ^{/3}	10 October 2012	204,333	-None-	-None-	-None-	-None-	-None-
7. Mr. Naporn Sunthornchitchroen	25 April 2011	1,110,000	-None-	-None-	635,000	-None-	-None-
8. Mrs. Suwanna Buddhaprasart	25 April 2011	720,000	-None-	-None-	495,000	-None-	-None-
9. Mrs. Sasitorn Phongsathorn	15 May 2009	480,000	-None-	-None-	320,000	-None-	-None-
10. Mr. Pairoj Paisansrisomsuk	15 May 2009	480,000	-None-	-None-	320,000	-None-	-None-
Total		7,434,333			5,020,000		

Note ^{/1} Other remuneration 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.

^{/2} Mr. Suwit Udomsab has resigned of Director, Member of Audit Committee and Member of the Nomination and Remuneration Committee on 2012 July 25, 2012.

^{/3} Mr. Sun Vitthespongse appointed by the Board of Directors as Executive Director on October 10, 2012 for Mr. Suwit Udomsab which effect since July 25, 2012.





MANAGEMENT STRUCTURE

Table : Shareholding in the Company and its subsidiaries's Board of Director as at December 31, 2012 and December 31, 2011

Board of Director		Position	December 31, 2012		December 31, 2011	
			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	Independent Director, Chairman of the Audit Committee	0.076 (increased 0.010)	-None-	0.066	-None-
4. Mr. Adul	Vinaiphat	Independent Director, Chairman of the Nomination and Remuneration Committee and Member of the Audit Committee	0.024 (increased 0.015)	-None-	0.008	-None-
5. Mr. Sun	Vithespongse	Independent Director, Member of the Audit Committee and Member of the Nomination and Remuneration 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	-None-	-None-	-None-	-None-
8. Mrs.Sasitorn	Phongsathorn	Executive Director and President	0.092 (increased 0.092)	-None-	-None-	-None-
9. Mr. Pairoj	Paisansrisomsuk	Executive Director and Senior Executive Vice President	0.858 (increased 0.038)	-None-	0.820	-None-

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

^{/2} The 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.

Table : The remuneration for the auditor for the year 2012 and 2011

Fee	2012 (Baht)	2011 (Baht)	Increased (Baht)	Increased (%)
1. Review Fee				
• The First Quarter as at 31 March 2012	110,000	110,000	0	0
• The Third Quarter as at 30 September 2012	110,000	110,000	0	0
2. Audit Fee				
• For the six-month periods ended 30 June 2012	240,000	230,000	10,000	4.35
• For the years ended 31 December 2012	240,000	230,000	10,000	4.35
Total	700,000	680,000	20,000	2.94



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.

Therefore, Land and Houses Bank Pcl. supervised the management and evaluated all risk for the Financial Group including LH Financial Group Public Company Limited. And Mr.Vichain Amornpoonchai, Company Secretary was the coordinator between the Company and Risk Management Department of Land and Houses Bank Pcl.

Land and Houses Bank Pcl. has performed the guidelines of consideration and risk management such as provision and review of risk management policies by considering about the risks arising from the operation of the business at least once a year or whenever the risks have significantly change which regularly reported to the Board of Directors as following;

1. Risk Management Policy of internal transaction of the Financial Group
2. Continuity Business Management Policy
3. Disclosure on Capital Requirement of the Financial Group Policy
4. The Financial Group's Risk Management Policy

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 transaction, 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 the 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 appointed Risk Management Committee of Land and Houses Bank Pcl. to 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.

Mr.Vichian Amornpoonchai, the Company Secretary is the Co-ordinator for the Company and the Risk Management Committee of Land and Houses Bank Pcl.

Risks of LH Financial Group Public Company Limited

The Company was established to be a non-operating holding company with major objectives to invest in other business. 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 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 changing of price

Risk involving changing of price is the risk arising from the changing of bond which resulting in fluctuations of revenues or the changing in the present value of assets and the Company's financial liability.

As of 31 December, 2012 Net Investment is at Baht 248.01 Million, which is Trading Securities had Fair Value of Bath 248.01 Million.

3. 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 according to 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 semiannually review its strategies, business plans and budgets to suit the changing economic situation. The Executive Board 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, 2012, the Bank's statutory reserve totaled Baht 13,372.44 million, Tier-1 capital was Baht 12,862.60 million of the total or 96.19%, Tier-2 capital was Baht 509.84 million, or 3.81%. 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 16.17 as of December 31, 2012, 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 change 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 housing loans of 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, 2012, net investment had a fair value of Baht 28,890.94 million Divided into available for sale investment, Baht 4,595.70 Million and the held to maturity debt securities, Baht 24,290.44 Million and and Baht 4.80 million 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

At present, the Bank has not provided money exchange services. Therefore, 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.

5. Operational Risk

Operational risk refers to risk arising from damages which is the result of inadequacies or mistake of work processes, human resources, work systems of the Banking or external incidents including legal risk (e.g. the risk from litigation, prosecution, fine penalty, etc.) But not include the strategic risk and reputation risk. 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 such as incident report on the purpose of filling data on damages, whether they are monetary or non-monetary, past or preventable ones and other incident report, have been collected and used for improved the operation and guideline control to prevent them from recurring.

The Bank allocated all departments to perform risk and control self-assessment (RCSA). Each department have to specify its risky points of the operation 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. Moreover, the Bank determined the policy on using external services and releasing the new products in order to specify, measure, and follow up that operation risks.

The Bank has business continuity plan for emergency use such as in the event of contingent losses and disasters for the continuity of the Bank's operations or reduced disruption to the operations of the Bank in an acceptable level. All departments have been involved in the preparation of the plan and revised the plan every year. Moreover, the Bank has rehearsed the Core Banking Restoration and the Annual Operations on importance transaction.

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.





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 Pcl., which is its core Company. The Company's performances are ,therefore, linked to the performance of the Bank.

2012 ECONOMIC OVERVIEW AND OUTLOOK FOR 2013

The Economy in 2012

An overview of Thai economy in 2012 was driven by domestic expenditure from both of consumption and investment in private sector. This is due to a result of the confidence of private sectors, income households, high employment and the conducting of government policy such as the First-Car policy and the First-home policy, the raise of government's officers benefit policy and the government's rice pledging policy. Meanwhile, Thai export sector and manufacture sector have been affected by Global Economic crisis. The deflation of the US economy, China economy and European sovereign debt crisis result in deflation of lower rate of export including manufacturing production which related to export.

Economic Outlook for 2013

For an overview of Thai economy in 2013, the growth rate of consumption and investment in private sector are expected to slow down. The expenditure of the government for infrastructure investment project is the main factor which drives the economy including export direction which should be better because of the Global economic recovery. However, the significant factor that need to be following up is the consequence of increasing in the minimum wage.

The trends in the banking industry, Loan growth is excellent, but the competition of banking industry will be more severed for both loan to customer and deposit. In addition, each bank, aims the continued growth of fees and service income, need to compete in both products and marketing strategies to increase income a part of interest income.

THE OVERVIEW OF BANKING INDUSTRY AND COMPETITION IN 2012 AND THE OUTLOOK IN 2013

The banking industry and competition in 2012

In 2012, the Thai banking industry has expanded significantly on the back of economic recovery and the government's stimulus measures. Commercial banks saw average loan growth at 13.7%, which came from a 21.6% increase of consumer loans, especially for the first-time car buyer scheme, while business loans expanded by 10.6%.

Fund- raising for business expansion had intense competition, reflecting the contention to launch new deposit products throughout the year after the high growth of loan demand. Besides, commercial banks had more borrowings from the issues of subordinated bonds and bonds in overseas countries. However, the higher loan expansion made the tight liquidity in the overall Thai banking industry.

About profitability, commercial banks saw combined net profits increase 21.2% from the year before, which came mainly from net interest income and fee income as well as a reduction of corporate income tax to 23%. But the average net interest margin to asset ratio in 2012 was nearly the level in 2011.

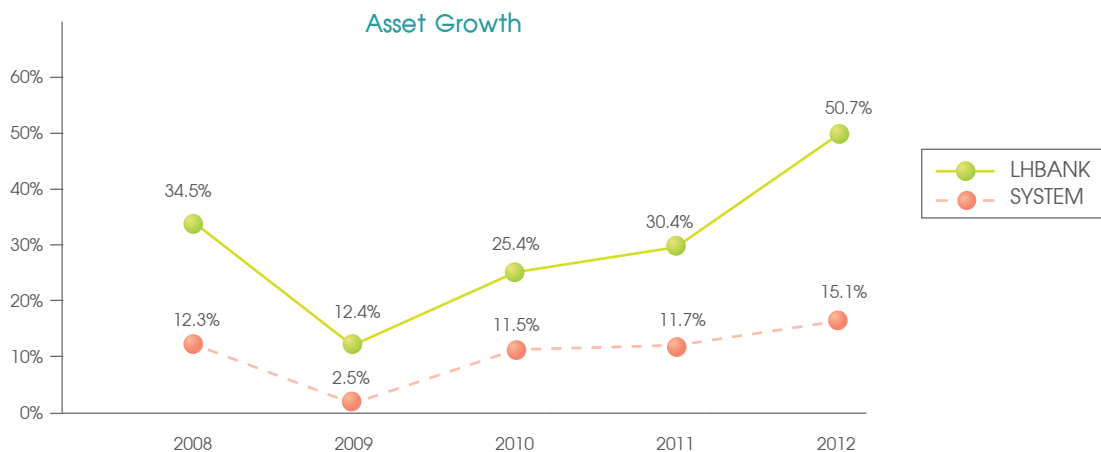
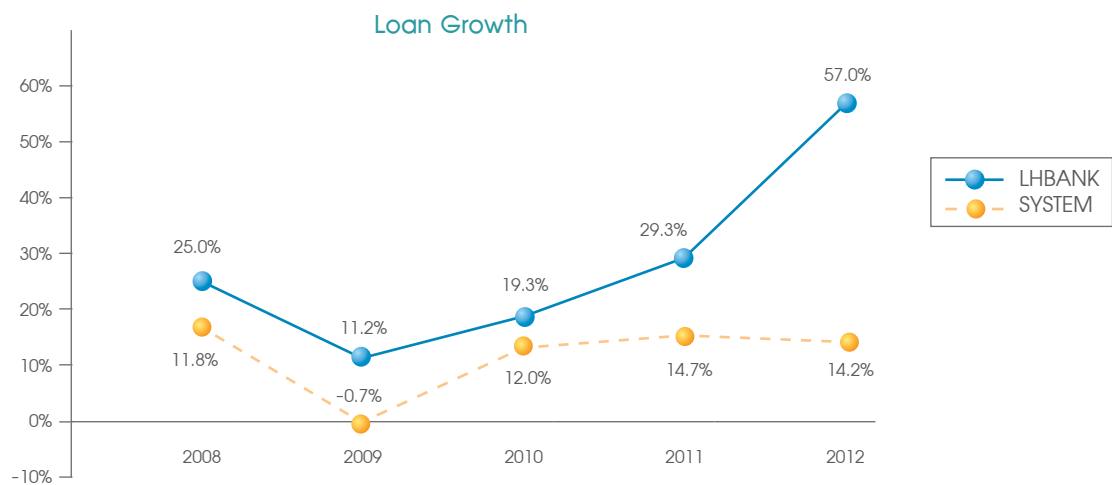


The outlook and competition among commercial banks in 2013

The banking industry has a positive outlook in 2013 and loan demand will continue to rise. If there are no negative factors, the lending growth will probably reach 10%. However, competition among commercial banks will become more intense for both the increasing of loans and the mobilizing of more deposit. There will be new financial instruments as investment alternatives for depositors such as the issues of corporate debentures and infrastructure funds.

Several commercial banks will have to periodically introduce special deposit products to maintain their customers. At the same time, finding more customers to open current and saving accounts is still a major focus to keep deposit cost as low as possible. Furthermore, commercial banks will continue to seriously compete in generating fee income as it is an important source of incomes, which will hike profitability.

With the upcoming formation of ASEAN Economic Community in 2015, commercial banks, particularly big ones, have gradually expanded their business to other ASEAN countries from opening branch and forging partnership with local banks to accommodate the expansion of customer base.





OVERALL PERFORMANCE

The Analysis of operating results of the LH Financial Group Pcl. and its subsidiaries performance is comparative performance of the year 2012 compared to the year 2011.

In 2012, LH Financial Group Pcl. and its subsidiaries posted operating profit before income taxes at Baht 898.67 million, an increase of Baht 161.36 million or 21.89% from 2011. After paying income taxes Baht 215.89 million, its consolidated net profit was Baht 682.78 million, up Baht 186.95 million or 37.70% from 2011. Contributing to the sharp rise of net profit was net interest income rose Baht 391.12 million or 22.51% while net fee and service income went up to 85.19% following the growth of all loan types.

In 2012, The company and its subsidiaries recorded operating profit before bad debts and doubtful accounts at Baht 1,175.67 million or up Baht 258.36 million, when compared with the year 2011 at Baht 917.31 million or up 28.17%.

The operating profit margin before bad debts and doubtful accounts to total revenues ratio in 2012 was 47.32%, down from 48.93% in 2011, because operating expenses rose in accordance with the branch expansion increased of 43 branches ended year 2011 to 65 branches ended of year 2012.

Earning per share (EPS) in 2012 was 0.0573 baht per share, compared to the last year at 0.0454 baht, following the rise of paid-up capitals. The return on equity (ROE) for the year 2012 were of 4.97% and the year 2011 were of 5.08%.

Table: Operating Results

(Unit: Million Baht)

OPERATING RESULTS	CONSOLIDATED FINANCIAL STATEMENT			CHANGE (2012 COMPARE TO 2011)	
	2012	2011	2010	Amount	%
Net interest income	2,128.43	1,737.32	1,461.12	391.11	22.51
Net fee and service income	113.52	61.30	57.87	52.22	85.19
Total dividend and non-interest income	242.37	76.22	14.53	166.15	217.99
Total operating income	2,484.32	1,874.84	1,533.52	609.48	32.51
Other operating expenses	(1,308.65)	(957.53)	(740.91)	351.12	36.67
Operating profit	1,175.67	917.31	792.61	258.36	28.16
Bad debts, doubtful accounts and impairment loss	(277.00)	(180.00)	(210.00)	97.00	53.89
Profit before income taxes	898.67	737.31	582.61	161.36	21.88
Income taxes	(215.89)	(241.48)	(174.49)	(25.59)	(10.60)
Net profit	682.78	495.83	408.12	186.95	37.70
Earnings per share (EPS) (baht)	0.0573	0.0454	0.08	-	-
Return on shareholders' equity (ROE)	4.97 %	5.08 %	8.74 %	-	-
Return on total assets (ROA)	0.67 %	0.69 %	0.73 %	-	-



Operating Income

In 2012, The Company and its subsidiaries recorded operating income totaling Baht 2,484.32 million, up Baht 609.48 million when compared to the year 2011 at Baht 1,874.84 million or up 32.51%. 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 2012 stood at Baht 2,727.69 million, up Baht 1,084.83 million or up 66.03% from 2011 as following

Table: Operating Income

(Unit: Million Baht)

Operating Income	Consolidated Financial Statement			Change (2012 compare to 2011)	
	2012	2011	2010	Amount	%
Interest income	4,856.12	3,380.18	2,325.42	1,475.94	43.66
Interest expenses	(2,727.69)	(1,642.86)	871.17	1,084.83	66.03
Net interest income	2,128.43	1,737.32	1,461.12	391.11	22.51
Fee and service income	153.45	88.65	84.25	64.80	73.10
Fee and service expense	(39.93)	(27.35)	19.51	12.58	46.00
Net fee and service income	113.52	61.30	57.87	52.22	85.19
Gains on investments	145.93	73.47	10.31	72.46	98.63
Net gains on trading transactions	48.81	-	-	48.81	100.00
Dividend income	43.78	0.42	0.38	43.36	10,323.81
Other operating income	3.85	2.33	3.84	1.52	65.24
Total other operating incomes	242.37	76.22	14.53	166.15	217.99
Total operating income	2,484.32	1,874.84	1,533.52	609.48	32.51
Net interest margin	2.22%	2.41%	2.64 %	-	-

Net interest income

In 2012, the Company and its subsidiaries had net interest income of Baht 2,128.43 million, Up Baht 391.11 million or up 22.51% when compared to last year at Baht 1,737.32 million, as interest income rose at Baht 1,475.94 million to Baht 4,856.12 million, or up 43.66% following the continuing loan growth. At the same time, interest expense amounted Baht 2,727.69 million, Increase from the same period of last year at Baht 1,084.83 million or up 66.03%.

Non-interest income

Non-interest income including net fees and service income, gain on investments, net gains on trading transactions, dividend income and other operating income. Non-interest income continually increased from Baht 137.52 million in year 2011 up to Baht 355.89 million in the year 2012, increased by Baht 218.37 million.





Net fee and service income

In year 2012, the Company and its subsidiaries generated net fee and service income at Baht 113.52 million, increased by Baht 52.22 million when compared with the year 2011 at Baht 61.30 million, or up 85.19% as a result of fee and service income at Baht 153.45 million increased by Baht 64.80 million, or up 73.10% by increased from Fee and service income following a hike of front end fee from the expansion of credits. On the other hands, fee and service expenses in 2012 totaled Baht 39.93 million, up 46.00% or Baht 12.58 million, but the rise of fee and service expenses grew at a slower pace than the increase of fee and service income.

Other incomes

In 2012, The Company and its subsidiaries had Baht 242.37 million increased Baht 166.15 million when compared to the year 2011 at Baht 76.22 million or up 217.99% as a result form gains on investments and dividend income.

Net interest income after bad debts, doubtful accounts

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.

The net interest income after bad debts and doubtful accounts increased by Baht 1,557.32 million in 2011 to Baht 1,851.43 million in 2012, or up 18.89%.

Table: Net interest income after bad debts, doubtful accounts

(Unit: Million Baht)

Net interest income after bad debt, doubtful accounts and impairment loss	Consolidated Financial Statement			Change (2012 compare to 2011)	
	2012	2011	2010	Amount	%
Net interest income	2,128.43	1,737.32	1,461.12	391.11	22.51
Bad debts, doubtful accounts and impairment loss	(277.00)	(180.00)	(210.00)	97.00	53.89
Net interest income after bad debts, doubtful accounts and impairment loss	1,851.43	1,557.32	1,244.25	294.11	18.89
Allowance to the general provision ratio	112.37%	138.40%	142.78%	-	-

Operating Profit before Bad Debts and Doubtful debts and Income tax expenses

The Company and its subsidiaries' operating profit before bad debts and doubtful debts and income tax expenses in the year 2012 were 1,175.67 million Baht from 917.31 million Baht in the year 2011, or up 28.17% came from Net interest income following the growth of loan and Other operating income.



Other operating expenses

In 2012, the Company and its subsidiaries had other operating expenses of Baht 1,308.65 million increased by Baht 351.12 million or up 36.67% when compared to year 2011 at Baht 957.53 million. This caused of the branch expansion increased of 43 branches ended year 2011 to 65 branches ended of year 2012 and the other operating expenses to total operating income ratio grew to 52.68% in 2012 increased at 51.07% when compared with the last year in 2011.

Table: Other operating expenses

(Unit: Million Baht)

Other operating expense	Consolidated Financial Statement			Change (2012 compare to 2011)	
	2012	2011	2010	Amount	%
Personnel expenses	606.28	463.65	353.24	142.63	30.76
Expenses on directors' remuneration	8.19	7.16	5.26	1.03	14.39
Premise and equipment expenses	381.25	273.44	214.32	107.81	39.43
Tax and duty expenses	126.71	82.25	59.27	44.46	54.05
Sale promotion and advertising expenses	62.40	40.20	24.88	22.20	55.22
Expenses on intangible asset sale	44.07	31.39	37.43	12.68	40.40
Other expenses	79.75	59.44	46.51	20.31	34.17
Total other operating expenses	1,308.65	957.53	740.91	351.12	36.67
Other operating expense to total operating incomes ratio	52.68%	51.07%	48.32%	-	-

Personnel expenses

In 2012, the Company and its subsidiaries paid personnel expenses totaling Baht 606.28 million, up Baht 142.63 million from Baht 463.65 million or up 30.76% in 2011. The rise of staff expenses was because the higher salary adjustment, annual bonus payment and the personnel increase to accommodate the Bank's business and branch expansion.

As of December 31, 2012, the Company had 2 employees and the Bank had total 1,157 employees, rising 223 people, when compared to 934 at the end of 2011. Most of the personnel increase was made along with the opening of new bank branches.

	As of Dec 31, 2012		As of Dec 31, 2011		As of Dec 31, 2010	
	Company ^{/1}	Bank ^{/2}	Company ^{/1}	Bank ^{/2}	Company ^{/1}	Bank ^{/2}
The number of employee	2	1,157	2	934	2	712

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 Baht 381.25 million in 2012, which rose Baht 107.81 million or up 39.43% from Baht 273.44 million in 2011. This caused from the Bank's branch expansion.



Sale promotion and advertising expenses

The Company and its subsidiaries in 2012 saw expenses on sale promotion and advertising jump 55.22% to Baht 62.40 million from Baht 40.20 million in 2011. Most of the expenses were spent on advertising and public relations on radio, television and print media.

Other expenses

In 2012, other expenses of the Company and its subsidiaries amounted Baht 79.75 million, up 34.17% or Baht 20.31 million from 59.44 million baht in 2011. This caused from the increasing of stationary following the branch expansion.

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, 2012 and Dec 31, 2011.

Table: Total Assets

(Unit: Million Baht)

Total assets	Consolidated Financial Statement			Change (2012 compare to 2011)	
	December 31, 2012	December 31, 2011	December 31, 2010	Amount	%
Asset					
Cash	1,619.46	822.51	428.89	796.95	96.89
Interbank and money market items-net	5,031.98	5,342.76	5,146.32	(310.78)	(5.82)
Investment-net	29,138.95	19,860.14	14,129.65	9,278.81	46.72
Loans and accrued interest receivable					
Loans	86,248.24	54,964.78	42,513.14	31,283.46	56.92
Accrued interest receivables	163.07	129.20	61.61	33.87	26.22
Total loans and accrued interest receivables	86,411.31	55,093.98	42,574.75	31,317.33	56.84
(Less) Deferred revenue	(148.17)	(17.43)	(15.33)	130.74	750.09
Allowance for doubtful accounts	(914.01)	(585.46)	(414.53)	328.55	56.12
Allowance for troubled debt restructuring	(14.93)	(68.01)	(53.49)	(53.08)	(78.05)
Loans and accrued interest receivables-net	85,334.20	54,423.08	42,091.40	30,911.12	56.80
Land, premises and equipment-net	434.93	276.42	121.74	158.51	57.34
Intangible asset-net	233.91	146.62	74.57	87.29	59.35
Deferred tax assets	58.10	56.21	88.70	1.89	3.36
Accrued interest receivables from investment	286.99	182.47	127.79	104.52	57.28
Other assets-net	288.36	135.25	102.00	153.11	113.21
Total assets	122,426.88	81,245.46	62,311.06	41,181.42	50.69



Total Assets

Major assets of the Company and its subsidiaries comprised loans and net accrued interest receivables, accounting for 69.70% of total assets, and then net investment 23.80% of total assets. As of December 31, 2012, total assets stood at Baht 122,426.88 million, surging 50.69% or Baht 81,245.46 million from the year ended 2011.

Loans

As of December 31, 2012, loans to Saving Cooperative totaled Baht 88,775.90 million, up 52.06% or Baht 30,394.23 million from Baht 58,381.67 million at the end of 2011.

Table: Loans classified by sector (include Saving Cooperative)

(Unit: Million Baht)

Loans by sector	Consolidated Financial Statement			Change (2012 compare to 2011)	
	December 31, 2012	December 31, 2011	December 31, 2010	Amount	%
Corporate loans	22,562.69	6,490.41	232.87	16,072.28	247.63
SME loans	31,161.09	20,358.03	17,311.28	10,803.06	53.07
Retail loans	35,052.12	31,533.23	29,670.67	3,518.89	11.16
Loans to customers net of deferred revenue	88,775.90	58,381.67	47,214.82	30,394.23	52.06
Add : Accrued interest receivables	163.07	129.20	61.61	33.87	26.22
Total loans and accrued interest receivables net of deferred revenue	88,938.97	58,510.87	47,276.43	30,428.10	52.00

The Bank's main strategy in 2013 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 (2012 compare to 2011)	
	December 31, 2012	December 31, 2011	December 31, 2010	Amount	%
Housing	30,802.37	29,024.69	28,678.62	1,777.68	6.12
Manufacturing and commerce	12,256.73	5,405.77	4,324.22	6,850.96	126.73
Utilities and services	19,377.87	9,633.20	4,551.81	9,744.67	101.16
Property and construction	9,000.98	6,257.24	3,161.50	2,743.74	43.85
Agriculture and mining	405.44	99.92	12.23	305.52	305.76
Saving cooperative	2,675.82	3,434.32	4,717.01	(758.50)	(22.09)
Financial intermediation	11,596.35	3,125.69	775.37	8,470.66	271.00
Others	2,660.34	1,400.84	994.06	1,259.50	89.91
Total loans net of deferred revenue	88,775.90	58,381.67	47,214.82	30,394.23	52.06

Net Investments

As of December 31, 2012, the Company's net investments in securities recorded at Baht 29,138.95 million in book value, up Baht 9,278.81 million or 46.72% from Baht 19,860.14 million baht at the end of 2011. 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 (2012 compare to 2011)	
	December 31, 2012	December 31, 2011	December 31, 2010	Amount	%
Trading securities - fair value					
Domestic marketable equity securities	248.01	-	-	248.01	100.00
Available-for-sale investments - fair value					
Government and state enterprise securities	3,065.48	3,253.32	37.30	(187.84)	(5.77)
Domestic marketable equity securities	1,530.21	-	-	1,530.21	100.00
Held-to-maturity debt securities - cost/amortised cost					
Government and state enterprise securities	16,046.02	13,961.37	14,047.55	2,084.65	14.93
Private sector debt securities	8,244.43	2,640.65	40.00	5,603.78	212.21
General investments - cost					
Non-marketable equity securities	4.80	4.80	4.80	-	-
Investments - net	29,138.95	19,860.14	14,129.65	9,278.81	46.72

Allowance for doubtful accounts

As of December 31, 2012, the Company's allowances for doubtful accounts is at Baht 914.01 million increasing Baht 328.55 million or up 56.12% from Baht 585.46 million in 2011. And revaluation allowances for debt restructuring amounted Baht 14.93 million, down Baht 53.08 million or 78.05% from Baht 68.01 million in 2011.

Non-performing loans

As of December 31, 2012, gross non-performing loans (NPL) stood at Baht 1,623.84 million, rising Baht 647.41 million or 66.30% from Baht 976.43 million at the end of 2011 following the increase of loans.

Gross non-performing loans (NPL) to total loans ratio represented 1.82% of total loans, rising 1.63% when compared with the end of 2011.

Net non-performing loans stood at Baht 1,083.97 million, rising Baht 434.60 million or 66.93% from Baht 649.37 million at the end of 2011 following the increase of loans.

Net non-performing loans ratio were 1.22% of total loans after allowance for doubtful accounts, up 1.09% when compared with the end of 2011.





Total liabilities

As of December 31, 2012, total liabilities stood at Baht 108,260.41 million, up Baht 40,327.16 million or 59.36% from Baht 67,933.25 million in 2011. Most of liabilities were deposits and interbank and money market items, which made up 77.80% and 20.20% of total liabilities in respectively.

Table: Liabilities by Type

(Unit: Million Baht)

Liabilities	Consolidated Financial Statement			Change (2012 compare to 2011)	
	December 31, 2012	December 31, 2011	December 31, 2010	Amount	%
Net deposits	84,223.51	22,254.49	27,082.43	61,969.02	278.46
Interbank and money market items	21,870.55	8,827.90	10,032.32	13,042.65	147.74
Liabilities payable on demand	233.58	182.59	123.28	50.99	27.93
Debts issued and borrowings	769.05	35,864.78	18,394.01	(35,095.73)	(97.86)
Others	1,163.72	803.49	452.49	360.23	44.83
Total liabilities	108,260.41	67,933.25	56,084.53	40,327.16	59.36

Shareholders' equity

As of December 31, 2012, shareholders' equity was totaled Baht 14,166.47 million, up Baht 854.27 million or 6.42% from Baht 13,312.20 million in 2011. The increase of shareholders' equity following Net profit operation in 2012 for Baht 682.78 million and the exercise of warrants to convert them into ordinary shares in 2012 for Baht 124.01 million.

Capital Adequacy and Total Capital to Risk-Weighted Assets

As of December 31, 2012, Land and Houses Bank Pcl. maintained the total capital to risk-weighted assets (BIS) ratio at 16.17%, higher than the 8.5% minimum requirement by the Bank of Thailand and down from in 27.81% as of December 31, 2011.

Its Tier 1-capital was 15.56%, higher than the 4.25% minimum requirement by the Bank of Thailand



Table: Total capital to risk-weighted assets ratio

(Unit: Million Baht)

Total capital to risk-weighted assets ratio	December 31, 2012		December 31, 2011		December 31, 2010	
	Million Baht	%	Million Baht	%	Million Baht	%
Tier 1-Capital						
Bank	12,862.61	15.56	12,111.53	24.41	5,618.98	16.85
Minimum legal requirement		4.25		4.25		4.25
Difference		11.31		20.16		12.60
Total Capital						
Bank	13,372.44	16.17	12,310.29	24.81	5,880.20	17.64
Minimum legal requirement		8.50		8.50		8.50
Difference		7.67		16.31		9.14

Off-Balance Sheet Commitments

As of December 31, 2012, the Company and its subsidiaries had off-balance sheet commitments totaling Bath 6,233.46 million, rising constantly by 59.33% or Bath 2,321.07 million from Bath 3,912.39 million in 2011.

Table: Off-Balance Sheet Commitments

(Unit: Million Baht)

Off-balance sheet commitments	Consolidated Financial Statement			Change (2012 compare to 2011)	
	December 31, 2012	December 31, 2011	December 31, 2010	Amount	%
Aval to bills	428.88	277.44	-	151.44	54.58
Other guarantees	2,447.53	1,203.17	963.28	1,244.36	103.42
Undrawn overdraft balance	3,357.05	2,431.78	1,392.21	925.27	38.05
Total off-balance sheet commitments	6,233.46	3,912.39	2,355.49	2,321.07	59.33



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:

1. Transparency
2. Integrity
3. Accountability
4. 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 creating confidence that its business and operations can compete well within the frameworks of good ethics and the law.

At the beginning of the year 2013, the Board of Directors appointed the Corporate Governance Committee which consisted of 3 Independent Directors. The Corporate Governance Committee has to determine and review the Good Corporate Governance Policy, Anti-Money Laundering Policy, Being the Company's representative on communication, the business operating on corporate governance, and the Anti-Money Laundering with executive, staff and external agencies.

The Bank provides the information regarding to Company profile, vision, mission, value, corporate culture, risk management and evaluated the staff's acknowledgement through E-Learning system. Such information provides on the purpose to make employees understanding and realization of their duties on supporting the corporate governance.

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 to comply with all relevant laws and regulations. Including, ensuring that the Financial Group operated their business with responsibilities, transparency and equitable treatment of all stakeholders.

The good corporate governance principle covers 5 main areas which is published via the Company's website (www.lhfg.co.th) as follows:



Category 1 Shareholders' Rights

- In recognition of the significance of the rights of shareholders, the Company is committed to ensuring their equitable treatment for all shareholders. The shareholders' basic legal rights include buying, selling, or transferring shares; receiving their rightful portion of Company profits; easily obtaining relevant and adequate information of the Company on a regular basis; attending and voting in the shareholders' meetings to elect, determining director remuneration, appointing the external auditor and determining auditing fees and making decisions on any transactions that significantly affect the Company.
- 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 all shareholders no matter fund managers, 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 Company also encourages shareholders to fully exercise their rights by providing them with convenient access to relevant information via its website, setting up a dedicated Company Secretary Function for direct communication with investors, inviting shareholder to propose agenda items and qualified candidates for directors positions and facilitation attendance in shareholders' meetings.
- With regard to shareholder meeting, in addition to the annual general meeting which must be convened within 4 months of the date ending the accounting period, the Board of Directors may summon an extra-ordinary meeting at such date, time and place as determined by the Board. Shareholders who hold an aggregate number of shares not less than one-fifth of the total number of paid-up shares may also request that the Board of Directors convene an extra-ordinary meeting by listing their names in a notice and submitting their reasons. Similarly, a group of shareholder numbering not less than 25, who hold an aggregate number of shares not less than one-tenth of the total number of paid-up shares, may also request an extra-ordinary meeting. In such case, the Board of Directors must set the date, time and place of the meeting within 1 month of the date of receiving the notice.
- The Company also gives great emphasis to shareholders' meetings as important occasions in which the shareholders have the right to participate in the decision-making process. The Company strongly encourages shareholders to fully exercise their rights by facilitating in the following aspects :

- Invitation to shareholders to propose agenda of the annual general meeting and nominate qualified candidates to be elected as directors

The Company allocates shareholders both in single or group who hold shares must not less than 0.01% of total issued and paid-up capital of the Company, to propose agenda that they deem worthy of being placed on the annual general meeting agenda, and to propose qualified candidates to be elected as the Company directors. The shareholders can submit their proposals in advance of the meeting according to the criteria set by



Regarding agenda, the Board of Directors shall add items that are considered appropriate for the agenda and make sure that the items are included in the notice of the Annual General Meeting. For nominations of qualified candidates as directors, the Nomination and Remuneration Committee shall review and propose candidates for the Board of Directors' consideration for further recommendation to the shareholders at the Annual General Meeting. In cases wherein proposals are disapproved by the Board of Directors and/or the Nomination and Remuneration Committee, the Company shall state the reason for refusal to the shareholders in the shareholders' meeting, on the Company's website or any other appropriate information dissemination channels.

For the 2013 Annual General Meeting, the Company invited shareholders to propose agenda and qualified candidates as director for the period of 3 months, from October 1, 2012 to December 16, 2012. The Company shall post on the Company's website to inform shareholders the rules and disclosed through the Stock Exchange of Thailand's information dissemination channel their rights to propose additional agenda in the general meeting.

- Notification of Meeting Details and Materials

The Company 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 shareholder adequate time to study meeting materials. Such notice and materials shall be sent to the shareholders not less than 7 days before the date set for the meeting in accordance with the law. The information presented on the website shall be the same as that presented in the meeting materials sent to the shareholders as the following:

1. Notice of the Meeting including explanation and Supporting document for agenda
2. CD-Rom of Annual report
3. Profile of Director who retires by rotation and is proposed for re-election by shareholder for another term
4. Notes on documents and evidence identifying shareholders and proxies eligible to register, attend and vote at the meeting
5. Articles of Association, only for those related to shareholder meeting
6. Proxy form
7. The profile of independent director to be a proxy to attend the meeting on behalf of shareholder
8. Definition of independent director
9. Map of the venue to arrange Annual General Meeting
10. Requesting Form for Annual Report in printed

In addition, the Company shall publish Notice of the shareholder meeting in a Thai daily newspaper for 3 consecutive days and not less than 3 days before the date set for the meeting. All agenda shall indicate clearly whether it is a matter 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 matter.

For the 2012 Annual General Meeting, the Company disclosed Agenda of the meeting via the Stock Exchange of Thailand information dissemination channel since February 24, 2012 and disclosed Notice of shareholder meeting in both Thai and English languages through the Stock Exchange of Thailand's information dissemination channel and its website since March 23, 2012.



- Meeting attendance

To protect shareholders' right to attend the meeting and ensure equitable treatment for shareholders, the Company assigned officers to check shareholders' or proxy's documents according to the requirements stated in the notice. Moreover the Company allowed enough time for any shareholders 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 for each agenda item to facilitate shareholder participation, and to ensure prompt and accurate registration and for vote counting procedure.

In addition, shareholders are also able to register to attend and exercise their voting rights on the agenda that they have not cast the vote in advance after meeting's commencement. 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, in addition to management other person to attending the meeting on their behalf. The Company has also attached Proxy Forms, which allows shareholders to specify their voting decision, with the notice. The shareholders can download other types of proxy forms and voting Form from the Company's website.

For the 2012 Annual General Meeting, the Company proposed two independent directors, Chairman of the Audit Committee and Chairman of the Nomination and Remuneration Committee, including their profiles for shareholders to appoint as proxy. Proxy Form B and Proxy Form C which allows shareholders to indicate their voting directors was enclosed in the Notice. In addition, shareholders can download other Proxy Forms from the Company's website.

- Shareholders' opportunity for query and comment

Before the date set for the meeting, the Company invites shareholder to submit question in advance for the Board of Directors' explanation in the meeting via the Company's website ; www.lhfg.co.th or send an e-mail to Company Secretary ; presidentoffice@lhbank.co.th , info@lhbank.co.th or mailing to Company Secretary.

In the meeting, the Chairman of the Audit Committee shall allocates appropriate time and encourage equal opportunity for shareholders to express their opinions and raise their queries at the meeting as per the agenda.

The Company shall endeavors 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's directors and management will clearly explain and clarify such matters. And the Company will arrange to record the minutes of the meetings with complete and relevant information and Shareholders audited report later.

For the 2012 Annual General Meeting, 9 directors, the Company's management committee members, the Executive Directors and Land and Houses Fund Management Company limited's management committee members attended the meeting. In addition, legal consultant and Ernst and Young office Limited's auditors were the intermediary to observe the meeting.

- Conduct of the meeting and voting

- 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, the Company accommodates the shareholder's meeting by keeping the process simple and to allocating the time appropriately. The meeting is conducted in accordance with the order of agenda as arranged in the notice of the meeting, unless the shareholders holding the total 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 the total 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 voting process for each agenda, shareholders who attended the meeting present in person or being represented by proxy is entitled to one vote per share, especially the minutes of appointment of Directors that the voting shall be one by one vote for the purpose of transparency and equitable treatment of the shareholders in the voting process, the Company shall utilize voting forms for all agenda. After the vote count is completed, voting results of each agenda will be announces to the meeting, by specifying the vote results as "For", "Against" and "Abstain" together with number of votes.
- The 2012 Annual General Meeting was conducted according to the Company's Articles of Association and arranged as identified in agenda, no changes in important information without prior notification to shareholders. In addition, the representative from Legal and recovery office of Land and Houses Bank Pcl. and auditors from Ernst and Young Office Limited attended to observe in the registration and vote counting through the meeting.

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 Company 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. Especially, prohibition of Directors, Executive Directors and employees including spouse and any minor children, who know the importance information and financial statement from trading, transfer or accept the transfer of the Company's shares 7 days prior to the financial statements are published.
- 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 spouses 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 addition, 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.

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.
- The Company provides variety of channels for all shareholders to deliver their suggestion , complaints or an other important concern directly to Independent Director and provides the Company Secretary function to responsible for feedbacks from shareholders and investors and preliminary screening the issue before reporting to related agencies to adjust and/or report to the Audit Committee for review and report the issue to the Board of Directors.
- 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:
 1. Code of Conduct and Business Ethics for the Company
 2. Code of Ethics for the Directors
 3. 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 disclosure is conducted in both Thai and English, through easy access channels including the Company's website, press release, analyst meetings, and the information dissemination channels of the Stock Exchange of Thailand.
- 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 Management Discussion and Analysis: MD&A for every quarter of financial statement for the shareholder to acknowledge information and to understand the changing of financial position and operation result which could be benefits for shareholder, investors and the general public.
- The remuneration for annual audit fee, the Audit Committee and the Board of Directors have approved. The Board of Directors proposed to the Shareholders' Meeting for approval and disclosed in the Annual Registration Statement and Annual Report.
- 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 prepares reports for submission to relevant authorities and for public dissemination on the basis of equality and simplicity. The Company shall indicate the performance of the Company and important business activities over the course of the year to shareholders and has accountable for assessing the Company's internal control system, which is primarily assessed by the internal audit office of subsidiaries and the Company's Audit Committee was the auditors.
- The Board of Directors is also responsible to certify the accuracy of information in financial statements, the Board of Directors assigns the Audit Committee to review the financial statements of the Company and its subsidiaries to ensure that they are presented in accordance with generally accepted accounting principles and disclosed in an accurate and transparent manner.



- 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 and the Annual Registration Statement.
- The Board of Directors provides the Statement of the Board of Directors' Responsibilities for Financial Statements. The Audit Committee's report, the Nomination and Remuneration Committee's report and the Auditors' report shall be included in the Annual Registration Statement and the Annual Report.
- 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 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 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 information dissemination channel of the Stock Exchange of Thailand within the same day of the meeting or at least one 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 Annual General Meeting 2013, the Company informed the resolution of the meeting via the information dissemination channels of the Stock Exchange of Thailand on the meeting's day and published the minutes on May 4, 2012 in accordance with the above paragraph.

- The Company assigned its Company Secretary to represent the Company in communications with shareholders, investors, analysts, related regulatory bodies and 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 to clarify.



- **Investor Relations function**

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. For the equal of accession to information.

The Company has channels of information and contact at:

Address	:	1 Q.House Lumpini Building, 5 th Floor, South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120
Telephone	:	0-2359-0000 Ext. 2020, 2019, 2021
Fax	:	0-2677-7223
Email	:	presidentoffice@lhbank.co.th
Website	:	www.lhfg.co.th

The mentioned activities are also participated by senior management. In this respect, the activities arranged in 2012 were as follows;

- 1 Analyst Meeting with approximately 20-30 analyst from many securities company attended the meeting.
- 2 Press Conferences with approximately 30-40 media representatives attended each conference.
- Many times of the information transmission to mass media and interview senior executive.

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 Board 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 Board of Directors has set a number of companies that the directors could be appointed to other companies for directors. 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 has to avoid a position or jobs that might cause a conflict of interest.

1.1 The Company's secretary

The Board of Directors appointed Mr. Vichian Amornpoonchai First Vice President of the president Office Land and Houses Bank Public Company Limited as the Company's secretary since May 15, 2009 to perform the Company's secretary function as required by law. The Board of Directors encouraged and supported for the training and knowledge development in law, accounting or the secretary's function. The Company's secretary profile is as follow;

Name	Mr. Vichian Amornpoonchai
Position	: The Company Secretary
Age	: 51
Education	: <ul style="list-style-type: none"> - Bachelor of Accounting Dhurakijpundit University - MBA Mahanakorn University of Technology - Certified Professional Internal Auditor (CPIA) : Thailand Affiliate of IIA - Modern Managers Program : Chulalongkorn University - Company Secretary Program 32/2009 : IOD - Effective Minute Taking 17/2010 : IOD - Corporate Secretary Development Program : Thai Listed Companies Association

Shareholding (%) 0.060

Relationship with executives - None -

Work experiences in the past 5 years

Period	Position	Organization/Company
Nov. 2010 - Present	First Vice President Office of the president	Land and Houses Bank Pcl.
Aug. 2006 - Oct. 2010	First Vice President Office of the president And Acting First Vice President Compliance Office	Land and Houses Retail Bank Pcl.
Dec. 2005 - Jul. 2006	Vice President Office of the President and Compliance Office and Acting Vice President Internal Audit Department	Land and Houses Retail Bank Pcl.
Dec. 1998 - Dec. 2005	Vice President Internal Audit Department	The Book Club Finance Pcl.



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 Managements 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 4 sub-committees: the Audit Committee, the Executive Board, the Corporate Governance Committee and the Nomination and Remuneration Committee. In 2013, the Corporate Governance Committee has appointed. 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 Chairmen 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 to review the performance and trouble in the last year and to provide more efficiency performance because the Board of Directors are clearly aware of their responsibilities.

Self-evaluation is essential to assess the appropriateness of the Board of Directors' composition and performance. The Board of Directors shall analyze the evaluation results, recommendations and remarks from the Board of Directors' member and consider applying according to the Company's business environment and operations.

Self-evaluation of the Board of Directors divided into 6 areas as follows.

1. The Board of Directors' structure and quality.
2. Function and responsibilities of The Board of Directors
3. The Board of Directors' meeting
4. The Board of Directors' performance
5. The relation between The Board of Directors and the Management division

5. Self-evaluation of implementation according to the principles of good corporate governance

The Board of Directors of the Company has provided the Self-evaluation of implementation according to the principles of good corporate governance for the Board of Directors and the Management division of the Company to evaluate on the issue that the Company has done or not, which issue need to do and for an adequate disclosure of the Company. The Board of Directors shall analyze the evaluation results, recommendations and remarks from the Board of Directors' member and consider applying according to the Company's business environment and operations.

Self-evaluation of the implementation of the good corporate governance principle divided into 4 main areas as follows:

1. Shareholders' rights and equitable treatment of shareholders
2. Roles of stakeholders
3. Disclosures and transparency
4. Responsibilities of the Board of Directors

6. Remuneration of the Director and Executives

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.

7. Development of the Directors and Executives

The Company supports the development of its directors, executives and employees by sending them to attend trainings and seminars organized by both other organizations and the Company including to related regulatory bodies in order to improve the knowledge in various fields.

8. Director Orientation

The Company holds orientation meeting for new board members. In these meetings, the Chairman of the Executive Board, President and Senior Executives give briefings on the vision, mission, performance, strategies and key business targets including nature of business and documents are also provided to new directors, including Roles and Responsibilities of Directors, Laws and Regulations related to the business, Annual Report, Nature of business and other information of the Company

9. 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.

10. Succession Planning

On the purpose of preparing the Company for the importance position in the future, the Company provided the successor to attend the Senior Executive seminars, Executive Management Committee's meeting, Executive Committee's Meeting and assigned as the Company's representative for many operation. Such a succession planning, the purpose is to ensure stability and continuity of the Company business operation and to ensure that the Company has the preparation of staff for the importance position of the Company business operation.



11. Human Resources

As of December 31, 2012, the Company had 2 employees and Land and Houses Bank Pcl. had total 1,157 employees, rising 223 people, when compared to 934 at the end of 2011. Most of the personnel increase

	As of Dec 31, 2012		As of Dec 31, 2011		As of Dec 31, 2010	
	Company ^{/1}	Bank ^{/2}	Company ^{/1}	Bank ^{/2}	Company ^{/1}	Bank ^{/2}
The number of employee	2	1,157	2	934	2	712

Note ^{/1} LH Financial Group Pcl.

^{/2} Land and Houses Bank Pcl.

In 2012, the Company and its subsidiaries paid personnel expenses totaling Baht 606.28 million, up Baht 142.63 million from Baht 463.65 million or up 30.76% in 2010. The rise of staff expenses was because the higher salary adjustment, annual bonus payment and the personnel increase to accommodate the Bank's business and branch expansion.

11.1 Core Values (ProActive)

Land and Houses Bank Pcl. has realized the importance and value of employees as they are the most important asset for the Bank who will help grow the business firmly and sustainably. This is in line with the Bank's mission to develop and support the human resource development for both knowledge and benefit of staff as well as building corporate culture to help the Bank successful.

Six pro-active elements of the Bank's corporate culture are as following:

Professional	means	the developing of ability and competency to proactively create work and accept changes
Accountability	means	having responsibility for every dimension, keeping promise and aiming for success
Teamwork	means	being open to opinion from the others and working as a team with the same goal
Integrity	means	honesty, ethics and transparency
Visioning	means	thinking out of the box, having far-sight vision and maintaining the mutual goal
Excellence Service	means	having service mind and giving respect to customers and helpful intention

11.2 Employees Orientation

The Bank provided employees orientation for the employees' understanding of the overall business of the Bank and the readiness to work with happiness. Including, the understanding of their function and significant to the organization, understanding of the value of the organization (ProActive)



11.3 Human Resources Development

To sustain organizational growth, the Company has prioritized human resources development as a primary policy. The Bank has supporting human resources continuously by providing training and seminar which held departments within the organization and External training institutions including Coaching by supervisors through learning leads to sustainable growth and work effectively, professional ,strengthen co-ordination and co-operation which beneficial all departments and performance organization overview.

11.4 Employee Compensation and Benefits

The Bank has its policy to take care of health and safety for employees, so that they can work happily. This also includes suitable employees' remuneration and welfare such as salary, bonus, provident fund, social security fund, medical allowance, uniform and other benefits.

11.5 Provident Fund

To benefit employees, the propose of the fund is to encourage long-term saving among employees for their retirement of in the event of their leaving the Bank. The Bank has contributed to the fund in the same proportion to the employees at the rate of 3 - 7 percent of their basic salaries. The funds are managed by Land and Houses Fund Management Company Limited and American International Assurance Company Limited. For the years ended 31 December 2012 and 2011, the Bank contributed Baht 17.8 million and Baht 14.0 million, respectively, to the provident funds.

12. The complaint via Independent Directors.

The Company has channels for shareholders, investor, customers, and guest can complaint via Independent Directors of the Company which consists of 3 members.

Mr. Phairoj Hengsakul	Chairman of the Audit committee
Email :	phairojh@lhbanks.co.th
Tel.	081-990-7448
Mr. Adul Vinaiphath	Member of the Audit Committee
Email :	adulv@lhbanks.co.th
Tel.	081-834-0104
Mr. Sun Vithespongse	Member of the Audit Committee
Email :	sunv@lhbanks.co.th
Tel.	089-829-7711
Via the Company's website	Email : presidentoffice@lhbanks.co.th info@lhbanks.co.th

13. Protection Payments to Corruption

On March 27, 2012 has signed to be Declaration of Intent in view of Establishing Thailand's Private Sector Collective Action Coalition against Corruption. The adhesion to this Thai private sector is to declare the intention against corruption by acknowledge our companies' responsibility to be the leader on the Anti-corruption, to operate businesses ethically and integrity, and to implement business principles to counter corruption in all its forms. The Anti-Corruption Collective Action's details are as follow ;



13.1 Will work internally to assess risks related to corruption, implement anti-corruption policies and compliance programs and provide business conduct guidance to managers and employees.

- These policies will prohibit bribery in any form in all activities under our control and ensure that charitable and political contributions, business gifts, and sponsorships are transparent and will not be for the purpose of attempting to influence the recipient, whether government or private, into an improper exercise of functions, duties or judgment.
- These policies will be publicized internally through codes of conduct, to guide management and employees towards ethical and accountable behavior at all times, and will apply appropriate sanctions for violations of the code.
- Training programs will be provided to employees to promote integrity, honesty, and accountability in the exercise of their duties and responsibilities and to convey with resolve our Company's commitment to ethical business practices.
- Appropriate internal systems and controls will be implemented to prevent unethical conduct by employees, ensure good governance, and institutionalize the values of integrity and accountability in our business.
- Appropriate financial reporting mechanisms will be maintained that are accurate and transparent.
- Appropriate channels of communication will be provided to employees and other stakeholders so they can raise ethical concerns and report suspicious circumstances in confidence without risk of reprisal, and a designated officer will be tasked with investigating all reports received.

13.2 Will disclose and share internal policies, experiences, best practices and success stories to foster ethical, clean, and transparent business transactions in Thailand.

- We will support a nationwide initiative intended to create fair market conditions, transparency in business transactions and ensure good corporate governance;
- We will participate in roundtable discussions, meetings and forum to identify the key concerns and current problems affecting the private sectors related to integrity and transparency in business transactions;

13.3 Will reach out to industry peers, suppliers and other stakeholders via the Coalition and participate in joint activities to fight corruption.

- We will share "best practice", tools and concepts which are intended to be used by all participating entities to achieve the goals of the nationwide initiative.
- We will enter into integrity pacts with other businesses and with government agencies if required when dealing with procedures related to the bidding and procurement of supplies, materials, equipment and construction.
- We will assist and contribute ideas to develop a common framework for the "Business Code of Conduct" acceptable to all participating entities.
- We will participate in the creation of key measures and control activities intended to ensure



transparency, integrity and ethical business practice.

- We will cooperate with civil society and the media to create awareness and educate the public in changing social values to condemn corruption in all forms.
- We will support the development of an audit and certification program (including a training program for advisers and auditors) that will offer a toolbox for enterprises to introduce and implement ethical practices in their business processes, and institutionalize the whole process to promote sustainability of this Anti-Corruption Coalition initiative.
- We will cooperate with the certification process of the Collective Action Coalition Council, due to take place every three years.





Message from President

All management and employees of Land and House Bank Pcl. have realized an importance of social responsibility and we have continuously cultivated “consciousness” and “volunteer spirit” to our staff at all levels with commitment to business ethics and good corporate governance.

The Bank’s operational activities have focused on “employee” engagement, being a trusted partner of customers, shareholders and business partners, and being an employer who takes responsibility and provides fair treatment to over 1,100 employees across the country. Awareness of social responsibility is embedded in every working process and being a good citizen of society enhances Land and Houses Bank Public Company Limited as bank having stability and sustainability.

The Bank has always conducted various corporate social responsibility (CSR) activities for community and social development with an aim at creating foundation and networking to promote sustainable growth. For example, the Bank has supported education, which plays a pivotal role in improving quality of life. The Bank has also provided assistances and community development, and promoted art and culture, environmental conservation and etc. to deliver sustainable development to society and the country at large.

Lastly, Land and Houses Bank Public Company Limited would like to express gratitude to customers, shareholders, business partners, management and staff for their continued supports to the Bank’s CSR activities.

Mrs. Sasitorn Phongsathorn
President



CORPORATE SOCIAL RESPONSIBILITY



LH Financial Group Public Company Limited and Land and Houses Bank Public Company Limited are aimed at operating business in tandem with social responsibility by adhering to business ethics and good corporate governance. The Bank's operational activities emphasize on employee involvement with volunteer spirit to continuously cultivate social responsibility to staff at all levels in the organization.

The Bank has played a role in occasional supporting CSR activities with hopes to maximize benefits to society and community. The Bank has pursued constructive activities and supported activities of both public and private sectors. These activities included book and drinking water donations to charity organizations. The Bank has opened up an opportunity for youth to demonstrate their ability through the Bank's various CSR projects to contribute and enhance quality of their life and Thai society with aims at being a part to strengthen Thai society and reinforcing foundation of the country's society for sustainable development. The Bank has run CSR activities in three areas comprising education, social and environment, and art and culture. CSR activities are as follows:





1. Education

Land and Houses Bank Public Company Limited has always realized the importance of education. The activities related to education included "LH Bank Young Creative Director Contest 2012" under theme "LH Bank ATM... ATM for Everyone". The contest was aimed at opening up an opportunity for youth to demonstrate ability and creativity and experience in virtual work simulations. The Bank teamed up with Faculty of Business Administration, Kasetsart University and Rajamangala University of Technology Phra Nakhon to persuade those who recently graduated with bachelor's degree to join "LH Bank Junior Banker" project. Participants have learned and had better understanding of how the Bank operates business.

The project has focused on building a secure foundation to those who are the future of the nation. The Bank has donated computer and peripherals to schools in need to encourage studying and develop youth's computer skills to meet the Bank's goals in paying attention to foster intellectual capital to society towards sustainable quality of society.



LH Bank donated books to the Correction Department to use at the prison library to enhance knowledge of prisoners.



LH Bank supported the charity project on automatic M&M sweet selling machine to raise funds for the CCF Foundation under the Royal Patronage of HRH Princess Maha Chakri Sirindhorn to create educational and good health activities for children in need.

LH Bank donated table calendars to the Foundation for the Blind in Thailand under the Royal Patronage of H.M. the Queen to use as education tools for students in school for the blind.



LH Bank organized soybean milk activities for elderly people at the Thien Fah Foundation.



LH Bank organized the forum on "Top Investment in 2013" with an objective to allow customers and business operators to get in-depth information in preparation to properly outline business plans.



LH Bank sponsored the Kasetsart University's football team to help lift the standard and develop future sport talents for the country.



2. Social and Environment

Land and Houses Bank Public Company Limited has continuously supported social and environment projects including a seminar "Excellent Investment for 2013" with an objective to let customers and entrepreneurs get in-depth information from economic and investment gurus to prepare themselves and lay down investment plan appropriately.

The Bank has provided support to M&M chocolate automatic vending machine project and proceeds arising from the sales are donated to CCF Foundation under the Royal Patronage of HRH Princess Chakri Sirindhorn to offer education opportunity and encourage good health to underprivileged children. The Bank has persuaded staff, executives, and customers to donate books to Department of Correction to use as learning media and for self development of prisoners.

The Bank has joined campaign to donate old desk calendars to the Foundation of the Blind in Thailand under the Royal Patronage of H.M. the Queen to remake into education materials or Braille letter cards for blind students. The Bank has encouraged sport activities through Kasetsart University Football Club to take a part in upgrading and improving athletic ability locally. My Bank My Love campaign, held to thank customers for their supports in using the Bank's services, has received warm welcome from customers who have constantly participated in the campaign.

• My Bank My Love campaign



LH Bank organized art activities on carving for its customers



LH Bank held the painting activities for relaxation of its customers



LH Bank extended financial supports for the construction and operation of the solar power plant project.

• Environment

Land and Houses Bank Pcl. jointly provided loans to Electricity Generating Pcl. (Egco) for investing in the solar power plant project, which will install tracking-system solar cells in three solar farms for the first time in Thailand. The loans, with an aim to promote sustainable development in the energy industry, will be for the build and operate scheme.

• Charity support



LH Bank joined the blood donation campaign with the Thai Red Cross Society to give blood for patients in hospitals across the country.

LH Bank supported activities on Children's Day at Baan Manangkasila



LH Bank supported activities on Children's Day at the Learning Library at Lumpini Park

LH Bank supported activities on Children's Day at Kalahomeutit School in Nonthaburi



- Thai language learning development among Thai youth

Land and Houses Bank Pcl. saw importance of youth who are the future of Thailand and put effort to make them excellent and be good-hearted persons. The Bank jointly participated in special activities on Children's Day at Baan Manangkasila, the Learning Library at Lumpini Park and Kalahomeutit School in Nonthaburi province.





LH Bank supported the Pueng Thao Gong Ma celebration in Khon Kaen.

LH Bank supported the Pueng Thao Gong Ma celebration in Khon Kaen.



3. Art and Culture

Land and Houses Bank Pcl. threw its support on organizing cultural events with local communities where the Bank has service branches. Among cultural events are spectacular activities to celebrate Chinese New Year and the Pueng Thao Gong Ma celebration in Khon Kaen, which are events the Bank help promote art and culture in nearby communities





Staff uniform: The bank has its welfare support on uniform for new staff

Training and seminar: It's part of the bank's program to develop knowledge for staff in all levels to increase work efficiency, professionalism and unity as this will benefit all working parties and the overall image for the organization.



Training and seminar: It's part of the Bank's program to develop knowledge for staff in all levels to increase work efficiency, professionalism and unity as this will benefit all working parties and the overall image for the organization.

Annual health check-up: The Bank gives importance on good health of staff in all levels, so it has annual health check-up and vaccination for them every year. The main objective is to look after the employees' health and promote spirit and morale among them as they are important for the Bank.



The Organization of Sustainability

Land and Houses Bank Pcl. has realized the importance and value of employees as they are the most important asset for the Bank who will help grow the business firmly and sustainably. This is in line with the Bank's mission to develop and support the human resource development for both knowledge and benefit of staff including to take care of health and safety for employees, so that they can work happily. This also includes suitable employees' remuneration and welfare such as salary, bonus, provident fund, social security fund, medical allowance and other benefits.



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 in acceptable levels of risks and that adequate internal control is in place. The Companies in financial business group have to report the transactions within the financial business group to the Company's Board of Directors.

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. The 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 nomination and remuneration of the auditors. In addition, the Audit Committee's meetings, independent auditors are invited to propose the significant issues that related to the internal control environment and the financial statements of the Company.

The Audit Committee's work and responsibility covers a consideration of qualification and suitability of those who will be manager of Internal Audit Office and the consideration must seek opinions from the Management. The appointment, dismissal and transfer of the internal audit chief must get approval from the Audit Committee as mentioned in the Charter of Audit Committee.

The Auditor of the Company is Ernst & Young Office Limited which is auditor in fiscal year 2012 and proposed to report on the financial statements that unqualified opinion.

The Internal Control System

LH Financial Group Public Company Limited was established as a holding Company of a financial business group and a parent Company of Land and Houses Bank Public Company Limited under the shareholding restructuring plan approved by The Bank of Thailand. As the Company is a non-operating holding Company, it has assigned the Internal Audit Office and the Compliance Unit at Land and Houses Bank to take care and report about internal control activities to the Company's Audit Committee periodically. Mr. Vichian Amornpoonchai, the Company's secretary, is a coordinator between the Company and the Internal Audit Office and the Compliance Unit at the Bank.

• Internal Audit

The Internal Audit Office has its duty and responsibility to audit activities and evaluate the sufficiency of the internal control system for the financial group. The audit will have to comply with relevant rules and regulations required by the authorities such as the making and submitting of financial report to the Stock Exchange of Thailand, the Securities and Exchange Commission and the Bank of Thailand.



• Compliance Unit

The Compliance Unit has its role and duty to supervise the operations to comply with related laws and regulations. The compliance system will be laid down with international standards and work reviews under the control and monitor practices. The compliance report will be submitted to the Board of LH Bank through the Audit Committee regularly. The Compliance Unit has to monitor the change of rules and regulations and ensure the good corporate governance practices in the organization.

Work and responsibility of the manager of Internal Control Office

1. Auditing operational work
2. Auditing IT information system
3. Reviewing compliance work
4. Reviewing loans
5. Reviewing IT information works

Profile of the manager of Internal Control Office

Name	Miss Chutima Boonmee
Position	First Senior Vice President Control Group
Age	61
Education	<ul style="list-style-type: none"> - Master of Public Administration (M.PA.) National Institute of Development Administration (NIDA) - Master of Education : Srinakharinwirot University Training - Leadership Program for Managers : CC Knowledge Base Co.,Ltd. - Compliance Officer : Faculty of Law , Chulalongkorn University - Certificate to Pacific Rim International Conference The Anti- Money Laundering Office On Money Laundering and Financial Crime : Anti - Money Laundering Office (AMLO) - Risk Management for Financial Institutions : Kenan Institute Asia - Best Practices in Credit Risk Management & Operational Risk Management : Pricewaterhouse Coopers (PwC) - Operational Risk Management for Internal Audit : Pricewaterhouse Coopers (PwC)

Shareholding (%) -None-

Relationship with executives -None-

Work experiences in the past 5 years

PERIOD	POSITION	ORGANIZATION/COMPANY
Feb. 2013 - Present	First Senior Vice President Control Group & Acting First Vice President Internal Audit Department	Land and Houses Bank Pcl.
17 Feb. 2012 - Present	First Senior Vice President Control Group	Land and Houses Bank Pcl.
Nov. 2010 - 16 Feb. 2012	Senior Vice President Compliance Office	Land and Houses Bank Pcl.
Apr. 2006 - Oct. 2010	Senior Vice President Compliance Office	Siam City Bank Pcl.



Duty and responsibility for reviewing compliance work

- Supervise and monitor works in every department to have efficiency and competency in accordance to the Company's audit policy, which is in line with rules by Bank for International Settlements (BIS) in April 2005 and the Financial Action Task Force on Money Laundering (FATF 40+9 Recommendations).
- Develop the risk management system for the operations as required by relevant regulations

Duty and responsibility for auditing work

- Identify objective, goal and scope of auditing activities and outline the audit work plan
- Make the audit guideline
- Manage the audit office and supervise works carried by auditors
- Review the audit program, assess the sufficiency and efficiency of the internal control system inside the organization to reduce risk but increase quality of work assignment
- Evaluate the credibility and reliability of financial and operational information
- Consider work activities to follow the Company's policy, goal, objective, plan and rules as well as relevant laws and regulations
- Set the work standard and review auditors whether they comply with the audit standard as well as control the implementation of audit plan
- Propose the audit report to the audited department, Managing Director and the Audit Committee
- Enhance knowledge and ability of auditors
- Organize the work evaluation for all staff levels
- Provide advice, opinion and suggestion about the operational work in accordance to rules, announcement and internal control
- Handle other works assigned by the Audit Committee

The number of staff in the Internal Audit Office

The Company has number of staff in the Internal Audit Office is 12.





RELATED-PARTY TRANSACTIONS

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.

1. Related party transactions

In 2012, the Company and its subsidiary Land and Houses Bank Pcl. 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:

The outstanding balances as at 31 December 2012

As at 31 December 2012 and 2011, the outstanding balances of transactions between the Company and its subsidiaries and their related parties can be summarised as follows:

Unit: Million Baht

Relationship/1	Consolidated financial statements												
	Investments - cost	Investments - cost	Loans to customers	Accrued interest receivables on loans to customers	Other assets - office rental deposits	Other assets - fees and service income receivables	Deposits	Debts issued and borrowings	Liabilities payable on demand	Accrued interest payables	Accrued expenses	Other liabilities - other payables	Interbank and money market items (assets)
1. Any person or Company who holds more than 10% of share in the Company	-	-	-	-	0.75	-	1,250.23	-	25.52	0.13	0.06	-	-
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.	-	-	-	-	-	-	-	-	-	-	-	-	-

Relationship/ ¹	Consolidated financial statements												
	Investments - cost	Investments - cost	Loans to customers	Accrued interest receivables on loans to customers	Other assets - office rental deposits	Other assets - fees and service income receivables	Deposits	Debts issued and borrowings	Liabilities payable on demand	Accrued interest payables	Accrued expenses	Other liabilities - other payables	Interbank and money market items (assets)
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	-	-	-	-	1.29	-	659.56	-	18.03	0.03	0.05	0.04	-
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	-	-	-	-	15.07	2.01	954.20	-	-	0.95	0.57	0.06	-
6. The companies, which are related through the Company's and the subsidiaries' management and have transactions with the Company and its subsidiaries	-	-	-	-	2.66	-	1.33	-	-	-	0.03	-	-
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	158.66	-	-	-	-	2.93	328.81	-	-	0.34	-	-	-
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	-	-	-	-	0.87	-	5.71	-	-	-	-
9. Directors and executives	-	-	-	-	-	-	724.88	-	-	0.80	-	0.01	-
10. Related persons	-	-	56.99	0.06	-	-	402.76	7.53	-	1.60	-	-	-
Total	383.66	2.36	56.99	0.06	19.77	4.94	4,322.64	7.53	49.26	3.85	0.71	0.11	-

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





RELATED-PARTY TRANSACTIONS

Unit: Million Baht

Relationship ^{/1}	Separate financial statements												
	Investments - cost	Investments - cost	Loans to customers	Accrued interest receivables on loans to customers	Other assets - office rental deposits	Other assets - fees and service income receivables	Deposits	Debts issued and borrowings	Liabilities payable on demand	Accrued interest payables	Accrued expenses	Other liabilities - other payables	Interbank and money market items (assets)
2. The Company's subsidiary is Land and Houses Bank Pcl.	-	-	-	-	0.30	-	-	-	-	-	-	-	153.43
Total	-	-	-	-	0.30	-	-	-	-	-	-	-	153.43

During the years 2012, 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. are as follows:

Unit: Million Baht

Relationship ^{/1}	Consolidated financial statements		
	Type of transaction	Value	Pricing policy
1. Any person or Company who holds more than 10% of share in the Company ("the major shareholders")	Interest expenses	36.30	The same rates that a subsidiary paid to general depositors
	Rental and service expenses	2.96	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	6.20	The same rates that a subsidiary paid to general depositors
	Rental and service expenses	3.69	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	9.95	As specified in the agreements
	Interest expenses	23.92	The same rates that a subsidiary paid to general depositors
	Rental and service expenses	69.82	As specified in the agreements



RELATED-PARTY TRANSACTIONS



Unit: Million Baht

Consolidated financial statements

Relationship ^{/1}	Type of transaction	Value	Pricing policy
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	Fees and service income	10.84	At the percentage of net asset value of the fund
	Dividend income	1.77	As declared by the fund
	Interest expenses	10.38	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	10.15	As specified in prospectus
	Interest expenses	0.02	The same rates that a subsidiary paid to general depositors
9. Directors and executives	Interest expenses	10.09	The same rates that a subsidiary paid to general depositors
10. Related persons	Interest Income	2.78	The same rates that a subsidiary charged to general customers
	Interest expenses	10.36	The same rates that a subsidiary paid to general depositors

Notes: ^{/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}	Type of transaction	Value	Pricing policy
2. The Company's subsidiary is Land and Houses Bank Pcl.	Interest income	8.10	The same rates that a subsidiary paid to general depositors
	Dividend income	240.00	As declared by subsidiary
	Office rental income	1.20	As specified in the agreements
	Net gains on trading transactions	38.24	At fair value
	Fees and service expenses	0.05	The same rates that a subsidiary paid to general customers

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

2. Necessity and Rationale of the Transactions

The Company and its subsidiaries conduct related-party transactions with care and in the best interests of the Company, its subsidiaries and their shareholders. All related-party transactions conducted by the Company and its subsidiaries 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 subsidiaries. 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.



3. Measures to Approve Related-Party Transactions

In approving the related-party transactions, the Company takes into consideration the interests of the Company, its subsidiaries and shareholders. Such transactions are subjected to due procedures based on the regulations of the Company and its subsidiaries 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 subsidiaries to conduct transactions with normal trade terms with their directors, executives and related persons as follows: "Since the Company and its subsidiaries 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 subsidiaries 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.

4. 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

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

- None -



REPORT OF THE AUDIT COMMITTEE



The Audit Committee of LH Financial Group Pcl. 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. Sun Vitthespongse _____ Member of the Audit Committee

In 2012, Mr. Suwit Udomsub, Member of the Audit Committee has resigned, therefore, the Board of Directors had appointed Mr. Sun Vitthespongse to be the Member of the Audit Committee on October 10, 2012 and during the year the Audit Committee held nine meetings and reported its performance to the Company's Board of Directors.

The Audit Committee has performed with duties and responsibilities as the following:

- Reviewed and approved the quarterly and annual financial statements and consolidated financial statements with the external auditors by considered the importance issues and made recommendations including useful opinion to ensure that the preparation of the Company financial statements are accurate, the disclosure of sensitive information to users of financial statements with adequacy and timeliness according to law, related announcement, The Stock Exchange of Thailand's regulation, Securities and Exchange Commission Thailand's regulation and the generally accepted accounting standards.
- Reviewed and approved the adequacy of internal control system of the Company by consideration of internal audit report and the external audit report to evaluate the adequacy and efficiency of internal audit system.
- Reviewed and approved operations of The Company to be in accordance with Securities and Exchange Commission Thailand's regulation, The Stock Exchange of Thailand's regulation and related law.
- Considered related-party transaction or transactions which have any other relation that may constitute conflicts of interests to be in accordance with law and The Stock Exchange of Thailand's regulation. To ensure that transactions are reasonable and useful to Shareholder.
- Considered accurate and comprehensive disclosures of the Company's information, especially where related lists or lists with potential conflicts of interest are concerned.
- Considered the selection of Auditors and remuneration in the year 2012 with regard to qualities of work, status of auditors, The Stock Exchange of Thailand's regulation or related institution to propose to the Company's Board of Directors.

The Audit Committee has the opinion the fiscal year 2012, the Company provided the internal control system that appropriate and adequate to be ensure and in accordance with related law, has good corporate government including the preparation and disclosure of the Company's financial statement that credibility and in accordance with the generally accepted accounting principles.

(Mr. Phairoj Hengsakul)
Chairman of the Audit Committee





REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

Appointed by the Board of Directors, The Nomination and Remuneration Committee consists of 3 directors. Mr. Adul Vinaiphat is the Chairman and Mr. Naporn Sunthornchitcharoen and Mr. Suwit Udomsab 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 2012, Mrs. Suwanna Buddhaprasart resigned from Members of the Nomination and Remuneration Committee and Mr. Suwit Udomsab resigned from Member of the Board of Director and Member of the Audit Committee. The Nomination and Remuneration Committee has considered in accordance with the its regulation to appoint Mr. Sun Vithespongse, the qualified candidate and proposed to the Board of Directors to approve.

The Board of Directors has approved to appoint Mr. Sun Vithespongse to be a Member of Board of Director and take a position of a Member of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee arranged a meeting twice in year 2012.

The Nomination and Remuneration Committee has duties to nominate for the 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 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, various expertise, qualities which is not conflict with the principle of Bank of Thailand and the Securities and Exchange Commission, incompatibility according to Public Limited Company Act, 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 2012, the Nomination and Remuneration Committee considered the main agenda as follows:

- Nomination for the directors who retired by rotation and/or retired
- Establishing a framework for the remuneration and meeting allowances for the Board of Directors, Executive Directors, 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



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. An important information is adequately and transparently disclosed for 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 comprised of independent directors responsible for the quality of the financial statements and an 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 audit, the Company has supported all informations, data and documents in order that the auditor would be able to audit and address opinions to the auditing standards. The auditor's opinions was included in the Report of independent Auditor in this annual report.

In the Board of Directors' point of view, the Company has an appropriate and adequate internal audit control system for the credibility of the separated and consolidated financial statements of the Company as of December 31, 2012.

(Mr. Anant Asavabhokhin)
Chairman



REPORT OF INDEPENDENT AUDITOR



To the Shareholders of LH Financial Group Public Company Limited

I have audited the accompanying consolidated financial statements of LH Financial Group Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of LH Financial Group Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 2012, their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Emphasis of Matter

I draw attention to Note 10 to the financial statements that the subsidiary has a plan to set aside allowance for doubtful debts in the future. My opinion is not qualified in respect of this matter.

Other Matter

The consolidated financial statements of LH Financial Group Public Company Limited and its subsidiaries, and the separate financial statements of LH Financial Group Public Company Limited as at 31 December 2011 and for the year then ended were audited by another auditor in the same firm as mine, who expressed an unqualified opinion on those financial statements, under her report dated 24 February 2012 but drew attention to the matter that the Company and its subsidiaries adopted the revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in their preparation and presentation of those financial statements.

Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951
Ernst & Young Office Limited
Bangkok: 21 February 2013



(Unit: Thousand Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
Assets					
Cash		1,619,457	822,509	4	2
Interbank and money market items - net	6, 37.3, 37.4	5,031,981	5,342,756	153,703	447,261
Investments - net	7.1, 37.3, 37.4	29,138,948	19,860,144	248,012	-
Investment in a subsidiary	8	-	-	12,499,999	11,999,999
Loans to customers and accrued interest receivables	9				
Loans to customers	9.1, 37.3, 37.4	86,248,243	54,964,781	-	-
Accrued interest receivables	9.1, 37.3	163,070	129,201	-	-
Total loans to customers and accrued interest receivables		86,411,313	55,093,982	-	-
Less : Deferred revenue	9.1	(148,168)	(17,435)	-	-
Allowance for doubtful debts	10	(914,008)	(585,458)	-	-
Revaluation allowance for debt restructuring	11	(14,932)	(68,013)	-	-
Loans to customers and accrued interest receivables - net		85,334,205	54,423,076	-	-
Premises and equipment - net	12	434,928	276,414	37,778	37,910
Intangible assets - net	13	233,907	146,620	-	-
Deferred tax assets	14.1	58,104	56,214	-	-
Accrued interest receivables on investments	37.3	286,986	182,470	-	-
Other assets - net	15, 37.3	288,363	135,254	1,780	1,389
Total assets		122,426,879	81,245,457	12,941,276	12,486,561

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 2012 and 2011

(Unit: Thousand Baht)					
		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
Liabilities and shareholders' equity					
Deposits	17, 37.3, 37.4	84,223,508	22,254,489	-	-
Interbank and money market items	18	21,870,546	8,827,898	100,000	-
Liabilities payable on demand	37.3	233,580	182,590	-	-
Debts issued and borrowings	19, 37.3, 37.4	769,055	35,864,779	-	-
Interest payables	37.3	333,776	346,361	37	-
Accrued expenses	37.3	221,364	77,611	286	682
Provisions for employee benefits	20	39,287	33,004	-	-
Deferred tax liabilities	14.1	66,241	55,907	-	-
Taxes payable		149,691	117,859	91	142
Subscriptions of investment units received in advance	21	144,475	3,610	-	-
Other liabilities	22, 37.3	208,891	169,145	32,147	300
Total liabilities		108,260,414	67,933,253	132,561	1,124
Shareholders' equity					
Share capital					
Registered share capital					
12,399,982,813 ordinary shares of Baht 1 each					
(31 December 2011: 12,000,000,000 shares of Baht 1 each)	23	12,399,983	12,000,000	12,399,983	12,000,000
Issued and paid-up share capital					
11,978,911,286 ordinary shares of Baht 1 each					
(31 December 2011: 11,472,096,320 shares of Baht 1 each)	23	11,978,911	11,472,096	11,978,911	11,472,096
Share premium	23	644,803	480,196	644,803	480,196
Other component of shareholders' equity -					
Revaluation surplus on investments	7.3	277,137	187,166	-	-
Retained earnings					
Appropriated - statutory reserve	25	202,800	156,000	41,100	29,000
Unappropriated		1,062,813	1,016,745	143,901	504,145
Equity attributable to equity holders of the Company		14,166,464	13,312,203	12,808,715	12,485,437
Non-controlling interests		1	1	-	-
Total shareholders' equity		14,166,465	13,312,204	12,808,715	12,485,437
Total liabilities and shareholders' equity		122,426,879	81,245,457	12,941,276	12,486,561
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 2012 and 2011

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Interest income	28, 37.1	4,856,125	3,380,181	8,104	8,149
Interest expenses	29, 37.1	(2,727,694)	(1,642,865)	(65)	-
Net interest income		2,128,431	1,737,316	8,039	8,149
Fees and service income	30, 37.1	153,453	88,654	-	-
Fees and service expenses	30, 37.1	(39,929)	(27,351)	(8,012)	(5,804)
Net fees and service income	30	113,524	61,303	(8,012)	(5,804)
Gains on investments		145,926	73,468	-	-
Net gains on trading transactions	37.1	48,815	-	10,578	-
Dividend income	37.1	43,776	420	240,457	210,000
Other operating income		3,848	2,334	1,213	200
Total operating income		2,484,320	1,874,841	252,275	212,545
Other operating expenses					
Employees' expenses		606,276	463,648	-	-
Directors' remuneration	31	8,191	7,160	7,446	5,030
Premises and equipment expenses	37.1	381,247	273,443	132	90
Taxes and duties		126,707	82,249	158	98
Advertising and promotion expenses		62,396	40,196	1,237	745
Amortisation on intangible assets		44,076	31,394	-	-
Other expenses		79,755	59,441	1,536	1,327
Total other operating expenses		1,308,648	957,531	10,509	7,290
Bad debts, doubtful accounts and impairment loss		277,000	180,000	-	-
Profits from operation before income taxes		898,672	737,310	241,766	205,255
Income taxes		(215,894)	(241,477)	-	-
Profits for the years		682,778	495,833	241,766	205,255
Other comprehensive income					
Gains on remeasuring available-for-sale investments					
- net of relevant income taxes		89,971	180,669	-	-
Other comprehensive income		89,971	180,669	-	-
Total comprehensive income		772,749	676,502	241,766	205,255

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



(Unit: Thousand Baht)				
	Consolidated financial statements		Separate financial statements	
Note	2012	2011	2012	2011
Profits for the years attributable to:				
Equity holders of the Company	682,778	495,833	241,766	205,255
Non-controlling interests	-	-		
	<u>682,778</u>	<u>495,833</u>		
Total comprehensive income attributable to:				
Equity holders of the Company	772,749	676,502	241,766	205,255
Non-controlling interests	-	-		
	<u>772,749</u>	<u>676,502</u>		
Earnings per share of equity holders of the Company				
	34			
Basic earnings per share (Baht per share)	0.0573	0.0454	0.0203	0.0188
Diluted earnings per share (Baht per share)	0.0567	0.0447	0.0201	0.0185

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



LH Financial Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2012 and 2011

(Unit: Thousand Baht)

Consolidated financial statements										(Unit: thousands Baht)
Equity attributable to equity holders of the Company										
Note	Issued and paid-up share capital	Share premium	Other component of shareholders' equity -			Retained earnings		Total equity attributable to equity holders of the Company	Non-controlling interests	Total
			Revaluation surplus on investments	Appropriated - statutory reserve	Unappropriated					
Balance as at 1 January 2011										
23	5,515,570	-	6,497	119,035	557,877	6,198,979	1	6,198,980		
	5,956,526	480,196	-	-	-	6,436,722	-	6,436,722		
25	-	-	-	36,965	(36,965)	-	-	-		-
	-	-	180,669	-	495,833	676,502	-	676,502		
	11,472,096	480,196	187,166	156,000	1,016,745	13,312,203	1	13,312,204		
Balance as at 31 December 2011										
Balance as at 1 January 2012										
	11,472,096	480,196	187,166	156,000	1,016,745	13,312,203	1	13,312,204		
	124,007	-	-	-	-	124,007	-	124,007		
23	382,808	164,607	-	-	(547,415)	-	-	-		-
26	-	-	-	-	(42,495)	(42,495)	-	(42,495)		(42,495)
25	-	-	-	46,800	(46,800)	-	-	-		-
	-	-	89,971	-	682,778	772,749	-	772,749		
	11,978,911	644,803	277,137	202,800	1,062,813	14,166,464	1	14,166,465		
Balance as at 31 December 2012										

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

LH Financial Group Public Company Limited and its subsidiaries
Statements of changes in shareholders' equity (continued)
For the years ended 31 December 2012 and 2011

Separate financial statements						(Unit: Thousand Baht)
Note	Issued and paid-up share capital	Share premium	Retained earnings		Total	
			Appropriated - statutory reserve	Unappropriated		
Balance as at 1 January 2011						
Issuance of additional ordinary shares	5,515,570	-	18,700	309,190	5,843,460	
Appropriated to statutory reserve	5,956,526	480,196	-	-	6,436,722	
25	-	-	10,300	(10,300)	-	
Total comprehensive income for the year	-	-	-	205,255	205,255	
Balance as at 31 December 2011						
	11,472,096	480,196	29,000	504,145	12,485,437	
Balance as at 1 January 2012						
Issuance of additional ordinary shares as a result of warrant exercises	11,472,096	480,196	29,000	504,145	12,485,437	
23	124,007	-	-	-	124,007	
Stock dividend payments	382,808	164,607	-	(547,415)	-	
26	-	-	-	(42,495)	(42,495)	
Cash dividend payments	-	-	-	-	-	
26	-	-	12,100	(12,100)	-	
Appropriated to statutory reserve	-	-	-	-	-	
25	-	-	-	-	-	
Total comprehensive income for the year	-	-	-	241,766	241,766	
Balance as at 31 December 2012						
	11,978,911	644,803	41,100	143,901	12,808,715	

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

Statements of cash flows

For the years ended 31 December 2012 and 2011

(Unit: Thousand Baht)				
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from operating activities				
Profits from operation before income taxes	898,672	737,310	241,766	205,255
Adjustments to reconcile profits from operation before income taxes to net cash provided by (paid for) operating activities:				
Depreciation and amortisation	129,905	90,581	287	188
Bad debts, doubtful accounts and impairment loss	277,000	180,000	-	-
Provisions for employee benefits	7,667	6,616	-	-
Gain on disposal of equipment	-	(705)	-	-
Gain on disposals of available-for-sale investments	(145,926)	(73,468)	-	-
Net gains on trading transactions	(48,815)	-	(10,578)	-
Amortisation of deferred revenue/expenses - net	(6,647)	(2,858)	-	-
Amortisation of discount on revaluation of notes receivable to be interest income	(71)	(325)	-	-
Increase (decrease) in accrued expenses	428	(21,969)	(396)	275
Net interest income	(2,128,431)	(1,737,316)	(8,039)	(8,149)
Dividend income	(43,776)	(420)	(240,457)	(210,000)
Cash received on interest income	3,841,022	2,541,671	8,882	7,402
Cash paid on interest expenses	(2,596,515)	(1,445,443)	(28)	-
Cash paid on income taxes	(201,509)	(243,584)	(155)	(84)
Income (losses) from operations before changes in operating assets and liabilities	(16,996)	30,090	(8,718)	(5,113)
(Increase) decrease in operating assets				
Interbank and money market items	314,861	(187,495)	292,780	(102,736)
Trading securities	(199,197)	-	(237,434)	-
Loans to customers	(31,152,729)	(12,449,539)	-	-
Notes receivable	-	38,789	-	-
Other assets	(150,434)	(84,148)	(41)	(1,316)
Increase (decrease) in operating liabilities				
Deposits	61,969,019	(4,827,937)	-	-
Interbank and money market items	13,042,648	(1,204,423)	100,000	-
Liabilities payable on demand	50,990	59,316	-	-
Debts issued and borrowings	(35,095,724)	17,470,765	-	-
Provisions for employee benefits	(1,384)	(1,925)	-	-
Other liabilities	180,914	143,578	31,796	442
Net cash provided by (used in) operating activities	8,941,968	(1,012,929)	178,383	(108,723)

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



(Unit: Thousand Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
Cash flows from investing activities					
Proceeds from disposal of available-for-sale investments		3,335,702	1,093,468	-	-
Proceeds from matured debt securities		119,400	40,000	-	-
Cash received on interest income on investments		908,840	753,369	-	-
Cash received on dividend income on investments		33,690	420	240,107	210,000
Investments in available-for-sale investments		(4,422,314)	(829,214)	-	-
Investments in held-to-maturity debt securities		(7,859,317)	(5,772,669)	-	-
Investments in a subsidiary		-	-	(500,000)	(6,500,000)
Cash paid for purchases of premises and equipment		(237,543)	(214,976)	-	(38,000)
Proceeds from disposal of equipment		-	769	-	-
Cash paid for purchases of intangible assets		(104,990)	(101,343)	-	-
Net cash used in investing activities		(8,226,532)	(5,030,176)	(259,893)	(6,328,000)
Cash flows from financing activities					
Dividends paid	26	(42,495)	-	(42,495)	-
Proceeds from issuance of additional ordinary shares	23	-	6,436,722	-	6,436,722
Proceeds from warrant exercises	23	124,007	-	124,007	-
Net cash provided by financing activities		81,512	6,436,722	81,512	6,436,722
Net increase (decrease) in cash and cash equivalents		796,948	393,617	2	(1)
Cash and cash equivalents as at 1 January		822,509	428,892	2	3
Cash and cash equivalents as at 31 December		1,619,457	822,509	4	2

Supplemental cash flows information

Non - cash related items:

Purchases of assets on credit	52,514	16,019	-	-
Stock dividend issued	547,415	-	547,415	-

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

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 ("LH Bank"). The Company is a listed Company on the Stock Exchange of Thailand and its ordinary shares have been trading in the Stock Exchange of Thailand since 10 May 2011. 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 2012 and 2011, 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 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 2012, the Company has 3 major shareholders, which are Land and Houses Public Company Limited, Quality Houses Public Company Limited and Ms. Piengjai Harpanich and their shareholding percentages in the Company were 35.40%, 22.23%, and 17.16%, respectively (31 December 2011: the Company had 3 major shareholders, which were Land and Houses Public Company Limited, Quality Houses Public Company Limited and Ms. Piengjai Harpanich and their shareholding percentages in the Company were 35.43%, 22.25%, and 17.18%, respectively).

2. Basis of preparation

2.1 Basis of 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.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 4 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 LH Financial Group Public Company Limited and the following subsidiaries:

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	
			2012	2011	2012	2011	2012	2011
			Percent	Percent	Percent	Percent	Percent	Percent
<u>Subsidiary directly held by the Company</u>								
Land and Houses Bank Pcl.	Banking business	Thai	99.99	99.99	99.70	99.93	99.34	99.33
<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	0.23	0.02	0.63	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, except that Land and Houses Fund Management Company Limited calculates depreciation of computers acquired before July 2011 using the sum-of-the-years digit method. However, the effect of the use of a different method of depreciation for computers is not significant to the consolidated financial statements as a whole.
- (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 shareholders' 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. New and revised accounting standards not yet effective

The Federation of Accounting Professions issued the following new and 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



Financial Reporting Standard:

TFRS 8 Operating Segments

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

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
Accounting Standard Interpretation:	
SIC 29 Service Concession Arrangements Disclosures	1 January 2014
Financial Reporting Standard Interpretations::	
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programmes	1 January 2014

The Company and its subsidiaries' management have assessed the effect of the above accounting standards, financial reporting standard and accounting treatment guidance including various standard interpretations and believe that they will not have any significant impact on the financial statements for the year when they are initially applied (the Company and its subsidiaries already early adopted Thai Accounting Standard No.12 regarding Income Taxes before the effective date). With respect to accounting standards and financial reporting standard including various standard interpretations that are effective for fiscal years beginning on or after 1 January 2014 onwards, the Company's and its subsidiaries' management are evaluating the impact on the financial statements when they are initially adopted but have yet to reach a conclusion.

4. Summary significant accounting policies

4.1 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.

Hire purchase income is recognised as revenue over the period of the contracts, using the effective interest rate method. If hire purchase receivables default on installments and are overdue more than three months past the due dates, the subsidiary ceases accrual of revenue and reverses the revenue previously recorded 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, which will be amortised to 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.

Management and registrar fees are calculated as a percentage of the net asset value of the funds managed by the subsidiary or at rates stipulated in agreements, and are recognised as income on an accrual basis.

4.2 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 expenses

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

4.3 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.

4.4 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.

4.5 Investments

Investments in securities held for trading are stated at fair value. Changes in the fair value of these investments are recorded in profit or loss from operation.

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

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

In cases where there is reclassification of investment type from one type to another, 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 of shareholders' equity, depending on the type of investment that is reclassified.

Purchases and sales of investments are recorded on the trade 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.

4.6 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.

4.7 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 subsidiary 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 and collateral value, based on the number of months overdue (with reference to the classification of loans under the BoT’s guidelines).

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.

4.8 Troubled debt restructuring and losses from 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 cash flows 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 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 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 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.



4.9 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 (except for computers of the subsidiary, which have been acquired before July 2011, are depreciated using the sum-of-the-years digit method) over the following estimated useful lives.

Buildings	-	20	years
Leasehold improvements	-	5	years
Furniture and fixtures	-	5	years
Office equipment	-	3-5	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.

4.10 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 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.

4.11 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the premises 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, which 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 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that they could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

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



4.12 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 have obligations in respect of the severance payments they must make to employees upon retirement under labor law. Such payments are considered a defined benefit plan for their employees.

The obligation under the defined 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 the defined benefit plan are recognised in other comprehensive income.

4.13 Income taxes

Income taxes represent the sum of income taxes currently payable and deferred taxes.

Current taxes

Current taxes 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 taxes

Deferred 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 periods.

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 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.



4.14 Long-term leases

When the lease contracts entered into by the Company and its subsidiaries as the lessees and they classify them as operating lease contracts, payments made under such lease contracts are recognised as expenses over the lease periods.

4.15 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by the Company and its subsidiaries, 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.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards 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 from these estimates. Significant judgments and estimates are as follows:

5.1 Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

5.2 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.

5.3 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 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.

5.4 Intangible assets

In consideration of impairment on intangible assets, it requires management to make estimates of cash flows to be generated by the asset or the cash generating units, and to choose a suitable discount rate in order to calculate 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.

5.5 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 taxable 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.

5.6 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.

5.7 Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether or not significant risk and rewards of ownership of the leased asset has been transferred to the Company and its subsidiaries, taking into consideration terms and conditions of the arrangement.

5.8 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.

5.9 Litigation

The subsidiaries have contingent liabilities as a result of claim litigation. The managements have used judgement to assess of the result of the litigation and believe that no loss with result. Therefore no contingent liabilities are recorded as at the end of reporting period. However, actual results could differ from the estimates.



6. Interbank and money market items (assets)

(Unit: Thousand Baht)

Consolidated financial statements						
	31 December 2012			31 December 2011		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand	1,348,452	-	1,348,452	400,636	-	400,636
Commercial banks	439,560	500,000	939,560	196,308	350,000	546,308
Specialised financial institutions	17	-	17	18	997,431	997,449
Other financial institutions	1,614,023	1,161,800	2,775,823	749,877	2,684,443	3,434,320
Total domestic items	3,402,052	1,661,800	5,063,852	1,346,839	4,031,874	5,378,713
Add: Accrued interest receivables	749	138	887	105	1,781	1,886
Less: Allowance for doubtful debts	(16,140)	(16,618)	(32,758)	(7,499)	(30,344)	(37,843)
Interbank and money market items - net	3,386,661	1,645,320	5,031,981	1,339,445	4,003,311	5,342,756

(Unit: Thousand Baht)

Separate financial statements						
	31 December 2012			31 December 2011		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	153,675	-	153,675	446,455	-	446,455
Add: Accrued interest receivables	28	-	28	806	-	806
Total interbank and money market items	153,703	-	153,703	447,261	-	447,261



7. Investments

7.1 Classified by investment type

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December 2012	31 December 2011
<u>Trading securities - fair value</u>		
Domestic marketable equity securities	248,012	-
Total trading securities	248,012	-
<u>Available-for-sale investments - fair value</u>		
Government and state enterprise securities	3,065,482	3,253,317
Domestic marketable equity securities	1,530,213	-
Total available-for-sale investments	4,595,695	3,253,317
<u>Held-to-maturity debt securities - cost/amortised cost</u>		
Government and state enterprise securities	16,046,015	13,961,373
Private sector debt securities	8,244,426	2,640,654
Total held-to-maturity debt securities (1)	24,290,441	16,602,027
<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	29,138,948	19,860,144

⁽¹⁾ The fair values of held-to-maturity debt securities as at 31 December 2012 and 2011 totaled Baht 24,857 million and Baht 16,974 million, respectively.

(Unit: Thousand Baht)

	Separate financial statements	
	31 December 2012	31 December 2011
<u>Trading securities - fair value</u>		
Domestic marketable equity securities	248,012	-
Total trading securities	248,012	-
Total investments	248,012	-



7.2 Classified by the remaining periods to maturity of the debt securities

(Unit: Thousand Baht)

		Consolidated financial statements							
		31 December 2012				31 December 2011			
		Due within				Due within			
		Within 1 year	1 - 5 years	Over 5 years	Total	Within 1 years	1 - 5 years	Over 5 years	Total
Available-for-sale investments									
Government and state enterprise securities	-	2,550,678	500,000	3,050,678	-	627,168	2,597,396	3,224,564	
Add : Allowance for revaluation	-	14,540	264	14,804	-	4,099	24,654	28,753	
Total available-for-sale securities	-	2,565,218	500,264	3,065,482	-	631,267	2,622,050	3,253,317	
Held-to-maturity debt securities									
Government and state enterprise securities	1,420,492	8,074,840	6,550,683	16,046,015	119,432	6,745,858	7,096,083	13,961,373	
Private sector debt securities	-	2,627,689	5,616,737	8,244,426	-	1,610,830	1,029,824	2,640,654	
Total held-to-maturity debt securities	1,420,492	10,702,529	12,167,420	24,290,441	119,432	8,356,688	8,125,907	16,602,027	
Total investments in debt securities	1,420,492	13,267,747	12,667,684	27,355,923	119,432	8,987,955	10,747,957	19,855,344	

7.3 Revaluation surplus on investments - net

As at 31 December 2012 and 2011, revaluation surplus on investments can be summarised as follows:

(Unit: Thousand Baht)

		Consolidated financial statements	
		31 December 2012	31 December 2011
Revaluation surplus on investment arising from reclassifications:			
Debt securities		46,338	214,320
Total		46,338	214,320
Revaluation surplus on investments:			
Debt securities		14,804	28,753
Equity securities		282,236	-
Total		297,040	28,753
Revaluation surplus on investments		343,378	243,073
Less: The effect of deferred tax liabilities		(66,241)	(55,907)
Revaluation surplus on investments - net		277,137	187,166

For the years ended 31 December 2012 and 2011, the changes in revaluation surplus on investments are as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Balances at beginning of the years	243,073	9,281
Increase from remeasuring available-for-sale investments		
Debt securities	14,804	22,783
Equity securities	282,236	-
Increase from reclassification of investment types (Note 7.4)	-	290,736
Amortisation of revaluation surplus on investment as a result of reclassification of investment types to be recognised as revenue	(9,054)	(1,358)
Realised gains on sales of investments in debt securities	(187,681)	(78,369)
Balances at end of the years	343,378	243,073
Less: The effect of deferred tax liabilities	(66,241)	(55,907)
Balances at end of the years - net of relevant income taxes	277,137	187,166

7.4 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 its 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 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 obtained by the subsidiary.

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.



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

(Unit: Thousand Baht)

Consolidated financial statements								
31 December 2012				31 December 2011				
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	1	25	-	25	2	481	-	481
	1	25	-	25	2	481	-	481

7.6 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 2012 and 2011, the Company and its subsidiaries have no 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.

7.7 Investments subject to restriction

7.7.1 As at 31 December 2012, the subsidiary placed with 1 specialised financial institutions the state enterprise securities totaling Baht 1,991.1 million (face value) as securities against those sold under repurchase agreements (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).

7.7.2 As at 31 December 2012 and 2011, 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.

8. Investments 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 invest- ment	Paid-up capital		Shareholding percentage		Cost		Dividend received for the years ended	
			31 December		31 December		31 December		31 December	
			2012	2011	2012	2011	2012	2011	2012	2011
<u>Subsidiary directly held by the Company</u>					%	%				
Land and Houses Bank Public Company Limited	Banking business	Ordinary share	12,500,000	12,000,000	99.99	99.99	12,499,999	11,999,999	240,000	210,000
<u>Subsidiary indirectly held by the Company (held by its subsidiary)</u>										
Land and Houses Fund Management Company Limited	Fund Management Business	Ordinary share	300,000	200,000	99.99	99.99	257,289 ⁽¹⁾	157,289 ⁽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 11 May 2012, the Meeting No. 5/2012 of the Board of Directors of the Company passed a resolution acknowledging LH Bank's allotment of 50,000,000 additional ordinary shares with a par value of Baht 10 each, totaling Baht 500,000,000, to the Company. The Company made payment for the shares on 18 May 2012. As a result, as at 31 December 2012, the Company held 1,249,999,900 ordinary shares of LH Bank with a par value of Baht 10 each, and continues to hold 99.99 percent of the paid-up share capital of LH Bank after the capital increase.

On 17 August 2012, Meeting No. 8/2012 of the Board of Directors of Land and Houses Fund Management Company Limited ("LH Fund") passed a resolution approving a Baht 100,000,000 increase in its share capital, through the issue of additional 1,000,000 ordinary shares with a par value of Baht 100 each to the subsidiary's, proportionate to their existing shareholding. Later, on 24 August 2012, the Meeting No. 8/2012 of the Board of Directors of LH Bank passed a resolution approving an additional investment of Baht 100,000,000 in LH Fund, with payment for the shares being made on 10 September 2012. As a result, as at 31 December 2012, LH Bank held 2,999,995 ordinary shares with a par value of Baht 100 each in LH Fund, and continues to hold 99.99 percent of the paid-up share capital of LH Fund after the capital increase.

9. Loans to customers and accrued interest receivables

9.1 Classified by loan types

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December 2012	31 December 2011
Overdrafts	4,161,906	2,958,777
Loans	65,775,443	43,005,813
Bills	15,470,039	8,981,901
Hire Purchase	840,855	18,290
Total loans to customers	86,248,243	54,964,781
Less: Deferred revenue	(148,168)	(17,435)
Loans to customers net of deferred revenue	86,100,075	54,947,346
Add: Accrued interest receivables	163,070	129,201
Total loans to customers and accrued interest receivables	86,263,145	55,076,547
Less: Allowance for doubtful debts	(914,008)	(585,458)
Revaluation allowance for debt restructuring	(14,932)	(68,013)
Loans to customers and accrued interest receivables - net	85,334,205	54,423,076

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. As at 31 December 2012 and 2011, 1,311 debtors and 1,504 debtors, respectively, with outstanding balances of Baht 8,192 million and 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.



9.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

		Consolidated financial statements					
		31 December 2012			31 December 2011		
		Domestic	Overseas	Total	Domestic	Overseas	Total
Baht		86,100,075	-	86,100,075	54,947,346	-	54,947,346
Loans to customers net of deferred revenue		86,100,075	-	86,100,075	54,947,346	-	54,947,346

9.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

		Consolidated financial statements					
		31 December 2012					
		Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining		405,440	-	-	-	-	405,440
Manufacturing and commerce		11,849,465	137,528	16,633	190,960	62,143	12,256,729
Real estate and construction		8,707,392	185,666	6,824	70,755	30,342	9,000,979
Public utilities and services		18,879,420	124,312	3,402	347,035	23,698	19,377,867
Housing loans		29,253,968	720,428	45,294	300,170	482,504	30,802,364
Financial intermediation		11,596,353	-	-	-	-	11,596,353
Others		2,584,333	31,929	6,050	15,239	22,792	2,660,343
Loans to customers net of deferred revenue		83,276,371	1,199,863	78,203	924,159	621,479	86,100,075

(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
Financial intermediation		3,125,690	-	-	-	-	3,125,690
Others		1,343,455	26,829	9,691	10,972	9,890	1,400,837
Loans to customers net of deferred revenue		52,456,284	1,514,636	169,772	346,646	460,008	54,947,346



9.4 Classified by loan classification

(Unit: Thousand Baht)

Consolidated financial statements								
	31 December 2012				31 December 2011			
	Loans to customers and accrued interest receivables ⁽³⁾	Balance net of collateral ⁽¹⁾	Minimum provisioning rates	Allowance provided in the accounts	Loans to customers and accrued interest receivables ⁽³⁾	Balance net of collateral ⁽¹⁾	Minimum provisioning rates	Allowance provided in the accounts
			(%)				(%)	
Provision at BOT's minimum required rates								
Pass	83,433,777	26,419,677	1	264,197	52,570,438	10,091,579	1	100,916
Special-mention	1,205,527	92,503	2	1,850	1,529,683	63,125	2	1,263
Sub-standard	78,203	18,949	100	18,949	169,772	63,257	100	61,573 ⁽²⁾
Doubtful	924,159	309,432	100	309,432	346,646	93,490	100	72,067 ⁽²⁾
Doubtful of loss	621,479	211,490	100	211,490	460,008	170,310	100	154,430 ⁽²⁾
Total	86,263,145	27,052,051		805,918	55,076,547	10,481,761		390,249
Additional provision for specific debtors				16,805				135,209
General provision				91,285				60,000
Total				914,008				585,458

⁽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, the subsidiary included allowance for doubtful debts approximately totaling Baht 39 million in "Revaluation allowance for debt restructuring" account since those amounts are for the restructured loans.

⁽³⁾ Net of deferred revenue

9.5 Non-performing loans

As at 31 December 2012 and 2011, the subsidiary has the following non-performing loans.

	Consolidated financial statements	
	31 December 2012	31 December 2011
Non-performing loans (Thousand Baht)	1,623,841	976,426
Percentage of non-performing loans to total loans (1)	1.82%	1.63%

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

Non-performing loans as at 31 December 2012 and 2011, 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.

9.6 Non-accrued loans to customers

As at 31 December 2012 and 2011, the subsidiary has the following loans to customers on which interest income recognition has been ceased on an accrual basis:

	Consolidated financial statements	
	31 December 2012	31 December 2011
Non-accrued loans (Thousand Baht)	1,879,784	1,146,226
Percentage of non-accrued loans to total loans ⁽¹⁾	2.10%	1.92%

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

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

As at 31 December 2012 and 2011, the subsidiary has 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 2012			
	Number of Debtors	Debt balance	Collateral	Allowance for doubtful debts
Companies and persons, which have problems in repayments of debts or defaulted payments	540	2,829,368	2,191,330	561,280

(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

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.

9.8 Troubled debt restructuring

For the years ended 31 December 2012 and 2011, 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 years ended 31 December				
	2012		2011	
	Number of debtors	Debt balances before restructuring	Number of debtors	Debt balances before restructuring
Debtors executing debt restructuring agreements	70	648,027	63	232,519

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

(Unit: Thousand Baht)

Consolidated financial statements							
For the years ended 31 December 2012							
	Number of debtors	Debt balances		Type of assets transferred	Fair value	Loss on debt restructuring (1)	Present value loss from debt restructuring
		Before restructuring	After restructuring				
Modification of terms of payments	70	648,027	648,027	-	-	-	16,854
Total restructured debts	70	648,027	648,027		-	-	16,854
Loans to customers and accrued interest receivables as at 31 December 2012	11,125		86,263,145				

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

(Unit: Thousand Baht)

Consolidated financial statements							
For the years ended 31 December 2011							
	Number of debtors	Debt balances		Type of assets transferred	Fair value	Loss on debt restructuring ⁽¹⁾	Present value loss from debt restructuring
		Before restructuring	After restructuring				
Modification of terms of payments	63	232,519	232,519	-	-	-	27,817
Total restructured debts	63	232,519	232,519		-	-	27,817
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 on the restructuring dates.



For the years ended 31 December 2012 and 2011, 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: Thousand Baht)

Consolidated financial statements						
For the year ended 31 December 2012				For the year ended 31 December 2011		
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	1	-	-	2	3	3
5 - 10 years	31	483	483	27	99	99
10 - 15 years	1	7	7	3	11	11
More than 15 years	37	158	158	31	120	120
Total	70	648	648	63	233	233

Supplemental information for the years ended 31 December 2012 and 2011, relating to the restructured debts, are as follows:

(Unit: Thousand Baht)

Consolidated financial statements				
For the years ended 31 December				
	2012		2011	
	Principal	Interest	Principal	Interest
Cash settlement by debtors	215,509	87,466	116,993	78,295

As at 31 December 2012 and 2011, 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 2012	349	1,878,132
Balance of restructured debts up to 31 December 2011	324	1,547,298

⁽¹⁾ EXCLUDED ADVANCES PAID

As at 31 December 2012 and 2011, the subsidiary had no outstanding commitments to provide additional loans facilities after restructuring.



9.9 Hire purchase receivables

As at 31 December 2012 and 2011, the subsidiary has hire purchase receivables and the terms of the agreements are generally between 1 and 8 years and they carry interest at fixed rates.

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2012			
	Amounts due under the contracts			
	Less than 1 year	1 - 5 year	More than 5 years	Total
Aggregate initial investments under the hire purchase contracts	196,648	607,262	36,945	840,855
Less: Unearned income				(110,534)
Present value of minimum lease payments				730,321
Less: Allowance for doubtful debts				(7,303)
Hire purchase receivables - net				723,018

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2011			
	Amounts due under the contracts			
	Less than 1 year	1 - 5 year	More than 5 years	Total
Aggregate initial investments under the hire purchase contracts	4,454	13,836	-	18,290
Less: Unearned income				(2,061)
Present value of minimum lease payments				16,229
Less: Allowance for doubtful debts				(162)
Hire purchase receivables - net				16,067



10. Allowance for doubtful debts

(Unit: Thousand Baht)

Consolidated financial statements								
For the year ended 31 December 2012								
	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	100,916	1,263	61,573	72,067	154,430	135,209	60,000	585,458
Increased (decrease) during the year	163,281	587	(42,923)	223,426	32,311	(135,209)	35,527	277,000
Transferred from allowance for doubtful debts for interbank and money market items	-	-	-	-	-	-	5,085	5,085
Transferred from (transferred to) revaluation allowance for debt restructuring	-	-	299	13,939	24,749	16,805	(2,711)	53,081
Transferred to allowance for doubtful debts for other assets	-	-	-	-	-	-	(7,761)	(7,761)
Others	-	-	-	-	-	-	1,145	1,145
Balances - end of the year	264,197	1,850	18,949	309,432	211,490	16,805	91,285	914,008

(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)
Others	-	-	-	-	-	-	126	126
Balances - end of the year	100,916	1,263	61,573	72,067	154,430	135,209	60,000	585,458

In addition, for prudent reasons, the subsidiary plans to set aside additional allowance for doubtful debts of at least approximately Baht 88 million within 2013, for loans that may be impaired in the future. This is a plan to provide reserve in addition to that required under the Bot's minimum provision rates.

11. Revaluation allowance for debt restructuring

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Balances - beginning of the years	68,013	53,489
Increase during the years	16,854	27,817
Decrease during the years	(69,935)	(13,293)
Balances - end of the years	14,932	68,013

12. Premises and equipment

(Unit: Thousand Baht)

	Consolidated financial statements						
	Land	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicles	Leasehold improvement under construction
Cost:							
1 January 2011	-	-	111,336	47,850	190,979	5,690	1,757
Additions	35,358	2,642	30,990	19,214	85,429	3,130	36,974
Disposals	-	-	-	-	(31)	(2,729)	-
Transferred in (out)	-	-	34,335	815	3,581	-	(38,731)
31 December 2011	35,358	2,642	176,661	67,879	279,958	6,091	-
Additions	29,400	7,537	33,576	27,010	90,684	-	55,941
Written-off	-	-	-	-	(2,678)	-	-
Transferred in (out)	-	-	49,988	64	-	-	(50,052)
31 December 2012	64,758	10,179	260,225	94,953	367,964	6,091	5,889
Accumulated depreciation:							
1 January 2011	-	-	70,661	30,099	129,686	5,429	-
Accumulated depreciation on disposals	-	-	-	-	(26)	(2,720)	-
Depreciation charged for the year	-	90	19,193	8,018	30,985	760	-
31 December 2011	-	90	89,854	38,117	160,645	3,469	-
Accumulated depreciation on written-off	-	-	-	-	(2,678)	-	-
Depreciation charged for the year	-	191	29,946	11,256	43,615	626	-
31 December 2012	-	281	119,800	49,373	201,582	4,095	-
Net book value:							
1 January 2011	-	-	40,675	17,751	61,293	261	1,757
31 December 2011	35,358	2,552	86,807	29,762	119,313	2,622	-
31 December 2012	64,758	9,898	140,425	45,580	166,382	1,996	5,889
Depreciation for the years ended							
31 December 2011							59,046
31 December 2012							85,634



(Unit: Thousand Baht)

Separate financial statement			
	Land	Buildings	Total
Cost:			
1 January 2011	-	-	-
Additions	35,358	2,642	38,000
31 December 2011	35,358	2,642	38,000
Additions	-	-	-
31 December 2012	35,358	2,642	38,000
Accumulated depreciation:			
1 January 2011	-	-	-
Depreciation charged for the year	-	90	90
31 December 2011	-	90	90
Depreciation charged for the year	-	132	132
31 December 2012	-	222	222
Net book value:			
1 January 2011	-	-	-
31 December 2011	35,358	2,552	37,910
31 December 2012	35,358	2,420	37,778
Depreciation for the years ended			
31 December 2011			90
31 December 2012			132

As at 31 December 2012 and 2011, the subsidiaries have certain leasehold improvements and equipment, which have been fully depreciated but are still in use. The original costs before deducting accumulated depreciation of those assets amounted to Baht 216 million and Baht 167 million, respectively.



13. Intangible assets

(Unit: Thousand Baht)

Consolidated financial statements				
	Computer softwares	Deferred license fee	Computer softwares under development	Total
Cost:				
1 January 2011	208,061	-	4,930	212,991
Additions	40,004	28,273	35,460	103,737
Transferred in (out)	17,246	-	(17,246)	-
31 December 2011	265,311	28,273	23,144	316,728
Additions	51,255	-	80,108	131,363
Transferred in (out)	80,599	-	(80,599)	-
31 December 2012	397,165	28,273	22,653	448,091
Accumulated amortisation:				
1 January 2011	138,425	-	-	138,425
Amortisation charged for the year	29,302	2,381	-	31,683
31 December 2011	167,727	2,381	-	170,108
Amortisation charged for the year	41,276	2,800	-	44,076
31 December 2012	209,003	5,181	-	214,184
Net book value:				
1 January 2011	69,636	-	4,930	74,566
31 December 2011	97,584	25,892	23,144	146,620
31 December 2012	188,162	23,092	22,653	233,907
Amortisation for the years ended				
31 December 2011				31,683
31 December 2012				44,076

As at 31 December 2012 and 2011, 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 115 million and Baht 95 million, respectively.



14. Deferred tax assets / liabilities and income taxes

14.1 Deferred tax assets / liabilities

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

Consolidated financial statements			
	31 December	31 December	Change in deferred tax assets/liabilities reported in the statements of comprehensive income for the years ended
	2012	2011	2012 2011
Deferred tax assets			
Allowance for doubtful debts - general provision	18,257	13,800	4,457 (33,256)
Allowance for doubtful debts - other assets	4,013	2,769	1,244 244
Non-accrued interest income	4,205	2,716	1,489 965
Amortisation of assets	10,167	13,145	(2,978) (5,004)
Bad debt written-off	12,442	14,516	(2,074) (4,562)
Provisions for employee benefits	7,476	7,476	- 829
Discount on revaluation of notes receivable	16	35	(19) (108)
Vacation leave accruals	1,528	1,757	(229) -
Deferred tax assets	58,104	56,214	1,890 (40,892)
Deferred tax liabilities			
Gains on remeasuring available-for-sale investments	66,241	55,907	(10,334) (53,122)
Deferred tax liabilities	66,241	55,907	(10,334) (53,122)

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 2012 and 2011, the Company and a subsidiary have tax-deductible temporary differences and unused tax losses totaling Baht 80 million and Baht 70 million, respectively (the Company only: Baht 19 million and Baht 11 million, respectively), on which deferred tax assets have not been recognised as the Company and that subsidiary believe that they are not probable that future taxable profit will be available to allow the deferred tax assets to be utilised.

14.2 Income taxes

Income taxes recognised in profit or loss from operation for the years ended 31 December 2012 and 2011 are as follows:

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		For the years ended 31 December	
		2012	2011
Current income taxes:			
Corporate income taxes for the year		217,784	200,585
Deferred taxes:			
Relating to origination and reversal of temporary differences		(10,605)	26,166
Effects of changes in the applicable tax rates		8,715	14,726
		(1,890)	40,892
Income taxes recognised in profit or loss from operation		215,894	241,477

The amounts of income taxes relating to gains on remeasuring available-for-sale investments recognised in other comprehensive income for the years ended 31 December 2012 and 2011 are as follows:

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		For the years ended 31 December	
		2012	2011
Deferred taxes relating to gains on remeasuring available-for-sale investments		(20,270)	(70,138)
Effects of changes in the applicable tax rates		9,936	17,016
Income taxes recognised in other comprehensive income		(10,334)	(53,122)



Reconciliations between income tax expenses and the product of accounting profit and the applicable tax rates for the years ended 31 December 2012 and 2011 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
Accounting profit before tax	898,672	737,310	241,766	205,255
Applicable tax rate	23%	30%	23%	30%
Accounting profit before tax multiplied by applicable tax rate	209,191 ⁽²⁾	227,765 ⁽¹⁾	55,606	61,577
Effect of tax-exempted revenue	-	-	(55,606)	(61,577)
Effect of change in the applicable tax rates	8,715	14,726	-	-
Effects of:				
Promotional privileges	(3,478)	(1,833)	-	-
Non-deductible expenses	1,466	819	-	-
Income tax expenses reported in statements of comprehensive income	215,894	241,477	- ⁽³⁾	- ⁽³⁾

⁽¹⁾ The Company and a subsidiary of the subsidiary had operating losses together totaling Baht 22 million for the year 2011. The Company and the subsidiary of the subsidiary therefore had no income tax expenses.

⁽²⁾ The Company generated a profit from its operations in the year 2012, but it had no income tax expense because it had tax-exempt income. The subsidiary of the subsidiary had operating losses totaling Baht 6 million for the year 2012 and therefore had no income tax expense.

⁽³⁾ The Company had a profit from its operations. However, its main revenue was tax-exempt dividend income and it therefore had no income tax expense.

15. Other assets

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Advance payment	104,750	69,105	-	-
Deposits and guarantees	51,942	36,403	-	-
Suspense accounts - debtors	50,682	13,263	-	-
Accounts receivable - Revenue Department	45,983	2,205	-	-
Token money	14,120	8,460	-	-
Prepaid expenses	11,689	6,083	1,430	1,389
Dividend receivable	10,085	-	350	-
Others	19,689	12,551	-	-
Total	308,940	148,070	1,780	1,389
Less: Allowance for doubtful accounts/impairment	(20,577)	(12,816)	-	-
Other assets - net	288,363	135,254	1,780	1,389



16. Classification of assets

As at 31 December 2012 and 2011, the subsidiary, that operates commercial banking business, 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 2012					
	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	3,276,710	-	83,433,777	-	86,710,487
Special-mention	-	-	1,205,527	-	1,205,527
Sub-standard	-	-	78,203	-	78,203
Doubtful	-	-	924,159	-	924,159
Doubtful of loss	-	565	621,479	20,062	642,106
Total	3,276,710	565	86,263,145	20,062	89,560,482

(Unit: Thousand Baht)

Consolidated financial statements					
31 December 2011					
	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	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



17. Deposits

17.1 Classified by type of deposits

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December 2012	31 December 2011
Demand deposits	4,369,109	795,250
Savings deposits	29,659,430	9,260,599
Time deposits	26,607,599	8,710,480
Fixed deposit receipt	23,587,370	3,488,160
Total deposits	84,223,508	22,254,489

17.2 Classified by currency and residency of depositors

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2012			31 December 2011		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	84,223,508	-	84,223,508	22,254,489	-	22,254,489
Total	84,223,508	-	84,223,508	22,254,489	-	22,254,489

18. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2012			31 December 2011		
	At call	Term	Total	At call	Term	Total
Domestic:						
Bank of Thailand	-	7,175,511	7,175,511	-	-	-
Commercial banks	1,300,012	1,600,000	2,900,012	200,923	1,497,663	1,698,586
Specialised financial institutions	1,000,000	5,052,574	6,052,574	450,000	2,995,000	3,445,000
Other financial institutions	1,469,726	4,272,723	5,742,449	2,029,436	1,654,876	3,684,312
Total interbank and money market items	3,769,738	18,100,808	21,870,546	2,680,359	6,147,539	8,827,898

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2012			31 December 2011		
	At call	Term	Total	At call	Term	Total
Domestic:						
Commercial banks	-	100,000	100,000	-	-	-
Total interbank and money market items	-	100,000	100,000	-	-	-



19. Debts issued and borrowings

As at 31 December 2012 and 2011, 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 2012			31 December 2011		
	Due date	Interest rate per annum	Amount	Due date	Interest rate per annum	Amount
Related parties	At call	-	-	At call	2.75%-3.00%	552,000
	Within 1 year	-	-	Within 1 year	3.00%-4.00%	1,676,640
Related persons	At call	2.50%	7,533	At call	2.75%	7,476
	Within 1 year	-	-	Within 1 year	3.00%-4.25%	162,062
Funds	At call	3.00%	3,054	At call	2.75%-3.00%	18,054
	Within 1 year	3.00%	2,000	Within 1 year	3.00%-4.25%	2,112,478
	Over 1 year	-	-	Over 1 year	3.00%	2,000
Limited companies	At call	3.00%	39,000	At call	2.75%-3.15%	399,625
	Within 1 year	3.05%-3.70%	100,770	Within 1 year	2.25%-4.25%	9,157,293
	Over 1 year	-	-	Over 1 year	3.05%	1,000
Other juridics	Within 1 year	-	-	Within 1 year	3.75%-4.00%	26,990
Individuals	At call	2.50%-2.75%	24,774	At call	2.75%-3.00%	394,278
	Within 1 year	2.80%-3.75%	557,538	Within 1 year	2.50%-7.50%	16,851,167
	Over 1 year	3.50%-3.75%	3,198	Over 1 year	2.80%-3.75%	74,204
Non-profit organisations	Within 1 year	-	-	Within 1 year	3.50%-4.25%	113,769
Other financial institutions	At call	2.50%	2,000	At call	2.75%-2.90%	609,801
	Within 1 year	3.45%-3.70%	29,188	Within 1 year	2.50%-4.25%	3,683,997
Others	Within 1 year	-	-	Within 1 year	3.75%-4.05%	21,945
Total			769,055			35,864,779



20. Provisions for employee benefits

Movements in provisions for employee benefits for the years ended 31 December 2012 and 2011 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	2012	2011
Defined benefit obligation - beginning of the years	33,004	28,313
Service costs for the years	6,295	5,455
Interest costs	1,372	1,161
Benefits paid during the years	(1,384)	(1,925)
Balance - end of the years	39,287	33,004

Long-term employee benefit expenses are recognised as expenses in the profit or loss from operation was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Service costs for the years	6,295	5,455
Interest costs	1,372	1,161
Total employee benefit expenses	7,667	6,616

Principal actuarial assumptions at the valuation date were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December 2012	31 December 2011
	(% per annum)	(% per annum)
Future salary incremental rates	5	5
Turnover rates	0 - 25	0 - 25
Discount rates	4.1, 5	4.1, 5

Amounts of the defined benefit obligation at the end of current year and the previous two years are as follows:

(Unit: Thousand Baht)

	Defined benefit obligation
	Consolidated financial statements
31 December 2012	39,287
31 December 2011	33,004
1 January 2011	28,313



21. Subscriptions of investment units received in advance

As at 31 December 2012, the subsidiary received Baht 144.5 million for subscriptions of investment units of debt-type open-ended funds and provident funds. That amount was presented as a liability in the statements of financial position under the caption of "Subscriptions of investment units received in advance". The subsidiary already transferred proceeds from subscriptions to the fund on 2 January 2013.

As of 31 December 2011, the subsidiary received Baht 3.6 million for subscriptions of investment units of a debt-type open-ended fund. That amount was presented as a liability in the statements of financial position under the caption of "Subscriptions of investment units received in advance". The subsidiary already transferred proceeds from subscriptions to the fund on 4 January 2012.

22. Other liabilities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Suspense accounts - creditors	88,024	124,693	5	-
Accounts payable for acquisition of equipment and intangible assets	52,514	16,019	-	-
Accounts payable - purchase of securities	33,667	-	31,842	-
Income collected in advance	26,404	22,630	-	-
Deposits	6,447	5,583	300	300
Others	1,835	220	-	-
Total	208,891	169,145	32,147	300

23. Share capital / Share premium

23.1 Increase in share capital

On 12 November 2010, the Extraordinary General Meeting of the Company's Shareholders No.3/2010 passed a resolution approving the allocation of 6,484,430,260 ordinary shares with a par value of Baht 1 each, totaling Baht 6,484,430,260, as follows:

- 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:
 - 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)
 - 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)
 - 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.
- However, 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.

-
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.

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 of Baht 2,020,344,603 and has cost incurred as a result of its public offering of Baht 97,045,451 and it was presented to deduct from share premium. The Company registered such increase in its issued and paid-up share capital with the Ministry of Commerce on 4 May 2011.

On 23 April 2012, the Annual General Meeting of the Company's Shareholders passed a resolution to increase 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 for issuance of stock dividends and adjustment of the warrant rights. The Company registered the increase in its registered share capital with the Ministry of Commerce on 17 May 2012.

23.2 Issuance of ordinary shares as a result of warrant exercises

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

During 27 to 30 April 2012, the holders of Warrant#1 and Warrant#2 exercised their rights to convert warrants of the Company into 3,086,759 ordinary shares. The Company received payment of Baht 3,086,759 for the newly issued shares resulting from the exercise of the warrants and registered the resulting increase in its issued and paid-up share capital with the Ministry of Commerce on 8 May 2012.

During 27 to 30 July 2012, the holders of Warrant#1 and Warrant#2 exercised their rights to convert warrants of the Company into 95,251,988 ordinary shares. The Company received payment of Baht 95,251,988 for the newly issued shares resulting from the exercise of the warrants and registered the resulting increase in its issued and paid-up share capital with the Ministry of Commerce on 7 August 2012.

During 27 to 30 October 2012, the holders of Warrant#1 and Warrant#2 exercised their rights to convert warrants of the Company into 13,388,608 ordinary shares. The Company received payment of Baht 13,388,608 for the newly issued shares resulting from the exercise of the warrants and registered the resulting increase in its issued and paid-up share capital with the Ministry of Commerce on 5 November 2012.



Reconciliation of share capital/share premium

Separate financial statements					
For the year ended 31 December					
2012			2011		
Share capital		Share premium	Share capital		Share premium
Number of shares	Baht	Baht	Number of shares	Baht	Baht
<u>Registered share capital</u>					
Ordinary share capital at beginning of the years	12,000,000,000	12,000,000,000	12,000,000,000	12,000,000,000	
Add: Increase in the registered share capital during the years	399,982,813	399,982,813	-	-	
Ordinary share capital at end of the years	12,399,982,813	12,399,982,813	12,000,000,000	12,000,000,000	
<u>Issued and fully paid-up share capital</u>					
Ordinary share capital at beginning of the years	11,472,096,320	11,472,096,320	5,515,569,740	5,515,569,740	-
Add: Issue of additional ordinary shares during the years	-	-	4,412,455,792	4,412,455,792	-
Issue of additional ordinary shares during the years	-	-	1,443,103,288	1,443,103,288	480,195,864
Issuance of ordinary shares as a result of warrant exercises (Note 24)					
- exercise ratio: 1:1	12,279,600	12,279,600	100,967,500	100,967,500	-
- exercise ratio: 1:1.0333	111,727,355	111,727,355	-	-	-
Stock dividend (Note 26)	382,808,011	382,808,011	-	-	-
Ordinary share capital at end of the years	11,978,911,286	11,978,911,286	11,472,096,320	11,472,096,320	480,195,864

24. 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. 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.

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. <ul style="list-style-type: none">• 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	:	1 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.

Details of the warrants are as follows:

Number of units of warrants to offer	:	232,560,000 Unit
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 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. <ul style="list-style-type: none">• 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)

The Board of Directors Meeting No.7/2011, held on 27 July 2011, resolved that the first exercise date for Warrant#1 and Warrant#2 is set to be 29-30 November 2011 whereby the Company grants the holders of Warrant#1 and Warrant#2 to exercise the warrants starting from 10 November 2011 onwards. In addition, the next exercise dates are set to be on every 29th and 30th of January, April, July and October. If the specified exercise date falls on a holiday, the exercise date is to be moved to the last working day before the specified exercise date.

On 23 April 2012, the Annual General Meeting of the Company passed the resolution of the acknowledged the adjustments on the exercise prices and ratios of Warrant#1 and Warrant#2:



	Before adjustment	After adjustment
Exercise price	Baht 1 per share	Baht 1 per share
Exercise ratio	1 warrant to 1 ordinary share	1 warrant to 1.0333 ordinary shares

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

Movements in the number of units of warrants for the years ended 31 December 2012 and 2011 was as follows:

(Unit: units)

	Separate financial statements		
	For the years ended 31 December 2012		
	Warrant#1	Warrant#2	Total
Number of units of warrants at beginning of the year	353,484,880	156,054,800	509,539,680
Less: Warrant exercises			
- Exercise ratio 1:1	(8,523,600)	(3,756,000)	(12,279,600)
- Exercise ratio 1:1.0333	(73,435,872)	(34,691,041)	(108,126,913)
Employee resigned during the year	-	(13,769,000)	(13,769,000)
Number of units of warrants at end of the year	271,525,408	103,838,759	375,364,167

(Unit: units)

	Separate financial statements		
	For the years ended 31 December 2011		
	Warrant#1	Warrant#2	Total
Number of units of warrants at beginning of the year	423,806,180	204,156,000	627,962,180
Less: Warrant exercises	(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 at end of the year	353,484,880	156,054,800	509,539,680

25. 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 profit 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.



26. Dividends paid

On 23 April 2012, the Annual General Meeting of the Company passed a resolution to approving dividend payments from the operating results of the year 2011 to those shareholders whose names appeared on the shareholders' register book as at 2 May 2012 as follow:

1. A stock dividend payment to shareholders at 1 dividend share for every 30 shares held, in total of 382,808,011 shares with a par value of Baht 1 each, or Baht 382,808,011, which is equivalent to a dividend payment of Baht 0.0333 per share.

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

2. Cash dividend payment of Baht 0.0037 per share, or equivalent to Baht 42,495,081 in total.
Cash dividend was paid and stock dividend was issued on 17 May 2012. The Company recorded stock dividend payment based on their fair value. This resulted in a recognition of share premium of Baht 164.6 million on stock dividend.

27. 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.

As at 31 December 2012 and 2011, capital funds of the subsidiary, which operates in banking business, as reported to the Bank of Thailand consist of the following:

	(Unit: Thousand Baht)	
	31 December 2012	31 December 2011
<u>Tier 1 capital fund</u>		
Issued and fully paid up share capital	12,500,000	12,000,000
Statutory reserve	127,000	127,000
Retained earnings after appropriation	291,820	40,747
Less: Deferred tax assets	(56,214)	(56,214)
Total Tier 1 capital fund	12,862,606	12,111,533
<u>Tier 2 capital fund</u>		
Reserve for assets classified as "Pass" and general reserve	388,240	198,759
Revaluation surplus on investments in available-for-sale equity securities	121,597	-
Total Tier 2 capital fund	509,837	198,759
Total capital funds	13,372,443	12,310,292



The capital fund ratios of the Land and Houses Bank Public Company Limited ("LH Bank"), as reported to the Bank of Thailand, as at 31 December 2012 and 2011, are as follows:

(Unit: Percentage)

	31 December 2012		31 December 2011	
	LH Bank	Minimum rates required by law	LH Bank	Minimum rates required by law
The ratio of tier 1 capital fund to risk assets	15.56	4.25	24.41	4.25
The ratio of total capital funds to risk assets	16.17	8.50	24.81	8.50

In compliance with the Notification of the Bank of Thailand No. Sor Nor Sor. 6/2553 regarding "Consolidated Supervision" dated 18 June 2010, the Company has disclosed capital maintenance information of financial business group as at 31 December 2011 through the Company's website at www.lhfg.co.th on 27 April 2012. Moreover, the Company is to disclosed capital adequacy and capital risk exposure information as of 31 December 2012 through the Company's website within April 2013.

28. Interest income

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
Interbank and money market items	146,054	202,924	8,104	8,149
Investment in debt securities	971,389	762,864	-	-
Loans to customers	3,727,742	2,414,294	-	-
Hire Purchase	10,940	99	-	-
Total interest income	4,856,125	3,380,181	8,104	8,149

29. Interest expenses

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2012	2011	2012	2011
Deposits	1,495,292	502,146	-	-
Interbank and money market items	266,434	245,510	65	-
Contributions to the Deposit Protection Agency and the Bank of Thailand	302,350	95,766	-	-
Debts issued and borrowings	663,618	799,443	-	-
Total interest expenses	2,727,694	1,642,865	65	-



30. 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	
	2012	2011	2012	2011
Fees and service income				
Acceptances avals and guarantees	23,405	17,206	-	-
Commission income	59,151	44,826	-	-
Penalty fees	11,981	3,395	-	-
Others	58,916	23,227	-	-
Total fees and service income	153,453	88,654	-	-
Fees and service expenses				
Fees and charges	23,448	25,136	-	-
Others	16,481	2,215	8,012	5,804
Total fees and service expenses	39,929	27,351	8,012	5,804
Net fees and service income	113,524	61,303	(8,012)	(5,804)

31. Directors' remuneration

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

32. Bad debt, doubtful accounts and impairment loss

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2012	2011
Bad debts and doubtful accounts (reversal)		
Loans to customers	274,324	185,459
Interbank and money market items	(5,085)	(9,217)
Other assets	7,761	3,884
Provisions for other liabilities	-	(126)
Total bad debts, doubtful accounts and impairment loss	277,000	180,000

33. Components of other comprehensive income

Components of other comprehensive income for the years ended 31 December 2012 and 2011 are as follows:

(Unit: Thousand Baht)		
Consolidated financial statements		
For the years ended 31 December		
	2012	2011
Other comprehensive income		
Gains on remeasuring available-for-sale investments		
Unrealised gains during the years	297,040	313,518
Less: Amortisation of revaluation surplus on the reclassified investments as revenue	(9,054)	(1,358)
Reclassification of the realised gains that included in profit or loss from operation	(187,681)	(78,369)
Gains on remeasuring available-for-sale investments	100,305	233,791
Effects of relevant income taxes		
Income taxes relating to gains on remeasuring available-for-sale investments	(20,270)	(70,138)
The adjustments of the effects of changes in tax rates	9,936	17,016
Effects of relevant income taxes	(10,334)	(53,122)
Gains on remeasuring available-for-sale investments - net of relevant income taxes	89,971	180,669

34. Earnings per share

Basic earnings per share is calculated by dividing profits for the years attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the years (2011: The number of ordinary shares of prior year was additionally adjusted as if stock dividends had been issued at the beginning of the earliest year reported).

Diluted earnings per share is calculated by dividing profits for the years attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the years, 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 (2011: The number of ordinary shares of prior year was additionally adjusted as if stock dividends had been issued at the beginning of the earliest year reported).



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		
2012	2011	2012	2011	2012	2011	
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
Basic earnings per share						
Profit for the years attributable to equity holders of the Company	682,778	495,833	11,908,325	10,911,379	0.0573	0.0454
Effect of dilutive potential ordinary shares						
Warrants	-	-	136,973	190,878		
Diluted earnings per share						
Profit for the years of ordinary shareholders assuming the conversion of warrants to ordinary shares	682,778	495,833	12,045,298	11,102,257	0.0567	0.0447

Separate financial statements						
For the years ended 31 December						
Profit for the years		Weighted average number of ordinary shares		Earnings per share		
2012	2011	2012	2011	2012	2011	
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
Basic earnings per share						
Profit for the years attributable to equity holders of the Company	241,766	205,255	11,908,325	10,911,379	0.0203	0.0188
Effect of dilutive potential ordinary shares						
Warrants	-	-	136,973	190,878		
Diluted earnings per share						
Profit for the years of ordinary shareholders assuming the conversion of warrants to ordinary shares	241,766	205,255	12,045,298	11,102,257	0.0201	0.0185



35. Provident fund

Its subsidiaries and their employees have jointly established provident funds as approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. The funds are monthly contributed to by employees, at the rate of 3 - 7 percent of their basic salaries, and by the subsidiaries at the same rates. The funds are managed by Land and Houses Fund Management Company Limited and American International Assurance Company Limited, respectively, and will be paid to employees upon termination in accordance with the rules of the funds. For the years ended 31 December 2012 and 2011, the subsidiaries contributed Baht 17.8 million and Baht 14.0 million, respectively, to the provident funds.

36. Commitments and contingent liabilities

36.1 Commitments

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2012			31 December 2011		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	428,875	-	428,875	277,440	-	277,440
Guarantee - others	2,447,532	-	2,447,532	1,203,171	-	1,203,171
Undrawn bank overdrafts	3,357,055	-	3,357,055	2,431,783	-	2,431,783
Total	6,233,462	-	6,233,462	3,912,394	-	3,912,394

36.2 Litigation

On 23 January 2012, the subsidiary was sued for damages of Baht 5 million and the subsidiary lodged its statement and a countersuit. Management of the subsidiary has exercised judgment to evaluate the outcome of the litigation and is confident that the subsidiary will not incur any loss.

On 21 November 2012, the subsidiary was sued for damages of Baht 25 million, which is the part of the subsidiary, in relation to the breach of a deposit contract and tort. Management has exercised judgment to assess the outcome of the litigation and is confident that the subsidiary will not incur any loss.

36.3 Commitments under long-term lease agreements

As at 31 December 2012 and 2011, the subsidiaries entered into a number of long-term lease agreements for buildings and equipment and related service agreements and the terms of the agreements are between 1 and 7 years, under which future minimum 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 2012	31 December 2011
Payable:		
in up to 1 year	212	169
In over 1 and up to 5 years	253	231
In over 5 years	4	-



As at 31 December 2012 and 2011, the above commitments included commitments totaling Baht 126 million and Baht 179 million, respectively under lease and related service agreements entered into with their related parties.

36.4 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 2012 and 2011, the subsidiary is obligated to pay a further Baht 21 million and Baht 27 million, respectively.
- (b) As at 31 December 2012 and 2011, the subsidiary is required to pay license fees to the Office of the Securities and Exchange Commission 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) As at 31 December 2012 and 2011, the subsidiary had entered into computer software license agreements with a supplier whereby it agreed to pay for maintenance fee totaling Baht 1.2 million per annum and Baht 1.7 million per annum, respectively. The agreement is effective until terminated with written notice of at least thirty days in advance.

The subsidiary entered into a computer software license agreement with another supplier, totaling Baht 1.9 million (software cost). The agreement does not have a fixed term. As at 31 December 2012, it has commitment to pay the unpaid balance totaling Baht 1.3 million. Beginning from January 2014, the subsidiary is also committed to pay a maintenance fee at a rate of 15 percent of the software cost annually for the first two years (2014 and 2015) and at 10 percent of the software cost annually thereafter.
- (d) The subsidiary entered into a software development agreement totaling Baht 1.2 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 2012 and 2011, it has commitment to pay unpaid balance portion of Baht 0.1 million and Baht 0.6 million, respectively, 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 annually at the rate of 20 percent of software development cost beginning from July 2013 onwards. 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 ("the major shareholders") 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 (Petchburi 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
 - 4.17 Idea Fitting Company Limited
 - 4.18 Land and Houses Northeast 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
 - 5.6 L&H Management Company Limited



-
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 Thai Packaging & Printing 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 Autummland Company Limited
 - 7.14 Land and Houses Freehold and Leasehold Property Fund
 - 7.15 Mandarin Hotel Public Company Limited
 - 7.16 Quality Houses Hotel and Residence Freehold and Leasehold Property Fund
 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 first 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		
	2012	2011	Pricing policy
Interest income			
Asian Property Development Public Company Limited	10,153	4,910	As specified in prospectus
Related persons	2,781	1,711	The same rates that a subsidiary charged to general customers
	<u>12,934</u>	<u>6,621</u>	
Fees and service income			
Land and Houses Property and Loan Fund	2,677	1,250	At the percentage of net asset value of the fund
Quality Houses Leasehold Property Fund	7,273	-	At the percentage of net asset value of the fund
Land and Houses Freehold and Leasehold Property Fund	6,820	-	At the percentage of net asset value of the fund
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	4,025	-	At the percentage of net asset value of the fund
	<u>20,795</u>	<u>1,250</u>	
Net gains on trading transactions			
Land and Houses Bank Public Company Limited	37,813	-	At fair value
	<u>37,813</u>	<u>-</u>	
Dividend income			
Land and Houses Freehold and Leasehold Property Fund	1,767	-	As declared by the fund
	<u>1,767</u>	<u>-</u>	
Interest expenses			
Land and Houses Public Company Limited	21,402	11,951	The same rates that a subsidiary paid to general depositors
Quality Houses Public Company Limited	13,788	9,648	The same rates that a subsidiary paid to general depositors
Ms. Piengjai Hampanich	1,107	704	The same rates that a subsidiary paid to general depositors
The Confidence Company Limited	866	562	The same rates that a subsidiary paid to general depositors
QH Management Company Limited	84	167	The same rates that a subsidiary paid to general depositors
QH International Company Limited	594	607	The same rates that a subsidiary paid to general depositors



(Unit: Thousand Baht)

	Consolidated financial statements		(Unit: thousand Baht)
	For the years ended 31 December		
	2012	2011	
			Pricing policy
Interest expenses (continued)			
LH Asset Company Limited	243	298	The same rates that a subsidiary paid to general depositors
L&H Property Company Limited	997	79	The same rates that a subsidiary paid to general depositors
Atlantic Real Estate Company Limited	458	271	The same rates that a subsidiary paid to general depositors
Casa Ville Company Limited	1,681	1,913	The same rates that a subsidiary paid to general depositors
Casa Ville (Rayong 2553) Company Limited	111	57	The same rates that a subsidiary paid to general depositors
Casa Ville (Petchburi 2553) Company Limited	118	27	The same rates that a subsidiary paid to general depositors
Casa Ville (Chonburi 2554) Company Limited	42	27	The same rates that a subsidiary paid to general depositors
Casa Ville (Prajubkirkhan 2554) Company Limited	35	12	The same rates that a subsidiary paid to general depositors
LH Real Estate Company Limited	332	262	The same rates that a subsidiary paid to general depositors
Pacific Real Estate Company Limited	111	691	The same rates that a subsidiary paid to general depositors
Property Host Company Limited	144	37	The same rates that a subsidiary paid to general depositors
Gusto Village Company Limited	283	107	The same rates that a subsidiary paid to general depositors
Idea Fitting Company Limited	50	47	The same rates that a subsidiary paid to general depositors
Land and Houses Northeast Company Limited	56	-	The same rates that a subsidiary paid to general depositors
Home Product Center Public Company Limited	20,931	22,069	The same rates that a subsidiary paid to general depositors
Asia Asset Advisory Company Limited	327	240	The same rates that a subsidiary paid to general depositors
Quality Construction Products Public Company Limited	131	163	The same rates that a subsidiary paid to general depositors
Land and Houses Property and Loan Fund	2,302	1,674	The same rates that a subsidiary paid to general depositors
Quality Houses Leasehold Property Fund	221	124	The same rates that a subsidiary paid to general depositors

(Unit: Thousand Baht)

	Consolidated financial statements		
	For the years ended 31 December		
	2012	2011	Pricing policy
Interest expenses (continued)			
L&H Management Company Limited	12	8	The same rates that a subsidiary paid to general depositors
Siam Retail Development Company Limited	15	6	The same rates that a subsidiary paid to general depositors
Thai Packaging & Printing Public Company Limited	123	-	The same rates that a subsidiary paid to general depositors
Industry Housing Company Limited	1,911	2,533	The same rates that a subsidiary paid to general depositors
Mayland Company Limited	6,038	3,198	The same rates that a subsidiary paid to general depositors
A.A. Property Company Limited	19	14	The same rates that a subsidiary paid to general depositors
Northern Real Estate Company Limited	27	17	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	2	The same rates that a subsidiary paid to general depositors
Attachat Company Limited	18	13	The same rates that a subsidiary paid to general depositors
Land and Houses Real Estate Company Limited	347	227	The same rates that a subsidiary paid to general depositors
Dahra Company Limited	62	32	The same rates that a subsidiary paid to general depositors
Pathumthani Real Estate Company Limited	1,097	723	The same rates that a subsidiary paid to general depositors
A&P Associate Company Limited	209	176	The same rates that a subsidiary paid to general depositors
Land and Houses Freehold and Leasehold Property Fund	136	-	The same rates that a subsidiary paid to general depositors
Mandarin Hotel Public Company Limited	516	-	The same rates that a subsidiary paid to general depositors
Pornpol Subcharearn Company Limited	1	3	The same rates that a subsidiary paid to general depositors
A.A. Property (Chiang Mai) Company Limited	23	17	The same rates that a subsidiary paid to general depositors
Directors and executives	10,097	7,884	The same rates that a subsidiary paid to general depositors
Related persons	10,364	6,333	
	97,432	72,924	



(Unit: Thousand Baht)

	Consolidated financial statements		
	For the years ended 31 December		
	2012	2011	Pricing policy
Rental and service expenses			
Quality Houses Public Company Limited	2,960	2,774	As specified in the agreements
QH Management Company Limited	188	205	As specified in the agreements
L&H Property Company Limited	3,508	471	As specified in the agreements
Home Product Center Public Company Limited	2,461	2,479	As specified in the agreements
Quality Houses Leasehold Property Fund	67,356	57,509	As specified in the agreements
Siam Retail Development Company Limited	5,134	2,595	As specified in the agreements
	81,607	66,033	

(Unit: Thousand Baht)

Separate financial statements			Pricing policy
For the years ended 31 December			
2012	2011		
Interest income			
Land and Houses Bank Public Company Limited	8,095	8,149	The same rates that a subsidiary paid to general depositors
	8,095	8,149	
Dividend Income			
Land and Houses Bank Public Company Limited	240,000	210,000	As declared by a subsidiary
	240,000	210,000	
Office rental income			
Land and Houses Bank Public Company Limited	1,200	200	As specified in the agreements
	1,200	200	
Fees and service expenses			
Land and Houses Bank Public Company Limited	55	3	The same rates that a subsidiary paid to general customers
	55	3	

37.2 Directors and executives' compensation

For the years ended 31 December 2012 and 2011, directors and executives' compensation, recognised 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	
	2012	2011	2012	2011
Short-term employee benefits	54.01	35.10	6.86	4.97
Post-employment benefits	4.94	1.65	-	-

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

37.3 The outstanding balances as at statements of financial position dates

As at 31 December 2012 and 2011, 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 2012	31 December 2011
Investments - cost		
Private sector debt securities - Asian Property Development Public Company Limited	225,000	225,000
Investment units - Land and Houses Freehold and Leasehold Property Fund	91,462	-
Investment units - Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	67,200	-
	383,662	225,000
Accrued interest receivables on investments		
Asian Property Development Public Company Limited	2,358	2,358
	2,358	2,358
Loans to customers		
Related persons	56,999	66,449
	56,999	66,449
Accrued interest receivables on loans to customers		
Related persons	67	15
	67	15



(Unit: Thousand Baht)

Consolidated financial statements

	31 December 2012	31 December 2011
Other assets - office rental deposits		
Quality Houses Public Company Limited	751	449
L&H Property Company Limited	1,287	1,191
Home Product Center Public Company Limited	342	314
Quality Houses Leasehold Property Fund	14,732	14,561
Siam Retail Development Company Limited	2,665	2,064
	19,777	18,579
Other assets - fees and service income receivables		
Land and Houses Property and Loan Fund	550	750
Quality Houses Leasehold Property Fund	1,460	-
Land and Houses Freehold and Leasehold Property Fund	1,458	-
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	1,476	-
	4,944	750
Deposits		
Land and Houses Public Company Limited	726,494	273,254
Quality Houses Public Company Limited	492,286	435,690
Ms. Piengjai Harnpanich	31,454	8,947
The Confidence Company Limited	84,137	76,339
QH Management Company Limited	7,079	6,899
QH International Company Limited	65,887	63,132
LH Asset Company Limited	25,382	34,032
L&H Property Company Limited	54,427	17,989
L&H Sathorn Company Limited	-	11
Atlantic Real Estate Company Limited	84,964	20,397
Casa Ville Company Limited	169,010	180,213
Casa Ville (Rayong 2553) Company Limited	13,706	6,478
Casa Ville (Petchburi 2553) Company Limited	36,067	8,571
Casa Ville (Chonburi 2554) Company Limited	7,449	952
Casa Ville (Prajubkirikhan 2554) Company Limited	3,575	2,717
LH Real Estate Company Limited	19,150	2,626
Pacific Real Estate Company Limited	817	2,093
Property Host Company Limited	13,442	8,960
Gusto Village Company Limited	67,700	6,880

(Unit: Thousand Baht)

Consolidated financial statements

	31 December 2012	31 December 2011
Deposits (continued)		
Idea Fitting Company Limited	4,719	4,839
Land and Houses Northeast Company Limited	2,050	-
Home Product Center Public Company Limited	819,161	2,321
Asia Asset Advisory Company Limited	27,222	24,541
Quality Construction Products Public Company Limited	124	133
Land and Houses Property and Loan Fund	70,729	68,404
Quality Houses Leasehold Property Fund	35,784	16,916
L&H Management Company Limited	1,183	642
Siam Retail Development Company Limited	194	26
Thai Packing & Printing Public Company Limited	1,131	-
Industry Housing Company Limited	57,209	83,288
Mayland Company Limited	146,176	4,102
A.A. Property Company Limited	1,767	1,785
Northern Real Estate Company Limited	1,119	1,460
B.C. Real Estate Company Limited	125	136
Prachachuen Real Estate Company Limited	198	208
Surasaya Company Limited	1	3
Attachat Company Limited	1,690	1,685
Land and Houses Real Estate Company Limited	15,885	15,628
Dahra Company Limited	1,900	1,838
Pathumthani Real Estate Company Limited	58,092	53,027
A&P Associate Company Limited	27,401	12,476
Autumnland Company Limited	12	24
Land and Houses Freehold and Leasehold Property Fund	16,772	-
Mandarin Hotel Public Company Limited	465	-
Pompol Subcharearn Company Limited	49	217
A.A. Property (Chiang Mai) Company Limited	820	1,346
Directors and executives	724,875	443,169
Related persons	402,759	201,276
	4,322,638	2,095,670



(Unit: Thousand Baht)

Consolidated financial statements

	31 December 2012	31 December 2011
Liabilities payable on demand		
Land and Houses Public Company Limited	20,124	47,534
Quality Houses Public Company Limited	5,400	42,700
The Confidence Company Limited	2,497	-
QH Management Company Limited	67	-
LH Asset Company Limited	7,740	-
Casa Ville Company Limited	5,166	8,650
Gusto Village Company Limited	2,560	-
Asian Property Development Public Company Limited	5,710	-
	49,264	98,884
Debts issued and borrowings		
Land and Houses Public Company Limited	-	260,000
LH Real Estate Company Limited	-	14,000
Pacific Real Estate Company Limited	-	40,000
Home Product Center Public Company Limited	-	1,726,000
Industry Housing Company Limited	-	28,640
Mayland Company Limited	-	160,000
Directors and executives	-	46,349
Related persons	7,533	123,189
	7,533	2,398,178
Accrued interest payables		
Land and Houses Public Company Limited	86	43
Ms. Piengjai Harnpanich	44	107
L&H property Company Limited	27	-
LH Real Estate Company Limited	-	2
Pacific Real Estate Company Limited	-	7
Home Product Center Public Company Limited	522	937
Asia Asset Advisory Company Limited	33	20
Land and Houses Property and Loan Fund	307	330
Quality Houses Leasehold Property Fund	82	-
Industry Housing Company Limited	54	625
Mayland Company Limited	274	329
Dahra Company Limited	7	8
Mandarin Hotel Public Company Limited	3	-

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	31 December 2012	31 December 2011
Accrued interest payables (continued)		
Directors and executives	804	658
Related persons	1,603	1,721
	<u>3,846</u>	<u>4,787</u>

Accrued expenses

Quality Houses Public Company Limited	66	29
QH Management Company Limited	34	17
L&H Property Company Limited	13	-
Home Product Center Public Company Limited	41	19
Quality Houses Leasehold Property Fund	528	529
Siam Retail Development Company Limited	32	15
	<u>714</u>	<u>609</u>

Other liabilities - other payables

Quality Houses Public Company Limited	-	452
L&H Property Company Limited	43	-
Quality Houses Leasehold Property Fund	68	39
Directors and executives	4	9
	<u>115</u>	<u>500</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	31 December 2012	31 December 2011
Interbank and money market items (assets)		
Land and Houses Bank Public Company Limited	153,428	447,261
	<u>153,428</u>	<u>447,261</u>
Other assets - Office rental deposits		
Land and Houses Bank Public Company Limited	300	300
	<u>300</u>	<u>300</u>

37.4 Movements of related party interbank and money market items (assets), investments, loans to customers, deposits and debts issued and borrowings

The movements of related party interbank and money market items (assets), investments, loans to customers, deposits and debts issued and borrowings for the year ended 31 December 2012 are as follows:



(Unit: Thousand Baht)

Consolidated financial statements				
For the year ended 31 December 2012				
	Beginning balance 1 January 2012	Increase	Decrease	Balance as at 31 December 2012
Investments - cost				
Private sector debt securities - Asian Property Development Public Company Limited	225,000	-	-	225,000
Investment units - Land and Houses Freehold and Leasehold Property Fund	-	91,462	-	91,462
Investment units - Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	-	67,200	-	67,200
	225,000	158,662	-	383,662
Loans to customers				
Related persons	66,449	141,453	(150,903)	56,999
	66,449	141,453	(150,903)	56,999
Deposits				
Land and Houses Public Company Limited	273,254	54,310,709	(53,857,469)	726,494
Quality Houses Public Company Limited	435,690	76,090,158	(76,033,562)	492,286
Ms. Piengjai Harnpanich	8,947	222,200	(199,693)	31,454
The Confidence Company Limited	76,339	7,605,989	(7,598,191)	84,137
QH Management Company Limited	6,899	120,857	(120,677)	7,079
QH International Company Limited	63,132	421,752	(418,997)	65,887
LH Asset Company Limited	34,032	1,230,011	(1,238,661)	25,382
L&H Property Company Limited	17,989	631,832	(595,394)	54,427
L&H Sathorn Company Limited	11	-	(11)	-
Atlantic Real Estate Company Limited	20,397	1,128,479	(1,063,912)	84,964
Casa Ville Company Limited	180,213	20,858,817	(20,870,020)	169,010
Casa Ville (Rayong 2553) Company Limited	6,478	617,438	(610,210)	13,706
Casa Ville (Petchburi 2553) Company Limited	8,571	866,109	(838,613)	36,067
Casa Ville (Chonburi 2554) Company Limited	952	355,472	(348,975)	7,449
Casa Ville (Prajubkirikhan 2554) Company Limited	2,717	444,909	(444,051)	3,575
LH Real Estate Company Limited	2,626	119,081	(102,557)	19,150

(Unit: Thousand Baht)

Consolidated financial statements

For the year ended 31 December 2012

	Beginning balance 1 January 2012	Increase	Decrease	Balance as at 31 December 2012
Deposits (continued)				
Pacific Real Estate Company Limited	2,093	124,122	(125,398)	817
Property Host Company Limited	8,960	12,613	(8,131)	13,442
Gusto Village Company Limited	6,880	3,403,305	(3,342,485)	67,700
Idea Fitting Company Limited	4,839	250	(370)	4,719
Land and Houses Northeast Company Limited	-	136,219	(134,169)	2,050
Home Product Center Public Company Limited	2,321	4,093,571	(3,276,731)	819,161
Asia Asset Advisory Company Limited	24,541	307,207	(304,526)	27,222
Quality Construction Products Public Company Limited	133	130,643	(130,652)	124
Land and Houses Property and Loan Fund	68,404	211,619	(209,294)	70,729
Quality Houses Leasehold Property Fund	16,916	617,726	(598,858)	35,784
L&H Management Company Limited	642	16,701	(16,160)	1,183
Siam Retail Development Company Limited	26	125,549	(125,381)	194
Thai Packaging & Printing Public Company Limited	-	35,144	(34,013)	1,131
Industry Housing Company Limited	83,288	88,185	(114,264)	57,209
Mayland Company Limited	4,102	2,779,262	(2,637,188)	146,176
A.A. Property Company Limited	1,785	19	(37)	1,767
Northern Real Estate Company Limited	1,460	1,227	(1,568)	1,119
B.C. Real Estate Company Limited	136	1	(12)	125
Prachachuen Real Estate Company Limited	208	2	(12)	198
Surasaya Company Limited	3	-	(2)	1
Attachat Company Limited	1,685	18	(13)	1,690
Land and Houses Real Estate Company Limited	15,628	15,847	(15,590)	15,885
Dahra Company Limited	1,838	124	(62)	1,900
Pathumthani Real Estate Company Limited	53,027	59,608	(54,543)	58,092
A&P Associate Company Limited	12,476	21,062	(6,137)	27,401
Autumnland Company Limited	24	-	(12)	12
Land and Houses Freehold and Leasehold Property Fund	-	179,167	(162,395)	16,772



(Unit: Thousand Baht)

Consolidated financial statements

For the year ended 31 December 2012

	Beginning balance 1 January 2012	Increase	Decrease	Balance as at 31 December 2012
Deposits (continued)				
Land and Houses Freehold and Leasehold Property Fund	-	179,167	(162,395)	16,772
Mandarin Hotel Public Company Limited	-	24,470	(24,005)	465
Pornpol Subcharearn Company Limited	217	754	(922)	49
A.A. Property (Chiang Mai) Company Limited	1,346	1,683	(2,209)	820
Directors and executives	443,169	5,629,621	(5,347,915)	724,875
Related persons	201,276	1,603,377	(1,401,894)	402,759
	<u>2,095,670</u>	<u>184,642,909</u>	<u>(182,415,941)</u>	<u>4,322,638</u>

Debts issued and borrowings

Land and Houses Public Company Limited	260,000	12,263,781	(12,523,781)	-
Quality Houses Public Company Limited	-	6,152,028	(6,152,028)	-
Ms. Piengjai Harnpanich	-	10,000	(10,000)	-
L&H Property Company Limited	-	455,625	(455,625)	-
LH Real Estate Company Limited	14,000	17,053	(31,053)	-
Pacific Real Estate Company Limited	40,000	24	(40,024)	-
Home Product Center Public Company Limited	1,726,000	23,698,757	(25,424,757)	-
Industry Housing Company Limited	28,640	852	(29,492)	-
Mayland Company Limited	160,000	1,370,723	(1,530,723)	-
Directors and executives	46,349	22,107	(68,456)	-
Related persons	123,189	178,619	(294,275)	7,533
	<u>2,398,178</u>	<u>44,169,569</u>	<u>(46,560,214)</u>	<u>7,533</u>

(Unit: Thousand Baht)

Separate financial statements

For the year ended 31 December 2012

	Beginning balance 1 January 2012	Increase	Decrease	Balance as at 31 December 2012
Interbank and money market items (assets)				
Land and Houses Bank Public Company Limited	447,261	4,199,305	(4,493,138)	153,428
	<u>447,261</u>	<u>4,199,305</u>	<u>(4,493,138)</u>	<u>153,428</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 consolidated financial information of the Company and its subsidiaries for the year ended 31 December 2012 and 2011 by segment.

(Unit: Thousand Baht)

	For the year ended 31 December 2012				
	Investment Holding business	Banking business	Fund Management business	Eliminations	Total
Net interest income	8,039	2,117,065	3,327	-	2,128,431
Net fees and service income	(8,012)	101,019	21,478	(961)	113,524
Gains on investments	-	190,454	-	(44,528)	145,926
Net gains on trading transactions	10,578	-	-	38,237	48,815
Dividend income	240,457	41,886	1,433	(240,000)	43,776
Other operating incomes	1,213	3,653	182	(1,200)	3,848
Other operating expenses	(10,509)	(1,267,550)	(32,343)	1,754	(1,308,648)
Bad debts, doubtful accounts and impairment loss	-	(277,000)	-	-	(277,000)
Income tax expenses	-	(215,894)	-	-	(215,894)
Profit (loss) for the year before non-controlling interests	241,766	693,633	(5,923)	(246,698)	682,778



(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	1,727,247	1,920	-	1,737,316
Net fees and service income	(5,804)	66,470	1,437	(800)	61,303
Dividend income	210,000	420	-	(210,000)	420
Gains on investments	-	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)

As at 31 December 2012

	Investment Holding business	Banking business	Fund Management business	Eliminations	Total
Cash	4	1,619,451	2	-	1,619,457
Interbank and money market items - net	153,703	4,895,725	209,149	(226,596)	5,031,981
Investments - net	248,012	28,734,282	156,654	-	29,138,948
Investment in a subsidiary	12,499,999	257,289	-	(12,757,288)	-
Loans to customers and accrued interest receivables - net	-	85,334,205	-	-	85,334,205
Premises and equipment - net	37,778	392,336	4,814	-	434,928
Intangible assets - net	-	225,957	7,950	-	233,907
Deferred tax assets	-	58,104	-	-	58,104
Accrued interest receivables on investments	-	286,788	198	-	286,986
Other assets - net	1,780	276,800	10,521	(738)	288,363
Total assets	12,941,276	122,080,937	389,288	(12,984,622)	122,426,879

(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 - net	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 to customers and accrued interest receivables - net	-	54,423,076	-	-	54,423,076
Premises and equipment - net	37,910	234,526	3,978	-	276,414
Intangible assets - net	-	139,019	7,601	-	146,620
Deferred tax assets	-	56,214	-	-	56,214
Accrued interest receivables on investments	-	182,470	-	-	182,470
Other assets - net	1,389	128,016	6,149	(300)	135,254
Total assets	12,486,561	81,345,779	142,673	(12,729,556)	81,245,457

Transfer prices between business segments are as set out in Note 37 to the financial statements.

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.

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), investments, investment in a subsidiary, loans to customers, deposits, interbank and money market items (liabilities), liabilities payable on demand and debts issued and borrowings. The financial risks associated with these financial instruments and how they are managed is described below.

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 the 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.

(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 2012 and 2011, financial assets and liabilities, classified by types of interest rate, are as follows:

(Unit: Thousand Baht)

Consolidated financial statements				
31 December 2012				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial Assets</u>				
Cash	-	-	1,619,457	1,619,457
Interbank and money market items	2,509	3,275,800	1,785,543	5,063,852
Investments	-	27,355,924	1,783,589	29,139,513
Loans to customers ⁽¹⁾	44,303,297	40,320,577	1,624,369	86,248,243
<u>Financial Liabilities</u>				
Deposits	31,875,408	52,275,144	72,956	84,223,508
Interbank and money market items	177,757	21,689,882	2,981	21,870,620
Liabilities payable on demand	-	-	233,580	233,580
Debts issued and borrowings	-	769,055	-	769,055

⁽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 2011				
Descriptions	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
<u>Financial Liabilities</u>				
Deposits	10,862,417	11,338,099	53,973	22,254,489
Interbank and money market items	158,160	8,669,539	199	8,827,898
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)

Separate financial statements

31 December 2012

Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial Assets</u>				
Cash	-	-	4	4
Interbank and money market items	58,975	94,700	-	153,675
Investment in a subsidiary	-	-	12,499,999	12,499,999
<u>Financial Liabilities</u>				
Interbank and money market items	-	100,000	-	100,000

(Unit: Thousand Baht)

Separate financial statements

31 December 2011

Descriptions	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



The remaining periods counting from 31 December 2012 and 2011 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 2012							
Remaining periods to repricing dates or maturity dates							
Descriptions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rate (% p.a.)
Financial Assets							
Interbank and money market items	1,614,000	1,661,800	-	-	-	3,275,800	2.65 - 5.30
Investments	-	1,195,127	225,365	13,267,747	12,667,685	27,355,924	2.80 - 7.11
Loans to customers	922,817	8,543,254	6,537,378	21,447,696	2,869,432	40,320,577	3.00 - 9.13
Financial Liabilities							
Deposits	3,486,538	22,312,824	22,194,462	4,281,320	-	52,275,144	2.50 - 5.55
Interbank and money market items	3,589,000	9,099,926	1,357,495	7,643,461	-	21,689,882	0.01 ⁽¹⁾ - 4.00
Debts issued and borrowings	76,361	408,540	280,956	3,198	-	769,055	2.50 - 3.75

⁽¹⁾ It is the interest rate charged on the credit lines of Baht 7,246 million obtained for financial assistance to debtors affected by the floods in 2011.

(Unit: Thousand Baht)

Consolidated financial statements							
Counting from 31 December 2011							
Remaining periods to repricing dates or maturity dates							
Descriptions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rate (% p.a.)
Financial Assets							
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
Financial Liabilities							
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	5,902,839	214,700	30,000	-	8,669,539	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)

Separate financial statements							
Counting from 31 December 2012							
Remaining periods to repricing dates or maturity dates							
Descriptions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rate (% p.a.)
Financial Assets							
Interbank and money market items	94,700	-	-	-	-	94,700	2.50
Financial Liabilities							
Interbank and money market items	-	100,000	-	-	-	100,000	3.40

(Unit: Thousand Baht)

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

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 2012 and 2011 can be summarised as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
For the years ended 31 December						
	2012			2011		
	Average balances	Interest Income/ expenses	Average Rate (% per annum)	Average balances	Interest Income/ expenses	Average Rate (% per annum)
Performing financial assets						
Interbank and money market items	3,473,635	146,054	4.20	5,556,495	202,924	3.65
Investments	22,530,662	971,389	4.31	18,173,173	762,864	4.20
Loans to customers	65,771,663	3,738,682	5.68	45,076,777	2,414,393	5.36
Performing financial liabilities						
Deposits	49,361,508	1,740,480	3.53	23,159,224	597,912	2.58
Interbank and money market items	12,968,034	271,058	2.09	10,240,317	245,510	2.40
Debts issued and borrowings	18,210,840	716,156	3.93	24,183,854	799,443	3.31

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 in equity securities as presented in the statements of financial position.

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 2012 and 2011 are as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
Counting from 31 December 2012						
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
Financial Assets						
Cash	1,619,457	-	-	-	-	1,619,457
Interbank and money market items	3,402,052	1,661,800	-	-	-	5,063,852
Investments	-	1,195,127	225,365	25,935,432	1,783,589	29,139,513
Loans to customers	6,866,732 ⁽¹⁾	12,630,566	8,116,009	58,634,936	-	86,248,243
Financial Liabilities						
Deposits	34,028,539	22,474,300	22,777,352	4,943,317	-	84,223,508
Interbank and money market items	3,769,738	9,099,926	1,357,495	7,643,461	-	21,870,620
Liabilities payable on demand	233,580	-	-	-	-	233,580
Debts issued and borrowings	76,361	408,540	280,956	3,198	-	769,055

⁽¹⁾ Baht 1,624 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 2011						
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
Financial Assets						
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	5,156,518 ⁽¹⁾	6,907,102	3,551,754	39,349,407	-	54,964,781
Financial Liabilities						
Deposits	10,389,881	5,188,578	5,413,207	1,262,823	-	22,254,489
Interbank and money market items	2,680,359	5,902,839	214,700	30,000	-	8,827,898
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)

Separate financial statements						
Counting from 31 December 2012						
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
Financial Assets						
Cash	4	-	-	-	-	4
Interbank and money market items	153,675	-	-	-	-	153,675
Investment in a subsidiary	-	-	-	-	12,499,999	12,499,999
Financial Liabilities						
Interbank and money market items	-	100,000	-	-	-	100,000

(Unit: Thousand Baht)

Separate financial statements						
Counting from 31 December 2011						
Descriptions	At call	Less than 3 months	3 - 12 months	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

39.4 Commitments

As at 31 December 2012 and 2011, the subsidiary 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 2012			Counting from 31 December 2011		
	Not more ⁽¹⁾ than 1 year	Over 1 year	Total	Not more ⁽¹⁾ than 1 year	Over 1 year	Total
Avals to bills	875	428,000	428,875	277,440	-	277,440
Other guarantees	2,169,340	278,192	2,447,532	1,044,154	159,017	1,203,171
Undrawn bank overdrafts	3,357,055	-	3,357,055	2,431,783	-	2,431,783

⁽¹⁾ Included contracts with no maturity date, counting from 31 December 2012 and 2011 amounting to Baht 504 million and Baht 184 million, respectively.



39.5 Fair value

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instruments or by using an appropriate valuation technique, depending on the nature of the instrument.

(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, 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 2012 and 2011, the carrying value and the fair value of each type of financial instruments of the Company and its subsidiaries are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2012		31 December 2011	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash	1,619,457	1,619,457	822,509	822,509
Interbank and money market items - net	5,031,981	5,031,981	5,342,756	5,342,756
Investments - net	29,138,948	29,705,507	19,860,144	20,232,504
Loans to customers and accrued interest receivables - net	85,334,205	85,334,205 ⁽¹⁾	54,423,076	54,423,076 ⁽¹⁾



(Unit: Thousand Baht)

Consolidated financial statements

	31 December 2012		31 December 2011	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities				
Deposits	84,223,508	84,223,508	22,254,489	22,254,489
Interbank and money market items	21,870,546	21,870,546	8,827,898	8,827,898
Liabilities payable on demand	233,580	233,580	182,590	182,590
Debts issued and borrowings	769,055	769,055	35,864,779	35,864,779

- ⁽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 2012		31 December 2011	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash	4	4	2	2
Interbank and money market items - net	153,703	153,703	447,261	447,261
Investments - net	248,012	248,012	-	-
Investment in a subsidiary	12,499,999	12,499,999	11,999,999	11,999,999
Financial liabilities				
Interbank and money market items	100,000	100,000	-	-

40. Significant event after the reporting period

40.1 Dividend payment and capital increase of the Company

On 21 February 2013, Board of Director's Meeting No.2/2013 of the Company passed the following resolutions:

1. Approved dividend payments from its operating results for the year ended 31 December 2012 and its interim operating results for the period ended 28 February 2013 in total of Baht 0.0333 per share or a total sum of not exceeding Baht 406.7 million (total shares for the purposes of the dividend calculation is the sum of the number of ordinary shares as at 31 December 2012 and the 235 million ordinary shares issued from the exercise of Warrant#1 and Warrant#2 in January 2013).
2. Approved the right offering of new 407,122,411 shares at a par value of Baht 1 each or a total of Baht 407,122,411 to the existing shareholders proportionate to their shareholding at a ratio of 1 new share to every 30 existing shares for a price of Baht 1 per share. In case there are ordinary shares left from rights offering, the Board of Directors and/or the person assigned by the Board of Directors has authority in allotment such shares to other existing shareholders who prefer to buy such shares on a pro rate basis based on their proportionate shareholding for the same price of shares offered to them.

3. Acknowledged the following adjustments to the exercise ratios of Warrant#1 and Warrant#2 as a result of the increase in share capital as described in 2 above. The changes to the exercise ratio will be effective on the date of the additional shares issued.

3.1 Number of warrants subject to adjustments

Warrants	Number (units)
Warrant#1	130,589,100
Warrant#2	17,421,700

3.2 Exercise ratio adjustment

	Before adjustment	After adjustment
Exercise price	Baht 1 per share	Baht 1 per share
Exercise ratio	1 warrant to 1.0333 ordinary shares	1 warrant to 1.0437 ordinary shares

4. Approved the issuance and offering of 600 million units of Warrant#3 to employees of Land and Houses Bank Public Company Limited.
5. Approved a decrease in the registered share capital from Baht 12,399,982,813 to Baht 12,213,672,326, by canceling the 186,310,487 unissued registered shares with a par value of Baht 1 each, totaling Baht 186,310,487.
6. Approved an increase in the Company's registered share capital from Baht 12,213,672,326 to Baht 13,375,273,610 by issuing new 1,161,601,284 ordinary shares with a par value of Baht 1 each, totaling Baht 1,161,601,284. The objective of the capital increase is to reserve for the increase in share capital at the ratio of 1 new share for every 30 existing shares as described in 2 above, for the adjustments to the exercise ratio and the exercise of warrants as described in 3 above and for the issuance and offering of Warrant#3 as described in 4 above.

However, the dividend payment for the year 2012, interim dividend payment, the increase in share capital at the ratio of 1 new share to 30 existing shares, the issuance and offering of Warrant#3, the decrease and the increase in the Company's registered share capital are awaiting approval by resolutions of the Annual General Meeting of the Company's shareholders, which is to be held on 22 April 2013.

40.2 Dividend payments of the subsidiary

On 21 February 2013, Board of Director's Meeting No.2/2013 of the subsidiary passed a resolution approving an interim dividend payment for its interim operating results for the eleven months period ended 30 November 2012 at Baht 0.32 per share, or a total of Baht 400,000,000. The interim dividend payment will be notified for acknowledgement in the Annual General Meeting of the subsidiary's shareholders, which is to be held on 18 March 2013.

41. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 21 February 2013.



REFERENCE INFORMATION



Share registrars	:	Thailand Securities Depository Co., Ltd.
Address	:	62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110
Tel	:	0-2229-2000
Fax	:	0-2654-5649
Website	:	www.tsd.co.th

Auditors	:	Ernst & Young Office Limited
Auditors	:	Miss Ratana Jala Certified Public Accountant (Thailand), registration No. 3734 Mrs. Noglak Pumnoi Certified Public Accountant (Thailand), registration No. 4172 Miss Rachada Yongsawadvanich Certified Public Accountant (Thailand), registration No. 4951
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Tel	:	0-2264-0777 , 0-2661-9190
Fax	:	0-2264-0789-90 , 0-2661-9192
Website	:	www.ey.com/th

Financial Advisories	:	Asia Plus Advisory Company Limited
Address	:	11/F Sathorn City Towers, 175 South Sathorn Road, Thungmahamek Sathorn , Bangkok 10120
Tel	:	0-2680-4000
Fax	:	0-2670-9291
Website	:	www.asiaplus.co.th



BRANCH INFORMATION



BANGKOK

LUMPINI OFFICE	0-2677-7111
Fashion Island Branch	0-2947-5588
The Mall Bang Khae Branch	0-2454-9204-6
Q House Asoke Branch	0-2204-2515-7
The Mall Bang Kapi Branch	0-2363-3489-91
The Old Siam Branch	0-2223-9866-8
Home Pro Phetchakasem Branch	0-2444-3045-7
Mah Boon Krong Center Branch	0-2686-3930
Big C Rama II Branch	0-2415-3737
Home Pro Ekamai-Ram Intra Branch	0-2514-9112-4
The Mall Tha Phra Branch	0-2477-9525
Yaowarat Branch	0-2221-4600-2
Silom Branch	0-2235-8372-4
Sampheng Branch	0-2225-3552
Thong Lor Branch	0-2392-6053-5
Bang Rak Branch	0-2235-7050-3
Khlong Thom Branch	0-2223-2024-6
Big C Onnut Branch	0-2331-6471-3
Saphan Khwai Branch	0-2278-1755-7
Phannaok Branch	0-2411-1272-74
Vorachak Branch	0-2221-6946-8
The Circle Ratchapruk Branch	0-2863-8757-9
Wongwian 22 Karakada Branch	0-2223-4194-5
Terminal21 Branch	0-2254-0045-7
Sena Nikhom Branch	0-2561-5577
Pakkhlong Talat Branch	0-2225-4932-4
Central Rama9 Branch	0-2160-3866-8
The Promenade Branch	0-2947-5056-8
Seacon Bangkoe Branch	0-2458-2846-8
Suksawati Branch	0-2462-8364-6
Water Gate Branch	0-2208-0860-2
Seacon Square Branch	0-2138-6180-2
Jan Road Branch	0-2212-8639-40
Big C Tiwanon Branch	0-2527-4551-2
Bo Bae Branch	0-2280-9518
Park lane (Ekamai) Branch	0-2381-6573-5
Noi Market Branch	0-2235-7463-5
Tesco Lotus Bangna-Trad Branch	0-2316-3184-6
Saphan Mai Branch	0-2522-7088-90



Tesco Lotus Rama IV Branch	0-2249-5758-60
Wave Place (Phloen Chit) Branch	0-2254-4150-2
Central Plinglao Branch	0-2433-1155

BRANCHES IN THE PROVINCES

Samutsakhon Branch	034-870737-9
Big C Rattatanathibet Branch	0-2594-2578-80
Future Park Rangsit Branch	0-2958-5271-3
Big C Bang Na Branch	0-2361-6324-6
Big C Bang Phli Branch	0-2312-2626
The Mall Ngam Wong Wan Branch	0-2550-1287-9
Talat thai Branch	0-2529-6192-3
Nakornprathom Branch	034-271981-3

MIDDLE

Huahin Branch	032-513420-2
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NORTH

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

EAST

Home Pro Chon Buri Branch	038-387-924-6
Sri Racha Branch	038-325-693-5
Big C Pattaya Branch	038-428-946-8
Rayong Branch	038-619494-6

NORTH EAST

Khonkaen Branch	043-235-244
Udonthani Branch	042-230-280-2
IT Plaza Udonthani Branch	042-136155-7
The Mall Nakorn Ratchasima	044-393925-7

SOUTH

Phuket Branch	076-523-306-10
Tesco Lotus Phuket Branch	076-304-113-5
Pathong Branch	076-340-770-1
Central Suratthani Branch	077-602709-11



Customer Center





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