



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

Sustainable Organization





Sustainable Organization

LH BANK

ธนาคารแลนด์ แอนด์ เฮาส์
LAND AND HOUSES BANK







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Message from the chairman



Overall, the Thai economy in the year 2013 has slowed down due to an impact from both of internal and external factors. Especially, the Thai economy has effected from the US Quantitative Easing (QE) policy, the most massive economic stimulus program that effect to the global economy. The mentioned policy not only has stimulated to the emerging market countries' stock and bond market but also impacted to foreign currency outflows and it made the emerging market countries faced with the risk of the economic bubble and caused the decrease of stock market index. Thailand's import sector grew at a lower rate, in addition, both of public and private sector expenditures slowed down. However, only tourism sectors has increased.

However, in the year 2013, the company's operating results has continuously increased. In addition, the company's net profits of Baht 893 million or a 30.85 % increase compared to the year 2012. An increase in the company's operating results was derived from the growth of Land and Houses Bank Public Company Limited, a subsidiary of the company. This is due to the bank has extended its produce and services to support customers' satisfaction quickly and comfortably. The bank provides an additional services

such as providing "Internet banking service" for increasing its fee incomes, expending from 65 branches in the year 2012 to 100 branches in the year 2013 and providing "Mobile Banking service. The diversified services as mentioned has created to support an increasing number of customers.

On January 2014, for being a universal financial services company, the company acquired a 99.79% paid-up share capital of CIMB International (Thailand) Public Company Limited at total amount of 635,900,646 shares and also acquired a 99.99% paid-up share capital of CIMB Advisories (Thailand) Company Limited. As a result of the mentioned transactions, the financial group became a universal financial services and improving its capability to meet with its new customers for increasing its fee incomes. The two companies which will be operated in quarter 3 this year will be changed their name to Land and Houses Securities Public Company Limited and Land and Houses Advisories Company Limited respectively.

The company's board of directors places great importance in running business in accordance with good corporate governance, accountability and justification in order to preserve the utmost benefits of all stakeholders and the society. We also operate our business with honesty and integrity for increasing efficiency in competitiveness and future sustainable growth. Finally, I would like to express my sincere thanks to shareholders, investors, customers and every business partners and government sector for your trust and continued kind support.

(Anant Asavabhokhin)
Chairman



Company Profile

LH Financial Group Public Company Limited 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 22 April 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-operating holding company, the company holds shares in other companies for the purpose of acquiring their management control.

On 19 June 2009, the company submitted an application to the Bank of Thailand to establish the financial group. Then on 28 October 2009, the Bank of Thailand allowed the company and Land and Houses Bank Public Company Limited 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 Company Limited as a subsidiary outside the solo consolidation group. Moreover, the company has to operate its business under the compliance supervision of the Bank of Thailand under the Financial Institutions Business Act B.E.2551.

On 10 June 2009, the company had been restructuring its shareholder's structure accord with the plan to set up financial business group which was approved by the Bank of Thailand. On 27 November 2009 the Securities and Exchange Commission had approved the company to offer new securities and warrant to purchase in public under the shareholding restructuring plan. On 1 December 2009 the company has issued and offered new ordinary shares to the existing shareholders of Land and Houses Bank Public Company Limited to exchange with Land and Houses Bank Public Company Limited's ordinary shares at ratio of 1:1, similar on 9 December 2009, the company registered

to paid up with Ministry of commercial after that the shareholders of Land and Houses Bank Public Company Limited has become LH Financial Group Public Company Limited's shareholders and the company holds shares in Land and Houses Bank Public Company Limited 99.99% of paid-up share capital. Therefore, Land and Houses Bank Public Company Limited is its core company.

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

On 22 January 2014, the company purchased a 99.79% paid-up share capital of CIMB International (Thailand) Public Company Limited and also purchased a 99.99% paid-up share capital of CIMB Advisories (Thailand) Company Limited. Furthermore, On 15 January 2014, the Bank of Thailand has allowed both of the mentioned company to be included in the financial group as a subsidiary (exclude Solo consolidation). The objective of the mentioned transactions is to extend its services in stock trading and financial counseling services. The two companies will be renamed as Land and Houses Securities Public Company Limited and Land and Houses Advisory Company Limited respectively.



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 |
| First Trading Day in SET | : | 10 May 2011 |
| Head Office | : | 1 Q.House Lumpini Building, 5 th Floor, South Sathorn Road, Thungmahamek, Sathorn, Bangkok 10120 |
| Registered Share Capital | : | 13,375,273,610 baht Divided into 13,375,273,610 ordinary shares |
| Paid-up Share Capital | : | 12,715,550,962 baht as at 31 December 2013 Divided into 12,715,550,962 ordinary shares 12,719,806,646 baht as at 5 February 2014 Divided into 12,719,806,646 ordinary shares |
| Par value | : | 1 baht |
| Preferred shares | : | None |
| Accounting Period | : | 1 January - 31 December |

| | | |
|----------|---|--|
| Contract | : | Head Office Telephone 0-2359-0000, 0-2677-7111 Fax 0-2677-7223 |
| | | The Company Secretary Telephone 0-2359-0000 Ext. 2020, 2019, 2024 Email : presidentoffice@lhbank.co.th |

Investors can study more information of the company from the Annual Registration Statement (Form 56-1) which are disclosed in the website : www.sec.or.th, www.lhfg.co.th

| | | |
|---------------------|---|--|
| The Audit Committee | : | Mr. Phairoj Hengsakul Chairman of the Audit Committee Telephone 081-990-7448 Email : phairoj@lhbank.co.th |
| | | Mr. Adul Vinaiphath 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 |
| | : | Miss Somjai Khunapasut |
| | | Certified Public Accountant (Thailand), No. 4499 |
| | : | Miss Phuphun Charoensuk |
| | | Certified Public Accountant (Thailand), No. 4950 |
| | : | Ernst & Young Office Limited |
| | | 193/136-137, 33rd Floor, Lake Rajada Office Complex, New Rajadapisek Road, Klongtoey, Bangkok 10110 |
| Telephone | : | 0-2664-0777 |
| Fax | : | 0-2664-0789-90 |

The Companies in Financial Group

Land and Houses Bank Public Company Limited

| | | |
|--------------------------|---|---|
| Head Office | : | 1 Q.House Lumpini Building, G, 1 st , 5 th , 6 th , 24 th , 32 rd Floor, South Sathorn Road, Thungmahamek, Sathorn, Bangkok 10120 |
| Registered Share Capital | : | 20,000,000,000 baht |
| Paid-up Share 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 Road, Thungmahamek, Sathorn, Bangkok 10120 |
| Registered Share Capital | : | 300,000,000 baht |
| Paid-up Share 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

| Items | Consolidated Financial Statement | | |
|--|----------------------------------|---------|---------|
| | 2013 | 2012 | 2011 |
| Statements of financial position : Million Baht | | | |
| Total assets | 149,099 | 122,369 | 81,190 |
| Loans to customers | 103,969 | 86,248 | 54,965 |
| Allowance for doubtful debts | 1,433 | 929 | 653 |
| Non-performing loans (Gross NPLs) | 1,980 | 1,624 | 976 |
| Deposits | 108,805 | 84,224 | 22,254 |
| Debts issued and borrowings | 3 | 769 | 35,865 |
| Total Liabilities | 134,078 | 108,203 | 67,878 |
| Total shareholders' equity | 15,021 | 14,166 | 13,312 |
| Registered share capital | 13,375 | 12,400 | 12,000 |
| Paid-up share capital | 12,716 | 11,979 | 11,472 |
| Statements of comprehensive income : Million Baht | | | |
| Interest income | 6,518 | 4,856 | 3,380 |
| Interest expenses | (3,719) | (2,728) | (1,643) |
| Net interest income | 2,799 | 2,128 | 1,737 |
| Non-interest income | 516 | 356 | 138 |
| Total operating income | 3,315 | 2,484 | 1,875 |
| Non-interest expenses | (1,689) | (1,309) | (958) |
| Bad debts and doubtful accounts | (526) | (277) | (180) |
| Profit from operation before income tax expenses | 1,100 | 899 | 737 |
| Net profit | 893 | 683 | 496 |
| Comparing per share : Baht | | | |
| Basic earnings per share | 0.0716 | 0.0573 | 0.0454 |
| Dividend rate per share | (3) | (2) | (1) |
| Book Value per share | 1.1813 | 1.1826 | 1.1604 |
| Financial Ratio (%) | | | |
| Return on average assets (ROA) | 0.66 | 0.67 | 0.69 |
| Return on average shareholders' equity (ROE) | 6.12 | 4.97 | 5.08 |
| Non-interest income to total income | 15.58 | 14.33 | 7.34 |
| Non-interest expenses to total income | 50.94 | 52.68 | 51.07 |
| Dividend payout ratio | 76.65 | (2) | 85.70 |

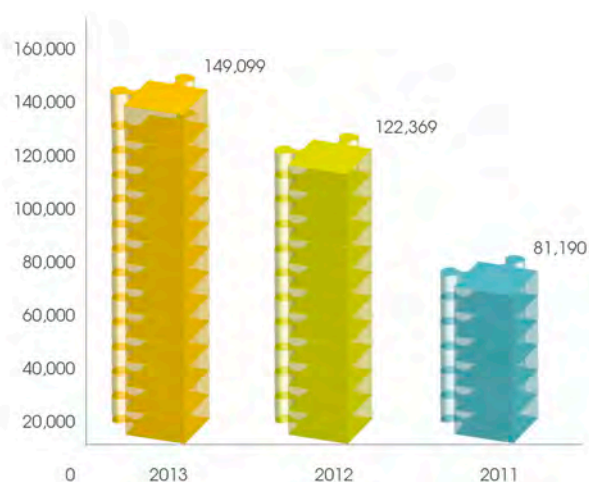
Note : (1) In 2011, the company has paid dividend to common stock at the rate of 30 shares per 1 share dividend and cash dividend of Baht 0.0037 per share.

(2) In 2012, the company has paid the dividend payment of year and interim dividend payment according to the operation result of the period ended February 28, 2013 in the ratio of Baht 0.0333 per share.

(3) In 2013, the company will pay dividend for the year of Baht 0.0333 per share.

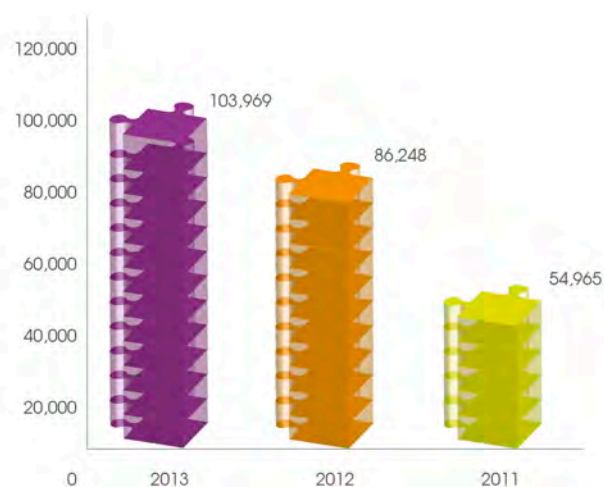
Total Asset

(Million Baht)



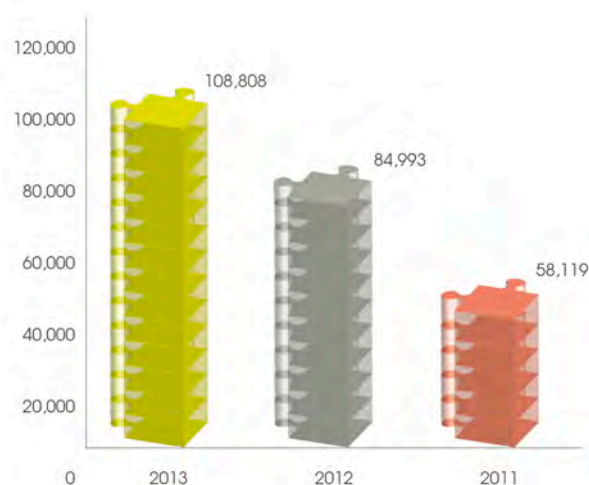
Loans

(Million Baht)



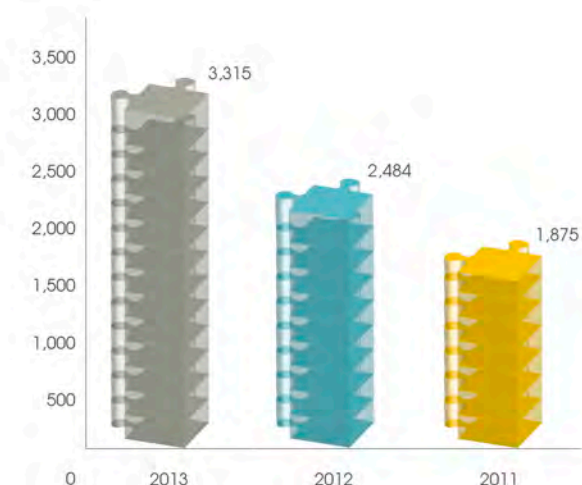
Deposits & Borrowings

(Million Baht)



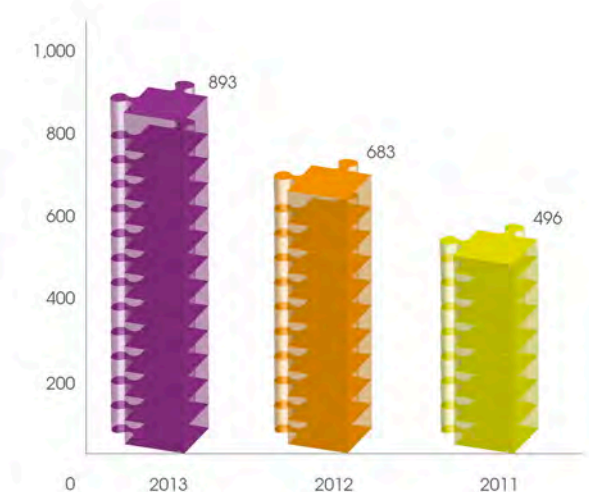
Total Operating Income

(Million Baht)



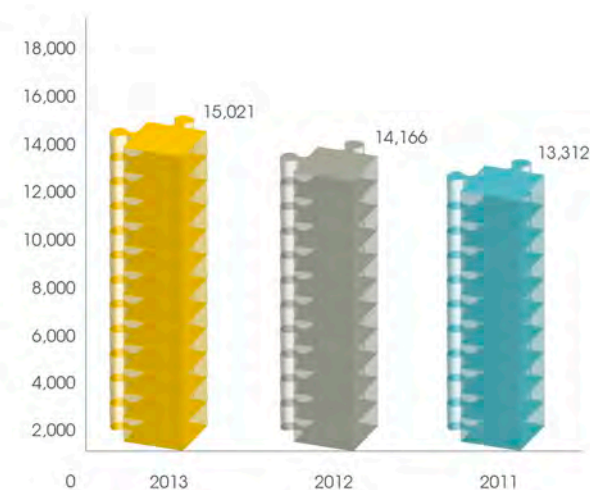
Net Profit

(Million Baht)



Total Shareholders' Equity

(Million Baht)





Board of Directors



Mr. Anant Asavabhokhin



Mr. Rutt Phanijphand



Mr. Phairoj Hengsakul



Mr. Adul Vinaiphat



Mr. Sun Vithespongse



Mr. Khunawut Thumpomkul



Mr. Naporn Sunthornchitcharoen



Mrs. Suwanna Buddhaprasart



Mrs. Sasitorn Phongsathorn





Name: Mr. Anant Asavabhokhin
 Position: Chairman
 Age: (years) 63

Education: - M.B.A., Thammasat University
 - M.S. Industrial Engineering, Illinois Institute of Technology, Chicago, USA
 - B.Eng. (Civil Engineering), Chulalongkorn University
 - Director Certification Program (DCP) 52/2004 : IOD

Number of shares - None -
 Relationship with executives - None -

Work experiences in the past 5 years

| Period | Position | Organization/Company |
|-------------------------------------|--|-------------------------------------|
| • Positions in Listed Companies | | |
| Apr. 2009 - present | Chairman | LH Financial Group Pcl. |
| 1995 - present | Chairman | Home Product Center Pcl. |
| 1985 - present | Chairman and Chairman of the Executive Board | Land & Houses Pcl. |
| 1983 - present | Director | Quality Houses Pcl. |
| 1988 - May 2013 | Chief Executive Officer | Land & Houses Pcl. |
| 2005 - Mar. 2011 | Chairman | Bangkok Chain Hospital Pcl. |
| 1994 - Feb. 2010 | Chairman | Quality Construction Products Pcl. |
| Aug. - Dec. 2005 | Chairman | Book Club Finance Pcl. |
| • Positions in Non-Listed Companies | | |
| 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 |
| 2000 - present | Director | Land & Houses Property Fund 1 |
| 2000 - present | Director | Asia Asset Advisory Co., Ltd. |
| 1995 - present | Director | QH International Co., Ltd. |
| 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. |
| 1986 - present | Director | Pacific Real Estate Co., Ltd. |
| 1980 - present | Director | Plaza Hotel Co., Ltd. |
| 2001 - Mar. 2010 | Director | Q-CON Eastern Co., Ltd. |
| 1994 - Dec. 2009 | Director | Centerpoint Management Co., Ltd. |
| Jun. - Dec. 2005 | Chairman | Land and Houses Credit Foncier Pcl. |



Name: Mr. Rutt Phanijphand
Position: Chairman of Executive Director
Age: (years) 67

Education:

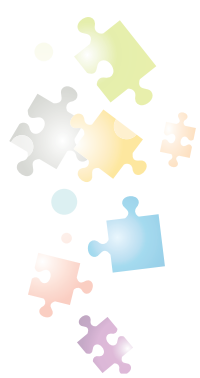
- M.S. in Business Ad., Fort Hays Kansas State University, Hays, Kansas, USA
- B.S., Kasetsart University
- National Defense College Class 388
- Director Accreditation Program (DAP) 4/2003: IOD
- Director Certification Program (DCP) 61/2005: IOD
- Financial Institutions Governance Program (FGP) 1/2010: IOD

Number of shares - None -

Relationship with executives - None -

Work experiences in the past 5 years

| Period | Position | Organization/Company |
|-------------------------------------|--|--|
| • Positions in Listed Companies | | |
| Apr. 2009 - present | Chairman of Executive Director | LH Financial Group Pcl. |
| 2005 - present | Chairman of the Compensation Committee | Banpu Pcl. |
| 2001 - present | Executive Director and Chairman of the Nomination and Remuneration Committee | Home Product Center Pcl. |
| Aug.2001 - present | President and Chief Executive Officer | Quality Houses Pcl. |
| 2006 - Apr. 2009 | Independent Director and Member of the Audit Committee | IRPC Pcl. |
| 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. |
| • Positions in Non-Listed Companies | | |
| Dec.2013 - present | Director | CIMB Securities International (Thailand) Pcl. |
| Oct. 2010 - present | Chairman | Land and Houses Fund Management Co., Ltd. |
| Dec.2005 - present | Chairman of Executive Director | Land and Houses Bank Pcl. |
| Jan. 2003 - present | Director | QH Management Co., Ltd. |
| Aug.2001 - present | Director | QH International Co., Ltd. |
| 2006 - 2008 | Director | Kasetsart University Council |
| 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: Independent Director
 Chairman of the Audit committee
 Member of the Corporate Governance Committee

Age: (years) 66

Education:

- Executive M.B.A., Thammasat University
- Barrister at Law
- LL.B., Thammasat University
- B.Acc., 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 (DCP) 121/2009 : IOD
- Financial Institutions Governance Program (FGP) 1/2010 : IOD

Number of shares

- 2013 = 9,661,621 shares : Shareholding 0.076%
- 2012 = 9,299,953 shares : Shareholding 0.076%

Relationship with executives - None -

Work experiences in the past 5 years

| Period | Position | Organization/Company |
|-------------------------------------|---|---|
| • Positions in Listed Companies | | |
| Apr. 2009 - present | Independent Director, Chairman of the Audit Committee, and Member of the Corporate Governance Committee | LH Financial Group Pcl. |
| Apr. 2009 - Apr. 2011 | Member of the Nomination and Remuneration Committee | LH Financial Group Pcl. |
| • Positions in Non-Listed Companies | | |
| Feb. 2009 - present | Independent Director, Chairman of the Audit Committee, and Chairman of the Corporate Governance Committee | Land and Houses Bank Pcl. |
| 2007 - present | Member of the Audit Committee | Prince of Songkla University |
| Sep. - Dec. 2009 | Director | Siam City Securities 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 | Bank of Thailand |
| | - Southern Region Office | |
| | - Project and Asset Management Department | |

Name: Mr. Adul Vinaiphat

Position: Independent Director
Chairman of the Nomination and Remuneration Committee
Member of the Audit Committee
Member of the Corporate Governance Committee

Age: (years) 67

Education:

- M.A. (ECON) University of Texas at Austin, Texas, USA.
- B.Econ., Thammasat University
- Senior Administrator Course, Office of the Civil Service Commission
- National Defense College Class 388
- Capital Market Academy Leadership Program, CMA 14
- Director Certification Program (DCP) 25/2002 : IOD
- Audit Committee Program (ACP) 7/2005 : IOD
- Role of the Compensation Committee (RCC) 2/2007 : IOD
- Financial Institutions Governance Program (FGP) 1/2010 : IOD

Number of shares

- 2013 = 4,764,002 shares : Shareholding 0.037%
- 2012 = 2,893,270 shares : Shareholding 0.024%

Relationship with executives - None -



Work experiences in the past 5 years

| Period | Position | Organization/Company |
|-------------------------------------|--|--|
| • Positions in Listed Companies | | |
| May 2010 - present | Director and Chairman of the Executive Committee | The Thai Packaging and Printing Pcl. |
| Apr. 2009 - present | Independent Director, Chairman of the Corporate Governance Committee, Chairman of the Nomination and Remuneration Committee, and Member of the Audit Committee | LH Financial Group Pcl. |
| Aug. 2001 - present | Independent director, Chairman of the Audit Committee, and Member of the Nominating and Remuneration Committee | Quality Houses Pcl. |
| Jul. 2008 - Dec. 2010 | Chairman of the Nomination and Remuneration Committee | Quality Houses Pcl. |
| Aug. - Dec 2005 | Member of the Audit Committee | Book Club Finance Pcl. |
| • Positions in Non-Listed Companies | | |
| Apr. 2009 - present | Director and Chairman of the Executive Committee | Evergreen Plus Co., Ltd. |
| 2008 - present | Director | The Thai Tapioca Development Institute (Huaibong) |
| 2007 - present | Director | I.G.S. Pcl. |
| Dec. 2005 - present | Independent Director, Chairman of the Nomination and Remuneration Committee, Member of the Corporate Governance Committee | Land and Houses Bank Pcl. |
| 2002 - present | Member of the Audit Committee | |
| 2002 - present | Vice President | The Thai Tapioca Development Institute Foundation (TTDI) |
| Mar. - Jul. 2010 | Director | Thai Airline Holding Co., Ltd. |
| 2005 - Dec. 2009 | Director | Smart Collector Co., Ltd. |
| Jun. 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: | Independent Director Member of the Audit Committee Member of the Corporate Governance Committee Member of the Nomination and Remuneration Committee |
| Age: (years) | 59 |
| Education: | - Bancher of Economics, University of Tasmania, Australia (Colombo Plan Scholarship) - National Defense College Class of 4616 |
| Number of shares | - None - |
| Relationship with executives | - None - |

Work experiences in the past 5 years

| Period | Position | Organization/Company |
|--------|----------|----------------------|
|--------|----------|----------------------|

• Positions in Listed Companies

| | | |
|---------------------|---|-------------------------|
| Oct. 2012 - present | Independent Director, Member of the Audit Committee, Member of the Corporate Governance Committee, and Member of the Nomination and Remuneration Committee | LH Financial Group Pcl. |
|---------------------|---|-------------------------|

• Positions in Non-Listed Companies

| | | |
|----------------|---|---|
| 2013 - present | Chairman | Thai Con Management Co., Ltd. |
| 2011 - present | Commissioner | Energy Regulatory Commission |
| 2010 - 2011 | Fiscal Analysis Advisory Level | 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. |
| 2002 - 2003 | Director | ASEAN Potash Mining Co.Ltd. |
| 2001 - 2006 | Director and Member of Audit Committee | Gulf Electric Pcl. |
| 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 | Alternate Executive Director | World Bank, Washington D.C. |
| 1994-1996 | Assistant Executive Director | World Bank, Washington D.C. |
| 1991-1993 | Acting Chief of Economics Section | Fiscal Policy Office, Ministry of Finance |
| 1988-1991 | Assistant Director | ASEAN Secretariat, Jakarta, Indonesia |
| 1981-1981 | Economist | Fiscal Policy Office, Ministry of Finance |
| 1980-1980 | Program Officer | Department of Technical and Economic Cooperation |



Name: Mr. Khunawut Thumpomkul
 Position: Executive Director
 Age: (years) 57

Education: - M.B.A., National Institute of Development Administration
 - Bachelor's degree, Ramkhamhaeng University
 - Director Certification Program (DCP) 8/2001 : IOD

Number of shares - None -

Relationship with executives - None -

Work experiences in the past 5 years

| Period | Position | Organization/Company |
|-------------------------------------|---|---|
| • Positions in Listed Companies | | |
| Aug.2013 - present | Director and Executive Director | LH Financial Group Pcl. |
| 1995 - present | Director, Executive Director, and Managing Director | Home Product Center Pcl. |
| • Positions in Non-Listed Companies | | |
| Sep. 2013 - present | Director | DC Service Center Co., Ltd. |
| Mar. 2012 - present | Director and Executive Director | Land and Houses Bank Pcl. |
| 2012 - present | Director | Mega Home Center Co., Ltd. |
| 2011 - present | Director and Chairman | Home Product Center (Malaysia) SDN. Bhd |
| 2005 - present | Director and Chairman | Market Village Co., Ltd |



| | |
|------------------------------|---|
| Name: | Mr. Naporn Sunthornchitcharoen |
| Position: | Executive Director Member of the Nomination and Remuneration Committee |
| Age: (years) | 55 |
| Education: | <ul style="list-style-type: none"> - M.B.A., Thammasat University - B.Eng. (Civil Engineering), Chiangmai University - National Defense College Class of 2006 - Director Accreditation Program (DAP) 25/2004: IOD - Director Certification Program (DCP) 53/2005: IOD - Financial Institutions Governance Program (FGP) 2/2011: IOD |
| Number of shares | - None - |
| Relationship with executives | - None - |

Work experiences in the past 5 years

| Period | Position | Organization/Company |
|-------------------------------------|---|---|
| • Positions in Listed Companies | | |
| Apr. 2011 - present | Director, Executive Director, and Member of the Nomination and Remuneration Committee | LH Financial Group Pcl. |
| 2002 - present | Director, Executive Director, and Managing Director (Operations) | Land & Houses Pcl. |
| 1995 - present | Director | Home Product Center Pcl. |
| 1994 - present | Director | Quality Construction Products Pcl. |
| 2002 - May 2013 | Senior Executive Vice President (Operations) | Land & Houses Pcl. |
| 1994 - Mar. 2011 | Director | Bangkok Chain Hospital Pcl. |
| Aug. - Dec. 2005 | Director | Bookclub Finance Pcl. |
| 1991 - May 2001 | Executive Vice President | Land and Houses Pcl. |
| • Positions in Non-Listed Companies | | |
| Dec. 2013 - present | Director | CIMB Securities International (Thailand) Pcl. |
| 2005 - present | Director | Phuket Future Plan Co., Ltd. |
| 2005 - present | Director | Double Three Co., Ltd. |
| 2005 - present | Director, Executive Director and Member of the Nomination and Remuneration Committee | Land and Houses Bank Pcl. |
| 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 | Muang Mai Guthrie Pcl. |
| 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. |
| 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. |
| 2001 - present | Director | Pacific Real Estate Co., Ltd. |
| Jun. - Dec. 2005 | Director | Land and Houses Credit Foncier Pcl. |
| 2001 - Feb. 2010 | Director | Q-CON Eastern Co., Ltd. |
| 1994 - Dec. 2009 | Director | Saraburi Vechakij Co., Ltd. |
| 1994 - Dec. 2009 | Director | Sriburin Medical Co., Ltd. |



Name: Mrs. Suwanna Buddhaprasart
Position: Director
Age: (years) 59

Education:

- M.B.A., Chulalongkorn University
- B.Acc., Chulalongkorn University
- Director Accreditation Program (DAP) 29/2004: IOD
- Director Certification Program (DCP) 85/2007: IOD
- Financial Institutions Governance Program (FGP) 3/2011: IOD

Number of shares - None -

Relationship with executives - None -

Work experiences in the past 5 years

| Period | Position | Organization/Company |
|--------|----------|----------------------|
|--------|----------|----------------------|

• Positions in Listed Companies

| | | |
|-----------------------|--|--------------------------|
| Apr. 2011 - present | Director | LH Financial Group Pcl. |
| 2003 - present | Director | Home Product Center Pcl. |
| 2000 - present | Director, Senior Executive Vice President, Member of the Corporate Governance Committee and Member of the Risk Management Committee | Quality Houses Pcl. |
| Apr. 2011 - Apr. 2012 | Member of the Nomination and Remuneration Committee | LH Financial Group Pcl. |
| Aug. - Dec.2005 | Director | Book Club Finance Pcl. |

• Positions in Non-Listed Companies

| | | |
|---------------------|--|---|
| Aug.2013 - present | Director | Land and Houses Bank Pcl. |
| Feb. 2013 - present | Director | Property Host Co., Ltd. |
| Jan. 2013 - present | Director | Casa Ville (Chonburi 2554) Co., Ltd. |
| Jan. 2013 - present | Director | Casa Ville (Prachuap Khiri Khan 2554) Co., Ltd. |
| Jan. 2013 - present | Director | Casa Ville (Petchburi 2553) Co., Ltd. |
| Jan. 2013 - present | Director | Casa Ville (Rayong 2553) Co., Ltd. |
| Jun. 2012 - present | Director | Center point Hospitality Co., Ltd. |
| Feb. 2012 - present | Director | L&H Hotel Management Co., Ltd. |
| 2010 - present | Director | Idea Fitting Co., Ltd. |
| 2008 - present | Director | L&H Management Co., Ltd. |
| 2003 - present | Director | Q.H. Management Co., Ltd. |
| 2003 - present | Director | Casa Ville Co., Ltd. |
| 2000 - present | Director | The Confidence Co., Ltd. |
| 2000 - present | Director | Q.H. International Co., Ltd. |
| 2005 - Feb. 2012 | Director and Member of the Nomination and Remuneration Committee | Land and Houses Bank Pcl. |
| 1992 - 2005 | Director | Land and Houses Credit Foncier Pcl. |



Name: Mrs. Sasitorn Phongsathorn
 Position: Executive Director and President
 Age: (years) 56

Education:

- M.B.A., Nore Dame de Namur University California, USA.
- B.S., Chulalongkorn University
- Capital Market Academy Leadership Program, CMA 12
- Director Accreditation Program (DAP) 28/2004 : IOD
- Director Certification Program (DCP) 58/2005 : IOD
- Financial Institutions Governance Program (FGP)3/2011: IOD

Number of shares

- 2013 = 6,000,000 shares : Shareholding 0.047%
- 2012 = 11,261,316 shares : Shareholding 0.092%

Relationship with executives - None -

Work experiences in the past 5 years

| Period | Position | Organization/Company |
|--------|----------|----------------------|
|--------|----------|----------------------|

• Positions in Listed Companies

| | | |
|-----------------------|--|--|
| Apr. 2009 - present | Executive Director and President | LH Financial Group 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. |
| Nov. 1998 - Jul. 1999 | Chief Financial Officer | The Cogeneration Pcl. |
| Sep. 1983 - Jul. 1998 | Senior Vice President | Dhana Siam Finance and Securities Pcl. |

• Positions in Non-Listed Companies

| | | |
|----------------------|---|---|
| Jan. 2014 - present | Director | Land and Houses Advisory Co., Ltd. |
| Jan. 2014 - present | Director | CIMB Securities International (Thailand) Pcl. |
| Aug.2012 - present | Director and Member of the Nomination and Corporate Governance Management Committee | The Stock Exchange of Thailand |
| Dec.2005 - present | Executive Director, President, and Chairman of the Risk Management Committee | Land and Houses Bank Pcl. |
| Apr. 2000 - Dec.2003 | Senior Director | United Advisory Service Co., Ltd. |

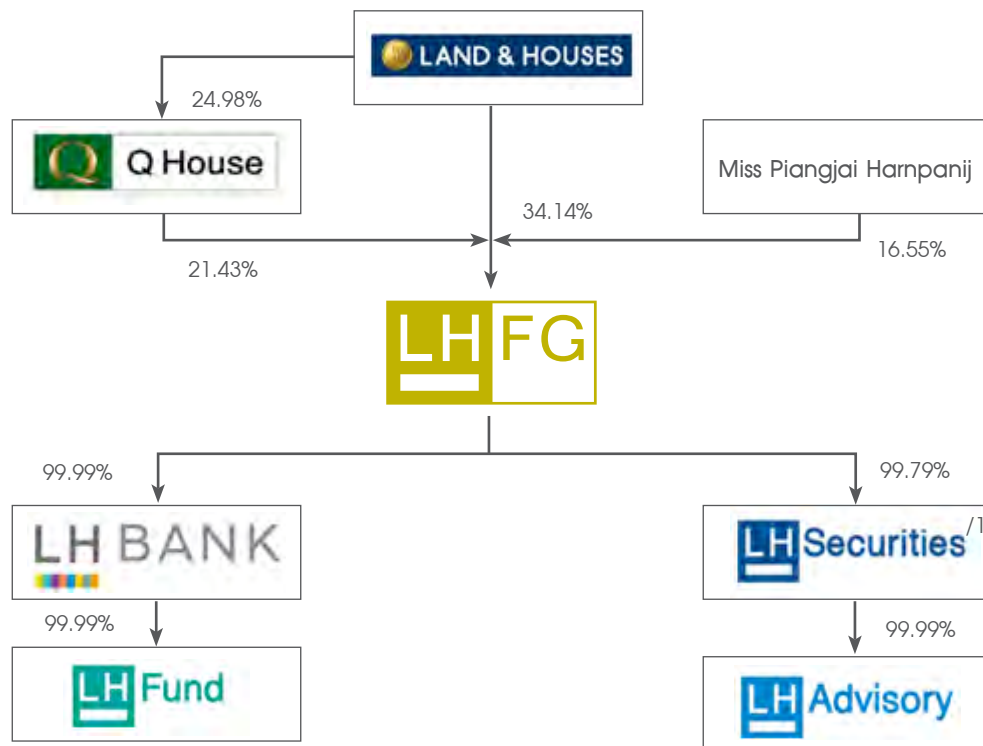


Nature of Business Operation

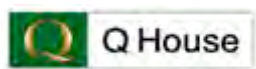
LH Financial Group Public Company Limited is a non-operating holding company and a parent company of financial business group, the company holds shares in other companies for the purpose of acquiring their management control. Therefore, business operation of the company can be categorized by business operations of its subsidiaries companies and companies indirectly held by LH Financial Group.

Business operation of the company can be categorized by business operations of its subsidiaries into 4 business groups including commercial bank, fund management, securities, and financial advisory, to provide various forms of financial services and to completely respond to financial needs of clients.

Shareholding Structure of Financial Business Group of LH Financial Group Public Company Limited



Remarks



: Quality House Public Company Limited (QH) is a listed company in the Stock Exchange of Thailand, which is the major shareholder of LH Financial Group Public Company Limited.



: Land and Houses Public Company Limited (LH) is a listed company in the Stock Exchange of Thailand, which is the major shareholder of LH Financial Group Public Company Limited.

Miss Piangjai Harnpanij

: Mother of Mr. Anant Asavabhokin, Chairman of the Board of Directors of LH Financial Group Public Company Limited, who is the major shareholder of LH Financial Group Public Company Limited.



: LH Financial Group Public Company Limited (LHFG) is a listed company in the Stock Exchange of Thailand.



: Land and Houses Bank Public Company Limited (LH Bank) is a subsidiary of LH Financial Group Public Company Limited.



: Land and Houses Fund Management Company Limited (LH Fund) is a subsidiary of Land and Houses Bank Public Company Limited.



: Land and Houses Securities Public Company Limited is a subsidiary of LH Financial Group Public Company Limited.



: Land and Houses Advisory Company Limited is a subsidiary of Land and Houses Securities Public Company Limited.

^{/1} : On 22 January 2014, the company purchased 99.79% shares of CIMB International Securities (Thailand) Public Company Limited, which will be rename as Land and Houses Securities Public Company Limited.

Business Operations in Financial Business Group

LH Financial Group Public Company Limited has 5 types of operation in its financial business group, as follows:

- **Investment Business:** LH Financial Group Public Company Limited is a non-operating holding company, the company holds shares in other companies for the purpose of acquiring their management control.
- **Commercial Banking Business:** Land and Houses Bank Public Company Limited is a subsidiary of LH Financial Group Public Company Limited. The company holds 99.99% of total paid-up share capital of the bank.
- **Fund Management Business:** Land and Houses Fund Management Company Limited is a subsidiary of Land and Houses Bank Public Company Limited. The bank holds 99.99% of total paid-up share capital of Land and Houses Fund Management Company Limited.
- **Securities Business:** Land and Houses Securities Public Company Limited is a subsidiary of LH Financial Group Public Company Limited. The company holds 99.79% of total paid-up share capital of Land and Houses Securities Public Company Limited.
- **Financial Advisory Business:** Land and Houses Advisory Company Limited is a subsidiary of Land and Houses Securities Public Company Limited. Land and Houses Securities Public Company Limited holds 99.99% of total paid-up share capital of Land and Houses Advisory Company Limited.

Nature of Business Operation

1. Investment Business

LH Financial Group Public Company Limited

LH Financial Group Public Company Limited is a non-operating holding company, which holds shares in other companies. It currently holds 99.99% of total paid-up share capital of Land and Houses Bank Public Company. Therefore, Land and Houses Bank Public Company is considered as a core subsidiary company.

Vision, Mission, Corporate Value, and Business Objectives of the Financial Business Group

The company operates business with the vision and mission of Land and Houses Bank Public Company Limited because Land and Houses Bank Public Company Limited is its core subsidiary company, for the same direction and objective of the whole financial business group. Vision encompasses the ultimate goal of the company whereas mission determines duties and practices that the company holds to operate its business. Corporate value encompasses principles utilized by managements and employees to operate business to achieve target, which is clearly defined in writing, as follows:

- **Vision**
We aim at being a bank with a fast - forward growth and high quality.
- **Mission**
 1. To be a solid financial institution and to grow to be in one of the top three commercial banks in Thailand
 2. To provide a professional service with spirit and to develop a satisfying information system for customers
 3. To operate with corporate governance and consider the benefit of stakeholders and society
 4. To develop and support human resource management system in terms of knowledge for the benefit of employees

- **Corporate Value (ProAcTIVE)**

| | | |
|--------------------|---|--|
| Professional | : | Have expertise and business mind in the profession for efficient working. |
| Accountability | : | Express determination and intention to complete the assigned work successfully as planned. |
| Teamwork | : | Understand his/her role and responsibility as a team member; participate in working, problem solving, and exchanging experiences and opinions with other team members. |
| Integrity | : | Express integrity in working, and drive team members to strictly comply with the code of conduct and have integrity in working. |
| Visioning | : | Ability to determine vision, mission, working target of the unit to be consistent with the vision and target of the organization. |
| Excellence Service | : | Understand demand and expectation of internal and external clients; express manners, tone of voice, posture and behavior in a proper way for clients' satisfaction and impression. |

Products and Services

LH Financial Group Public Company Limited

LH Financial Group Public Company Limited is a non-operating holding company, the company holds shares in other companies for the purpose of acquiring their management control. It currently holds 99.99% of total paid-up share capital of Land and Houses Bank Public Company Limited. Therefore, Land and Houses Bank Public Company Limited is considered as a core subsidiary company. On 22 January 2014, the company purchased 99.79% of total paid-up share capital of CIMB International Securities (Thailand) Public Company Limited, for investment in securities business.

In addition, the company indirectly holds shares in Land and Houses Fund Management Company Limited via Land and Houses Bank Public Company Limited, and indirectly holds shares in Land and Houses Advisory Company Limited via Land and Houses Securities Public Company Limited, for the purpose of investment in fund management and financial advisory businesses.

The company's business objectives are as follows :

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

Operational targets of financial business group

The bank has continued to develop its financial products including deposits and loans, branch expansion to cover all areas, service providing process to be convenient and fast, personnel, and IT system to boost competitive advantage and better respond to various customers' demand.

For business operations in 2014, the bank has continued to develop various areas including expansion of loan service to new client groups, expansion of deposit client base, increase of service channels for client base expansion, creation of fee revenue, personnel development to have knowledge and expertise in the bank's financial products, and development of new products and services, to better respond to clients' demand and to achieve its mission of being solid financial institution with constantly high growth rate.

In addition to its target of business expansion, the bank emphasizes on operating business in accordance with good corporate governance, prevention of payment for corruption, strengthening of risk management coverage, and social responsibility.

2. Commercial Bank Business

Land and Houses Bank Public Company Limited

Land and Houses Bank Public Company Limited officially operated business on 19 December 2005, with a permission from the Bank of Thailand to operate retail bank business, in accordance with the notification of the Bank of Thailand, regarding scope of business operation and scope of transaction of retail bank.

On 16 December 2011, the Ministry of Finance, advised by the Bank of Thailand, has granted permission to Land and Houses Retail Bank Public Company Limited to change status from retail bank to commercial bank under the name of Land and Houses Bank Public Company Limited. Land and Houses Bank Public Company Limited has operated full service of commercial bank on 19 December 2011.

Land and Houses bank Public Company Limited is a subsidiary of LH Financial Group Public Company Limited and a core subsidiary company. The bank has established strategic and business plan for the next 3 years in accordance with the laid-down vision and mission, by considering business environments including economic condition, domestic and foreign politics. The Bank also considers other internal factors such as strengths, weaknesses, opportunities, threats, key success factors, and other significant issues that must be treated. Management shall consider all factors to determine annual directions for the company. Operational plan has constantly been reviewed to be updated with the changing situation and environment.

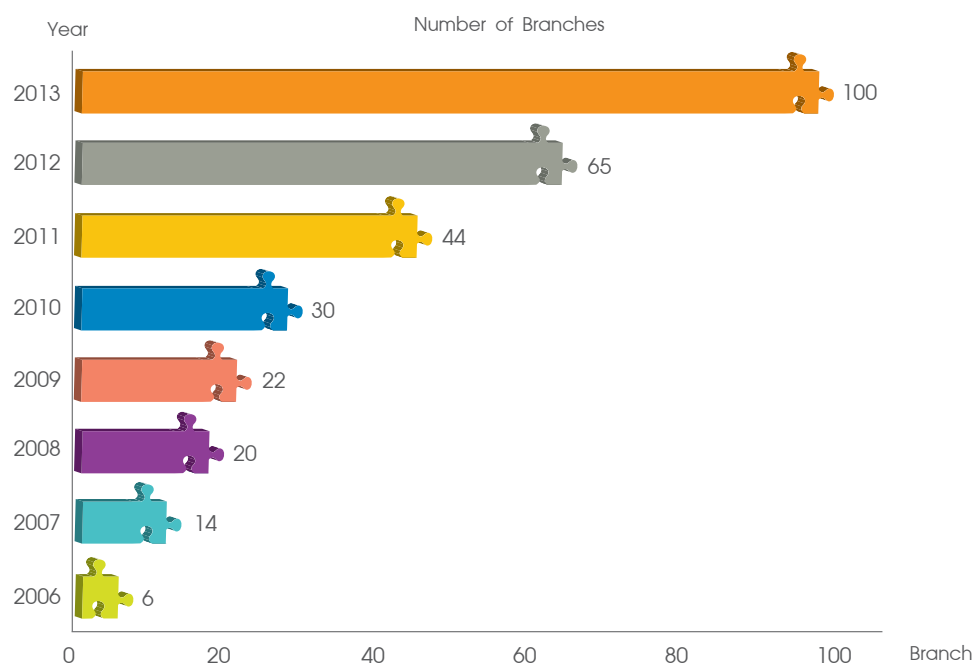
Land and Houses Bank Public Company Limited is ranked at a level of “A-” (Single A Minus) for corporate credit ranking by Tris Rating Company Limited, with “Stable” credit ranking, showing that the bank’s business and financial status has constantly been improved with good quality assets and strong capital base.

Branches of the Bank

Land and Houses Bank Public Company Limited has created its branch networks to thoroughly provide services to the clients. Most of the branches opened in 2013 are in HomePro. The bank allies with Home Product Center Public Company Limited to expand branches in all provinces where HomePro is located. This is the bank’s strategy for branch expansion to have service points covered in all areas nationwide and for client base expansion. Presently, the bank has 100 branches, as follows:

| | | |
|--------------|----|----------|
| • Bangkok | 43 | branches |
| • Boundary | 14 | branches |
| • Central | 7 | branches |
| • North | 5 | branches |
| • North East | 11 | branches |
| • East | 7 | branches |
| • West | 4 | branches |
| • South | 9 | branches |

Number of branches expanded in each year



The Bank has network of 100 branches as follows:

| Area | Branches | | |
|---------------------------|--|---|-------------------------------------|
| Bangkok (43 branches) | 1. Fashion Island Branch | 2. The Mall Bang Khae Branch | 3. The Mall Bang Kapi Branch |
| | 4. Q House Asoke Branch | 5. The Old Siam Branch | 6. Mah Boon Krong Center Branch |
| | 7. Big C Bangna Branch | 8. HomePro Petchgasem Branch | 9. Big C Rama II Branch |
| | 10. HomePro Ekamai - Ramindra Branch | 11. The Mall Tha Phra Branch | 12. Yaowarat Branch |
| | 13. Silom Branch | 14. Sampheng Branch | 15. Thong Lor Branch |
| | 16. Bang Rak Branch | 17. Khlong Thom Branch | 18. Big C Onnut Branch |
| | 19. Saphan Kwai Branch | 20. Phran Nok Branch | 21. Vorachak Branch |
| | 22. Sena Nikhom Branch | 23. The Circle Ratchapruk Branch | 24. Wongwian 22 Karakada Branch |
| | 25. Terminal 21 Branch | 26. Pakklong Talat Branch | 27. Central Rama9 Branch |
| | 28. The Promenade Branch | 29. Water Gate Branch | 30. Thanon Jan Branch |
| | 31. Parklane (Ekamai) Branch | 32. Tarat Noi Branch | 33. Seacon Square Branch |
| | 34. Saphan Mai Branch | 35. Seacon Bangkai Branch | 36. Bo Bae Branch |
| | 37. Tesco Lotus Rama IV Branch | 38. Central Pinklao Branch | 39. Wave Place (Phloen Chit) Branch |
| | 40. Tesco Lotus Rama I Branch | 41. Sena Fest (Chareon Nakorn) Branch | 42. Banglamphu Branch |
| | 43. The Paseo Town (Ramkhamhaeng) Branch | | |
| Boundary (14 branches) | 44. Future Park Rangsit Branch | 45. Big C Bang Phli Branch | 46. Big C Rattatanathibet Branch |
| | 47. The Mall Ngam Wong Wan Branch | 48. Samutsakhon Branch | 49. Talat Thai Branch |
| | 50. Suksawati Branch | 51. Big C Tiwanon Branch | 52. Tesco Lotus Bangna - Trad |
| | 53. Samutprakan Branch | 54. Megahome Rangsit Branch | 55. HomePro Pracha Chuen Branch |
| | 56. Nakornprathom Branch | 57. HomePro Phutthamonthon Sai 5 Branch | |
| | | | |

| Area | Branches | | | |
|-----------------------------|---------------------------------------|------------------------------------|---|--|
| Middle (7 branches) | 58. Pitsanulok Branch | 59. Nakornsawan Branch | 60. HomePro Suphanburi Branch | |
| | 61. HomePro Saraburi Branch | 62. HomePro Phetchabun Branch | 63. Big C Ayutthaya Branch | |
| | 64. HomePro LopBuri Branch | | | |
| North (5 branches) | 65. Big C Hang Dong Branch | 66. Talat Warorot Branch | 67. Tesco Lotus Ruamchok (Chiang Mai) Branch | |
| | 68. HomePro Phrae Branch | 69. HomePro Chiangrai Branch | | |
| North East (11 branches) | 70. Khonkaen Branch | 71. Udonthani Branch | 72. IT Plaza Udonthani Branch | |
| | 73. The Mall Nakorn Ratchasima Branch | 74. Central Khonkaen Branch | 75. Ubonrachathani Branch | |
| | 76. HomePro Chaiyaphum Branch | 77. HomePro Sakonnakhon Branch | 78. HomePro Roiet Branch | |
| | 79. HomePro Loei Branch | 80. HomePro Buri Ram Branch | | |
| East (7 branches) | 81. HomePro ChonBuri Branch | 82. Si Racha Branch | 83. Big C Pattaya Klang Branch | |
| | 84. Rayong Branch | 85. HomePro Chachoengsao Branch | 86. HomePro Prachin Buri Branch | |
| | 87. HomePro Chanthaburi Branch | | | |
| West (4 branches) | 88. Hua Hin Branch | 89. HomePro Kanchanaburi Branch | 90. Megahome Mae Sot Branch | |
| | 91. Robinson Ratchaburi Branch | | | |
| South (9 branches) | 92. Tesco Lotus Phuket Branch | 93. Pathong Branch | 94. Central Surattani Branch | |
| | 95. Big C Hatyai 2 Branch | 96. Hatyai Branch | 97. HomePro Chumphon Branch | |
| | 98. Home Pro Trang Branch | 99. Nakhonsithammarat Branch | 100. Phuket Branch | |

Products and Services of the bank

Land and Houses Bank Public Company Limited has steadily developed products and services for various demands of its customer. The bank's products and services can be divided into 4 main categories as follows:

1. Deposit Service

The bank provides a deposit service for individuals, juristic persons, non-profit juristic persons, government agencies/ state enterprise, funds, cooperative, and domestic financial institutions. There are various types of deposits, as follows:

- **Saving Deposit**

- With its high interest rate and anytime unlimited deposits and withdrawals, this saving account is filled with convenience without compromise on interest income that is calculated every day for you.

- With higher interest rate than regular savings accounts', special savings account still offers great flexibility through unlimited deposits and up to 3 withdrawals a month.

- Phitaksuk Saving Deposit for individual customers is a saving deposit, paired with LH Bank's Phitaksuk insurance purchase.

- Biz Saving Account for corporate customers with its high monthly Interest rate + Bonus 0.10% when the outstanding balance per month is more than Baht 1,000,000 , this saving account is filled with commercial convenience by using together with current account.

- **Non-Fixed Deposit** is one type of saving deposit with high interest rate. Minimum deposit of 5,000 Baht must be maintained in this account at all times. This account is allowed for deposit and withdrawal anytime, providing more liquidity and convenience.

- **Current Deposit** With everyday interest earnings, ATM-enabled deposits and withdrawals, as well as bill payments through cheques, the current account is designed to certainly boost business liquidity.

- **Fixed Deposit** A fixed deposit helps warrant your future financial stability through our offer of multiple tenors together with attractive interest rates. The deposit shall be repaid upon maturity.

- **FDR** A fixed deposit helps warrant your future financial stability through the offer of multiple tenors together with attractive interest rates. The deposit shall be repaid upon maturity.
- **Tax Free Deposit** For individuals, tax-free deposit needs to be in equal amount every month. Deposit principal available for planned usage within next 24 or 36 months. The total deposit amount can be up to Baht 600,000.
- **Optional fixed deposit** is a fixed deposit with an option of deposit period as needed, fixed interest rate, and repayment upon maturity.

Competitive Strategy of Deposit Service

The Bank has continued to develop and design new financial products, which are suitable for occupations and financial positions of various customer groups, to provide saving alternatives and meet different customers' demand thoroughly, with attractive returns and deposit periods that are consistent with customers' demand. This will boost competitive advantage of the bank's deposit products. In addition, the bank holds various recreational activities to reward customers for maintenance of deposit customers, which have well been accepted by customers.

The bank's branches are main channels for expanding deposit customer bases, providing services for customers to engage in various transactions, and giving advices to customers for their convenience and satisfaction.

The bank determines interest rates by considering internal and external factors that may have an impact, including the bank's costs, interest rate trend, economic direction, and competitive condition of deposit mobilization. The bank does not focus on competitive interest rate, rather on satisfactory provision of products and services for customers.

2. Lending Service

The bank categorizes its lending services into 3 business sectors, i.e., lending service for Big Corporate & Corporate, lending service for SMEs & SSME, retail lending, with details as follows:

1. Lending service for Big Corporate & Corporate

Big Corporate & Corporate lending is targeted to serving business purposes of Big Corporate & Corporate, covering working capital as well as production capacity expansion through capital expenditure for buildings, plants, machines, and equipment. There are short-term and long-term lendings available that are suitable for the client's business nature.

2. Lending service for SMEs & SSME

SMEs & SSME lending is targeted to serving business purposes of SMEs & SSME, covering working capital as well as production capacity expansion through capital expenditure for buildings, plants, machines, and equipment. There are short-term and long-term loans available that are suitable for the client's business nature.

Types of lending are as follows:

- Short-term loan

is a lending service to raise liquidity and manage cash flows. It can be withdrawn and repaid within the required limit throughout the lending term not more than 1 year.

- Long-term loan

is a lending service to develop medium to long term business with clear purposes for the use of loans and clear repayment period, in line with project progress or cash flows, to support business owners for their investment in various projects such as business expansion, factory/office construction, purchase of fixed asset including machinery and vehicles, and real estate investment including land purchase for factory construction, purchase of employees' residence, etc.

- **Factoring**

Factoring provides a working capital for business. With this facility, a corporate client can sell accounts receivable to the Bank at discount after delivery of goods and services and issuance of invoices with 10 to 120-day credit terms to customers. Factoring is conducted based on the bank's purchase of trade documents (including invoices, shipping documents, tax invoices and bill issues) and the borrower's assignment of sales proceeds to the Bank. The bank will advance 70%-90% of invoice proceeds to you within 1 day after receipt of the trade documents, whereby the remaining 10%-30% of the sales proceed will be credited to your account once the buyer under your trade documents pay for the goods and services to the bank.

- **Hire Purchase Loan - for Commercial Purposes**

is a loan for purchasing vehicles for corporate customers, operating logistic business, car-rent business, etc.

- **Issuance of bank guarantee, aval, and acceptance**

is a service for the issuance of bank guarantee, aval, and acceptance for customers requiring bank guarantee document to be placed with principal agencies or for bidding purpose, as follows:

1. Bid Bond / Tender Guarantee
2. Performance Bond
3. Advance Payment Guarantee / Security and Retention Guarantee

- **Consulting service and other lending services**

Provides consulting service and full lending services in other areas such as financial structure consulting service, Syndicated Loan, Facility Agent, and Security Agent.

3. **Retail Lending**

is a retail lending service for individuals to mainly serve consumption purpose, which can be divided by lending purposes, as follows:

- **Housing Loans**

- Saen-Sabai Housing Loan enables customers to get their new home through either buying a new one, purchasing a second-hand one for all projects, or even constructing a new one.
- Refinance Home Loan is a loan for borrowers to refinance the loan from another bank (refinance), with the offer of additional loan for renovation, decoration, and furniture purchase with special offers.

- **Multi-purpose Loan** is indeed applicable for many things from house repair and maintenance, house expansion, business matters, to several other purposes as you wish. The loan's collateral can be a wide range of freehold assets including detached houses, townhouses, twin houses, etc. Freedom belongs to the borrowers to choose which type of loan they want.

- **Personal Loan** is applicable for providing convenience of modern living. Loan principal and interest is paid down on a monthly basis. Personal loan includes consumption loan, insurance loan for credit line coverage.

- **Education Loan** can be tailor-made to suit a variety of educational objectives from compulsory, fundamental levels to more advanced levels, from short programs to long programs, and from domestic sessions to overseas courses. The loan will be amortizing, which means that the loan principal is paid down over the life of the loan, and so interest expenses reduce over such time as well.

- **Hire purchase loan - Retail** is a loan for purchasing personal vehicles of all types, including both new and used cars.

Competitive Strategy of Lending Service

The bank categorizes customers into different groups to continuously develop good relationship with all customer groups and to propose complete financial products and services to meet demand of each customer group. The bank shall consider lending type, interest rate, credit type, repayment period suitable for each customer, with fast process of loan approval.

To increase SMEs customers, the bank focuses on strategy of extending loans to existing customers with good payment history to increase business opportunity and maintain existing customers to be with the bank over long term. For new customers, the bank targets to extend loans to customer group with good financial status.

Strategy of housing loan extension is to get access to target groups by expanding branches into potential areas of housing loans and going into such areas by the bank's marketing officers, who will focus on customers of housing projects on potential locations and quality housing projects that can be resold at good prices. This is to expand the bank's customer base. However, this type of loan is highly competitive in terms of marketing. Key marketing strategies of the bank include good and fast service quality, especially quick loan approval process, good relationship with business owners and salesperson of housing projects, and arrangement of promotional programs on special occasions.

3. Electronic Services

Is a supporting service for financial transactions of customers via electronic channels for fast and efficient purposes, including:

- **Automatic Teller Machine (ATM)** provides withdrawal services, fund transfer within the bank, fund transfer to the account of other bank, and payment for commodities and services. As of 31 December 2013, there are 152 Automatic Teller Machines, increasing by 54 machines from 2012. The bank's ATM accepts JCB and CUP cards to provide service for travellers.

- **Internet Banking (LH Bank Speedy)** This service is available for both individual and corporate customers to provide convenience for conducting financial transactions every day, everywhere, at any time. LH Bank Speedy has double security system to assure security with easy-to-use menu. It provides services of fund transfer within the bank, fund transfer to the account of other bank, and payment for commodities and services, loan payment, stop cheque, and account status checking. The Bank will send SMS to confirm results of all transactions with customers.

- **Fund Transfer Service** The bank provides domestic fund transfer service, allowing customers to transfer funds over the counter between one's own accounts, to other accounts of the bank, automatic transfer system (ATS), and to the accounts of other banks. It also provides a third-party fund transfer service via BAHTNET.

- **Cash Management Service** is a financial service that is convenient and fast, reduces document work, reduce management costs and increase efficiency in business management, including:

1. Salary Payroll - Bulk Payment
2. Bulk Payment for retail fund transfer to another bank
3. Bill Payment - Pay for products and services via the Bank
4. Direct Debit / Direct Credit and automatic transfer system (ATS)

- **Internet Banking on Mobile** provides convenience for conducting financial transactions every day, everywhere, at any time, via mobile phone, without network limitation. No need to change SIM card. Just use mobile phone with connection to the internet to get access to Internet Banking on Mobile.

- **LH Bank SMS Alert** is SMS alert service that will keep up with your account balance via mobile phone due to any changes in account balance. This is to inform account status and raise confidence in conducting financial transactions. Customers can set the amount of 500 Baht or more to trigger the alert. Just apply for the service of LH Bank SMS Alert at any branches of the Bank or at ATM, and you will get SMS to confirm the registration and start to get the alert for account movement instantly.

Competitive Strategy of Electronic Service

The bank determines strategy for selling its electronic services through its branch channel for individual customers, who wants convenience in conducting transactions and safety in fund transfer. The bank also arranges promotional programs to promote its electronic services.

4. Other Services

- **Insurance Brokerage Service** The bank provides various insurance products based on the needs of customers for Life and Non-Life insurance, which the customer can choose the insurance companies as follows:
- **Brokerage service of life insurance for**
Muang Thai Life Assurance Co., Ltd.
Ocean Life Insurance Co., Ltd.
AIA Co., Ltd.
- **Selling the non-life insurance products for:**
The Siam Commercial Samaggi Insurance Co., Ltd.
The Deves Insurance Pcl.
Charan Insurance Pcl.
Dhipaya Insurance Pcl.
Syn Mun Kong Insurance Pcl.
Muang Thai Insurance Pcl.
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:
Land and Houses Fund Management Co., Ltd.
Asset Plus Fund Management Co., Ltd.
CIMB-Principal Asset Management Co., Ltd.
MFC Asset Management Pcl.
Finansa Asset Management Co., Ltd.
SCB Asset Management Co., Ltd.
One Asset Management Co., Ltd.
Krungthai Asset Management Pcl.
TMB Asset Management Co., Ltd.
Solaris Asset Management Co., Ltd.
Krungsri Asset Management Co., Ltd.
Phatra Asset Management Co., Ltd.
UOB Asset Management (Thailand) Co., Ltd.

- **LH Bank Privilege** is a new and privileged financial service for our premium customers. This service provides private and professional secretary for consulting and effective management portfolio to achieve high returns. This service also provides various privileges and benefits.
- **Cash deposit-withdrawal without slip** is to provide more convenience for customers. They just have to tell staff if they want to deposit or withdraw cash. The staff will then do transaction and prepare slip for customers to sign.
- **Credit bureau inspection service via bank counter** is to provide more convenience for customers and general public, who would like to check their owe credit information at all branches of the Bank nationwide.
- **Financial service on mobile van** is mobile branch of the Bank to increase service channels in various areas. Financial services on mobile van include saving account opening, deposit, withdrawal, fund transfer, product and service payment.
- **Financial Products Services** The Bank sells various financial products such as cashier's checks and gift checks.
- **Utility and Credit Card Payment Service** includes insurance premiums, other expenses and automatic transfer system. 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 Public Company Limited and UOB Kayhian Securities (Thailand) Public Company Limited.
- **Agent service for private funds companies** The bank introduces potential customers to Merchant Partners Securities Public Company Limited.
- **Miscellaneous services** such as safe deposit box.

Factors that have an impact on opportunities or limitation of business operation

Customers, of Land and Houses Public Company Limited and Quality Houses Public Company Limited, being real estate development leader in Thailand, are beneficial for loan extension of the bank, especially housing loan. This provides an opportunity to present other financial products and services to such customers. Moreover, the bank has an opportunity to extend SME loans to business partners of Land and Houses Public Company Limited, Quality Houses Public Company Limited, and Home Products Center Public Company Limited.

Operational Targets

The bank has continued to develop its financial products including deposits and loans, branch expansion to cover all areas, service providing process to be convenient and fast, personnel, and IT system to boost competitive advantage and better respond to various customers' demand.

For business operations in 2014, the bank has continued to develop various areas including expansion of loan service to new client groups, expansion of deposit client base, increase of service channels for client base expansion, creation of fee revenue, personnel development to have knowledge and expertise in the bank's financial products, and development of new products and services, to better respond to clients' demand and to achieve its mission of being solid financial institution with constantly high growth rate.

In addition to its target of business expansion, the bank emphasizes on operating business in accordance with good corporate governance, prevention of payment for corruption, strengthening of risk management coverage, and social responsibility.

3. Fund Management Business

Land and Houses Fund Management Company Limited

Land and Houses Fund Management Company Limited is a subsidiary of Land and Houses Bank Public Company Limited. The company manages mutual fund, property fund, provident fund, and private fund. The company set its strategic and business plans to be in line with the vision and mission of the company, which has constantly been reviewed to be updated with the changing situation and environment.

Land and Houses Fund Management Company Limited 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

Vision

Land and Houses Fund Management Company Limited is a company with standard for business operation, by considering good corporate governance and focusing on protecting best interests for customers under the principles of Duty of Loyalty and Duty of Care.

Mission

Is a business that raises competitive advantage of the financial business group to meet customers' demand in terms of both saving and investing purposes, and increases effectiveness of business operation for the business group to have various financial services as alternatives for the interesting persons to invest in investment in mutual fund, provident fund, and private fund, which are managed by professional fund managers, to be fund management company that creates satisfactory returns for investment unit holders and shareholders.

Products and Services

Land and Houses Fund Management Company Limited manages mutual fund, property fund, provident fund, and private fund. The company focuses on a variety of marketing campaigns to cover all levels of demand and all groups of investors, by offering the sale of investment units via various distribution channels such as branches of Land and Houses Bank Public Company Limited and other selling agents that are financial institutions approved by the Securities and Exchange Commission. Qualified personnel according to the required law must be arranged to govern the officers to strictly comply with the relevant laws and regulations. The 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 by considering each of 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 focusing on investment in real estates, which generate steady incomes e.g. office building, service apartment. Revenue earned from such real estate investment shall be paid to investors in the form of dividend.

- **Provident Funds**

The company provides management service for Provident Funds, which were set up by the willingness of the Company that wants to save money as a security for the employees when the employees resign or retire and the employees save 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 retirement or resignation. 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 covers investment management in various types of securities e.g. bonds, debenture bonds, shares and investment units, by considering proper risk management for customers and reports fund performance to the public regularly.

Net Asset Value under management

As at 31 December 2013, Land and Houses Fund Management Company Limited has funds under management, with a total Net Asset Value amount of Baht 31,200.05 million, including Property Funds amount of Baht 17,942.98 million, Bond funds amount of Baht 11,171.14 million, Equity Funds amount of Baht 764.55 million and Provident Funds amount of Baht 1,321.38 million.

Operational targets

In 2014, the company shall raise its market share of fund management business including mutual funds, property funds, and property investment trusts. The company shall apply for additional business licenses such as investment trust management, unit trust selling agent, etc. Moreover, it will increase distribution channels of unit trusts and boost operational efficiency for its own company and for the part connected to unit trust selling supporters, to provide convenience for customers holding unit trusts of the company.

Income structure of the financial business group, categorized by business type

Income structure of the financial business group of LH Financial Group Public Company Limited for the year 2013, 2012, and 2011 can be categorized into 5 business types including investment, commercial bank, fund management, securities, and financial advisory, with the details as follows;

Table: Income Structure of the financial business group, Categorized by Business Type

| Income Structure of the financial business group, Categorized by Business Type | Operated by | Shareholding Proportion of the company (%) | Consolidated Financial Statements | | | | | |
|--|-----------------------------|--|-----------------------------------|----------|-----------------------|----------|-----------------------|---------|
| | | | 31 December 2013 | | 31 December 2012 | | 31 December 2011 | |
| | | | Amount (Million Baht) | (%) | Amount (Million Baht) | (%) | Amount (Million Baht) | (%) |
| Interest income | | | | | | | | |
| Investment Business | LHFG ^{/1} | | 0.04 | - | 0.01 | - | - | - |
| Commercial Bank Business | LH Bank ^{/2} | 99.99 | 6,518.08 | 196.60 | 4,855.33 | 195.44 | 3,380.18 | 180.29 |
| Fund management Business | LH Fund ^{/3} | 99.99 | 0.07 | - | 0.78 | 0.03 | - | - |
| Securities Business | LH Securities ^{/4} | 99.79 | - | - | - | - | - | - |
| Financial advisory Business | LH Advisory ^{/5} | 99.99 | - | - | - | - | - | - |
| Total interest income | | | 6,518.19 | 196.60 | 4,856.12 | 195.47 | 3,380.18 | 180.29 |
| Total interest expenses | | | (3,719.46) | (112.19) | (2,727.69) | (109.80) | (1,642.87) | (87.63) |
| Net interest income | | | 2,798.73 | 84.41 | 2,128.43 | 85.67 | 1,737.31 | 92.66 |
| Fees and service income | | | | | | | | |
| Commercial Bank Business | LH Bank | 99.99 | 220.00 | 6.64 | 122.94 | 4.95 | 86.15 | 4.60 |
| Fund management Business | LH Fund | 99.99 | 79.13 | 2.38 | 30.51 | 1.23 | 2.50 | 0.13 |
| Securities Business | LH Securities | 99.79 | - | - | - | - | - | - |
| Financial advisory Business | LH Advisory | 99.99 | - | - | - | - | - | - |
| Total fees and service income | | | 299.13 | 9.02 | 153.45 | 6.18 | 88.65 | 4.73 |
| Total fees and service expenses | | | (50.12) | (1.51) | (39.93) | (1.61) | (27.35) | (1.46) |
| Net fees and service income | | | 249.01 | 7.51 | 113.52 | 4.57 | 61.30 | 3.27 |
| Total other income | | | 267.65 | 8.07 | 242.37 | 9.76 | 76.23 | 4.07 |
| Total operating income | | | 3,315.39 | 100.00 | 2,484.32 | 100.00 | 1,874.84 | 100.00 |

Remarks

- LHFG^{/1} : LH Financial Group Public Company Limited
 LH Bank^{/2} : Land and Houses Bank Public Company Limited
 LH Fund^{/3} : Land and Houses Fund Management Company Limited
 LH Securities^{/4} : Land and Houses Securities Public Company Limited, which will be operated in quarter 3/2014
 LH Advisory^{/5} : Land and Houses Advisory Company Limited, which will be operated in quarter 3/2014

Income structure of the financial business group, categorized by revenue type

Income structure of the financial business group of LH Financial Group Public Company Limited for the year 2013, 2012, and 2011 can be categorized into 3 types of income including interest income, fees and service income, and other income, with the details as follows:

Table: Income Structure of the financial business group, Categorized by Revenue Type

| Income Structure of the financial business group, Categorized by Revenue Type | Consolidated Financial Statements | | | | | |
|---|-----------------------------------|-----------------|--------------------------|-----------------|--------------------------|----------------|
| | 31 December 2013 | | 31 December 2012 | | 31 December 2011 | |
| | Amount (Million Baht) | (%) | Amount (Million Baht) | (%) | Amount (Million Baht) | (%) |
| Interest income | | | | | | |
| Loans to customers | 4,957.38 | 148.53 | 3,727.74 | 150.05 | 2,414.29 | 128.77 |
| Investment in debt securities | 1,322.60 | 39.89 | 971.39 | 39.10 | 762.87 | 40.69 |
| Interbank and money market items | 137.91 | 4.16 | 146.05 | 5.88 | 202.92 | 10.82 |
| Hire Purchase | 100.30 | 3.03 | 10.94 | 0.44 | 0.10 | 0.01 |
| Total interest income | 6,518.19 | 196.60 | 4,856.12 | 195.47 | 3,380.18 | 180.29 |
| Interest expenses | | | | | | |
| Deposits | (2,809.57) | (84.74) | (1,495.29) | (60.19) | (502.15) | (26.78) |
| Debts issued and borrowings | (6.13) | (0.18) | (663.62) | (27.71) | (799.44) | (42.64) |
| Interbank and money market items | (417.59) | (12.60) | (266.43) | (10.72) | (245.51) | (13.09) |
| Contributions to the Deposit Protection Agency and Bank of Thailand | (486.17) | (14.66) | (302.35) | (12.17) | (95.77) | (5.11) |
| Total interest expenses | (3,719.46) | (112.19) | (2,727.69) | (109.80) | (1,642.87) | (87.63) |
| Net interest income | 2,798.73 | 84.42 | 2,128.43 | 85.67 | 1,737.31 | 92.66 |
| Fees and service income | | | | | | |
| Acceptances, avals and guarantees | 42.01 | 1.27 | 23.41 | 0.94 | 17.21 | 0.92 |
| Commission income | 87.97 | 2.65 | 59.15 | 2.38 | 44.83 | 2.39 |
| Others | 169.15 | 5.10 | 70.89 | 2.86 | 26.61 | 1.42 |
| Total fees and service income | 299.13 | 9.02 | 153.45 | 6.18 | 88.65 | 4.73 |
| Fees and service expenses | | | | | | |
| Fees and charges | (27.72) | (0.84) | (23.45) | (0.94) | (25.14) | (1.34) |
| Others | (22.40) | (0.68) | (16.48) | (0.66) | (2.21) | (0.12) |
| Total fees and service expenses | (50.12) | (1.51) | (39.93) | (1.61) | (27.35) | (1.46) |
| Net fees and service income | 249.01 | 7.51 | 113.52 | 4.57 | 61.30 | 3.27 |
| Other income | | | | | | |
| Gain on investments | 210.39 | 6.35 | 145.93 | 5.87 | 73.47 | 3.92 |
| Net gain (loss) on trading transactions | (30.80) | (0.93) | 48.82 | 1.96 | - | - |
| Other operating income | 88.06 | 2.66 | 47.62 | 1.92 | 2.76 | 0.15 |
| Total other income | 267.65 | 8.07 | 242.37 | 9.76 | 76.23 | 4.07 |
| Net operating income | 3,315.39 | 100.00 | 2,484.32 | 100.00 | 1,874.84 | 100.00 |

1. Net interest income

Total interest income consists of loans to customers, investment in debt securities, Interbank and money market, and hire purchase. The report of the year ended 31 December 2013, the company and its subsidiaries had total interest income of Baht 6,518.19 million, increase from year 2012 of Baht 1,662.07 million or 34.23% resulted from an increase in interest income on loans increased by the growth of loans of the subsidiaries, and increase in investment in debt securities of subsidiaries.

Total Interest expenses consists of Interest expenses from deposits, Debts issued and borrowing, Interbank and money market items and contributions to the Deposit Protection Agency and the Bank of Thailand. In 2013, the company and its subsidiaries had total interest expenses of Baht 3,719.46 million, an increase from year 2012 of Baht 991.77 million or 36.36% resulted from an increase in interest expenses on deposits which the company and its subsidiaries had deposits increase of Baht 24,581.97 million or 29.19% from 2012.

As at year ended 31 December 2013 the company and its subsidiaries had net interest income of Baht 2,798.73 million or 84.42% of total operating income, an increase of Baht 670.30 million and Baht 1,061.42 million in 2012 and 2011 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 are mostly from fees on loan extension, consisting of fees from acceptances, aval and guarantees, commission income on insurance broker, penalty fees, mutual fund management fees, fund registrar fees, etc. As at year ended 31 December 2013, the company and its subsidiaries had total fees and service income of Baht 299.13 million, an increase of Baht 145.68 million or 94.94% from 2012.

As at the year ended 31 December 2013 the company and its subsidiaries had total fees and service expenses of Baht 50.12 million, an increase of Baht 10.19 million or 25.52% from 2012. The company and its subsidiaries had net fees and service income of Baht 249.01 million or 7.51% of total operating income, an increase of Baht 135.49 million and Baht 187.71 million in 2012 and 2011 respectively, which is in same direction on loans expansion that has continuously increased.

3. Other incomes

Others income consists of gain on investments, gain on trading transactions, and other operating income. As at the year ended 31 December 2013, the company and its subsidiaries had total others income of Baht 267.65 million, an increase of Baht 25.28 million or 10.43% from 2011 resulted from gains on investments increased of Baht 64.46 million.



Securities and Shareholders Information

1. Securities Information

1.1 Ordinary shares

As at 31 December 2013 the company has total registered share capital and paid-up share capital as follows:

Registered share capital : 13,375,273,610 baht

Paid-up share capital : 12,715,550,962 baht

Divided into issued and paid-up shares capital 12,715,550,962 ordinary shares with the par value of 1 baht.

As at 5 February 2014 the company registered the increase paid up share capital that the company has called for paid of new ordinary shares from exercise a warrants. The company has total registered share capital and paid-up share capital as follows:

Registered share capital : 13,375,273,610 baht

Paid-up share capital : 12,719,806,646 baht

Divided into issued and paid-up shares capital 12,719,806,646 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 Public Company Limited'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 31 December 2009, the warrants can be exercised on the 30 th of every month. (2) After 31 December 2009, the warrants can be exercised every 3 months, on the 30 th of January, April, July and October. (3) The last exercise date is 30 November, 2014. |
| Restrictions | : (1) Before 31 December 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 31 December 2009. (2) After 31 December 2009, holders of the warrants can exercise the rights on all or the remaining warrants they have (whichever is applicable) only after the Company's shares have been traded on the Stock Exchange of Thailand. The exercise dates henceforth are as follows: <ul style="list-style-type: none">• From the 7th to the 12th months from the date the shares are first traded on the Stock Exchange of Thailand, holders of the warrants may exercise their rights on not more than 20% of their remaining warrants as at 31 December 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 at 31 December 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 ordinary share |
| New Exercise ratio after adjustment | : 1 warrant can be exercised to purchase 1.0500 ordinary 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 Public Company Limited's warrants. Later on 22 January 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 30 November 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 31 December 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 31 December 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 ordinary share. |
| New Exercise ratio after adjustment | : 1 warrant can be exercised to purchase 1.0500 ordinary 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 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 317,984,367 units and warrants canceled due to the resignation from to be employee of the bank totaling 488,000 units. As at 31 December 2013 the company has a number of warrants to purchase ordinary shares outstanding 56,891,800 units as follows:

Table: Changed in number of warrants as at 31 December 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 31 December 2012 (units) | 271,525,408 | 103,838,759 | 375,364,167 |
| (Less) The number of warrants exercised (units) | (218,345,208) | (99,639,159) | (317,984,367) |
| Number of warrants canceled due to the resignation from to be employee of the bank (units) | - | (488,000) | (488,000) |
| Outstanding of warrants as of 31 December 2013 (units) | 53,180,200 | 3,711,600 | 56,891,800 |

On 29 and 30 January 2014 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 4,077,500 units. As at 3 February 2014 the Company has a number of warrants to purchase ordinary shares outstanding 52,814,300 units as follows:

Table: Changed in number of warrants as at 3 February 2014

| 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 31 December 2013 (units) | 53,180,200 | 3,711,600 | 56,891,800 |
| (Less) The number of warrants exercised (units) | (4,044,700) | (32,800) | 4,077,500 |
| Number of warrants canceled due to the resignation from to be employee of the bank (units) | - | - | - |
| Outstanding of warrants as 3 February 2014 (units) | 49,135,500 | 3,678,800 | 52,814,300 |

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 31 January 2014 as follows:

| No. | Shareholder Names | Number of Shares | % |
|--|---------------------------------------|------------------|---------|
| 1. | Land & Houses Public Company Limited | 4,340,567,920 | 34.136 |
| 2. | Quality Houses Public Company Limited | 2,725,472,880 | 21.434 |
| 3. | Miss Piengjai Hanpanich | 2,104,605,029 | 16.551 |
| 4. | Thai NVDR Company Limited | 237,534,815 | 1.868 |
| 5. | Asavabhokhin family group | 186,070,720 | 1.463 |
| 6. | Mr. Wiroj Engpaiboon | 155,000,001 | 1.219 |
| 7. | Mr. Samrerng Manoonphol | 135,273,717 | 1.064 |
| 8. | Mrs. Pantip Techapaibul | 131,674,497 | 1.036 |
| 9. | Mr. Pairoj Paisarnsrisomsuk | 108,270,926 | 0.851 |
| 10. | Mrs. Sinee Sirisamphan | 69,629,252 | 0.548 |
| shareholdings of top 10 major shareholders | | 10,194,099,757 | 80.170 |
| Other Minority Shareholders | | 2,521,451,205 | 19.830 |
| Total | | 12,715,550,962 | 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 Public Company Limited, 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 Public Company Limited, 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.

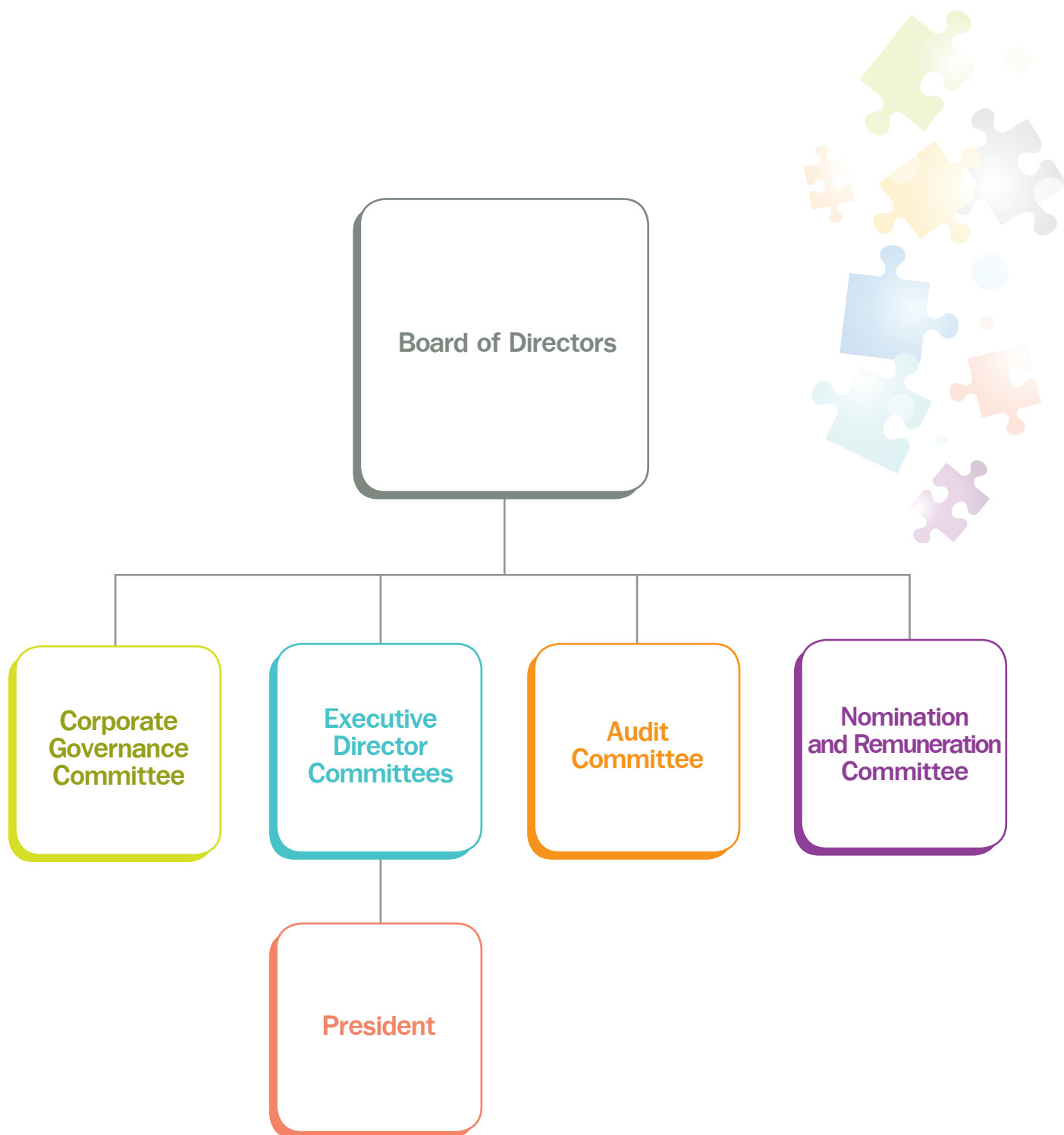
- None -

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, 1 st , 5 th , 6 th , 24 th , 32 nd 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 share 1,250,000,000 shares Preferred share -None- |
| Telephone | : | 0-2359-0000, 0-2677-7111 |
| Fax | : | 0-2677-7223 |
| Website | : | www.lhbank.co.th |
| Major shareholders | : | As at 31 December 2013 major shareholders of the company as follows: LH Financial Group Public Company Limited holds 99.99% of the issued and paid-up share capital divided into ordinary share 1,249,999,900 shares with par value 10 baht |



Organization Chart







Management Structure

LH Financial Group Public Company Limited is a non-operating holding company, which is a parent company of the financial business group, which currently holds 99.99% of total paid-up share capital of Land and Houses Bank Public Company Limited. Therefore, Land and Houses Bank Public Company Limited is considered as a core subsidiary company.

The management structure of LH Financial Group Public Company Limited consists of the Board of Directors, which in turn appoints 4 sub-committees: the Executive Directors Committee, 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 as follows:

1. Board of Directors

As at 31 December 2013, the Board of Directors consists of 9 directors as follows:

| | | |
|------------------|--------------------------|----------------------|
| 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 | Independent Director |
| 6. Mr. Khunnawut | Thumpomkul ^{/1} | Director |
| 7. Mr. Naporn | Sunthornchitcharoen | Director |
| 8. Mrs. Suwanna | Buddhaprasart | Director |
| 9. Mrs. Sasitorn | Phongsathorn | Director |
| Mr. Vichian | Amornpoonchai | Company Secretary |

Note: ^{/1} Mr. Khunnawut Thumpomkul appointed by the resolutions of the Board of Directors No. 7/2013 on 15 July 2013 as the Director and Executive Director, which had been effective since 7 August 2013, for Mr. Pairoj Paisansrisomsuk, Director, Executive Director, and Senior Executive Vice President, had resigned since 1 July 2013.

Authorized signatory directors

Mr. Rutt Phanijphand, Mrs. Sasitorn Phongsathorn, and Mr. Naporn Sunthornchitcharoen, two of those three directors together sign with the Company's seal on behalf of the Company.

Scope of Authority and Duties of the Board of Directors

The Board of Directors 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 executives, supervise and oversee the executives 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 executives are operating in line with the laws and established policies.
5. Supervise to ensure that the executives 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 executives 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 executives to be able to perform the duties within its authority and responsibilities in full.
8. Supervise to ensure the executives 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 an operations of the sub-committee that was appointed.
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 executives to be submitted to the Board of Directors within an appropriate timeframe.
12. Establish check-and-balance mechanisms between the executives and/or major shareholders at appropriate levels by determining a suitable composition or number of the independent directors in the Board of Directors.
13. Ensure that the directors attend at least half of all meetings held each year.

In the event any 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.

2. Executive Directors Committee

As at 31 December 2013, the Executive Board consists of 4 directors as follows:

| | | |
|------------------|--------------------------|------------------------------------|
| 1. Mr. Rutt | Phanijphand | Chairman of the Executive Director |
| 2. Mr. Naporn | Sunthornchitcharoen | Executive Director |
| 3. Mr. Khunnawut | Thumpomkul ^{/1} | Executive Director |
| 4. Mrs. Sasitorn | Phongsathorn | Executive Director |
| Mr. Vichian | Amornpoonchai | Secretary |

Note: ^{/1} Mr. Khunnawut Thumpomkul appointed by the resolutions of the Board of Directors No. 7/2013 on 15 July 2013 as the Director and Executive Director, which had been effective since 7 August 2013, for Mr. Pairoj Paisansrisomsuk, Director, Executive Director, and Senior Executive Vice President, had resigned since 1 July 2013.

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 as follows:

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 at 31 December 2013, the Audit Committee consists of 3 directors as follows:

- | | | | |
|----|-------------|----------------------------|---------------------------------|
| 1. | Mr. Phairoj | Hengsakul ^{/1} | Chairman of the Audit Committee |
| 2. | Mr. Abdul | Vinaiphat | Member of the Audit Committee |
| 3. | Mr. Sun | Vithespongse ^{/1} | Member of the Audit Committee |
| | Ms. Chutima | Boonmee | Secretary |

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

Scope of Authority and Duties of the Audit Committee

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

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

As at 31 December 2013, the Corporate Governance Committee consists of 3 directors as follows:

- | | | | |
|----|-------------|--------------|--|
| 1. | Mr. Abdul | Vinaiphat | Chairman of the Corporate Governance Committee |
| 2. | Mr. Phairoj | Hengsakul | Member of the Corporate Governance Committee |
| 3. | Mr. Sun | Vithespongse | Member of the Corporate Governance Committee |
| | Ms. Chutima | Boonmee | Secretary |

Scope of Authority and Duties of the Corporate Governance Committee

The Corporate Governance Committee has the following scope of authority as approved by the Board of Directors of the company as follows:

1. To determine and review the principle of good governance.
2. To determine and review the principle of Anti-corruption.
3. To monitor the compliance with the policies 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 at 31 December 2013, the Nomination and Remuneration Committee consists of 3 directors as follow:

- | | | | |
|----|--------------|---------------------|---|
| 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 | Member of the Nomination and Remuneration Committee |
| | Mr. Ruangsak | Vitavaskarnvej | Secretary |

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:

- Determine the following policies:
 - Policy, criteria and procedures for nominating the company's directors or high-ranking executives from senior executive vice president and higher
 - Policy on the remuneration and other benefits for the company's directors or high-ranking executives from senior executive vice president and higher, based on clear and transparent criteria before being submitted for approval to the company's Board of Directors.
- Select and propose the names of individuals with suitable qualifications for the following positions to be proposed to the Company's Board of Directors.
 - Directors (addition/substitution/rotation)
 - High-ranking executives from the position of senior executive vice president and higher
- 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.
- 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.
- 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.
- Disclose reports of the operations of the Nomination and Remuneration Committee in the company's Annual Report.
- Perform other duties assigned by the Board of Director of the company

Rules for Nomination of Director, Independent Director, and Executives of the company

1. Nomination of Director and Independent Director

The Nomination and Remuneration Committee shall select and screen persons with proper qualifications, knowledge, experiences in various fields, adequate understanding in the area of banking, finance, economics, laws, etc., taking into consideration of corporate requirements and good governance. The Nomination and Remuneration Committee shall listen to suggestions of minor shareholders, nominating persons who should be elected as the company's director and independent director. The company opens for shareholders to nominate persons to be considered for election as director in the shareholder general meeting, in accordance with the rules prescribed by the company. *Details are presented in the business sustainability report, under the topic of corporate governance.*

The Nomination and Remuneration Committee shall propose the Board of Directors to appoint director and/or independent director, in place of the vacancy of the Board by reasons other than by rotation; or propose to the shareholder meeting to elect director and/or independent director in case of retirement by rotation or elect additional directors, with rules for director election and removal, as follows:

- 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 as follows:
 - (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 which held by shareholders attending the meeting and entitled to vote.
 - (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 resolution by the Board of Directors shall require the votes of not less than three-quarters of the remaining directors.

- Director Selection Process

Nomination of director shall comply with the guidelines for director appointment in accordance with the articles of association, which can be divided into 2 cases:

Case 1 Appointment of new director due to resignation by rotation. The Nomination and Remuneration Committee shall select and screen persons with proper qualifications, knowledge, experiences in various fields, adequate understanding in the area of banking, finance, economics, laws, etc., taking into consideration of corporate requirements and good governance. The Nomination and Remuneration Committee shall then propose the lists of qualified persons to the Board of Directors for consideration and screening before presenting to the shareholder meeting for approval.

Case 2 Appointment of new director in place of director resigning before the end of the term. The Nomination and Remuneration Committee shall select and screen persons with proper qualifications, knowledge, experiences in various fields, adequate understanding in the area of banking, finance, economics, laws, etc., taking into consideration of corporate requirements and good governance. The lists of qualified persons shall then be proposed to the Board of Directors for approval.

2. Nomination of Executives

The Nomination and Remuneration Committee shall select and screen persons with capabilities and proper qualifications by taking into consideration of ethics, moral principle and honesty for taking a position of top management including President and Vice President. Primary factors for consideration include qualifications, capabilities, and experiences in financial field. Selected person should have thought and vision regarding management that is in line with the Board of Directors for the operation to achieve targets successfully. Top management and the Board of Directors must have trustworthiness, and closely coordinate with one another. The Nomination and Remuneration Committee shall nominate selected persons to the Board of Directors for further appointment.

For the case of other management positions, President shall consider qualifications for approval and appointment.

Qualifications of Independent Director

Independent Director must have qualifications that are required by the company and consistent with the practices of good governance policy, which is stricter than those policies notified by the Capital Market Supervisory Committee and the Bank of Thailand, with detailed qualifications of independent directors, as follows:

“Independent Director” must be a director who has no business interest or has no benefit related to the company, which may affect his or her independence to express opinion. The company defines the criteria of an independent director as follows:

- (1) Not holding shares in excess of 0.5% of the total number of voting shares of the company, parent company, subsidiary, associated company, or any juristic entity that may have conflict of interest with the company, whilst the number of shares held by any related person of such an independent director must also be counted.
- (2) Not being and have not been a director participating in management role of the Company, or an employee, or a worker, or an advisor which receives regular salary from the company, and not be and have not been a person having controlling power over the company, subsidiary, or associated company, or a subsidiary in the same level of the company, or juristic entity with conflict unless such independent director has not been the person referred to above at present and for the past 2 years.
- (3) Not being a person having relationship either through blood lineage or legal registration as father, mother, spouse, sibling and child, including a spouse of a child of any management person or major shareholder of the company or subsidiary, or of any person having relationship or being relatives of any top management executive or major shareholder of the Company.
- (4) Not having and have not had any business relationship with the company, parent company, subsidiary, associated company, or juristic entity that may have conflict of interest, in the manner in which his/her independent discretion might be affected, and not be and have not been a major shareholder, a non-independent director or a management executive who has business relationship with the company, parent company, subsidiary, associated company and juristic entity with conflict of interest with the company, unless such an independent director has not been a person referred to above at present and for the past 2 years. Business relationship referred to in the first paragraph above shall mean to include any ordinary course of business or trade for business engagement purpose, any lease taking or lease out of any property, any transaction relating to asset or service, any financial support or acceptance of financial support by way of either borrowing, lending, guaranteeing or collateral providing or any other manner similar thereto that could result to an obligation required to be performed by the Company or the party thereto in an amount of 3% or more of the net tangible asset value of the Bank or 20 million Baht or more, whichever is less. In light of this, the method for calculation of the value of connected transaction pursuant to the Capital Market Supervising Committee’s Notification, Re: Regulations in respect of an Entering into a Connected Transaction shall be applied mutatis mutandis for the purpose of calculation of such amount of debt of the applicant, provided that the amount of debt incurred during the past 1 year prior to the date on which such a business relationship with such person exists;
- (5) Not being and have not been an auditor of the Company, parent company, subsidiary, associated company, or juristic entity that may have conflict of interest, and not be a major shareholder, a non-independent director, a management executive or a partner of any auditing firm in which the auditor of the company, parent company, subsidiary, associated company, or juristic entity that may have conflict of interest is working, unless such an independent director has not been a person referred to above at present and for the past 2 years.
- (6) Not being and have not been a professional advisor, including legal or financial advisor who obtains fee more than 2 million Baht a year from the company, parent company, subsidiary, associated company, or juristic entity with conflict of interest with the company. If such professional service provider is a juristic entity, it must not be or has not been major shareholder, a non-independent director, a management executive or a partner of any of such professional service provider firm, unless such an independent director has not been a person referred to above at present and for the past 2 years.

- (7) Not being a director appointed as representative of the company's Board of Directors or a representative of a major shareholder, or a representative of a shareholder which is a related person of the major shareholder.
- (8) Not having any other characteristics that prevent the exertion of independent opinion concerning the company's business undertaking. After having been appointed as an independent director, an independent director may be assigned by the Board of Directors to take part in the collective decision making process of the company, parent company, subsidiary companies, associated companies, subsidiary company in the same rank, or a juristic entity that may have a conflict of interest by making a decision in the form of collective decision.

Board of Directors' Meetings

LH Financial Group Public Company Limited regularly holds Board of Directors' meetings. At each meeting, clear agenda is determined in advance which contains important agenda items such as the consideration of the company's financial statements by three months, the company's performances and the Financial Group's performance. Both of the invitation letter and the meeting agenda are sent in advance to allow the directors to review the informations. The minutes are recorded in writing and those which have been approved by the Board of Directors are then filed for future reference and accountability.

In 2013, 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 of LH Financial Group Public Company Limited in 2013

| Name | | Number of meeting attendance | | | | |
|-----------------|-------------------------------|------------------------------|------------------------------|-----------------|---------------------------------------|--------------------------------|
| | | Board of Directors | Executive Director Committee | Audit Committee | Nomination and Remuneration Committee | Corporate Governance Committee |
| Total meetings | | 12 | 25 | 12 | 3 | 1 |
| 1. Mr.Anant | Asavabhokhin | 8 | - | - | - | - |
| 2. Mr.Rutt | Phanijphand | 12 | 25 | - | - | - |
| 3. Mr.Phairoj | Hengsakul | 11 | - | 12 | - | 1 |
| 4. Mr.Adul | Vinaiphat | 11 | - | 11 | 3 | 1 |
| 5. Mr.Sun | Vithespongse | 12 | - | 10 | 3 | 1 |
| 6. Mr.Khunnawut | Thumpomkul ^{/1} | 5 | 8 | - | - | - |
| | (from 5 meetings) | (from 10 meetings) | | | | |
| 7. Mr.Naporn | Sunthornchitcharoen | 12 | 23 | - | 3 | - |
| 8. Mrs.Suwanna | Buddhaprasart | 11 | - | - | - | - |
| 9. Mrs.Sasitorn | Phongsathorn | 12 | 23 | - | - | - |
| 10. Mr. Pairoj | Paisansrisomsuk ^{/2} | 6 | 11 | - | - | - |
| | (from 6 meetings) | (from 12 meetings) | | | | |

Note: /1 Mr. Khunnawut Thumpomkul was appointed by the resolutions of the Board of Directors No. 7/2013 on 15 July 2013 as the Director and Executive Director, which had been effective since 7 August 2013, for Mr. Pairoj Paisansrisomsuk, Director, Executive Director, and Senior Executive Vice President, had resigned since 1 July 2013. Mr. Khunnawut Thumpomkul has joined the Board of Directors Meeting No. 8/2013 on 26 August 2013 and the Executive Director Committee Meeting No. 16/2013 on 16 August 2013

2/ The Board of Directors Meeting No. 7/2013 on 15 July 2013 had acknowledged the resignation of Mr. Pairoj Paisansrisomsuk, Director, Executive Director, and Senior Executive Vice President, which had been effective since 1 July 2013.

6. The Executive

As of 31 December 2013, the company has 1 executive as follows:

| Name | Position in the company ^{/1} | Position in the subsidiary ^{/2} |
|-------------------------------|---------------------------------------|--|
| 1. Mrs. Sasitorn Phongsathorn | President | President |

Note : /1 The company refers to LH Financial Group Public Company Limited
/2 The Subsidiary refers to Land and Houses Bank Public Company Limited

Scope of Authority and duties 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 issues assigned by the Board of Directors of the company and the subcommittees appointed by it.

In the event the President or person who may has a conflict or 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.

7. Company Secretary

The Board of Directors has appointed Mr. Vichian Amornpoonchai, First Vice President of Land and Houses Bank Public Company Limited, as a Company Secretary since May 15, 2009. The Board of Directors support and encourage the Company Secretary to join training and develop knowledge continuously in the area of law, accounting or performing duty of the Company Secretary.

Roles and Responsibilities of the Company Secretary

1. To document and keep records of the following documents;
 - 1.1 The director's reiterative documents
 - 1.2 The invitations to Board of Directors meetings, the minutes of the Board of Directors meeting, and the company's Annual Report
 - 1.3 The invitations to shareholders' meeting and the minutes of shareholders' meeting

2. To retain the reports on interest reported by Directors and Executives.
 - 2.1 The Directors and Executives have a duty to report on the interest. (namely the Directors and Management are responsible for reporting its interest and relevance to the Bank.)
 - 2.2 The Company Secretary sends a copy of the report to the President within seven days from the date of receipt of the report.
 - 2.3 To provide accurate and complete system for storing documents and evidence, which can be checked within a period of not less than five years from the date of preparing such a documents or an informations.
3. Take any other actions are prescribed by the Capital Market Supervisory Board.

8. The Remuneration of Directors and Executives

- **Remuneration Policy**

The remuneration of the Board of Directors has been determined by the meeting of shareholders, which had been considered and recommended by the Nomination and Remuneration Committee. Amount and components of such remunerations must be attractive to the directors, who are talented and important to the performance of the Board. Excessive remuneration payment shall be avoided. Director remuneration shall be determined based on working experiences, knowledge, intention, dedication, and various benefits that each director has contributed to the company, comparing with those of other companies in the same industry and similar business size listed in the Stock Exchange of Thailand. In addition, it's compared with the average remuneration of listed companies from the survey report of remunerations for the directors of listed companies of Thai Institute of Directors.

Determination of remuneration must be approved in order of authority, to avoid conflict of interest and for transparency, i.e., shareholders approve remuneration of the Board of Directors, the Executive Director Committee, the Audit Committee, the Corporate Governance Committee, and the Nomination and Remuneration Committee. The Nomination and Remuneration Committee shall consider suitability.

- **Financial Remuneration**

- The Remuneration of Directors**

The financial remuneration of directors has been determined by the meeting of shareholders, in the form of monetary, such as monthly compensation and meeting allowances. In addition, the remuneration of directors has passed the Board of Directors' approval, which had been presented by the Nomination and Remuneration Committee. The remuneration of directors will be clearly defined and transparently based on the general practice in the industry, by considering from experience, knowledge, ability that comply with the duties and responsibilities of Directors compliance with the operations of the company, and taking into consideration the best interests of the company and its shareholders.

The Annual General Meeting of Shareholders of LH Financial Group Public Company Limited for the year 2013, on 22 April 2013, had approved the monthly remuneration and meeting allowances as follows;

Table: The Remuneration of Directors for the year 2013 and 2012

| Position | Remuneration (per month) | | Allowance (per time) | | | | | | | | | |
|-------------------------|-----------------------------|--------|---------------------------|--------|------------------------|--------|---|--------|--|--------|--|------|
| | | | The Board of Directors | | The Audit Committee | | The Executive Directors Committee | | The Nomination and Remuneration Committee | | The Corporate Governance Committee ^{/1} | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Chairman | 50,000 | 50,000 | 25,000 | 25,000 | 25,000 | 25,000 | 20,000 | 20,000 | 20,000 | 20,000 | - | - |
| Non-Executive Directors | 40,000 | 40,000 | 20,000 | 20,000 | 20,000 | 20,000 | 15,000 | 15,000 | 15,000 | 15,000 | - | - |
| Executive Directors | 40,000 | 40,000 | - | - | - | - | - | - | - | - | - | - |

Note ^{/1} The resolutions of the Boards of Directors No. 2/2013 on 21 February 2013, had appointed the Corporate Governance Committee.

The Remuneration of Directors

In 2013, LH Financial group Public Company Limited has paid the remuneration which consist of monthly remuneration and meeting allowances, for 10 directors in total to 7,904,000 Baht.

The Remuneration of Executives

- None -

Other Remuneration Benefits

Other remuneration or other remuneration benefits which is mean another types of shares and debentures including other rights benefits as well as the monetary and not the monetary apart from the benefits that they receive regularly such as salary and meeting allowances.

The Directors' Other Remuneration Benefits

- None -

The Executives' Other Remuneration Benefits

- None -

Table: The remuneration and other remuneration of directors for the year 2013 and 2012

| Board Members | Date appointed as Director | 2013 | | | 2012 | | |
|---|----------------------------------|---|-----------------|---|---|-----------------|---|
| | | Compensation and Meeting Stipends (baht) | Bonus (baht) | Other Remuneration Benefits ^{/1} (baht) | Compensation and Meeting Stipends (baht) | Bonus (baht) | Other Remuneration Benefits ^{/1} (baht) |
| 1. Mr. Anant Asavabhokhin | 15 May 2009 | 800,000 | -None- | -None- | 875,000 | -None- | -None- |
| 2. Mr. Rutt Phanijphand | 15 May 2009 | 1,200,000 | -None- | -None- | 1,140,000 | -None- | -None- |
| 3. Mr. Phairoj Hengsakul | 15 May 2009 | 1,000,000 | -None- | -None- | 925,000 | -None- | -None- |
| 4. Mr. Adul Vinaiphath | 15 May 2009 | 980,000 | -None- | -None- | 960,000 | -None- | -None- |
| 5. Mr. Sun Vithespongse | 10 October 2012 | 965,000 | -None- | -None- | 204,333 | -None- | -None- |
| 6. Mr. Khunnawut Thumpomkul ^{/2} | 1 August 2013 | 444,000 | -None- | -None- | -None- | -None- | -None- |

| Board Members | Date appointed as Director | 2013 | | | 2012 | | |
|--|----------------------------|--|--------------|--|--|--------------|--|
| | | Compensation and Meeting Stipends (baht) | Bonus (baht) | Other Remuneration Benefits ^{/1} (baht) | Compensation and Meeting Stipends (baht) | Bonus (baht) | Other Remuneration Benefits ^{/1} (baht) |
| 7. Mr. Naporn Sunthornchitcharoen | 25 April 2011 | 1,095,000 | -None- | -None- | 1,110,000 | -None- | -None- |
| 8. Mrs. Suwanna Buddhaprasart | 25 April 2011 | 700,000 | -None- | -None- | 720,000 | -None- | -None- |
| 9. Mrs. Sasitorn Phongsathorn | 15 May 2009 | 480,000 | -None- | -None- | 480,000 | -None- | -None- |
| 10. Mr. Pairoj Paisansrisomsuk ^{/3} | 15 May 2009 | 240,000 | -None- | -None- | 480,000 | -None- | -None- |
| Total | | 7,904,000 | | | 6,894,333 | | |

Note: ^{/1} Other remuneration benefits include shares, debentures, and other monetary and non-monetary benefits, apart from the benefits that they regularly receive, which consists of salary and meeting allowances.

^{/2} Mr. Khunnawut Thumpomkul appointed by the Board of Directors as Director and Executive Director on 7 August 2013 for Mr. Pairoj Paisansrisomsuk, Director, Executive Director, and Senior Executive Vice President, which had been effective since 1 July 2013.

^{/3} Mr. Pairoj Paisansrisomsuk, Director, Executive Director, and Senior Executive Vice President, resigned on 1 July 2013.

Table: Board of Directors' Shareholding Proportion in LH Financial Group Public Company Limited and its subsidiaries as at 31 December 2013 and 31 December 2012

| Board of Director | Position | 31 December 2013 | | 31 December 2012 | |
|-----------------------------------|--|---------------------------|------------------------------|----------------------------|------------------------------|
| | | Number of Shares Held | | Number of Shares Held | |
| | | The Company ^{/1} | The Subsidiary ^{/2} | The Company ^{/1} | The Subsidiary ^{/2} |
| 1. Mr. Anant Asavabhokhin | Chairman | -None- | -None- | -None- | -None- |
| 2. Mr. Rutt Phanijsaphand | Chairman of Executive Director | -None- | -None- | -None- | -None- |
| 3. Mr. Phairoj Hengsakul | Independent Director, Chairman of the Audit Committee, and Member of the Corporate Governance Committee | 9,661,621 shares (0.076%) | -None- | 9,299,953 shares (0.076%) | -None- |
| 4. Mr. Adul Vinaiphatt | Independent Director, Chairman of the Nomination and Remuneration Committee, Chairman of the Corporate Governance Committee, and Member of the Audit Committee | 4,764,002 shares (0.037%) | -None- | 2,893,270 shares (0.024%) | -None- |
| 5. Mr. Sun Vithespongse | Independent Director, Member of the Audit Committee, Member of the Nomination and Remuneration Committee, and Member of the Corporate Governance Committee | -None- | -None- | -None- | -None- |
| 6. Mr. Khunnawut Thumpomkul | Executive Director | -None- | -None- | -None- | -None- |
| 7. Mr. Naporn Sunthornchitcharoen | Executive Director and Member of the Nomination and Remuneration Committee | -None- | -None- | -None- | -None- |
| 8. Mrs. Suwanna Buddhaprasart | Director | -None- | -None- | -None- | -None- |
| 9. Mrs. Sasitorn Phongsathorn | Executive Director and President | 6,000,000 shares (0.047%) | -None- | 11,261,316 shares (0.092%) | -None- |

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

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



Risk Factors

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 Public Company Limited in accordance with the bank's shareholding restructuring plan approved by the Bank of Thailand. Since the company does not conduct business on its own, its risks are directly linked to the business operation of Land and Houses Bank Public Company Limited. The bank is deemed to be the company that manages principles of management supervision and various risk valuations of the financial business group and LH Financial Group Public Company Limited.

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 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 inside and outside the financial business group to have acceptable risks with good and effective internal control system. In conducting transaction, analysis procedures have been put in place to manage potential risks appropriately and adequately. The policies have been constantly reviewed to cover risk management in various areas by considering potential risks that may arise from the operation of the financial business group, as follows:

- 1. Risk Management Policy of the financial business group** This policy is to set standards to identify, assess, control, monitor, and report important risks of the financial business group, to create a systematic approach for risk management, which is appropriate to the risk of operating each company within the financial business group.
- 2. Risk Management Policy of internal transaction of the financial business group** This policy is a guideline to supervise transactions inside and outside the financial business group to have acceptable risks with good and effective internal control system. Subsidiaries within the financial business group are required to fully report transactions within the financial business group to the Board of Directors. This is for the Board to be informed of the risk level faced by the financial business group and to ensure that business operation is under the required scope of risk.
- 3. Business Continuity Management Policy** is the minimum standard that the company and companies under the financial business group must be prepared to respond to critical situations and to be applied in various circumstances that may cause damages to human resources, environment, or safety of workplaces, and to limit the impact that may arise to the businesses, products or services from the discontinuity of business operation caused by the critical situations. Moreover, this is to ensure that the company and companies under the financial business group are able to manage emergency effectively and to provide services to clients uninterrupted.
- 4. Policy regarding disclosure of capital maintenance and risk management of the financial business group** is a guideline regarding disclosure of capital maintenance and risk management including capital maintenance, risk level, the risk assessment procedure, and capital adequacy. This is for shareholders and stakeholders to use this policy as supporting information to make decisions to engage in various financial transactions with the financial business group.

Risk Management Structure

The financial business group has defined organization chart structure to manage risk and to be consistent with good internal supervision and control policies, as follows:

Board of Directors has its duty and responsibility of determining the overall business direction and strategy as well as a 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.

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.

Risk Management Committee The Board of Directors appointed Risk Management Committee of Land and Houses Bank Public Company Limited 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 in a consistent manner.

Risks of LH Financial Group Public Company Limited

The company was established to be a non-operating holding company with major objectives to hold shares in other companies. 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, such as Land and Houses Bank Public Company Limited.

1. Operational risks of the company

Since the objective of the company is to act as a holding company, without operating business on its own, its investment decision in various businesses is very important to the company's operating results. As at 31 December 2013, the company has investment in 1 subsidiary, which is Land and Houses Bank Public Company Limited. The company's performance is thus directly related to the performance of subsidiary within the group. The fact that the bank made operating profits in the past does not guarantee that it will continue to create profits for the company, as operating result of the bank and its financial business group depends mainly on macroeconomic factor.

However, the company recognizes the importance of the selection of companies in which it will invest in the future. It plans to focus investment in the businesses that will enhance the competitive potential of the financial business group. Among the decisive factors are their industry growth trends, competitiveness and long-term profitability, with an emphasis on the effectiveness of controlling system and risk management.

2. Risk of price change

Risk of price change is the risk arising from the changing of interest rate and the price of securities, resulting in fluctuations of revenues or the changing in the present value of assets and the company's financial liability.

As at 31 December 2013, the company has the held for trading which is the equity instrument in the domestic market demand with the fair value of Baht 26.40 million.

3. Risk involving investors' shareholding in the company's 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:

- **Report of shareholding to the Bank of Thailand** 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 (with reference to Section 17).
- **Prohibition or restriction on the number of shares held** Any person is prohibited from holding or having shares of any financial institution, exceeding ten percent of total sold shares, unless permitted by the Bank of Thailand or unless it is in compliance with the rules and criteria prescribed and announced by the Bank of Thailand (with reference to Section 18).

- **Sale or public offering of the exceeding shares** 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, or the Bank of Thailand requests the court to order a public offering or otherwise if shareholders do not sell the exceeding shares within the specified time period or the period extended by the Bank of Thailand (with reference to Section 19).

4. Risk from insufficient capital fund

In 2013, the Bank of Thailand starts applying criteria for capital fund supervision under Basel III rules, in accordance with the Basel Committee on Banking Supervision (BCBS), which has been effective for the banks from 1 January 2013 onwards, and effective for financial businesses from 1 January 2014, with an aim to strengthen capital fund position and determine framework to manage liquidity risk of the banks and financial businesses more effectively.

As at 31 December 2013, the financial business group's capital fund in accordance with the law under Basel II, which is total before deduction of Baht 15,513.03 million, which can be divided into tier 1 capital fund of Baht 14,798.44 million or 95.39% of total capital funds before deduction and tier 2 capital fund of Baht 714.59 million or 4.61% of total capital funds before deduction and total capital funds of Baht 15,422.51 million which is sufficient to operate business and support growth under normal and critical circumstances.

Risks of Land and Houses Bank Public Company Limited (Subsidiary)

Risk Management in Perspective

The bank sets the framework and strategies in operating business to grow based on the efficient risk management along with creating the stable benefits to the organization. The bank controls and supervises the 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 Bank also pays attention to the revelation of information about the risk and sufficiency of fund to public following the principles and guidelines 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 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. The directors of the bank will supervise the bureaus in the bank to perform the operation following the policies related to the risk management as follows:

1. Credit Risk Management Policy The bank specifies the credit risk management policy and criteria in the credit consideration for controlling, preventing, and mitigating the risk possibly occurring from the transaction in giving credit for the balance between the risk in giving credit and the benefits. The policy is regulated to have the goal and process suitable for the risk of each type of credit. This is for creating the clear goal in the operation and the flexibility in improving the policy within the levels of acceptable risks.

2. Market and Liquidity Risk Management Policy This can be the guidelines for the investment in the securities of bond and the risk management in the interest as well as the management of appropriate liquidity for serving the repayment of liabilities and obligations. This includes the preservation on the level of revenues from net interest following the bank's goal. There is the suitable structure of assets and liabilities with the sources of fund or assets ready to be changed into cash sufficiently for serving the risks both in normal condition and crisis within the levels of acceptable risks in business operation.

3. Operational Risk Management Policy The bank regulates the policy in operational risk management covering the risk management in information technology, service used by the outsiders, process of new product launching, continually conducting the business plan, and report on the operational damage in accordance with the code of practice of Bank of Thailand and Basel Committee on Banking Supervision (BCBS). Such policy is approved by the Bank's committees and is revised at least once a year or when there is a change in any risk factor significantly affecting the operation.

4. Policy in assessing the risk and the sufficiency of fund and policy in testing the crisis This is for making the bank have sufficient fund for serving the significant risks both in normal condition and in crisis. The policy focuses on the process of risk management and the assessment on the sufficiency of fund systematically for maintaining the level of fund to be sufficient for the present and the future.

5. Policy in revealing the information of fund reservation and risk management This is for being the guideline in revealing the information of fund reservation and risk management, for example, information of fund structure and sufficiency of fund as well as the process in risk management. The stakeholders of the bank receive the information which is correct, complete, and can be used in the analysis and decision making for the transaction with the bank including the presence of transparency and the risk management in the business operation of the bank in the entire picture.

Risk Management Structure

The bank has defined organizational structure to manage risk and to be consistent with good internal supervision and control policies as follows:

Board of Directors has the duty and responsibility in supervising the management department in regulating the policies, process, and control on the types of risk management as well as approving such policy including revising the strategies, real practice, and policy in such subject regularly.

Audit Committee has the duty and responsibility in observing and ensuring the policy and the risk management to the implementation with efficiency and effectiveness to the organization.

Risk Management Committee has the duty and responsibility in regulating the policies and strategies of risk management covering the risks as specified by the Bank of Thailand as well as assessing, observing, and monitoring the conformity to the approved policy.

Asset - Liability Committee has the duty and responsibility in managing and recommending the liquidity, assessing, observing, and conducting the plan for the risk in the interest rate and liquidity as well as setting the investment plan and monitoring the operation following the plan.

Operational Risk Management Committee has the duty and responsibility in managing the risks in the operation and related policies, monitoring the whole operational risk, and continually conforming to the risk management framework and business operational plan. The Committee also considers and specifies the appropriate solution in case of finding the error or the over-acceptable risks, reports the risk status, and the change in significantly operational risk status to the Risk Management Committee.

Moreover, the bank also has other Committees for supervising and controlling specific risks, for example, Information Technology Committee, Credit Committee, Liability Development Committee, etc. The Risk Management Department is responsible for managing the risk in the entire picture of the bank and directly report to the Risk Management Committee. There is the Audit Department responsible for assessing the sufficiency of internal control system including the verification and reliability of financial reports along with the conformity to the regulations and rules to directly report to the Audit Committee.

Risk Factors

The 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 chart, competition and resources as a result of internal and external factors. It may affect 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

In 2013, Bank of Thailand implements the regulations in supervising the fund within the criteria of Basel III following the principle of Basel Committee on Banking Supervision (BCBS) effective to the Bank on 1st January, 2013 and effective to financial business group since 1st January, 2014. The objective is to strengthen the fund status and speculate the framework of risk management in the liquidity of the bank and financial business group to be more efficient.

Moreover, Bank of Thailand also specifies that the commercial banks must reserve the fund per all risky assets following the criteria of Basel III for not less than 8.5%. The rate is divided into Tier-1 capital per all risky assets for not less than 6% and Tier-1 capital which is the owner's equity per all risky assets for not less than 4.5%.

As at 31 December 2013, the bank's capital funds following the criteria of Basel III totaled Baht 13,921.53 million which was Tier 1 capital fund and Common equity Tier 1 capital fund was Baht 13,206.94 million or calculated as 94.87% of total capital funds. The bank reserves the ratio of total capital funds to risk assets for 13.38%. the ratio of Tier 1 capital fund to risk assets was calculated as 12.69% and the ratio of common equity Tier 1 capital fund to risk assets were 12.69%. This was higher than the minimum rate required by Bank of Thailand and was the rate adequate for the business operation and business growth promotion following the laid-down goal and strategies under normal condition and crisis possibly occurring from the economic uncertainty.

Moreover, the bank also assess the risk and the adequacy of fund (ICAAP) for certifying the risks following the rules of fund supervision of commercial banks as stipulated by Bank of Thailand. This can ensure that the Bank can manage the fund efficiently, have the strong fund status to serve the risks both in normal condition and in crisis, and have adequate fund for serving the business expansion.

2. Credit Risk

Credit/default risk is a chance or probability in which a counter-party cannot fulfill the agreed obligation, including a chance where the counter-party'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.

Moreover, the bank specifies the debt collection process supervised by Debt Development Committee including considering the guideline in observing and correcting the debts efficiently as well as reporting to the Board of Directors of the bank.

2.2 Risk incurred from concentration of credit

The bank realizes the risk from the Concentration of credit both in the Large Borrower Concentration and Sector Concentration. If any event occurs from domestic factor or fluctuation of economic crisis possibly affecting the capability in debt repayment of the borrowers, the bank stipulates the risk limitation and warning level in order to control and observe the risks before the damage as well as reporting to the Risk Management Committee of the bank regularly at least once a quarter.

2.3 Risk incurred from devaluation of value of guarantee in the type of real estate

Most of bank's credits are the credits with guarantee calculated as 63.72% of the credit fund. The guarantee in the type of real estate is calculated as 95.83% of all guarantees. When any event occurs causing the market of real estate slow down, the bank may suffer the loss in the part that such real estate guarantee is devaluated. Therefore, the bank has the risk management incurred from the devaluation of value of guarantee. The policy on the price assessment is regulated with the revision on the value of real estate guarantee every 3 years. For the NPL, the real estate gained from the debt repayment, purchase, or the auction, the price assessment must be performed annually for reflecting the actual value of guarantee following the current condition. The value can be used in the calculation of reservation of bank adequately and appropriately.

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 at 31 December 2013, the net investment was Baht 35,925.52 million (excluded the investment in the subsidiaries for Baht 257.29 million divided into available for sale investment with the fair value of Baht 4,112.54 million and the held to maturity debt securities of Baht 31,808.18 million. Moreover, there was also general investment which was the equity instrument which was not in the domestic market demand for Baht 4.80 million.

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 the 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 has the tools for measuring and observing the risk in the liquidity and specifying the appropriate warning level in the risk management policy of the bank.

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 bank 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 workflow 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 risk management department can help in considering and give the opinion supplementary before the use of service from the outsiders or the launching of new products.

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 important 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.

Moreover, the bank also develops the communication channel on the knowledge about the operational risk management in the form of E-Learning so that the executives and employees will have the understanding and awareness of the operational risk.





Management Discussion and Analysis

LH Financial Group Public Company Limited is a non-operating holding company which was established on 22 April 2009 under the shareholding restructuring plan of Land and Houses Bank Public Company Limited. The company is the parent company of a financial business group and the shareholder of other non-operating companies. Currently, the company holds 99.99% of all paid-up shares capital of Land and Houses Bank Public Company Limited, which is its core company. The company's performances are, therefore, derived from the performance of the bank.

1. Overview

1.1 2013 Economic Overview and Outlook in 2014

2013 Economic Overview^{/1}

An overview of Thai economy in 2013 showed GDP growth of 2.9%. Satisfactory economic condition was seen in the first half of the year due to positive factors, mainly from domestic expenditure from both of consumption and investment in private sector. However, Economic signal after expiration of the First-Car policy at the end of 2012 showed that household debt surged to nearly 80% of GDP, while financial institutions had rising non-performing loans ratio from auto and personal loans. Agricultural income slowed down along with a decrease in subsidies for agricultural products. The government's energy subsidies were gradually decreased to prepare the country to have comparable energy cost to neighboring countries in an attempt to prevent illegal fuel export to neighboring countries. In the second half, global economy led by the US signalled recovery, and QE cut in December 2013 boosted exports, but Thai export sector may have slower recovery than some countries because of hindrances such as limitations of technology and domestic political turmoil.

In the banking sector, loan growth was good in 2013. However, a significant increase in NPLs in Q1 and Q2 forced financial institutions to tighten loan approvals. In Q3 and Q4, loan growth slowed down and competition among commercial banks was less intensified subsequently.

Economic Outlook for 2014^{/2}

For an overview of Thai economy in 2014, the growth rate of consumption and investment in private sector are expected to slow down. The expenditure of the government in infrastructure investment project is the main factor which drives the economy including export direction which should improve due to global economic recovery.

The trends in the banking industry, Loan growth is excellent, but the competition of banking industry will be more intensified in both loans and deposit expansion. In addition, as each commercial bank targets growth in non-interest income, it has to compete in products and marketing strategies in order to expand income generating channels other than interest income.

For overview of competition, Land and Houses Bank Public Company Limited formulated its strategies based on advantages of various trading partners in development of bundle products or value added product or service development to meet customer demand and approach target customers. In addition, the Bank formulated marketing strategy in the area that competitors were unable to reach by continuing product and service differentiation, introduction of products with remarkable prices and diversity to keep existing customers and expand new customers. For competition in loan approvals, the Bank offered competitive interest rate against other commercial banks and suitable for market condition.

Note

^{/1} Source : Data from the Bank of Thailand and the Ministry of Finance January 2014

^{/2} Source : Data from the Bank of Thailand, Ministry of Finance and Ministry of Commerce January 2014

1.2 Overview of Banking Industry and Competition in 2013 and Outlook in 2014

Overview of Banking Industry and Competition in 2013^{/3}

In 2013, Thailand's banking industry showed significant growth on the back of local economic recovery and the government's stimulus measures. Commercial banks' loan growth was at 13.7% due to a 21.6% increase in consumer loans, particularly auto loans in the first-time car buyer scheme, while business loans expanded by 10.6%.

There was intense competition in fund-raising, reflected by the contention to launch new deposit products throughout the year due to loan expansion. Besides, commercial banks had more borrowings from the issues of subordinated bonds and bonds overseas. Higher loan expansion, however, led to tight liquidity in overall Thai banking industry.

In terms of profitability, commercial banks saw an increase in combined net profits of 21.2% from the previous year, mainly from net interest income and non-interest income as well as a reduction of corporate income tax to 23%. But the average net interest margin to asset ratio in 2013 was nearly the same level as the previous year.

Outlook of Banking Industry and Competition in 2014^{/4}

For outlook of banking industry in 2014, loan demand will continue to rise. If there are no negative factors, lending growth will probably reach 10%. Still, competition among commercial banks will become more intense both in terms of loan expansion and deposit mobilization. There will be new financial instruments as investment alternatives for depositors such as the issues of corporate debentures, mutual funds and infrastructure funds. As a result, commercial banks will have to periodically introduce special deposit products to maintain their customers. Meanwhile, seeking 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 non-interest income which is an important source of income in enhancing profitability.

In the advent of ASEAN Economic Community (AEC), commercial banks, particularly the big ones, have considerably expanded their business to other ASEAN countries in forms of branch expansion and forging partnership with local banks to accommodate more customers in business expansion.

Analysis of Banking Industry Influencing The Bank's Performance

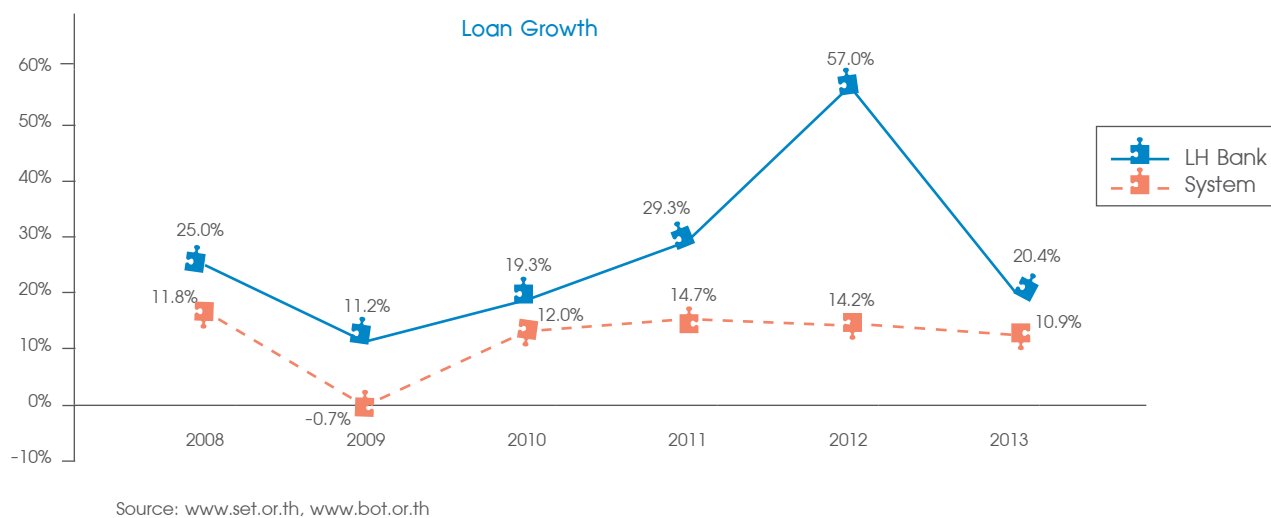
For the key strategy in 2014, the bank maintains its focus on market share expansion through expansion in loan amount, deposit, branch expansion in Bangkok, vicinity provinces and upcountry in order to add more service channels, boost flexibility and facilitate customers with complete financial services including new services such as Cash management and Internet banking.

Note

^{/3} Source : The Stock Exchange of Thailand and the Bank of Thailand January 2014

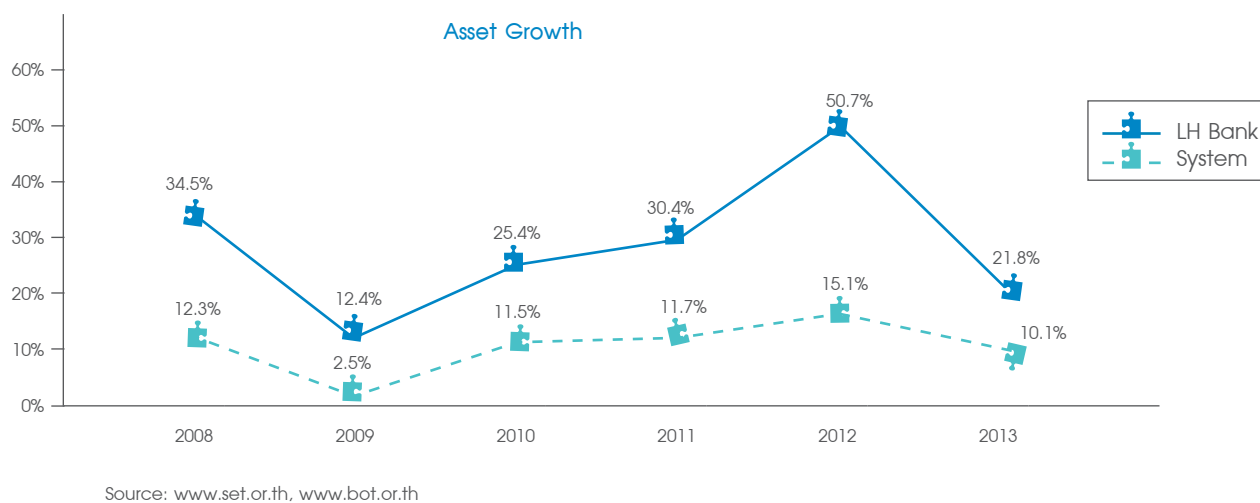
^{/4} Source : Kasikorn Research Center January 2014

Table: Loan growth rate compared to overall banking industry



As at 31 December 2013, the bank had loan growth rate of 20.4%, higher than overall banking industry's growth of 10.9%

Table: Asset growth rate compared to overall banking industry



As at 31 December 2013, the bank had asset growth rate of 21.8%, higher than overall banking industry's growth of 10.1%

1.3 Operating Results classified by business group

1. Investment Business Group

LH Financial Group Public Company Limited and its subsidiaries had the operating results as follows:

| Financial Ratio | 2013 | 2012 | 2011 |
|---|--------|---------|---------|
| <u>Profitability Ratio</u> | | | |
| Gross profit margin | 47.74% | 49.06% | 58.81% |
| Net profit margin | 26.95% | 27.48% | 26.45% |
| Return on Equity | 6.12% | 4.97% | 5.08% |
| Yield on interest income | 5.07% | 5.29% | 4.91% |
| Yield on interest expense | 3.36% | 3.39% | 2.85% |
| Net Interest margin | 1.71% | 1.90% | 2.06% |
| Return on Investment | 4.92% | 4.74% | 4.21% |
| <u>Efficiency Ratio</u> | | | |
| Net interest income to assets ratio | 2.06% | 2.09% | 2.42% |
| Return on asset (ROA) | 0.66% | 0.67% | 0.69% |
| Total Asset turnover (time) | 0.02 | 0.02 | 0.03 |
| <u>Financial Ratio</u> | | | |
| Debt to equity ratio (time) | 8.93 | 7.64 | 5.10 |
| Loans to borrowings ratio | 95.26% | 101.22% | 94.47% |
| Loans to deposits ratio | 95.45% | 102.42% | 247.49% |
| Deposits to total liabilities ratio | 81.15% | 77.84% | 32.76% |
| Dividend payout ratio | 0.00% | 61.90% | 287.40% |
| Total capital funds to risk assets ratios | 13.38% | 16.17% | 24.81% |
| <u>Asset Quality Ratio</u> | | | |
| Loan loss reserve ratio | 1.38% | 1.08% | 1.19% |
| Bad debts to total loans ratio | 0.50% | 0.32% | 0.33% |
| Non-performing loan to total loans ratio | 1.91% | 2.10% | 1.92% |
| Accrued interest receivables to total loans ratio | 0.20% | 0.19% | 0.23% |
| <u>Comparing per Share (Baht)</u> | | | |
| Book value per share | 1.1813 | 1.1826 | 1.1604 |
| Earning per share (EPS) | 0.0716 | 0.0573 | 0.0454 |

Overall Performance

The Analysis of operating results of the LH Financial Group Public Company Limited and its subsidiaries performance is comparative performance of the year 2013 compared to the year 2012.

In 2013, LH Financial Group Public Company Limited and its subsidiaries posted pre-tax operating profit in consolidated financial statement of Baht 1,100.37 million, rising Baht 201.70 million or 22.45% from Baht 898.67 million in 2012. After deducting income taxes of Baht 206.97 million in 2013, the Company's net profit was BAHT 893.40 million, up BAHT 210.62 million or 30.85% from BAHT 682.78 million in 2012. An increase in net profit compared to the same period last year was mainly contributed by a 31.49% increase in net interest income and a 119.35% growth in net fee and service income following the growth of all loan types.

In 2013, the company and its subsidiaries recorded profit from operating before bad debts and doubtful accounts of BAHT 1,626.37 million, rising BAHT 450.70 million or 38.34% compared to the year 2012 of BAHT 1,175.67 million.

The profit from operating before bad debts and doubtful accounts to total revenues ratio in 2013 was 49.06%, up from 47.32% in 2012, mainly from an increase in interest income due to loan growth.

Basic earning per share in 2013 was 0.0716 baht per share, compared to the previous year at 0.0573 baht per share. The return on equity (ROE) for the year 2013 were 6.12% and the year 2012 were 4.97%.

Table: Operating Results

| Operating Results | Consolidated Financial Statements | | | Change (2013 compared to 2012) Addition (Reduction) | |
|--|-----------------------------------|--------------------------|--------------------------|---|--------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Net interest income | 2,798.73 | 2,128.43 | 1,737.31 | 670.30 | 31.49 |
| Net fees and service income | 249.01 | 113.52 | 61.30 | 135.49 | 119.35 |
| Total dividend income and other operating income | 267.65 | 242.37 | 76.23 | 25.28 | 10.43 |
| Total operating income | 3,315.39 | 2,484.32 | 1,874.84 | 831.07 | 33.45 |
| Other operating expenses | (1,689.03) | (1,308.65) | (957.53) | 380.38 | 29.07 |
| Profit from operating | 1,626.37 | 1,175.67 | 917.31 | 450.70 | 38.34 |
| Bad debts, doubtful accounts and impairment loss | (526.00) | (277.00) | (180.00) | 249.00 | 89.89 |
| Profit from operating before income taxes | 1,100.37 | 898.67 | 737.31 | 201.70 | 22.45 |
| Income tax | (206.97) | (215.89) | (241.48) | (8.92) | (4.13) |
| Net profit | 893.40 | 682.78 | 495.83 | 210.62 | 30.85 |
| Basic earning per share (EPS) (Baht) | 0.0716 | 0.0573 | 0.0454 | - | - |
| Return on equity ratio (ROE) | 6.12 % | 4.97 % | 5.08 % | - | - |
| Return on total assets ratio (ROA) | 0.66 % | 0.67 % | 0.69 % | - | - |

1.1 Structure of Operating Income

Structure of operating income of LH Financial Group Public Company Limited and its subsidiaries for the year 2013, 2012 and 2011 is as follows:

Operating Income

In 2013, the company and its subsidiaries recorded operating income of BAHT 3,315.39 million, rising BAHT 831.07 million or 33.45% compared to BAHT 2,484.32 million in 2012 due to an increase in net interest income, net fee and service income and other income. In 2013, interest expenses were BAHT 3,719.46 million, rising BAHT 991.77 million or 36.36% compared to BAHT 2,727.69 million in 2012 as the following details:

Table: Total Operating Income

| Total Operating Income | Consolidated Financial Statements | | | Change (2013 compared to 2012) Addition (Reduction) | |
|---|-----------------------------------|--------------------------|--------------------------|---|---------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Interest income | 6,518.19 | 4,856.12 | 3,380.18 | 1,662.07 | 34.23 |
| Interest expenses | (3,719.46) | (2,727.69) | (1,642.87) | 991.77 | 36.36 |
| Net interest income | 2,798.73 | 2,128.43 | 1,737.31 | 670.30 | 31.49 |
| Fee and service income | 299.13 | 153.45 | 88.65 | 145.68 | 94.94 |
| Fee and service expenses | (50.12) | (39.93) | (27.35) | 10.19 | 25.52 |
| Net fee and service income | 249.01 | 113.52 | 61.30 | 135.49 | 119.35 |
| Gains on investments | 210.39 | 145.93 | 73.47 | 64.46 | 44.17 |
| Net gain (loss) on trading transactions | (30.80) | 48.82 | - | (79.62) | (163.09) |
| Dividend income | 80.86 | 43.78 | 0.42 | 37.08 | 84.70 |
| Other operating income | 7.20 | 3.84 | 2.34 | 3.36 | 87.50 |
| Total other operating income | 267.65 | 242.37 | 76.23 | 25.28 | 10.43 |
| Total operating income | 3,315.39 | 2,484.32 | 1,874.84 | 831.07 | 33.45 |
| Net interest income to the performing financial assets ratio | 2.18% | 2.32% | 2.52% | - | - |

Net interest income

Net interest income was BAHT 2,798.73 million, rising BAHT 670.30 million or 31.49% from BAHT 2,128.43 million in 2012 due to interest income of BAHT 6,518.19 million, rising BAHT 1,662.07 million or 34.23% from BAHT 4,856.12 million in 2012 following continued loan growth.

Interest expenses were BAHT 3,719.46 million, rising BAHT 991.77 million or 36.36% from BAHT 2,727.69 million in 2012 following rising interest rate in the market which resulted in Net interest income to the performing financial assets ratio of 2.18% in 2013.

Net non-interest income

Net non-interest income included net fee and service income, gains on investments, net gain (loss) on trading transactions, dividend income and other operating income. Net non-interest income continued rising from BAHT 355.89 million in 2012 to BAHT 516.66 million in 2013, up BAHT 160.77 million

- Net fee and service income

Net fee and service income totaled BAHT 249.01 million, up BAHT 135.49 million or 119.35% from BAHT 113.52 million in 2012, contributed by an increase in fee and service income related to continued loan growth, rising mutual fund management fee and fund registrar fee along with the rising number of funds under management of the subsidiaries.

- Other income

Other income totaled BAHT 267.65 million, rising BAHT 25.28 million or 10.43% from BAHT 242.37 million in 2012, due to an increase in gains on investments and dividend income.

Other operating expenses

In 2013, total other operating expenses was BAHT 1,689.03 million, up BAHT 380.38 million or 29.07% from BAHT 1,308.65 million in 2012. It was mainly from an increase in the subsidiaries' employee's expenses for business expansion and expenses related premises and equipment expenses following outlet expansion from 65 branches at the end of 2012 to 100 branches at the end of 2013.

Table: Other operating expenses

| Other operating expenses | Consolidated Financial Statements | | | Change (2013 compared to 2012) Addition (Reduction) | |
|--|-----------------------------------|--------------------------|--------------------------|---|--------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Employees' expenses | 767.73 | 606.28 | 463.65 | 161.45 | 26.63 |
| Directors' remuneration | 9.53 | 8.19 | 7.16 | 1.34 | 16.36 |
| Premises and equipment expenses | 512.91 | 381.25 | 273.44 | 131.66 | 34.53 |
| Tax and duties | 172.31 | 126.71 | 82.25 | 45.60 | 35.99 |
| Advertising and promotion expenses | 81.69 | 62.39 | 40.20 | 19.30 | 30.93 |
| Amortization and Intangible assets | 57.17 | 44.08 | 31.39 | 13.09 | 29.70 |
| Other expenses | 87.69 | 79.75 | 59.44 | 7.94 | 9.96 |
| Total other operating expenses | 1,689.03 | 1,308.65 | 957.53 | 380.38 | 29.07 |
| Total operating expenses to total operating income ratio | 50.95% | 52.68% | 51.07% | - | - |

- Personnel expenses

Employees' expenses were BAHT 767.73 million, up BAHT 161.45 million or 26.63% from BAHT 606.28 million in 2012, resulting from an increase in salary, annual bonus and the number of employees for business expansion.

As at 31 December 2013, the Company had 1 employee and its subsidiaries had 1,334 employees, up 177 employees compared to 1,157 employees in 2012, mainly due to an increase in the number of branches.

| | 31 December 2013 | | 31 December 2012 | | 31 December 2011 | |
|------------------------|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|
| | Company ¹ | Bank ² | Company ¹ | Bank ² | Company ¹ | Bank ² |
| The number of employee | 1 | 1,334 | 1 | 1,157 | 2 | 934 |

Note Company¹ LH Financial Group Public Company Limited
Bank² Land and Houses Bank Public Company Limited

- Premises and equipment expenses

Premises and equipment expenses were BAHT 512.91 million, up BAHT 131.66 million or 34.53% compared to BAHT 381.25 million in 2012, as a result of branch expansion of the subsidiaries.

- Advertising and promotion expenses

Advertising and promotion expenses were BAHT 81.69 million, up BAHT 19.30 million or 30.93% compared to BAHT 62.39 million in 2012, mainly from mortgage fee paid to customers by the subsidiaries and advertising and public relations expenses.

- Other expenses

Other expenses were BAHT 87.69 million, up BAHT 7.94 million or 9.96% compared to BAHT 79.75 million in 2012.

Bad Debts, Doubtful Accounts and Impairment Loss

In 2013, bad debts and doubtful accounts were BAHT 526.00 million, up BAHT 249.00 million or 89.89% compared to BAHT 277.00 million in 2012, resulting from an increase in provision according to minimum ratio of the BOT's criteria following loan growth and also additional provision amidst possible uncertainty in domestic economy.

1.2 Asset Management Efficiency

An Analysis of Financial Positions

An analysis of financial positions of the company and its subsidiaries was a comparison of financial positions as of 31 December 2013 and 31 December 2012.

Table: Total Assets

| Total Assets | Consolidated Financial Statements | | | Change (2013 compared to 2012) Addition (Reduction) | |
|---|-----------------------------------|--------------------------|--------------------------|---|--------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Assets | | | | | |
| Cash | 1,726.30 | 1,619.46 | 822.51 | 106.84 | 6.60 |
| Interbank and money market items-net | 7,010.08 | 5,031.98 | 5,342.76 | 1,978.10 | 39.31 |
| Investments-net | 36,466.10 | 29,138.95 | 19,860.14 | 7,327.15 | 25.15 |
| Loans to customers and accrued interest receivables | | | | | |
| Loans to customers | 103,969.33 | 86,248.24 | 54,964.78 | 17,721.09 | 20.55 |
| Accrued interest receivables | 206.15 | 163.07 | 129.20 | 43.08 | 26.42 |
| Total loans to customers and accrued interest receivables | 104,175.48 | 86,411.31 | 55,093.98 | 17,764.17 | 20.56 |
| Less: Deferred revenue | (320.24) | (148.17) | (17.43) | 172.07 | 116.13 |
| Allowance for doubtful debts | (1,422.29) | (914.01) | (585.46) | 508.28 | 55.61 |
| Revaluation allowance for debt restructuring | (11.18) | (14.93) | (68.01) | (3.75) | (25.12) |
| Loans to customers and accrued interest receivables-net | 102,421.77 | 85,334.20 | 54,423.08 | 17,087.57 | 20.02 |
| Land, Premises and equipment -net | 494.28 | 434.93 | 276.41 | 59.35 | 13.65 |
| Intangible assets-net | 209.05 | 233.91 | 146.62 | (24.86) | (10.63) |
| Deferred tax assets-net | 127.45 | - | 0.31 | 127.45 | n/a |
| Accrued interest receivables on investments | 356.86 | 286.99 | 182.47 | 69.87 | 24.35 |
| Other assets-net | 286.82 | 288.35 | 135.25 | (1.53) | (0.53) |
| Total assets | 149,098.71 | 122,368.77 | 81,189.55 | 26,729.94 | 21.84 |

Total Assets

As at 31 December 2013, total assets were BAHT 149,098.71 million, up BAHT 26,729.94 million or 21.84% compared to BAHT 122,368.77 million in 2012. Main assets included loans to customer and accrued interest receivables-net, accounting for 68.69% of total assets, followed by investment-net, accounting for 24.46% of total assets.

Investments-net

As at 31 December 2013, investments-net in equity at book value was BAHT 36,466.10 million, up BAHT 7,327.15 million or 25.15% compared to BAHT 29,138.95 million in 2012, mainly from investment in government and state enterprise securities and private sector debt securities.

Table: Investment classified by type of investment at book value

| Investments-net | Consolidated Financial Statements | | | Change (2013 compared to 2012) Addition (Reduction) | |
|---|-----------------------------------|--------------------------|--------------------------|---|--------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | Addition (Reduction) | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Trading securities | | | | | |
| Domestic marketable equity securities | 26.40 | 248.01 | - | (221.61) | (89.36) |
| Total trading securities | 26.40 | 248.01 | - | (221.61) | (89.36) |
| Available - for - sale investments | | | | | |
| Government and state enterprise securities | 2,311.98 | 3,065.48 | 3,253.32 | (753.50) | (24.58) |
| Private sector debt securities | 326.07 | - | - | 326.07 | n/a |
| Domestic marketable equity securities | 1,988.67 | 1,530.21 | - | 458.46 | 29.96 |
| Total available - for - sale investments | 4,626.72 | 4,595.69 | 3,253.32 | 31.03 | 0.68 |
| Held-to-maturity debt securities | | | | | |
| Government and state enterprise securities | 16,798.86 | 16,046.02 | 13,921.37 | 752.84 | 4.69 |
| Private sector debt securities | 15,009.32 | 8,244.43 | 2,680.65 | 6,764.89 | 82.05 |
| Total held-to-maturity debt securities | 31,808.18 | 24,290.45 | 16,602.02 | 7,517.73 | 30.95 |
| General Investments - Cost | | | | | |
| Non - marketable equity securities | 5.37 | 5.37 | 5.37 | - | - |
| Less: Allowance for impairment | (0.57) | (0.57) | (0.57) | - | - |
| General investments - net | 4.80 | 4.80 | 4.80 | - | - |
| Investments - Net | 36,466.10 | 29,138.95 | 19,860.14 | 7,327.15 | 25.15 |

Loans

As at 31 December 2013, net loans from deferred income (including interbank and money market items) of the Bank totaled BAHT 108,487.54 million, up BAHT 19,111.64 million or 21.38% compared to BAHT 89,375.90 million in 2012. They were mainly from big corporate and corporate loans accounting for 48.15%, followed by retail loans accounting for 31.47% of total loans.

Table: Loans classified by business sector

| Loans classified by business sector | Consolidated Financial Statements | | | Change (2013 compared to 2012) Addition (Reduction) | |
|--|-----------------------------------|--------------------------|--------------------------|---|--------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Big Corporate & Corporate loans | 52,233.84 | 36,403.50 | 6,490.41 | 15,830.34 | 43.49 |
| SMEs & SSME loans | 22,112.60 | 20,517.52 | 20,358.03 | 1,595.08 | 7.77 |
| Retail loans | 34,141.10 | 32,454.88 | 31,533.23 | 1,686.22 | 5.20 |
| Net loans of deferred revenue | 108,487.54 | 89,375.90 | 58,381.67 | 19,111.64 | 21.38 |
| Add : Accrued interest receivables | 208.81 | 163.96 | 129.20 | 44.85 | 27.35 |
| Total net loans and accrued interest receivables of deferred income | 108,696.35 | 89,539.86 | 58,510.87 | 19,156.49 | 21.39 |

Table: Loans Classified by Type of Loans

| Loans classified by type of loans | Consolidated Financial Statements | | | Change (2013 compared to 2012) Addition (Reduction) | |
|---|-----------------------------------|--------------------------|--------------------------|---|--------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Housing loans | 32,273.40 | 30,802.36 | 29,024.69 | 1,471.04 | 4.78 |
| Manufacturing and commerce | 19,827.16 | 17,103.47 | 5,405.77 | 2,723.69 | 15.92 |
| Public utilities and services | 26,248.89 | 20,863.96 | 9,633.20 | 5,384.93 | 25.81 |
| Real estate and construction | 12,068.50 | 9,096.69 | 6,257.24 | 2,971.81 | 32.67 |
| Agricultural and mining | 517.03 | 447.55 | 99.92 | 69.48 | 15.52 |
| Financial intermediation | 10,620.63 | 5,803.97 | 3,125.69 | 4,816.66 | 82.99 |
| Saving cooperative | 4,338.44 | 2,675.83 | 3,434.32 | 1,662.61 | 62.13 |
| Others | 2,593.49 | 2,582.07 | 1,400.84 | 11.42 | 0.44 |
| Total net loans from deferred income | 108,487.54 | 89,375.90 | 58,381.67 | 19,111.64 | 21.38 |

Asset Quality

As at 31 December 2013, classified assets included interbank and money market and accrued interest receivables, investments, loans and accrued interest receivables and other assets. Asset classification was carried out according to criteria prescribed by the Bank of Thailand in the following details.

Table: Asset Classification by Type of Asset

| Asset Classification by Type of Asset | Consolidated Financial Statements | | | Change (2013 compared to 2012) Addition (Reduction) | |
|--|-----------------------------------|--------------------------|--------------------------|---|--------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Interbank and money market and accrued interest receivables | | | | | |
| - Pass | 4,841.10 | 3,276.71 | 3,785.41 | 1,564.39 | 47.74 |
| Investments | | | | | |
| - Doubtful of loss | 115.59 | 0.57 | 0.57 | 115.02 | 20,178.95 |
| Loans and accrued interest receivables | | | | | |
| - Pass | 100,187.65 | 83,433.78 | 52,570.43 | 16,753.87 | 20.08 |
| - Special - mention | 1,687.45 | 1,205.52 | 1,529.68 | 481.93 | 39.98 |
| - Sub - standard | 414.89 | 78.20 | 169.77 | 336.69 | 430.55 |
| - Doubtful | 550.54 | 924.16 | 346.65 | (373.62) | (40.43) |
| - Doubtful of loss | 1,014.71 | 621.48 | 460.01 | 393.23 | 63.27 |
| Other assets | | | | | |
| - Doubtful of loss | 25.89 | 20.06 | 12.30 | 5.83 | 29.06 |

Allowance for Doubtful Accounts

As at 31 December 2013, allowance for doubtful accounts was BAHT 1,422.29 million, up BAHT 508.28 million or 55.61% compared to BAHT 914.01 million in 2012, in line with loan growth and preparation for possible uncertainty in domestic economy. Allowance for doubtful accounts to total loans was 1.38%, up from 1.08% in 2012.

Table: Allowance for Doubtful Accounts classified by debtor classification

| Loans to customers and accrued interest receivables and allowance for doubtful accounts classified by debtor classification | Consolidated Financial Statements | | | | | | | | Change (2013 compared to 2012) Addition (Reduction) | |
|---|---|---------------|---------------------------------|---------------|---|---------------|---------------------------------|---------------|---|--------------|
| | 31 December 2013 | | | | 31 December 2012 | | | | | |
| | Loans to customers and accrued interest receivables | | Allowance for doubtful accounts | | Loans to customers and accrued interest receivables | | Allowance for doubtful accounts | | | |
| | Amount (Million Baht) | Ratio (%) | Amount (Million Baht) | Ratio (%) | Amount (Million Baht) | Ratio (%) | Amount (Million Baht) | Ratio (%) | Amount (Million Baht) | Ratio (%) |
| Pass | 100,187.65 | 96.47 | 348.08 | 24.47 | 83,433.78 | 96.72 | 264.20 | 28.91 | 83.88 | 31.75 |
| Special - mention | 1,687.46 | 1.62 | 3.40 | 0.24 | 1,205.53 | 1.40 | 1.85 | 0.20 | 1.55 | 83.78 |
| Sub - standard | 414.89 | 0.40 | 138.08 | 9.71 | 78.20 | 0.09 | 18.95 | 2.07 | 119.13 | 628.65 |
| Doubtful | 550.54 | 0.53 | 228.36 | 16.06 | 924.16 | 1.07 | 309.43 | 33.85 | (81.07) | (26.20) |
| Doubtful of loss | 1,014.71 | 0.98 | 386.25 | 27.16 | 621.48 | 0.72 | 211.49 | 23.14 | 174.76 | 82.63 |
| Total | 103,855.25 | 100.00 | 1,104.17 | 77.63 | 86,263.15 | 100.00 | 805.92 | 88.17 | 298.25 | 37.01 |
| Additional provision for specific debtors | - | - | - | - | - | - | 16.81 | 1.84 | (16.81) | (100.00) |
| General Provision | - | - | 318.12 | 22.37 | - | - | 91.28 | 9.99 | 226.84 | 248.51 |
| Total | 103,855.25 | 100.00 | 1,422.29 | 100.00 | 86,263.15 | 100.00 | 914.01 | 100.00 | 508.28 | 55.61 |

As at 31 December 2013, the bank's loans classified by overdue debtors were as follows:

Table: Loans to customers classified by periods to maturity

| Loans to customers | Consolidated Financial Statements | | | Change (2013 compared to 2012) Addition (Reduction) | |
|--------------------|-----------------------------------|--------------------------|--------------------------|---|--------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Att call | 8,072.64 ^{/1} | 6,866.73 ^{/1} | 5,156.52 ^{/1} | 1,205.91 | 17.56 |
| Less than 3 months | 15,063.07 | 12,630.56 | 6,907.10 | 2,432.51 | 19.26 |
| 3 - 12 months | 12,104.30 | 8,116.01 | 3,551.75 | 3,988.29 | 49.14 |
| More than 1 year | 68,729.32 | 58,634.94 | 39,349.41 | 10,094.38 | 17.22 |
| Total | 103,969.33 | 86,248.24 | 54,964.78 | 17,721.09 | 20.55 |

Note ^{/1} Loans to customers of due on demand included outstanding amount in the contract of debtors with default payment and were non-performing loans.

Troubled Debt Restructuring

As at 31 December 2013, there were 12,098 debtors in total, of which 380 were restructured debtors having total outstanding debts of BAHT 2,767.08 million.

Table: Troubled Debt Restructuring

| Debtors | Consolidated Financial Statements | | | Change (2013 compared to 2012) Addition (Reduction) | |
|---|-----------------------------------|--------------------------|--------------------------|---|--------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Total debts | | | | | |
| - Number of debtors | 12,098 | 11,125 | 9,922 | 973 | 8.75 |
| - Debt balance (principal and interest) | 103,855.25 | 86,263.15 | 55,076.55 | 17,592.10 | 20.39 |
| Restructured debts | | | | | |
| - Number of debts | 380 | 349 | 324 | 31 | 8.88 |
| - Debt balance (principal and interest) | 2,767.08 | 1,872.18 | 1,547.30 | 894.90 | 47.80 |

Non-performing loans

As at 31 December 2013, gross non-performing loans were BAHT 1,980.14 million, up BAHT 356.30 million or 21.94% compared to BAHT 1,623.84 million in 2012. The increase was in line with higher loans. Non-performing loan to total loans ratio accounted for 1.82% of total loans, unchanged from the previous year.

Net non-performing loans were BAHT 1,227.45 million, accounting for 1.14% of total loans after deducting allowance for doubtful accounts of non-performing loans.

Total Liabilities

As at 31 December 2013, total liabilities were BAHT 134,077.51 million, up BAHT 25,875.20 million or 23.91% compared to BAHT 108,202.31 million in 2012, mostly from deposits and interbank and money market items, accounting for 81.15% and 17.54% of total liabilities, respectively.

Table: Liabilities classified by type of liability

| Liabilities classified by type of liability | Consolidated Financial Statements | | | Change (2013 compared to 2012) Addition (Reduction) | |
|---|-----------------------------------|--------------------------|--------------------------|---|--------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Deposits | 108,805.48 | 84,223.51 | 22,254.49 | 24,581.97 | 29.19 |
| Interbank and money market items | 23,513.46 | 21,870.55 | 8,827.90 | 1,642.91 | 7.51 |
| Liabilities payable on demand | 214.56 | 233.58 | 182.59 | (19.02) | (8.14) |
| Debts issued and borrowings | 3.20 | 769.05 | 35,864.78 | (765.85) | (99.58) |
| Others liabilities | 1,540.81 | 1,105.62 | 747.58 | 435.19 | 39.36 |
| Total liabilities | 134,077.51 | 108,202.31 | 67,877.34 | 25,875.20 | 23.91 |

1.3 Capital Adequacy

Sources and Uses of Fund

As at 31 December 2013, capital structure according to the consolidated financial statement comprised liabilities of BAHT 134,077.51 million and owners' equity of BAHT 15,021.20 million, accounting for 8.93 times of debt to equity ratio. Sources of fund composition in terms of liabilities included deposits accounting for 72.98% of sources of fund, interbank and money market items accounting for 15.77% and long-term borrowing and others accounting for 1.18%, while owners' equity accounted for 10.07%

Relations of Sources and Uses of Fund

As at 31 December 2013, loans to customers (before deducting deferred income) totaled BAHT 103,969.33 million. Loans to deposits ratio of the Bank accounted for 95.56%. The Bank invested remaining liquidity in liquid assets such as interbank and money market items and equity investment.

Significant sources and uses of fund as at 31 December 2013 could be divided by contract maturity date. Deposits aged less than 1 year totaled BAHT 101,996.79 million, accounting for 93.74% of total deposits. Loans for debtors aged less than 1 year totaled BAHT 35,240.01 million, accounting for 33.89% of total loans. Deposits aged over 1 year totaled BAHT 6,808.69 million, accounting for 6.26% of total deposits. Loans aged over 1 year totaled BAHT 68,729.32 million, accounting for 66.11% of total loans.

Table: Sources and uses of fund

| Periods | Deposits | | | | Loans | | | |
|------------------|--------------------------|---------------|--------------------------|---------------|--------------------------|---------------|--------------------------|---------------|
| | 31 December 2013 | | 31 December 2012 | | 31 December 2013 | | 31 December 2012 | |
| | Amount (Million Baht) | Ratio (%) | Amount (Million Baht) | Ratio (%) | Amount (Million Baht) | Ratio (%) | Amount (Million Baht) | Ratio (%) |
| Less than 1 year | 101,996.79 | 93.74 | 79,280.19 | 94.13 | 35,240.01 | 33.89 | 27,613.31 | 32.02 |
| More than 1 year | 6,808.69 | 6.26 | 4,943.32 | 5.87 | 68,729.32 | 66.11 | 58,634.94 | 67.98 |
| Total | 108,805.48 | 100.00 | 84,223.51 | 100.00 | 103,969.33 | 100.00 | 86,248.24 | 100.00 |

Liquidity

As at 31 December 2013, the company had total cash of BAHT 1,726.30 million, up BAHT 106.84 million or 6.60% compared to BAHT 1,619.46 million in 2012 and net cash flow from operating activities totaled BAHT 6,448.40 million, mainly resulting from deposit expansion. Net cash flow from financing activities totaled BAHT 328.67 million, boosted by fund raising and exercise of warrants. Net cash flow spent in investment activities totaled BAHT 6,670.23 million, mainly for available for sale investment and held-to-maturity equity.

Owners' Equity

As at 31 December 2013, owners' equity totaled BAHT 15,021.20 million, up BAHT 854.74 million or 6.03% compared to BAHT 14,166.46 million in 2012. An increase in owners' equity was mainly contributed by profit from operating of BAHT 893.40 million in 2013 and exercise of ordinary share buying warrant of BAHT 329.52 million during the year 2013.

Fund Adequacy and Maintaining Capital to Risk-Weighted Asset Ratio

As at 31 December 2013, Land and Houses Bank Public Company Limited maintained the capital fund to risk assets ratio of 13.38%, higher than minimum 8.50% ratio required by the Bank of Thailand and down from BIS ratio as of 31 December 2012 at 16.17%.

Its Tier 1 capital was 12.69%, higher than the 6.00% minimum requirement by the Bank of Thailand.

Table: Capital fund to risk assets ratio

| Capital fund to risk assets ratio | 31 December 2013 | | 31 December 2012 | | 31 December 2011 | |
|--|--------------------------|--------------|--------------------------|--------------|--------------------------|--------------|
| | Amount (Million Baht) | Ratio (%) | Amount (Million Baht) | Ratio (%) | Amount (Million Baht) | Ratio (%) |
| Common equity tier 1 capital fund | | | | | | |
| The bank | 13,206.94 | 12.69 | - | - | - | - |
| Minimum rates required by raw | | 4.50 | - | - | - | - |
| The difference | | 8.19 | - | - | - | - |
| Tier 1 capital fund | | | | | | |
| The bank | 13,206.94 | 12.69 | 12,862.61 | 15.56 | 12,111.53 | 24.41 |
| Minimum rates required by raw | | 6.00 | | 4.25 | | 4.25 |
| The difference | | 6.69 | | 11.31 | | 20.16 |
| Total capital funds | | | | | | |
| The bank | 13,921.53 | 13.38 | 13,372.44 | 16.17 | 12,310.29 | 24.81 |
| Minimum rates required by raw | | 8.50 | | 8.50 | | 8.50 |
| The difference | | 4.88 | | 7.67 | | 16.31 |

Off-Balance Sheet Commitments

As at 31 December 2013, Land and Houses Bank Public Company Limited had off-balance sheet commitments of BAHT 6,409.90 million, up BAHT 176.44 million compared to 2012 at BAHT 6,233.46 million, or up 2.83%.

Table: Off-Balance Sheet Commitments

| Off-Balance Sheet Commitments | Consolidated Financial Statements | | | Change (2013 compared to 2012) Addition (Reduction) | |
|-------------------------------------|-----------------------------------|--------------------------|--------------------------|---|--------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Aval to bills | 548.38 | 428.88 | 277.44 | 119.50 | 27.86 |
| Other guarantees | 2,276.28 | 2,447.53 | 1,203.17 | (171.25) | (7.00) |
| Undrawn bank overdrafts | 3,585.24 | 3,357.05 | 2,431.78 | 228.19 | 6.80 |
| Total off-balance sheet commitments | 6,409.90 | 6,233.46 | 3,912.39 | 176.44 | 2.83 |

Credit Rating

Land and Houses Bank Public Company Limited has been assigned a “A-” (Single A Minus) corporate credit rating with “Stable” outlook by TRIS Rating Co., Ltd., reflecting continually improving business status, good asset quality and solid capital of the Bank.

1.4 Factors Influencing Future Operating Results

Key factors likely influencing future operating results include uncertain political situation which may influence investment decision of industry sector and pose higher loan risks, especially in terms of consumer confidence which is a major drive to the country's GDP growth.

2. Commercial Bank Business

Loans

Loans classified by business sector included Big Corporate & Corporate loans, SMEs & SSME loans and Retail loans.

As at 31 December 2013, net loans from deferred income (including interbank and money market items) of the Bank totaled BAHT 108,487.54 million, up BAHT 19,111.64 million or 21.38% compared to BAHT 89,375.90 million in 2012. They were mainly Big Corporate & Corporate loans, accounting for 48.15%, followed by Retail loans accounting for 31.47% of total loans. When classied by type of loans, housing loans and utilities and service loans accounted for 29.75% and 24.20% of total loans, respectively.

Table: Loans classified by business sector

| Loans classified by business sector | Consolidated Financial Statements | | | Change (2013 compared to 2012) Addition (Reduction) | |
|---|-----------------------------------|--------------------------|--------------------------|---|--------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Big Corporate & Corporate loans | 52,233.84 | 36,403.50 | 6,490.41 | 15,830.34 | 43.49 |
| SMEs & SSME loans | 22,112.60 | 20,517.52 | 20,358.03 | 1,595.08 | 7.77 |
| Retail loans | 34,141.10 | 32,454.88 | 31,533.23 | 1,686.22 | 5.20 |
| Net loans of deferred revenue | 108,487.54 | 89,375.90 | 58,381.67 | 19,111.64 | 21.38 |
| Add : accrued interest receivables | 208.81 | 163.96 | 129.20 | 44.85 | 27.35 |
| Total net loans and accrued interest receivables of deferred revenue | 108,696.35 | 89,539.86 | 58,510.87 | 19,156.49 | 21.39 |

Deposits

As at 31 December 2013, total deposits amounted BAHT 108,805.48 million, up BAHT 24,581.97 million or 29.19% from the end of 2012. Deposits were mainly fixed deposits totaling BAHT 78,165.89 million or 71.84% of total deposits. Total liquidity was about 9.00%, higher than minimum 6.0% ratio required by the Bank of Thailand.

Table: Deposits classified by type of deposits

| Deposits classified by type of deposits | Consolidated Financial Statements | | | Change | |
|---|-----------------------------------|--------------------------|--------------------------|---|--------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | (2013 compared to 2012) Addition (Reduction) | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Demand deposits | 3,869.93 | 4,369.11 | 795.25 | (499.18) | (11.43) |
| Savings deposits | 26,769.66 | 29,659.43 | 9,260.60 | (2,889.77) | (9.74) |
| Time deposits | 35,409.88 | 26,607.60 | 8,710.48 | 8,802.28 | 33.08 |
| Fixed deposit receipt | 42,756.01 | 23,587.37 | 3,488.16 | 19,168.64 | 81.27 |
| Total deposits | 108,805.48 | 84,223.51 | 22,254.49 | 24,581.97 | 29.19 |

3. Asset Management Business

Fee and service income

In 2013, fee and service income totaled BAHT 79.13 million, up BAHT 48.61 million or 159.27% compared to BAHT 30.52 million in 2012. Fee income was mainly from mutual fund management and fund registrar, accounting for 64.92% and 30.95% of total fee and service income, respectively, and in line with the number of funds and funds' net asset value.

Table: Fee and Service Income

| Fee and service income | Separate Financial Statements | | | Change | |
|-------------------------------------|-------------------------------|--------------------------|--------------------------|---|---------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2011 | (2013 compared to 2012) Addition (Reduction) | |
| | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Amount (Million Baht) | Ratio (%) |
| Mutual fund management | 51.37 | 21.68 | 1.90 | 29.69 | 136.95 |
| Registrar fee | 24.49 | 8.82 | 0.60 | 15.67 | 177.66 |
| Repurchase of investment units | 2.98 | - | - | 2.98 | n/a |
| Redemption of investment units | 0.29 | 0.02 | 0.01 | 0.27 | 1,350.00 |
| Total fee and service income | 79.13 | 30.52 | 2.51 | 48.61 | 159.27 |

Number of Fund Under Management

As at 31 December 2013, there were 34 funds in total, up 13 funds or 61.90% compared to 21 funds in 2012, and Net Asset Value (NAV) of funds totaled BAHT 29,878.67 million, up BAHT 3,464.04 million or 13.11% compared to BAHT 26,414.63 million in 2012.

Table: Number of Funds and Net Asset Value (NAV)

| Type of Fund | Separate Financial Statements | | | | | | Change (2013 compared to 2012) | | | |
|---|-------------------------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|-----------------------------------|-----------------------|--------------|-----------------------|
| | 31 December 2013 | | 31 December 2012 | | 31 December 2011 | | Change | | Ratio | |
| | Number of Funds | NAV (Million Baht) | Number of Funds | NAV (Million Baht) | Number of Funds | NAV (Million Baht) | Number of Funds | NAV (Million Baht) | Ratio (%) | NAV (Million Baht) |
| Fixed income fund | 20 | 11,165.84 | 13 | 8,781.74 | 6 | 2,196.68 | 7 | 2,384.10 | 53.85 | 27.15 |
| Equity fund | 6 | 494.57 | 3 | 43.95 | - | - | 3 | 450.62 | 100.00 | 1,025.30 |
| Property fund | 3 | 15,753.80 | 3 | 15,391.07 | - | - | - | 362.73 | - | 2.30 |
| Mixed fund | 3 | 234.31 | 1 | 4.26 | - | - | 2 | 230.05 | 200.00 | 5,400.23 |
| Resolving financial institution fund | 1 | 2,189.18 | 1 | 2,193.61 | 1 | 3,970.86 | - | (4.43) | - | (0.20) |
| Others | 1 | 40.97 | - | - | - | - | 1 | 40.97 | n/a | n/a |
| Total | 34 | 29,878.67 | 21 | 26,414.63 | 7 | 6,167.54 | 13 | 3,464.04 | 61.90 | 13.11 |

Significant change in accounting policy

Accounting Standards effective in the current accounting period

- Accounting Standards

Issue No. 12 Income tax

Issue No. 20 (Revised 2009) Accounting for government subsidies and disclosure of information of government assistance

Issue No. 21 (Revised 2009) Effects of change in foreign currency exchange

- Financial Reporting Standards

Issue No. 8 Operating division

- Interpretation of Accounting Standards

Issue No. 10 Government assistance - in case of no specific involvement in operating activities

Issue No. 21 Income tax - Benefits from undepreciated assets that are revalued

Issue No. 25 Income tax - Change in tax status of the business or shareholders

- Accounting Practices for Transferring and Servicing of Financial Assets

Accounting Standards, Financial Reporting Standards, Interpretation of Accounting Standards and the abovementioned Accounting Practices had no significant impact on this financial statement and also Accounting Standards Issue No. 12 on Income Tax because LH Financial Group Public Company Limited and its subsidiaries have implemented prior to the effective date.

Accounting Standards to Be Implemented in the Future

Accounting Standards to be implemented in the future include 13 issues of Accounting Standards, 5 issues of Financial Reporting Standards, 4 issues of , Interpretation of Accounting Standards and 9 issues of Interpretation of Financial Reporting Standards. The Company and its subsidiaries' administration division evaluated that the abovementioned Accounting Standards, Financial Reporting Standards, Interpretation of Accounting Standards and Interpretation of Financial Reporting Standards will have no significant impact on the financial statement after implementation as detailed in note to the financial statements Article 3.2 Accounting Standards to be implemented in the future.



Corporate Governance Committee's Report



In 2013, the company's Board of Directors appointed the Corporate Governance Committee and considered the following persons as the committee.

- | | |
|--------------------------|--|
| 1. Mr. Adul Vinaiphath | Chairman of the Corporate Governance Committee |
| 2. Mr. Phairoj Hengsakul | Member of the Corporate Governance Committee |
| 3. Mr. Sun Vithespongse | Member of the Corporate Governance Committee |

The Corporate Governance Committee has performed duties under the scope of responsibilities prescribed in the Announcement of the Corporate Governance Committee Appointment assigned by the Board of Directors. In 2013, the Corporate Governance Committee arranged one time meeting and reported the result of the meeting to the Board of Directors. The summary are as follows:

- Review Good Corporate Governance Policy for appropriateness and compliance with guidelines of government agencies regulating the Company in order to build the confidence that the Company conducts its business with responsibility, transparency and integrity and fairly treat all stakeholders.
- Consider the Anti-Corruption Policy to enable the Company's directors, executives and employees hold it as an operational guideline on prohibition of offering or receiving gifts, invitations and other benefits, bribes and inducements, charitable contributions, financial sponsorships, political participations and activities as well as reports or complaints.
- Represent the Company in communicating, supervising and promoting compliance with the Good Corporate Governance Policy and Anti-Corruption Policy.

The Company recognizes the importance of good corporate governance and business ethics for the Company's sustainable growth and building the confidence among all stakeholders and it also has strong confidence that good corporate governance will help maximize value for stakeholders.

(Mr. Adul Vinaiphath)

Chairman of the Corporate Governance Committee



Message from the President



LH Financial Group Public Company Limited has the determination in operating business in conformity with the Good Corporate Governance together with the social responsibility. We emphasize on the ethics, business etiquette, and Good Corporate Governance for responding to the satisfaction of all stakeholders equally. We are well-aware that our company will sustainably grow if we have the vision in business operation, have competence in successful business management following the mission, have morality and ethics, and have participation in the operation on social responsibility.

The company is aware of the significance of social responsibility. We encourage the “consciousness” and “helping mind” to all levels of employees in the company’s operation. We promote the participation of “employees” as well as being the reliable alliance with the customers, shareholders, and trade partners including being the employers with the responsibilities and fairness towards the employees.

Throughout the passing time, the company continually held several social activities through several projects both in CSR-in-Process and CSR-after-Process following the guideline of Corporate Social Responsibility Institute, the Office of The Securities and Exchange Commission and the Stock Exchange of Thailand provided to conform by the company’s directors, the executives, and all levels of employees in 9 areas; Good corporate governance, Fair business operation, Anti-corruption, Respect to human rights, Fair treatment of labor, Responsibility on the consumers, Cooperation in the development of community and society, Environmental Management and Innovation and publication of innovation from the social responsibility.

The company believes that such policy combined with the cooperation from all employees of the organization who apply this guideline to their work and can widen the benefits leading to the sustainable growth of the organization.

LH Financial Group Public Company Limited is very pleased to participate in enhancing and promoting the operation with social responsibility as well as encouraging all employees, customers, society, community, and stakeholders to have the awareness and participation in social responsibility for the sustainable development.

(Mrs. Sasitorn Phongsathorn)

President



Business Sustainability Report

LH Financial Group Public Company Limited has the intention in operating the business in conformity with the Good Corporate Governance Policy as the guideline along with the operation on social responsibility focusing on the ethics, business etiquette, and Good Corporate Governance. The company realizes that the sustainable growth needs the business operation with the vision and competence in managing business to achieve the mission with morality, ethics, and participation in social responsibility. The company regulates the policy of social responsibility for sustainably developing the business as guided by Corporate Social Responsibility Institute, Office of the Securities and Exchange Commission and the Stock Exchange of Thailand.

The social responsibility is one of the principles considered to be very important. The company regulates the policy and code of practice as we see the importance of “dependence”. As all businesses have people in the society as the target group in offering products and services, no matter what direction the development of organization is, people in the society will give some support. The regulation of such policy and guideline for the practice will be able to guide the way for the personnel in the organization.

Guidelines for the operation in social responsibility

LH Financial Group Public Company Limited operates on the social responsibility in the CSR-in-process and CSR-after-process by encouraging the executives and all levels of employees to participate for the helping mind in the awareness of social responsibility.

Corporate social responsibility means operating the business with the focus on the stakeholders, economics, society, and environment with the ethics, business etiquette, and Good Corporate Governance in order to make the activities be held with honesty, transparency, and fairness. There is the awareness on negative impact to the economy, society, and environment with the readiness to solve the problems for mitigating the mentioned impact. The philosophy of sufficient economy is integrated to create the operation to the achievement and benefits in increasing the competitiveness in all trade forums which will be really advantageous for the sustainability of the operation, stakeholders, economy, society, and environment.

Operation of CSR-in-Process

CSR-in-Process means operating the business with social responsibility by implementing the code of practice following the policy of social responsibility to be enforced for creating the business innovation which will become the activities in operating and developing the products as well as the standard of services for the main objective in reducing the negative impact possibly occur with the stakeholders during the work process.

Operation of CSR-after-Process

CSR-after-Process means the activities operated apart from normal business operation by playing the role in promoting the social activities in each time and occasion. This is for the highest benefits to the society, communities, public and private bureaus.

Social responsibility for the sustainable development in business

The company is aware of operating business under the social responsibility making the business to be sustainable. This focuses on paying attention to the stakeholders, economy, society, and environment with morality, ethics, and good corporate governance along with the honesty, transparency, and fairness. The negative impact on the economy, society, and environment must be well-aware. The company regulates the policy on social responsibilities for sustainably developing the business consists of the principle and guideline for the practice so that the Board of Directors, the executives and all levels of employees can conform to as the practice in 9 following areas:

1. Good corporate governance
2. Fair business operation

3. Anti-corruption
 4. Respect to human rights
 5. Fair treatment of labor
 6. Responsibility on the consumers
 7. Cooperation in the development of community and society
 8. Environmental Management
 9. Innovation and publication of innovation from the social responsibility
- The company reveals the details of Corporate Social Responsibility for Business Sustainability Policy are published via the company's website.(www.lhfg.co.th)

1. Good corporate governance

LH Financial Group Public Company Limited has the determination in operating business in conformity with the Good Corporate Governance Policy as the guideline along with the sustainably social and environmental development. The company emphasizes on creating the culture of good governance in the organization along with the ethics in business operation for creating the competitiveness and trust worthy among the shareholders, investors, stakeholders, and all related parties. This will be the important main factor in the operation of the company with the efficiency, transparency, and trustworthy. This includes the stable and sustainable promotion on management with honesty, increase of value in business, security, and growth as well as placing the 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.

The Board of Directors of the company establishes the sub-committees to give assistance in the close supervision on the operation of the company; Executive Director Committee, Audit Committee, Nomination and Remuneration Committee, and Corporate Governance Committee. Each sub-committee will supervise the company's operation following the vision, mission, and business operation plan as well as indicating the roles and responsibilities clearly in written form. The good corporate governance of the company consists of the main principle which the Board of Directors, the executives, and all employees consider as the guideline on the operation following 4 principles as follows:

1. Transparency : Transparency in the operation and the disclosure of information to related parties
2. Integrity : Honesty
3. Accountability : Responsibility on the performance in the duty
4. Competitiveness : Competitiveness in the competition

1.1 Good corporate governance policy

The company has defined its good corporate governance policy within writing by referring to the Good Corporate Governance Policy principle following the guideline provided by the Stock Exchange of Thailand. This consists of the principles and guidelines in relation with the Good Corporate Governance Policy for the Board of Directors, the executives, and all employees to use as the guidelines for the operation. This is for ensuring that the company will perform the business operation with the highest responsibility, transparency, and equitable treatment of all stakeholders to promote the management with honesty, efficiency, and effectiveness.

The Good Corporate Governance Policy consists of the principles and guidelines in relation with the Good Corporate Governance for the Board of Directors, the executives, and all employees to use as the guidelines for the operation. It is classified into 5 categories as follows:

- Category 1 Rights of Shareholders
- Category 2 Equitable Treatment of Shareholders

- Category 3 Role of Stakeholders
- Category 4 Disclosure and Transparency
- Category 5 Responsibilities of the Board

- The details of the Good Corporate Governance Policy are published via the company's website (www.lhfg.co.th)

The company pays attention to the disclosure of information in consideration with all groups of stakeholders as well as the press conference and the analyst meeting for explaining the company's operational performance and answering the questions on the principle of business operation. The disclosure of information are the Annual Registration Statement Form (Form 56-1), Annual Report, website, the Invitation letter of shareholders' meeting, the Minutes of Annual General of Shareholders Meeting, and the Management Discussion and Analysis.

The company conducts the procedure of shareholder's meeting following the criteria of assessment on the quality of shareholder's meeting and the management on the good governance following the criteria of assessment on the corporate governance of Thai Investors Association and Thai Institute of Directors.

1.2 Sub-committee

The structure of management of LH Financial Group Public Company Limited consists of the Board of Directors. The Board of Directors nominates 4 Sub- Committees; Executive Director Committee, Audit Committee, Corporate Governance Committee, and Nomination and Remuneration Committee. The Board of Directors and the sub-committees have clearly divided authorities and duties.

- The company reveals the details of sub-committees and the scope of authority and duties of each sub-committee in the Management Structure part.
- The company reveals the details of the Audit Committee with knowledges and experiences in the verification of the company's financial statements in the Management Structure part, No.3 The Audit Committee.

1.3 Nomination and appointment of the directors and the top executives

The Nomination and Remuneration Committee will select the qualified persons with knowledges and experiences in finance and banking including economics, law, and others by considering the necessity of the organization and the good corporate governance. The Nomination and Remuneration Committee will listen to the suggestion from the minority shareholders who propose the nominated persons to be elected as the directors or independent directors of the company. The company also allows the shareholders to propose the nominated persons to be elected as the directors in the Annual General Meeting of Shareholders by following the criteria specified by the company.

1. Independent Director

Regarding to the criteria in nomination and appointment the persons to be the independent directors of the company, such person must have been qualified as specified by the company and correspondent with the guideline for the practice of the Good Corporate Governance Policy that is more strongly than what specified by the Capital Market Supervisory Board's Notification and the Bank of Thailand's Notification.

- The company reveals the criteria in the nomination of independent directors and the qualification of independent directors of the company in the Management Structure part, No. 1 Nomination of Directors and Independent Directors.

2. Nomination of directors and top executives

Regarding to the criteria in the nomination of directors and top executives of the company, the Nomination and Remuneration Committee will propose the Board of Directors to consider the appointment of directors and/or independent directors in case of vacancy from other cause rather than completing the term or for proposing to the shareholder's meeting in order to elect the directors and/or independent directors in case of completion the term or election of new director.

- The company reveals the details of criteria in the nomination of the directors of the company in the Management Structure part.

Regarding to the criteria in nominating the company's top executives, the Nomination and Remuneration Committee will consider to nominate the persons with proper competence and qualification by considering the ethics and honesty in the positions of top executives such as Managing Director and Deputy Managing Director. The basic factors used in the consideration are qualification, knowledges, competence, and experiences in the financial field. The selected persons should have the idea and vision of management in the same direction to the Board of Directors in order that the operation of the organization can successfully achieve the goal. The Nomination and Remuneration Committee will propose the selected persons to the Board of Directors for considering the nomination.

1.4 Corporate Governance of the subsidiary companies and the associated companies

LH Financial Group Public Company Limited is established to be the holding company of the financial business group, which holds the Land and Houses Bank Public Company Limited. As the company does not operate its own business, the internal control of the company is assigned to the Internal Audit Department and the Compliance Office of Land and Houses Bank Public Company Limited for caring and reporting the operation on the internal control to the company's Audit Committee regularly. Mr. Vichian Amornpoonchai, the Company's secretary, is responsible for caring and coordinating between the Internal Audit Department and the Compliance Office of Land and Houses Bank Public Company Limited.

For the corporate governance on the operation of Land and Houses Bank Public Company Limited, the company governs the bank to have the regulations in making the transactions corresponding to the company, having the data storage and recording the account which is inspectable and collectable for creating the financial statements within the due time.

The Board of Directors, the executives, and employees of Land and Houses Bank Public Company Limited conform to the relevant rules and regulations for ensuring that the companies in the financial business group operate the business with responsibilities, transparency, and equitable treatment to stakeholders including the management with honesty, efficiency, and effectiveness.

1.5 Governance on the internal data usage

The company regulates the policy in governing the internal data usage for being the criteria in securing the confidentiality of the company. This is for the equality in the data recognition and the prevention of internal data usage for the benefits of Managing Director and employees as well as the spouses and immature children and for the good corporate governance.

- The company reveals the details of policy governing the internal data usage in the topic 1.7 Practice following the good corporate governance principles, Category 2 Equitable Treatment of Shareholders, No. 3 Protection of internal information usage.

1.6 Remuneration of auditor

1. Remuneration of the company's auditor

LH Financial Group Public Company Limited pays for the remuneration of auditor to EY Office Limited which is the company's auditor.

Table representing the remuneration of auditor in 2013 and 2012

| Details of Fee | 2013 (baht) | 2012 (baht) | Increase (baht) | Increase (%) |
|---|----------------|----------------|-----------------|--------------|
| 1. Review Fee | | | | |
| • The First Quarter as at 31 st March | 110,000 | 110,000 | 0 | 0 |
| • The Third Quarter as at 30 th September | 110,000 | 110,000 | 0 | 0 |
| 2. Audit Fee | | | | |
| • For the 6-month periods ended 30 th June | 240,000 | 240,000 | 0 | 0 |
| • For the year ended 31 st December | 240,000 | 240,000 | 0 | 0 |
| Total | 700,000 | 700,000 | 0 | 0 |

2. Remuneration of the subsidiaries' auditor

Land and Houses Bank Public Company Limited is the company's subsidiary which pays for the audit fee and other inspection expenses to EY Office Limited which is the bank's auditor.

Table representing the remuneration of auditor in 2013 and 2012

| Details of Fee | 2013 (baht) | 2012 (baht) | Increase (baht) | Increase (%) |
|---|------------------|------------------|-----------------|--------------|
| 1. Review Fee | | | | |
| • The First Quarter as at 31 st March | 530,000 | 530,000 | 0 | 0 |
| • The Third Quarter as at 30 th September | 530,000 | 530,000 | 0 | 0 |
| 2. Audit Fee | | | | |
| • For the 6-month periods ended 30 th June | 1,245,000 | 1,230,000 | 15,000 | 1.22 |
| • For the year ended 31 st December | 1,245,000 | 1,230,000 | 15,000 | 1.22 |
| 3. Review Fee in accordance with the requirements of the Bank of Thailand | 220,000 | 220,000 | 0 | 0 |
| 4. Review Fee for the electronic transfer services in accordance with the requirements of the Bank of Thailand (additional scope of work according to the BOT. sor nor sor 26/2008) | 220,000 | 220,000 | 0 | 0 |
| Total** | 3,990,000 | 3,960,000 | 30,000 | 0.76 |

Remark ** The mentioned fees do not include the due diligence fee for the benefits of the auditors.

Hereby, the experts on the actuarial sciences will disburse from the Bank at the actual rate for 200,000 Baht.

1.7 Practice following the good corporate governance principles

The Board of Directors realizes the rules and responsibilities of the board in enhancing the good corporate governance in the company in order to make the company's operation continually grow with the stable, transparent, and fair management to create the trustworthy among all parties by conforming to the practice of good corporate governance policy regulated by the Stock Exchange of Thailand as follows:

Category 1 Rights of Shareholders

This means not to conduct any act which is the infringement or derogation of the rights of shareholders and encourage all shareholders to use their fundamental rights as regulated by law.

1. Protection of Rights of Shareholders

- 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 has the website to provide the information and news of the company which can be easily accessed such as Financial Statements, Management Discussion and Analysis, newsletters to the shareholders, activities for social aid, Annual Registration Statement Form (Form 56-1), Annual Report (Form 56-2), Invitation letters for shareholders meeting, and the company's activities.
- 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.

2. Shareholder's meeting

- 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 encourages and promotes all groups of shareholders including the shareholders in the type of institutes to attend the shareholders' meeting as the shareholders have right as the company's owners appointed by the Board of Directors to act on behalf and have right in making the decision on the significant changes of the company.
- The company considers the rights of shareholders following the practice of good corporate management according to the guideline for the quality assessment of shareholders' meeting arrangement (AGM Checklist) of Thai Investor Promotion Association.

3. Operation on the date of shareholders' meeting

- The company implements the technology in the shareholders' meeting in order to make the meeting proceed quickly, correctly, and accurately for the convenience and rapidity starting from the process of preparation on the information of attendance, registration of attendants, printing of voting forms, process of voting results following the agenda and minute of shareholders' meeting result.
- The Board of Directors and top executives are responsible for attending the shareholders' meeting to reply for the queries made by the shareholders attending the shareholders' meeting.
- The company provides the independent persons who are the auditor and legal consultant for facilitating the shareholders' meeting to become transparent and legal to the law and company's regulations.

• 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 2013 Annual General Meeting of Shareholders, 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 Band Proxy Form C which allows shareholders to indicate their voting directors were enclosed in the Notice.

• 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 at presidentoffice@lhbank.co.th , info@lhbank.co.th

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 2013 Annual General Meeting of Shareholders, 9 directors, the bank's executives, the Executive Directors and Land and Houses Fund Management Company Limited's management committee members attended the meeting. In addition, legal consultant and EY 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 correctly following the related law and regulations and following the good corporate governance.
 - The company allocates 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 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 a 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 company allocates the time appropriately and encourages the shareholders to have the opportunity in expressing their comments and suggestions. The Board and related executives are responsible for explaining and answering the queries of shareholders.
- **The voting process**
 - The company uses the voting cards for voting in each agenda, especially the minutes of appointment of Directors that the voting shall be one by one vote for the purpose of transparency and auditability.
 - 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 announced to the meeting, by specifying the vote results as "Approved", "Disapproved" and "Abstained" together with number of votes

The 2013 Annual General Meeting of Shareholders 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 Public Company Limited and auditors from EY Office Limited attended to observe in the registration and vote counting through the meeting

- **After the shareholders' meeting**
 - The company published the resolution of 2013 shareholders' meeting and result of the votes in each agenda both in Thai and English versions within the meeting date of 22nd April, 2013, through the Stock Exchange of Thailand in the duration specified by the Stock Exchange of Thailand. This was published on the website of the company.
 - The company created the minutes of shareholders' meeting by recording the issues of queries and answers, result of the votes in each agenda, and name list of the attending committees and absent committee.
 - The company submitted the copy of 2013 minutes of shareholders' meeting to the Stock Exchange of Thailand within the duration of 14 days from the date of shareholders' meeting and published the minutes of shareholders' meeting on the company's website on 3rd May, 2013.

Category 2 Equitable Treatment of Shareholders

The company ensures that the shareholder are treated and protected in their fundamental rights equally and fairly as well as the measures to prevent the interest conflicts or the use of internal data for taking advantages for their own and other people dishonestly.

1. Information provision prior to the shareholders' meeting

- 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 2013 Annual General Meeting, the company disclosed Agenda of the meeting via the Stock Exchange of Thailand information dissemination channel since February 22, 2013 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 22, 2013.

- In the company shareholders' meeting, the company facilitates the shareholders by proposing 2 independent directors as the attorney in fact with the profile for the shareholders to consider giving the authority.
- The company notifies the shareholders to know the rules used in the meeting in the invitation letter. The details are about the principles and methods in participating the meeting, the process of resolution voting, the rights in voting, and the vote counting.

2. Protection of rights of the minorities

- 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 or 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 pays attention to the shareholders' meeting as the important opportunity that the shareholders can use the right to participate in the decision making of the company's activities which are facilitated by the Company as follows:

- The company allocates shareholders and minority shareholders to propose the agenda for the annual general meeting and the persons 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's directors. The shareholders can submit their proposals in advance of the meeting according to the criteria set by the company. 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 of Shareholders.

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 of Shareholders. 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 of Shareholders, the company invited shareholders to propose agenda and qualified candidates as director for the period of 3 months, from 1 October 2013 to 31 December 2013. 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.

- The company will not add the shareholders' meeting agenda which is not notified in advance without necessity especially for the special occasion when the shareholders have to spend time in studying the information before making the decision.

3. Protection of internal information usage

- The Board of Directors of the company realizes the importance of protecting internal information and preventing it from possible abuses. Especially, prohibition of Directors, Executives and employees including spouse and any minor children. For the good corporate governance, the company specifies the policy on the protection of internal information usage as follows:

1. 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.

2. 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.
- The company regulates the guideline for the practice of the employees to work with honesty and conformity to the law and regulation. This is for making the employees not pay attention to their own benefits rather than the responsibility to the company including prohibiting the employees not to use the internal information for their own benefits.

4. Stakeholding of directors

- The company has determined that the Directors, Top Management or top 4 management whose ranks are subsequent to the Top Management, any person holding equivalent position of the fourth ranked management, and Accounting department managers must report their securities holding in the company, as well as the securities holding of their spouse and any minor children, to the Securities and Exchange Commission. This report on securities holding must be filed within 30 days from the date of appointment and within 3 working days from the date of the change. In 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.
- 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.
- In the meeting of Board of Directors or shareholders' meeting, the Board of Directors, executives, or shareholders with the stake holding in any agenda must reveal the information about their stakes and related persons to the meeting. They have no rights to vote in such agenda in order to make the meeting be able to consider the transaction with the possible interest conflict and make the decision for the company's benefits.

Category 3 Role of Stakeholders

The company pays attention to and considers the rights of stakeholders following related law. There is no act in the infringement of rights of the stakeholders to create the responsibilities between the company and all groups of stakeholders.

1. Specifying the policy in treating the 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 discloses the information of the Company to the investors and general people with accuracy, completeness and in a timely manner following the related law and regulations as well as the cooperation to the governing organization by reporting the information with accuracy, completeness and in a timely manner.
- 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. |
| 8. Disclosures of information | 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.
- 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 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

It 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 operation is not limited only in the field of industries and customers. As a person and juristic person of the country, the Company has the consciousness and awareness in creating the benefits for the society both in the business operation and personal affairs.

- The company provides various channels allowing the stakeholders to express their opinion or suggestion directly to the independent directors. The secretary of the company is responsible for the investor relation to receive the opinions and complaints from the shareholders and investors in selecting and reporting the important subjects to related bureaus for operating the correction and/or reporting to the Audit Committee for the consideration following the appropriateness. The Audit Committee will report to the Board of Directors later.

- **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@lhbank.co.th |
| | | Tel. 081-990-7448 |
| Mr. Adul | Vinaiphat | Member of the Audit Committee |
| | | Email : adulv@lhbank.co.th |
| | | Tel. 081-834-0104 |
| Mr. Sun | Vithespongse | Member of the Audit Committee |
| | | Email: sunv@lhbank.co.th |
| | | Tel. 089-829-7711 |
| Via the company's website | | Email : presidentoffice@lhbank.co.th |
| | | www.lhfg.co.th |

- The company realizes the business operation under the social responsibility for the sustainability in the business with the focus on supervising the stakeholders, economy, and environment with morality and ethics as well as the good corporate governance. The business operation must be conducted with honesty, transparency, and fairness with the awareness of negative impact to the economy, society, and environment. The Company regulates the policy of social responsibilities for sustainably developing the business in written form following the guideline of Corporate Social Responsibility institute, The Office of The Securities and Exchange Commission and the Stock Exchange of Thailand. The company regulates the policy and guideline for the practice as the Company sees the importance of "dependence". In all businesses, people in the society are the target group in offering the products and services. Therefore, no matter how the business organization develops their organization in any direction, people in the society will give some support. The regulation on the policy and guideline for the practice will lead the way for people in the organization to operate in relation with social responsibility which are the responsibility in the society in the main process of business operation (CSR-in-process) and CSR-after-process by focusing on the participation of the executives and all levels of employees in having the consciousness on the social responsibilities. The policy on social responsibilities for sustainably developing the business consists of the principle and guideline for the practice so that the Board of Directors, the executives and all levels of employees can conform to as the practice in 9 following areas;

1. Good corporate governance
2. Fair business operation
3. Anti-corruption
4. Respect to human rights
5. Fair treatment of labor
6. Responsibility on the consumers
7. Cooperation in the development of community and society
8. Environmental Management
9. Innovation and publication of innovation from the social responsibility

- The company regulates the policy in preventing the dishonest seeking of benefits in correspondent with the Collective Action Coalition in the private sector of Thailand in anti-corruption. The Board and employees should know the duties and responsibilities in anti-corruption. The company operates the business following the morality and ethics in operating business with the principle in all forms of anti-corruption.

2. Disclosure for the practice following the policy and conducting the report on social responsibility

- The company discloses the practice following the policy of social responsibility in the form of sustainable report on the social responsibility in order to reveal the activities of the company as well as promoting the participation of employees in conforming to the policy and creating the awareness of social responsibility to all levels of employees in the organization continually.
- The company conducts the sustainable report on the social responsibility of the company and publishes in the Annual Report and the Annual Registration Statement (Form 56-1) and the company's website for publishing the practice following the guideline of the policy on the social responsibility for sustainable development in business.

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.

1. Disclosure on the financial and non-financial information

- 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 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 contract at:

Address : Q.House Lumpini Building, 5 th Floor, South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120
 Telephone : 0-2359-0000 Ext. 2020, 2019, 2024
 Fax : 0-2677-7223
 Email : presidentoffice@lhbank.co.th
 Website : www.lhfg.co.th

- 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 Form 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 Form (Form 56-1).
- 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 Form (Form 56-1) 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 on hour before the opening of the Stock Exchange of Thailand on the next working day. In addition, the company shall also prepare the minutes of the meeting in which all relevant information. The Company shall disseminate the above minutes on its website and submit in to the Stock Exchange of Thailand within 14 days from the date of the meeting. The minutes of the meeting will be kept at the office.

The 2013 Annual General Meeting of Shareholders, 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 3, 2013 in accordance with the above paragraph.

2. Investor Relations function

- The company assign the Company Secretary to be responsible for investor relations in publicize the information of the organization both in financial and general information to the shareholders, investors, securities analysts, and related supervising bodies via the channels which are Stock Exchange of Thailand, the Securities and Exchange Commission and the Stock Exchange of Thailand, and website in the topic of “investor relations” in order that the interested persons can study the information conveniently. Moreover, the activities are held for publicizing and explaining the information as well as opening the chance for the participants to make the inquiries with transparency opening the chance for the participants to make the inquiries with transparency participated by senior management.
- The company holds the activities related to the investor relations which are the meeting of securities analysts, press conference for meeting the securities analysts and press in order to publicize and explain the information as well as opening the chance for the participants to make the inquiries with transparency also participated by senior management. For the activities in 2013, the company arranges the activities in relation with the investor relations as follows:
 1. 2 Analyst Meetings with approximately 20-30 analysts attended the meeting
 2. 2 Company Visits
 3. 2 Press Conferences with approximately 30-40 mass media per time
 4. Many times of the information transmission to mass media and interview senior executive



Category 5 Responsibilities of the Board of Directors

The Board of Directors is the most important unit of the good corporate governance consisting of experts in many fields with the proficiency, experience, leadership, vision, and freedom in decision-making. They dedicate their time and fully try to perform the duties as assigned with the carefulness and honesty for the highest benefits of the Company and shareholders.

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 1 members, non-executive directors of 5 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, the Chairman of the Executive Director 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, which ever 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.
- Any director or person who may have conflict of interest or stake, such director is not authorized in approving the operation to the company or the affiliates as regulated by the Securities and Exchange Commission and / or the Stock Exchange of Thailand.

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 Executive Director Committee, the Audit Committee, 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. The Company 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 secretary since 15 May 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 Secretary's profile is as follows;

| | | |
|------------------------------|---|--|
| Name | : | Mr.Vichian Amornpoonchai |
| Position | : | The Company Secretary |
| Age (years) | : | 52 |
| 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 |
|-----------------------|--|------------------------------------|
| Jan.2014 - Present | Director | Land and Houses Advisory Co., Ltd. |
| 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 of Directors meeting, Minutes of the Board of Directors meeting, and the Annual Report of the company.
 - 1.3 Notice of Annual General Meeting of Shareholders and Minutes of such meeting.
2. Retain the reports on interest reported by Directors and Executives.
 - 2.1 The Directors and Executives have a duty to report on the interest. (namely the Directors and Management are responsible for reporting its interest and relevance to the Bank.)
 - 2.2 The company Secretary held a copy of the report to the President within seven days from the date of receipt of the report.
 - 2.3 To provided a system of a storing documents and evidence related to the accuracy, completeness and can be checked within a period of not less than five years from the date of such document or information.
3. Take any other actions are prescribed by the Capital Market Supervisory Board.

4. 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 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
- The directors can ask for the suggestion from the independent consultants or professionals in case of necessity at the company's expense.
- The non-executive directors can arrange the meeting among them without participated by the President but the resolution of the meeting must be notified to the President.

5. 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 executives team
6. The self-improvement of the directors and the development of the executives

6. 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 Executives Team 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

7. 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.

8. 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.

9. 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.

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.

2. Fair business operation

LH Financial Group Public Company Limited operates the business adhering to good corporate governance principles specified in writing in order to be guidelines for the directors, Executives and all levels of employees for consistency with the law and fair business operation without prioritizing other interest, and by avoiding operation which may cause conflict of interest, taking into consideration the utmost interest of the customers and stakeholders.

The company has signed Collective Action Coalition of the Thai private sector regarding anti-corruption in order to demonstrate the company's intent to fight against corruption and awareness of responsibility of the company in being the leader in anti-corruption activities. At the same time, the company will operate its business with morality and ethics adhering to principles in combating corruption in all forms.

The company is confident that fair business operation would lead to confidence of relevant sectors, which will in turn benefit the business in the long run. The company operates its activities in accordance with the fair business operation principles for sustainable business development. In this regard, the company conducts activities consistent with the law and fair competition and coordinate with the government officers such as by making employees aware of the importance of compliance with the law on trade competition, fair competition, supporting free trade under the scope of law, creating awareness of employees in keeping trade secrets, and refraining from obtaining information of partners and competitors unfairly in bad faith.

The company promotes fair treatment both in terms of cost and returns, such as appropriate, creation of guarantee for fair price with sufficient delivery period and secure agreements, conducts appropriate examination to ensure that the business is legally authorized under the law governing use and provision of property right, refrains from any activity which infringes property and intellectual property rights, and settle utilization fees or acquisition fees fairly such as by making payment to the creditors in a timely manner every month.

3. Anti-corruption

The company has the termination in operating the business under principles of law which are honesty and morality following the good corporate governance, ethics, business etiquettes, ethics of directors, and ethics of employees. The company also promotes the participation in the activities of the anti-corruption project of private sector of Thailand in order to maintain the ethical reputation of the company. In addition, the Company regulates the policy of prevention on the abuse exploitation of advantages for being the guidelines for the directors, executives, and employees of the company to be acknowledged and conform to.

Rules and responsibility

The Board of Directors approves the policy of prevention on the abuse exploitation of advantages and responsible for operating the company's business with honesty, carefulness, and protection on the entire benefits of the organization.

The corporate governance enhances the conformity to the policy of prevention on the abuse exploitation of advantages including the communication to the companies in the financial business groups of the company as well.

Code of practices

The company pays attention to the prevention on the abuse exploitation of advantages for oneself or other people in the following areas:

- Prohibiting to give or take any present or gift as well as benefit in order to motivate for the practice or negligence of practice possibly causing the compromise in the inappropriate business agreement. It should follow the principles specified in the ethics, business etiquettes, ethics of directors, and ethics of employees.
- Prohibiting to give or take any bribe and prohibiting to assign other person to give or take any bribe on behalf of oneself.
- Donation for charity and contribution must be transparent and in accordance with the law and morality.
- The company will not use the fund or the resources of the company in political promotion to the candidates of politician or political party for political campaign or political activities except that such promotion is legally permitted and entirely promote the permission by law and support the democracy. This must be approved from the Board of Directors before starting the operation.
- The Company has put in place good corporate governance principles for entities in financial business units where there are assessments of significant risks, effective control activities and appropriate segregation of duties. An adequate and reliable information system has been put in place, as well as regular monitoring of internal control.
- Provide the channel in receiving the information, suggestion, or claims through the independent directors or the Company's website Email : presidentoffice@lhb.co.th, info@lhb.co.th

The company has the Collective Action Coalition of Thai private sector in anti-corruption for presenting the intention in anti-corruption by realizing the duties and responsibilities of the company as the leader in anti-corruption. The company operates the business following the principles of morality, ethics, and principles of anti-corruption in all types with the following details:

1. Arranging the assessment on the risks related to the corruption in the Company including implementing the policy of anti-corruption and controlling plan as well as providing the handbook/guideline for the business operation to the executives and employees

- These policies prohibit all types of bribe in every activity under the control. Moreover, it must be ensured that the donation for charity and the donation given to political parties, business gift giving, and sponsoring any activity must be transparent without the intention to convince the government / private officials to operate inappropriately.
- These policies will be announced and publicized in the organization in the form of "business etiquettes" in order to be the guidelines for the executives and employees to practice with ethics and responsibilities in all occasion as well as specifying the punishment in case of infringement.
- Providing the training for the employees to enhance the honesty and responsibility in the conformity to the duties and responsibilities including presenting the determination of organization in conforming to the good corporate governance
- Providing the proper system of internal control for preventing the employees to misconduct, ensuring the good corporate governance, and elevating the value of honesty and responsibilities to be the organization's culture
- Providing the mechanism in reporting the financial status transparently and accurately
- Providing the communicating channel so that the employees and related persons can notify the suspected clue with the certainty for being protected and the inspecting officers are appointed to inspect all notified clues

2. Disclosing and exchanging the internal policies, experience, good practice, and ways for success in promoting the business transaction with morality, accuracy, and transparency in Thailand

- We will promote the initiation of national project for creating the conditions in fair and transparent competition in business operation including ensuring the good corporate governance.
- We will participate in the seminar and discussion for expressing the opinion in the meeting in order to create the understanding in the concerns and problems occurring nowadays affecting the private business on the honesty and transparency in business operation.

3. Cooperating with other companies in the same type of industry, trading partners, and other groups of stakeholders by creating the practice and participating in the activities of anti-corruption

- We will share the good practice and frameworks as we hope all organization can implement for achieving the goal of the project.
- We will participate in the Integrity Pacts with other organizations and public bureaus in purchasing the raw materials and equipment and the construction.
- We will cooperate in thinking for developing the business etiquettes that can be applied to all organizations and are acceptable among all organizations participating in the project.
- We will cooperate in regulating the measures and audit system for promoting the transparency and honesty in business operation.
- We will cooperate with the society and mass media in creating the awareness and giving the education to public for changing the value to the anti-corruption in all types.
- We will promote the audit and certifying project as well as arranging the training for the consultant officers and auditors in order to be the guideline for the companies participating in the project to operate the business following the ethics and elevate this process to be the organization's culture for enhancing the stability of project.
- We are willing to be audited and certified by the committee for the anti-corruption in private sector of Thailand every 3 years.

4. Respect of human rights

LH Financial Group Public Company Limited treats all interested persons, whether employees, or the surrounding community and society with fairness and equality, respecting the lives and dignity of all, and refrains from violating basic rights of others and takes caution in every process with respect to sensitive issues. This is considered the foundation of human resources management and development and creation of human relations related to the business by improving the quality and value.

The company values fair treatment of all level of staff and makes sure employees obtain fair return and benefits. It also provides opportunity for the employees to improve their capacity for occupational progress, and promotes participation of employees by providing various channels for accepting complaints and submitting report of inappropriate behaviors. The employees are open to provide opinions, reports, or complaints regarding unfair, corrupted or incorrect action through supervisors or other channels. In this regard, the company determines the process for accepting complaints which allows for independence in inspection and decision-making, taking into consideration the results. Any remedy shall be in accordance with the human right principles. The company also encourages and allows employees to participate in sharing opinions on whether any act of the business or personnel may violates human rights for the purpose of reflecting the problem and finding the solution

5. Fair treatment of labor

Land and House Bank Public Company Limited acknowledges that our "employees" are the heart of the Bank in driving the business toward its goal. Therefore, it has developed and encouraged a human resources management system, both in terms of knowledge and benefits of the employees for fair treatment of employees. The Bank respects and follow the law and ethical principles which involves improvement of the environment for occupational health and safety and conditions which allow employees to have better quality of life and opportunity to display their potential and receive training and development of work skills.

The Bank values the procurement and selection process, based on skills, without discrimination against race, religion and political view. It also encourages employment of people with disabilities who possess knowledge and skills which are appropriate and consistent with the required qualification for a particular position, based on the principle of care and opportunity.

The Bank manages the return taking into consideration competitiveness, paying return to employees based on the success of work and giving opportunities for improvement of employee's full potential and self-development and training in various forms.

The Bank values learning as part of our organization culture, which will promote the potential of employees by improving skills in performing work at the highest standard of the profession. The Bank is open to career development and progress at all levels both within the same unit or cross-unit. In this regard, the Bank will train employees for both professional knowledge and specific knowledge in order for practical use by the employees, and quick learning and adjustment to the organization culture. This was apparent in the results which were as expected by the Bank. In 2013, the Bank held consistent trainings for employees throughout the year, as follows:

| Learning courses provided in 2013 | Numbers of courses | Numbers of participating employees | Numbers of learning hours |
|-----------------------------------|--------------------|------------------------------------|---------------------------|
| Learning inside the bank | 173 | 4,784 | 58,352 |
| Learning outside the bank | 95 | 191 | 1,902 |
| Learning via electronic system | 5 | 2,085 | N/A |
| Total | 273 | 7,060 | 60,254 |

- Remarks:
1. 1 employee can attend several courses in the year
 2. Learning via electronic system is the self-learning that cannot be counted with the learning hours.

The Bank values the benefits of employees by providing leaves and holidays required by the law so that the employees may plan their working lives and their personal lives with balance. The Bank also supports and encourages each unit to hold activities to promote communication and teamwork and promote effective communication by communicating movement of the organization as well as relevant and beneficial information to employees, giving them opportunities to provide feedback and opinions.

The Bank has specified the rules for investigating and determining clear disciplinary action for fair punishment and ensures consistent and standardized practices. It also follows the laws and regulations with respect to occupational safety and hygiene and work environment for the safety of lives and property of employees. The Bank supports and respects protection of dignity without using force labor and promotes work-life balance.

The bank is well-prepared in the management of human resource for preserving the competitiveness especially in improving the potential and enhancing the fundamental system in human resource management. This will allow the employees with knowledge and abilities to create the work with effectiveness, have good quality of life, have the satisfaction, and concern to the bank. The employees will be ready for growing and fighting with all challenges occurring both at present and in the future consisting 5 strategies as follows:

Strategy 1 Infrastructure Development of Human Resources Management and Development

| Goal | |
|--|---|
| Achieve Goal of Good Corporate Governance Principles | <p>Develop modern infrastructure of human resources management and development which is consistent with the Bank's growth</p> <ul style="list-style-type: none"> • create good image • work systematically • determine fair and transparent return • increase competitiveness |

Strategy 2 Development of Employee's Performance Based on Competency

| | |
|--|---|
| Goal | Employee's performance is developed based on core competency and functional competency. |
| Achieve Goal of Good Corporate Governance Principles | <ul style="list-style-type: none"> • create business potential • increase competitiveness • create potential in achieving business goals |

Strategy 3 Development and of Employees Based on Corporate Value

| | |
|--|--|
| Goal | Employees are developed in accordance with the corporate value |
| Achieve Goal of Good Corporate Governance Principles | <ul style="list-style-type: none"> • create bonds within the organization |

Strategy 4 Leadership Development through Changes and Challenges at All Levels through Various Learning Process to Create Leadership of Oneself, Team, Unit, and Organization

| | |
|--|--|
| Goal | The management are consistently developed in terms of leadership through changes and challenges, in order to drive the Bank to its goals with efficiency. |
| Achieve Goal of Good Corporate Governance Principles | <ul style="list-style-type: none"> • create potential in business operation • increase competitiveness • create potential in achieving business goals |

Strategy 5 Develop Quality of Life of All Employees at All Levels to Promote Physical and Mental Strength to Dedicate Themselves for the Success of Work and the Bank

| | |
|--|---|
| Goal | Employees have guidelines for development their quality of life with awareness of participation in providing solution for better work environment, and appropriate behavior in order to develop work environment for themselves, their colleagues and the Bank. |
| Achieve Goal of Good Corporate Governance Principles | <ul style="list-style-type: none"> • encourage and share knowledge with employees |

6. Responsibility on the consumers

As the financial business is the business depending on the economic and financial conditions of the country, the impact on business operation can also affect the economic driving and investment in wider area than other types of business. Land and House Bank has the determination in regulating the standard of operation of the bank to be efficient along with the social responsibility especially for the responsibility on the stakeholders which the bank pay attention with priority.

The bank mainly considers the benefits and satisfaction of the customers by offering the products and services with quality that can respond to the demands of customers. We improve the process for creating the convenience in service used by the customers. The information on the products and services is presented accurately for using in making decision through various channels and can be easily accessed. The information will be provided for the customers to understand products and services. We provide the channels for receiving the claims and dealing with the claims and suggestions for improving. Moreover, the Bank also pays attention to the protection of financial data and confidentiality of customers mainly for their benefits.

Fundamental rights of consumers

The Bank announces the fundamental rights of consumers in order to make them aware about the rights deserved to receive from using the service of the Bank via the Bank's website.

| <i>Rights of consumers</i> | <i>Products</i> | <i>Personnel or Processes</i> |
|--|---|---|
| 1. Right in receiving correct information | <ul style="list-style-type: none"> The consumers must be clarified about the difference between the main products of commercial banks and products of securities and insurance. The consumers must receive the information of product details, risks, conditions, benefits such as in the form of APR (Annual Percentage Rate) or IRR (Internal Rate Return), and related hypotheses. The consumers must receive the information of advertisement or the use of marketing media in promoting the sale correctly and appropriately. | <ul style="list-style-type: none"> The consumers must receive the documents summarizing the main information for offering the sale of products of securities and insurance (fact sheet) indicated the characteristics and risks of the products with the concise and easily to be understood words following the form required by Office of The Securities and Exchange Commission and Stock Exchange of Thailand supplementary for making the decision in buying the products. |
| 2. Right in choosing the financial products and services freely | | <ul style="list-style-type: none"> The consumers have right to freely invest and can deny buying the products of securities and insurance. The consumers have right to deny buying the products of securities and insurance together with the products of commercial banks. The commercial banks must give right to the consumers in choosing to buy or not to buy such products. The consumers have right to give the consent or deny revealing the information following the letter of consent separated from the contract of product purchase |
| 3. Right in claiming for fairness | | <ul style="list-style-type: none"> The consumers have right to claim to all branches of commercial banks selling the products of securities and insurance (point of sale) with the evidence to prove that the commercial banks acknowledge the claims. The consumers must be able to ask for the information for the understanding in the products from the call center of the seller's bank. |
| 4. Right in being considered on the compensation in case of damage | | <ul style="list-style-type: none"> The consumers have right to be compensated appropriately if it is proved that the commercial bank does not conform to the policy of good product selling with or without intention causing damage to the consumers |

The bank continually operates the social responsibility in CSR-in-Process by implementing the code of practice following the policy of social responsibility to create the business innovation until it becomes the process occurring in the procedure of work and product development as well as the standard of services for the main objective in reducing the impact possibly occurring to the stakeholders during the procedure of work. This includes creating the awareness of social responsibility among the Board of Directors, executives, and all levels of employees to create mutual vision among everyone in the organization.

The bank indicates the regulations of work as the standard of operation focusing on dividing the duties of employees suitably with clear process of operation, quick system, accuracy, and control of operation. The transaction can be proved with the evidence safely stored with important documents for service provision. The employees and related persons can have the correct understanding, reduce the error in service provision, can be audited, observed, and evaluated efficiently for the highest benefits of the customers who use the service, for example;

- For managing the savings and current accounts without contractual transaction for more than 1 year, the Bank will notify the balance and conditions in deducting the account preservation cost to the customers 30 days in advance.

- For the collection of debt, the collectors must introduce themselves to the customers by telling their names and objective in communication to the customers correctly and appropriately. In case of Face to Face communication, the documents must be shown to prove that they are permitted by the Bank for the collection of debt. The Bank specifies the time and frequency of collection of debt which is proper and does not disturb personal time as follows;

- Monday - Friday 8.00 AM - 20.00 PM
- Official holidays 8.00 AM - 6.00 PM

- The bank focuses on publicizing the data of products and services in full details following the reality supplementary for the decision making of consumers with details and conditions easily to understand. The terms and conditions must not be confused and must be revealed to the customers with the practice that make the customer accept in the terms and conditions before making decision to use the service.

- The bank publicizes the announcement on the interest rates and fees in advance before the change for the customers to know and make the decision in using the service. The publication will be done by announcing in all departments and in the Bank's website. Moreover, the interest rate is clearly indicated in the announcement following the financial budget, type of customers, details and conditions of such products so that the customers can use for the decision making.

- The bank provides various communication channels which can be easily accessed by the customers in order to receive the news and information. The customers can observe the details of products and services of the Bank conveniently, quickly, and thoroughly. The channels for publicizing the details of products and services of the Bank are divided into 2 main sectors;

- Off-Line media which is many types of publication media at the branches of the Bank and outside media including the Directmail directly sent to the customers
- On-Line media which is via ATMScreen, LCD, Website, Facebook, Youtube, radio, television, SMS, and SMSAlert

- The bank provides the employees with the knowledge in products and services in order to be able to give the information of the Bank correctly and quickly. This is for the convenience in using service and the satisfaction of customers. The Bank has the Call Center for 24-hour consultation as well.

- The bank provides the channels in receiving the claims by having the independent bureau to receive the claims and process the solution to the claims. The information is collected for improving the standard of operation and service provision of the bank as well as having the process to find the conclusion and notify the results to the claiming persons within 7 official days from the date of drawing the conclusion. In the case that the conclusion cannot be drawn, the claiming persons will be notified for the progress every 15 official days. The bank provides several channels in receiving the claims as follows;

- Bank Office / Branches
- Contact Center: calling 02-359-0000
- Website: www.lhbank.co.th
- Official Facebook Fanpage

- The bank pays attention to the caring of the confidentiality of customers by not revealing the information of customers except for receiving the consent in written form from the customers.

7. Cooperation in the development of community and society

LH Financial Group Public Company Limited and Land and Houses Bank Public Company Limited have the intention in operating the business together with social responsibility following the business ethics and good corporate governance. The Bank focuses on the participation of employees with helping mind for continually creating the awareness of social responsibility to the employees in all levels in the organization.

The bank plays the role in promoting the social activities in the occasions with the expectation for the highest benefits to the society and community. The creative and beneficial activities are conducted for promoting the activities of public and private sectors as well as donating books or drinking water to non-profit organizations. The Bank operates the activities for helping and enhancing the quality of life of young people and Thai society with the hope to enhance and strengthen Thai society for sustainable growth of the country. The Bank operates the social activities in 3 areas in education, society and environment, and art and culture. The operation and activities of the project can be summarized as follows:

1. Education

Land and Houses Bank Public Company Limited continually realizes the importance of educational support, for example, donating the Wall Projection to the shortage schools for supporting the learning and holding the activities to feed and give the necessary things as well as books to attend the project of library restoration for Dhammajarinewiththaya School, Ratchaburi province. This is for responding to the intention of the bank on the importance of creating intellectual capital to the society for developing to become the society with sustainable quality.



Holding the activities to feed and give the necessary things as well as giving the books to attend the project of library restoration for Dhammajarinewiththaya School



Donating the Wall Projection to the shortage schools for supporting the learning

2. Society and environment

Land and Houses Bank Public Company Limited promotes the project to continually give support in society and environment, for example, seminar of "LHBank arranges the seminar to enforce the Cyber Marking for SME". The objective is for enabling the SME operator to understand the importance and benefits gained from the seminar to appropriately apply to their business for reducing the cost and increasing the efficiency in servicing the customers and making profits to the business. It is also letting SME customers to exchange the business knowledge in order to improve the business including the donation via ATM of the Bank for supporting in the projects and activities of Thammasat Chalemphrakiat Hospital. The donation will be spent for helping the poor patients and short of medical devices including anti-corruption for stimulating Thai society in anti-corruption. The Company also held the activity of My Bank My Love for the Bank's customers who always rely on using our service by continually participating in the activities.

- Society



Seminar of "LH Bank arranges the seminar to enforce the Cyber Marking for SME"



LH Bank welcomes the donation via ATM of the Bank for supporting in the projects and activities of Thammasat Chalermpkrakiat Hospital



- My Bank My Love Activity



LH Bank arranges the activity of herbal inhaler with cool fragrance





LH Bank arranges the activity of tray garden



Cooperate in the anti-corruption project



- Environment

Land and Houses Bank Public Company Limited supports the financial credit to Amata B. Grimm Power 4 Co., Ltd. (ABP4) and Amata B. Grimm Power 5 Company Limited. (ABP5) to be used in investing for the construction of small power plant (SPP) with the productivity of 260 megawatt at the Amatanakorn Industrial Estate, Chonburi Province. This is considered as the project to reduce the environment impact following the principle of natural gas usage of Amata B. Grimm Power Co., Ltd. It is to use fuel in producing the system of Co-Generation Combined Cycle to help in the natural gas usage efficiently as it uses the fuel in less amount causing the cost of importing natural gas to be reduced. We also gain the vapor product which can be used in the plants of other industries for the worthy usage of power.



LH Bank supports the financial credit to develop the construction of small power plant to reduce the environment impact



- Activities of helping mind for social development




LH Bank arranges the activity of blood donation with Thai Red Cross Association to bring the donated blood for helping the patients in the hospitals around the country




- Promotion and development on learning of Thai young people

Land and Houses Bank Public Company Limited realizes that Thai young people are the future of the nation. As keeping on how to make the young people smart and well-behaved, the bank arranges the activity of LHBank Happy Day for sending the happiness to the young people. We provide the training in giving knowledge in the management of money, for example, saving, reducing the expenses to Dhammajarineewitthaya School, donating books, arranging the recreational activities, promoting the Children's day activities of the non-profit organizations such as arranging the Children's day activities at Ban Manangasila and the Library for Learning at Lumpini Park, Jindabamrung School, Yannawa School, and giving the books donated from the executives, officers, and customers of the Bank to the Department of Corrections to be used in learning and self-improving of the prisoners.

 Activity of LH Bank Happy Day to send the happiness to the young people by training in giving knowledge in the management of money, saving, lunch feeding, giving the donated money and necessary things to Dhammajarinewiththaya School



 LH Bank promotes the Children's day activities

at Ban Manangasila



at Library for Learning at Lumpini Park




at Jindabamrung School



at Yannawa School




 LH Bank gives the books to Department of Corrections to be used in learning and self-improving of the prisoners




3. Art and culture

Land and Houses Bank Public Company Limited attends the traditional activities with people living in the area located the Bank, for example, promoting the activity in Chinese Festival and candle procession for promoting and encouraging the tradition and culture with the communities around the branch of the Bank.

 LH Bank, China Town branch, holds the activities of Chinese Festival



 LH Bank, Ubonratchathani branch, holds the activities of candle procession



8. Environmental management

Land and Houses Bank Public Company Limited realizes the importance of environmental problems as we see that the operation of activities cause the environmental impact both directly and indirectly. When the time passes, such impact will become environmental pollution and cause natural disaster resulting in the huge loss. The Bank operates several measures in reducing the problem of pollution for preserving the environment by promoting the energy saving inside the organization and the saving of paper consumption.

- Save Energy>>The World in your hands This is the campaign to reduce global warming for promoting and creating the awareness to the employees in the organization as the guidelines in saving energy and resources both in the workplace and residence.

- Campaign in the workplace



- Give the knowledge about the saving of energy in residence



- Campaign of using recycled paper
Including the campaign to reduce the unnecessary use of paper. This is for creating the awareness to the employees in using resources worthily and reducing the waste of resources.



- **Conducting the Project of Green Office**

Green Office Project is the project to improve the office building and office supplies with the attention on the environment and protection of the employees from the occurring pollution. This focuses on the management for reducing the pollution, energy usage, and expense used in the Green Office Project starting from 2012. According to the realization on the problems occurring from the use of office supplies which is outdated technology and the equipment is the Single Function. There are some problems in the pollution, increasing expense from the maintenance, problems of energy and environment from the high rate of energy use (average in electricity usage)

In conducting the Green Office Project, the Bank reduces the numbers of office supplies used in the office to change to new technology which can reduce the pollution and reduce the use of energy use. The results gained from conducting the project in the first year result in the reduction of cost of energy entirely and saving a lot in other expenses such as the expense from paper use, expense from providing the office supplies and expense in the maintenance as well as saving the area in locating the office supplies.

Green Office Project

Principles

1. How can we reduce the previous office supplies?
2. Are there any office supplies which are multi-function?
3. Are there any new technologies in reducing the pollution and the energy use?

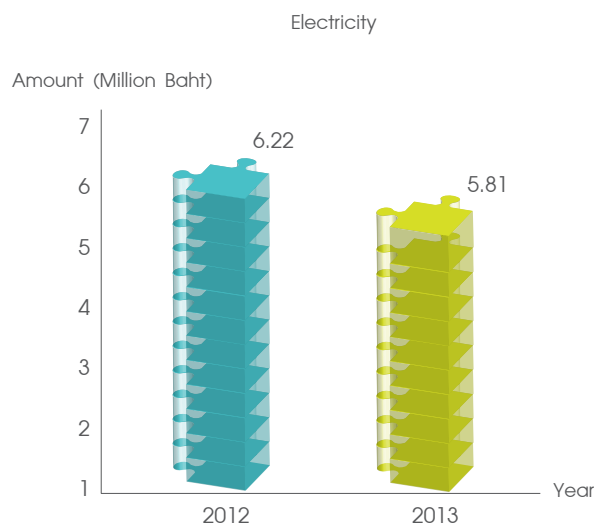
How to conduct:

1. Change from the office supplies of Fax, Printer, Scanner, Copy to use the Multi Function (4 in 1) instead.
2. Use the technology of ink cartridge (dry ink) in replacement with ink powder and metal powder

Results of the project creation in the first year of project

1. Reduce the overall use of energy for 6%
2. Save the expense in paper use for around 35%
3. Save the expense in finding the office supplies
4. Save the expense in the maintenance
5. Save the area in allocation

According to the campaign in energy saving, the Bank had the expense in electricity usage in 2013 for 5.81 million baht reducing for 0.41 million baht or 6.63% from 2012 with the expense in electricity usage for 6.22 million baht as follows;



9. Innovation and publication of innovation from the social responsibility

Land and Houses Bank Public Company Limited has the determination in inventing the business innovation to create the highest benefits both for business and society along with promoting the continual development in financial products and services. This is for facilitating the customers, saving traveling time, and reducing the use of paper such as the banking service via internet (LHBank Speedy) and Internet Banking on Mobile which the customers can conduct the transaction conveniently and quickly in all places, the banking service on mobile van like the mobile branch to increase the channels of financial service for the customers in several places for facilitating the customers, making the customers save the time and expense in traveling to conduct the transaction at the branches. Moreover, the service of cash deposit and withdrawal at the branches of the Bank without having to write the slip is another way in increasing the convenience to the customers in conducting the transaction more quickly. Meanwhile, it also reduces the use of paper resources.

The bank opens and promotes the creativity and development of innovation making the continuity of creating the innovation from the Bank under the development of innovation with the social responsibility. This includes the regular observation on the business operation whether it causes some risks or negative impacts to the society and environment or not. If there are some risks or negative impacts, the Bank will operate the solution immediately.



Internal Control and Risk Management

LH Financial Group Public Company Limited was established as a holding company of a financial business group and being a parent company of Land and Houses Bank Public Company Limited under the shareholder 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 department and the compliance unit of the Bank.

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 are controlled adequately. The companies within the financial business group have to report the transactions 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 be compared with the objectives planning.

The Audit Committee has reviewed the financial statements, considered the performance of the auditors in the past year and proposed the appointment of 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 auditor of the company is Ernst & Young Office Limited which is the auditor in fiscal year 2012 and proposed to report on the financial statements that unqualified opinion.

The Audit Committee's duties and responsibilities include a consideration of qualified person to be elected as the head of internal audit department. The company managements have to approve the mentioned qualified person as well. The appointment, dismissal and rotation of the head of internal audit department have to get appointed from the audit committee as mentioned in the charter of Audit Committee.

An auditing and monitoring operations by the internal control group which has an independency in practice and a right to directly report to the internal audit committee focusing on the risks covered by the rules, regulations, policies, guidelines, procedures and code of conducts. Internal audit department and compliance unit take responsibilities for internal control functions as follows.

- **Internal Audit**

The internal audit department has its duty and responsibility for audit activities and evaluate the sufficiency of the internal control system. The audit will have to comply with relevant policies, regulations, operational process, code of conducts, also the requirements under the law and the official regulations. Not only monitoring the system of internal control to assess the adequacy of the internal control system and the appropriateness of risk management but also evaluate the efficiency of resource management, the validity and reliability of the data and propose for improving the operation to reduce the risk as well as reporting to the audit of committee and the board of directors regularly.

- **Compliance Unit**

The compliance unit has its role and duty to supervise the operations to comply with laws and regulations related to the financial group. The compliance system will be laid down with the international standards and work reviews under the control and monitor practices. The compliance report will be submitted to the board of directors through the audit committee regularly. The compliance unit takes responsible for following up the adjustment of rules and regulations of the government authorities.

Duties and responsibility of the head of internal control department Office

1. Compliance works
2. Information Technology Compliance works
3. Credit review works
4. Internal audit works
5. IT audit works
6. Special audit works

Profile of the head of internal control department

| | |
|-------------------------------|---|
| Name | Miss Chutima Boonmee |
| Position | First Executive Vice President Control Group |
| Age (years) | 62 |
| 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 | <ul style="list-style-type: none"> - Compliance Training Program for the Head of Compliance unit along with the SEC regulations (Class 1) arranged by the TBA - 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 managements | -None- |

Work experiences in the past 5 years

- Positions in Listed Companies

| Period | Position | Organization/Company |
|-----------------------|---|----------------------|
| Apr. 2006 - Oct. 2010 | Senior Vice President Compliance Office | Siam City Bank Pcl. |

- Positions in Non-Listed Companies

| Period | Position | Organization/Company |
|--------------------------|--|---------------------------|
| Aug 2013 - Present | First Executive Vice President Control Group | Land and Houses Bank Pcl. |
| Mar. 2012 - Aug. 2013 | 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. |

Duties and responsibilities for compliance and information technology compliance

- Supervise and monitor all the bank's operations to have efficiency and effectiveness 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

Duties and responsibilities for internal audit function

- Determine objective, goal and scope of internal audit and internal audit planning
- Provide and improve internal audit manual
- Administrate for internal audit function and supervise for the internal audit team
- Verify an approval of the audit program, evaluate the sufficiency and efficiency of the internal control system to reduce risk but increase quality of assigned works
- Evaluate the credibility and reliability of financial and operational information
- Consider all the operations to follow the company's policy, goal, objective, plan and rules as well as relevant laws and regulations
- Set the work standard guideline and review auditors' performance comply with the audit standard as well as control the implementation of audit plan
- Propose the audit report to the audited department, President, the Audit Committee and the Board of Directors as appropriate
- Enhance knowledge and potential skills of auditors according to the change of the economic and society.
- Provide job evaluation for all level of internal audit officers
- 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 department

The bank's headcount of internal audit department consists of 18 positions.



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 interest between the company and a party with potential conflicts of interest. 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 2013, the company and its subsidiaries Land and Houses Bank Public Company Limited conducted some related-party transactions. They were based on the trade terms and conditions agreed by the company and its subsidiaries on one side, and related persons and businesses on the other, which is a normal practice. They did not constitute conflicts of interest and were disclosed in Items 40 of the Notes to the Financial Statements of the company and its subsidiaries. The details are as follows:

The outstanding balances as at 31 December 2013

As at 31 December 2013, 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 | | | | | | | | | | | | | |
|---|-----------------------------------|---|--------------------|--|---------------------------------------|--|----------|-----------------------------|-------------------------------|--------------------------|------------------|-----------------------------------|--|------------|
| | Investment - cost | Accrued interest receivables on investments | 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 payable | Accrued expenses | Other liabilities - other payable | Interbank and money market item (assets) | Commitment |
| 1. The company's subsidiaries are Land and Houses Bank Public Company Limited and Land and Houses Fund Management Company Limited | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Any person or company who holds more than 10 percent of shares in the company ("the major shareholders") | - | - | - | - | 2.07 | - | 929.29 | - | 8.24 | 0.22 | 0.06 | 1.30 | - | - |
| 3. The subsidiaries of the major shareholders of the company (shareholders as stated in No. 2 above), who have transactions with the company and its subsidiaries | - | - | - | - | 1.29 | - | 946.61 | - | 7.08 | 0.31 | 0.03 | - | - | - |
| 4. The associates of the major shareholders of the company (shareholders as stated in No. 2 above), who have transactions with the company and its subsidiaries | - | - | - | - | 16.95 | 3.61 | 249.06 | - | 0.22 | 0.38 | 0.62 | - | - | 21.19 |

(Unit: Million Baht)

| Relationship ^{/1} | Consolidated Financial Statements | | | | | | | | | | | | | |
|--|-----------------------------------|---|--------------------|--|---------------------------------------|--|-----------------|-----------------------------|-------------------------------|--------------------------|------------------|-----------------------------------|--|--------------|
| | Investment - cost | Accrued interest receivables on investments | 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 payable | Accrued expenses | Other liabilities - other payable | Interbank and money market item (assets) | Commitment |
| 5. The companies, which are related through the company's and the subsidiaries' management and have transactions with the company and its subsidiaries | 1,400.00 | 25.79 | - | - | 2.69 | - | 156.72 | - | - | 0.41 | 0.02 | - | - | - |
| 6. The companies, which are related through the major shareholders of the company (shareholders as stated in No. 2 above), and have transactions with the company and its subsidiaries | 158.66 | - | - | - | - | 1.52 | 330.12 | - | - | 2.05 | - | - | - | - |
| 7. 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 | - | - | - | - | 0.32 | - | - | - | - | - | - | - |
| 8. Directors and executives | - | - | - | - | - | - | 889.94 | - | - | 2.69 | - | 0.01 | - | - |
| 9. Related persons | - | - | 61.05 | 0.10 | - | - | 471.71 | - | - | 2.50 | - | - | - | - |
| Total | 1,783.66 | 28.15 | 61.05 | 0.10 | 23.00 | 5.13 | 3,973.77 | - | 15.54 | 8.56 | 0.73 | 1.31 | - | 21.19 |

Notes: ^{/1} The nature of the relationships are detailed under Item 40 of the Notes to the Financial Statement "Related-Party Transactions"

(Unit: Million Baht)

| Relationship ^{/1} | Separate Financial Statements | | | | | | | | | | | | | |
|--|-------------------------------|---|--------------------|--|---------------------------------------|--|----------|-----------------------------|-------------------------------|---------------------------|------------------|--|---|--|
| | Investment - cost | Accrued interest receivables on investments | 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 - office rental deposits pay | Interbank and money market items (assets) | |
| 1. The company's subsidiary is Land and Houses Bank Public Company Limited | - | - | - | - | - | - | - | - | - | - | - | 0.30 | 1,132.95 | |
| Total | - | - | - | - | - | - | - | - | - | - | - | 0.30 | 1,132.95 | |

Notes: ^{/1} The nature of the relationships are detailed under Item 40 of the Notes to the Financial Statement "Related-Party Transactions"

Transactions during the years 2013

During the years 2013, 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. The company's subsidiaries are Land and Houses Bank Public Company Limited and Land and Houses Fund Management Company Limited. | -None- | -None- | -None- |
| 2. Any person or company who holds more than 10 percent of shares in the company ("the major shareholders") | Interest expenses | 22.94 | -The same rates that a subsidiary paid to general depositors |
| | Rental and service expenses | 3.90 | -As specified in the agreements |
| 3. The subsidiaries of the major shareholders of the company (shareholders as stated in No. 2 above), who have transactions with the company and its subsidiaries | Interest expenses | 8.99 | -The same rates that a subsidiary paid to general depositors |
| | Rental and service expenses | 3.68 | -As specified in the agreements |
| 4. The associates of the major shareholders of the company (shareholders as stated in No. 2 above), who have transactions with the company and its subsidiaries | Fees and service income | 28.96 | -At the percentage of net asset value of fund |
| | Dividend income | 4.71 | -As declared by the fund |
| | Interest expenses | 13.86 | -The same rates that a subsidiary paid to general depositors |
| | Rental and service expenses | 74.86 | -As specified in the agreements |
| 5. The companies, which are related through the company's and the subsidiaries' management and have transactions with the company and its subsidiaries | Interest Income | 43.49 | -As specified in prospectus |
| | Interest expenses | 4.37 | -The same rates that a subsidiary paid to general depositors |
| | Rental and service expenses | 7.00 | - As specified in the agreements |
| 6. The companies, which are related through the major shareholders of the company (shareholders as stated in No. 2 above), and have transactions with the company and its subsidiaries | Fees and service income | 9.08 | -At the percentage of net asset value of fund |
| | Dividend income | 6.39 | -As declared by the fund |
| | Interest expenses | 8.62 | -The same rates that a subsidiary paid to general depositors |
| 7. The companies, which are controlled by the company's and subsidiaries' related person and have transactions with the company and its subsidiaries | Interest Income | 10.13 | -As specified in prospectus |
| | Interest expenses | 0.01 | -The same rates that a subsidiary paid to general depositors |
| 8. Directors and executives | Interest expenses | 11.31 | -The same rates that a subsidiary paid to general depositors |
| 9. Related persons | Interest Income | 3.04 | -The same rates that a subsidiary charged to general customers |
| | Interest expenses | 10.43 | -The same rates that a subsidiary paid to general depositors |

Notes: ^{/1} The nature of the relationships are detailed under Item 40 of the Notes to the Financial Statement "Related-Party Transactions"

(Unit: Million Baht)

| Relationship ^{/1} | Consolidated financial statements | | |
|--|-----------------------------------|--------|--|
| | Type of transaction | Value | Pricing policy |
| 1. The Company's subsidiary is Land and Houses Bank Public Company Limited | Interest income | 7.10 | -The same rates that a subsidiary paid to general depositors |
| | Dividend income | 970.00 | -As declared by subsidiary |
| | Office rental income | 1.20 | -As specified in the agreements |
| | Fees and service expenses | 0.08 | -The same rates that a subsidiary charged to general customers |

Notes: ^{/1}The nature of the relationships are detailed under Item 40 of the Notes to the Financial Statement "Related-Party Transactions"

2. Necessities and Rationales of the Transactions

The company and its subsidiaries conduct the related-party transactions with care and take into account the maximum benefit to be received by the company, its subsidiaries, and its shareholders. All related-party transactions conducted by the company and its subsidiaries with the person who has conflicts of interest are either normal business operations or reasonable and appropriate to support the normal business of the company and its subsidiaries. The terms and conditions of the related-party transactions use the normal trade terms, the regular market prices, and the same procedure as applied to general customers.

3. Measures for Approving Related-Party Transactions

In approving the related-party transactions, the company takes into consideration the interests of the company, its subsidiaries, and its 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 subsidiary as stipulated by the Securities and Exchange Commission and/or the Stock Exchange of Thailand.

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

4. Policies and Trends 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 subsidiaries. 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 -



Audit Committee's Report

The Audit Committee of LH Financial Group Public Company Limited consists of 3 independent directors as follows;

- | | | | |
|----|-------------|--------------|---------------------------------|
| 1. | Mr. Phairoj | Hengsakul | Chairman of the Audit Committee |
| 2. | Mr. Abdul | Vinaiphat | Member of the Audit Committee |
| 3. | Mr. Sun | Vithespongse | Member of the Audit Committee |

And Ms. Chutima Bunmee is secretary of the Audit Committee.

The Audit Committee has performed duties under the scope of responsibilities prescribed in the Auditor Committee Charter assigned by the company's Board of Directors. In 2013, the Audit Committee held 12 meetings and reported the result of each meeting along with suggestions to the company's Board of Directors in order to carry out the issues deemed appropriate. Executive summary is as follows;

- **Financial Statements**

Reviewing the Company's quarterly, half-year and annual financial statements prepared under the generally accepted financial statement standards to consider accuracy and completeness of information, adequacy of disclosed information and significance risk inspection along with consistent meetings with the auditor.

- **Internal Control and Internal Audit**

Reviewing adequacy of the company's internal control system by scrutinizing reports of internal audit and auditor to evaluate adequacy, suitability and effectiveness of the company's internal audit system.

- **Compliance with Regulations**

Reviewing the company's performance in compliance with the regulations of the Office of the Securities and Exchange Commission, regulations of the Stock Exchange of Thailand, regulations of the Bank of Thailand and laws related to the company's business.

- **External Auditor**

Scrutinizing qualifications and performance of the auditor and proposing to the Company's Board of Directors for appointment of auditor annually and also auditor remuneration for approval at the Annual General Meeting of Shareholders. Recommended auditor for the appointment as the company's auditor shall be approved by the Bank of Thailand.

During the year 2013, the company's auditor was EY Office Limited that was an auditor of 2013 financial statements and presented unqualified financial statement audit opinion.

- **Related Transactions or Any Other Transactions Likely to Have Conflict of Interest**

Scrutinizing related transactions or any other transactions that may have conflict of interest in accordance with laws and regulations of the Stock Exchange of Thailand to ensure transparency, suitability and protection of benefits of financial business units and shareholders. Scrutinizing completeness and accuracy where related transactions or any other transactions that may have conflict of interest are concerned.

In performing its roles and responsibilities collectively assigned, the Audit Committee has the opinion that the company's financial statements have been accurately prepared under the Accounting Standards with appropriateness and adequacy of disclosed information. The external auditor who conducts an audit of the company's financial statements is independent and performs as a professional auditor. The company has sufficient and appropriate risk management and internal control systems for the business and complies with laws, rules and regulations relevant to the business.

(Mr. Phairoj Hengsakul)
Chairman of the Audit Committee



Nomination and Remuneration Committee's Report

The Nomination and Remuneration Committee, appointed by the Company's Board of Directors consist of three directors, namely Mr. Adul Vinaiphat, Chairman of the Nomination and Remuneration Committee, Mr. Naporn Sunthornchitcharoen, and Mr. Sun Vitthespongse, Member of the Nomination and Remuneration Committee, all of whom are not executives of the company. The Chairman of the Nomination and Remuneration Committee is an independent director.

During the year 2013, Mr. Pairoj Paisansrisomsuk resigned from the company's Board of Directors. The Nomination and Remuneration Committee conducted procurement process under the scope of consideration as specified. As a result, a suitable person, Mr. Khunawut Thumpomkul, was proposed by the Committee for the Board of Directors' approval.

The Nomination and Remuneration Committee has the duty to procure persons with suitable qualifications to be the company's Board of Directors and top-level management of the company from assistant manager level and above, determine the remuneration of the company's Board of Directors and top-level management from managing director level and above, determine guideline of managing director performance assessment, and consider the budget for annual pay rise and bonus, including other benefits specified by the company, for proposal to the company's Board of Directors.

With respect to the procurement of the company's Board of Directors and top-level management, the Nomination and Remuneration Committee has determined the scope for consideration based on various qualifications, knowledge, skills, experiences and expertise that are not contradictory to the criteria of the Bank of Thailand and the Office of the Securities and Exchange Commission. Also the company's Board of Directors and top-level management shall not possess prohibited characteristics under the Public Company Act. The company's Board of Directors and top-level management shall also possess leadership qualities, vision, and positive attitude toward the organization, which is beneficial to the company's operation, taking into account the appropriate size, structure and components of the Company's Board of Directors. This will enhance good corporate governance and efficient management in accordance with the official regulations and changing environment.

In the year 2013, the Nomination and Remuneration Committee hold the meeting three times and considered the following core agenda as follows :

- procurement of directors to replace those whose terms expired and those who resigned;
- determine the scope of remuneration and meeting allowances for the Board of Directors and the Executive Director Committee, Audit Committee, and Nomination and Remuneration Committee and propose to the Board of Directors;

(Mr. Adul Vinaiphat)

Chairman of the Nomination and Remuneration Committee



Board of Directors' Responsibility for Financial Statement's Report

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, 2013.

(Mr. Anant Asavabhokhin)

Chairman

(Mrs. Sasitorn Phongsathorn)

President



Independent Auditor's Report

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 2013, the 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 2013, 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 the matter as described in Note 10 to the financial statements that the subsidiary has a plan to set aside allowance for doubtful debts in the future. My conclusion is not qualified in respect of this matter.

Somjai Khunapasut
Certified Public Accountant (Thailand) No. 4499
Ey Office Limited
(Formerly known as Ernst & Young Office Limited)
Bangkok: 24 February 2014



Financial Statements and Notes to Financial Statements

(Unit: Thousand Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|--|------|--------------------------------------|-------------|----------------------------------|------------|
| | Note | 2013 | 2012 | 2013 | 2012 |
| Assets | | | | | |
| Cash | | 1,726,300 | 1,619,457 | 3 | 4 |
| Interbank and money market items - net | 6 | 7,010,078 | 5,031,981 | 1,140,941 | 153,703 |
| Investments - net | 7 | 36,466,103 | 29,138,948 | 353,447 | 248,012 |
| Investment in a subsidiary | 8 | - | - | 12,499,999 | 12,499,999 |
| Loans to customers and accrued interest receivables | 9 | | | | |
| Loans to customers | | 103,969,331 | 86,248,243 | - | - |
| Accrued interest receivables | | 206,153 | 163,070 | - | - |
| Total loans to customers and accrued interest receivables | | 104,175,484 | 86,411,313 | - | - |
| Less : Deferred revenue | | (320,236) | (148,168) | - | - |
| Allowance for doubtful debts | 10 | (1,422,298) | (914,008) | - | - |
| Revaluation allowance for debt restructuring | 11 | (11,184) | (14,932) | - | - |
| Loans to customers and accrued interest receivables - net | | 102,421,766 | 85,334,205 | - | - |
| Investment properties | 12 | - | - | 37,646 | 37,778 |
| Land, premises and equipment - net | 14 | 494,282 | 434,928 | - | - |
| Intangible assets - net | 15 | 209,051 | 233,907 | - | - |
| Deferred tax assets | 16 | 127,451 | - | - | - |
| Accrued interest receivables on investments | | 356,864 | 286,986 | - | - |
| Other assets - net | 17 | 286,818 | 288,363 | 3,181 | 1,780 |
| Total assets | | 149,098,713 | 122,368,775 | 14,035,217 | 12,941,276 |

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

(Unit: Thousand Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|---|------|--------------------------------------|-------------|----------------------------------|------------|
| | Note | 2013 | 2012 | 2013 | 2012 |
| Liabilities and shareholders' equity | | | | | |
| Deposits | 19 | 108,805,477 | 84,223,508 | - | - |
| Interbank and money market items | 20 | 23,513,457 | 21,870,546 | - | 100,000 |
| Liabilities payable on demand | | 214,561 | 233,580 | - | - |
| Debts issued and borrowings | 21 | 3,198 | 769,055 | - | - |
| Interest payables | | 782,726 | 333,776 | - | 37 |
| Accrued expenses | | 300,696 | 221,364 | 267 | 286 |
| Provisions for employee benefits | 22 | 56,439 | 39,287 | - | - |
| Deferred tax liabilities | 16 | - | 8,137 | - | - |
| Taxes payable | | 133,820 | 149,691 | 5 | 91 |
| Payable on purchase/sale of securities | 23 | 24,297 | 178,142 | 5,955 | 31,842 |
| Income collected in advance | | 98,703 | 26,404 | - | - |
| Other liabilities | 24 | 144,135 | 148,820 | 304 | 305 |
| Total liabilities | | 134,077,509 | 108,202,310 | 6,531 | 132,561 |
| Shareholders' equity | | | | | |
| Share capital | | | | | |
| Registered share capital | | | | | |
| 13,375,273,610 ordinary shares of Baht 1 each (2012: 12,399,982,813 shares of Baht 1 each) | 25 | 13,375,274 | 12,399,983 | 13,375,274 | 12,399,983 |
| Issued and paid-up share capital | | | | | |
| 12,715,550,962 ordinary shares of Baht 1 each (2012: 11,978,911,286 shares of Baht 1 each) | 25 | 12,715,551 | 11,978,911 | 12,715,551 | 11,978,911 |
| Share premium | 25 | 643,519 | 644,803 | 643,519 | 644,803 |
| Other component of shareholders' equity - | | | | | |
| Revaluation surplus (deficit) on investments | 7.3 | (84,021) | 277,137 | (57,082) | - |
| Retained earnings | | | | | |
| Appropriated - statutory reserve | 27 | 294,600 | 202,800 | 88,600 | 41,100 |
| Unappropriated | | 1,451,554 | 1,062,813 | 638,098 | 143,901 |
| Equity attributable to equity holders of the Company | | 15,021,203 | 14,166,464 | 14,028,686 | 12,808,715 |
| Non-controlling interests | | 1 | 1 | - | - |
| Total shareholders' equity | | 15,021,204 | 14,166,465 | 14,028,686 | 12,808,715 |
| Total liabilities and shareholders' equity | | 149,098,713 | 122,368,775 | 14,035,217 | 12,941,276 |

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

(Unit: Thousand Baht except earnings per share expressed in Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|---|------|--------------------------------------|-------------|----------------------------------|---------|
| | Note | 2013 | 2012 | 2013 | 2012 |
| Profit or loss: | | | | | |
| Interest income | 30 | 6,518,186 | 4,856,125 | 7,136 | 8,104 |
| Interest expenses | 31 | (3,719,463) | (2,727,694) | (1,564) | (65) |
| Net interest income | | 2,798,723 | 2,128,431 | 5,572 | 8,039 |
| Fees and service income | 32 | 299,130 | 153,453 | - | - |
| Fees and service expenses | 32 | (50,116) | (39,929) | (8,887) | (8,012) |
| Net fees and service income (loss) | | 249,014 | 113,524 | (8,887) | (8,012) |
| Gain (loss) on investments | 33 | 210,387 | 145,926 | (1,645) | - |
| Net gain (loss) on trading transactions | | (30,800) | 48,815 | (32,257) | 10,578 |
| Dividend income | | 80,864 | 43,776 | 995,280 | 240,457 |
| Other operating income | | 7,200 | 3,848 | 1,200 | 1,213 |
| Total operating income | | 3,315,388 | 2,484,320 | 959,263 | 252,275 |
| Other operating expenses | | | | | |
| Employees' expenses | | 767,737 | 606,276 | - | - |
| Directors' remuneration | 34 | 9,527 | 8,191 | 7,872 | 7,446 |
| Premises and equipment expenses | | 512,907 | 381,247 | 132 | 132 |
| Taxes and duties | | 172,308 | 126,707 | 119 | 158 |
| Advertising and promotion expenses | | 81,693 | 62,396 | 963 | 1,237 |
| Amortisation on intangible assets | | 57,167 | 44,076 | - | - |
| Other expenses | | 87,683 | 79,755 | 1,798 | 1,536 |
| Total other operating expenses | | 1,689,022 | 1,308,648 | 10,884 | 10,509 |
| Bad debts, doubtful accounts and impairment loss | 35 | 526,000 | 277,000 | - | - |
| Profit from operation before income taxes | | 1,100,366 | 898,672 | 948,379 | 241,766 |
| Income taxes | 16 | (206,965) | (215,894) | - | - |
| Profit for the year | | 893,401 | 682,778 | 948,379 | 241,766 |
| Other comprehensive income: | | | | | |
| Gain (loss) on remeasuring available-for-sale investments | 36 | (436,984) | 100,305 | (57,082) | - |
| Actuarial loss on post-employee retirement benefit plan | 36 | (7,722) | - | - | - |
| Income tax effect | 36 | 77,370 | (10,334) | - | - |
| Other comprehensive income (loss) | | (367,336) | 89,971 | (57,082) | - |
| Total comprehensive income | | 526,065 | 772,749 | 891,297 | 241,766 |

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

(Unit: Thousand Baht except earnings per share expressed in Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|--------------------------------------|----------------|----------------------------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Profit for the year attributable to | | | | |
| Equity holders of the Company | 893,401 | 682,778 | <u>948,379</u> | <u>241,766</u> |
| Non-controlling interests | <u>-</u> | <u>-</u> | | |
| | <u>893,401</u> | <u>682,778</u> | | |
| Total comprehensive income attributable to | | | | |
| Equity holders of the Company | 526,065 | 772,749 | <u>891,297</u> | <u>241,766</u> |
| Non-controlling interests | <u>-</u> | <u>-</u> | | |
| | <u>526,065</u> | <u>772,749</u> | | |
| Earnings per share of equity holders of the Company | 37 | | | |
| Basic earnings per share (Baht per share) | <u>0.0716</u> | <u>0.0573</u> | <u>0.0760</u> | <u>0.0203</u> |
| Diluted earnings per share (Baht per share) | <u>0.0713</u> | <u>0.0568</u> | <u>0.0757</u> | <u>0.0201</u> |

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

LH Financial Group Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity
For the year ended 31 December 2013

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | | | | |
|---|---------------|--|----------------------------------|----------------|--|---------------------------|---|------------|
| Equity attributable to equity holders of the Company | | | | | | | | |
| Issued and paid-up share capital | Share premium | Other component of shareholders' equity - Revaluation surplus (deficit) on investments | Retained earnings | | Total equity attributable to equity holders of the Company | Non-controlling interests | | |
| | | | Appropriated - statutory reserve | Unappropriated | | | | |
| 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 |
| Issuance of additional ordinary shares as a result of warrant exercises (Note 25.2) | 124,007 | - | - | - | - | 124,007 | - | 124,007 |
| Stock dividend payments (Note 28) | 382,808 | 164,607 | - | - | (547,415) | - | - | - |
| Dividends paid (Note 28) | - | - | - | - | (42,495) | (42,495) | - | (42,495) |
| Appropriated to statutory reserve (Note 27) | - | - | - | 46,800 | (46,800) | - | - | - |
| Total comprehensive income for the year | - | - | 89,971 | - | 682,778 | 772,749 | - | 772,749 |
| Balance as at 31 December 2012 | 11,978,911 | 644,803 | 277,137 | 202,800 | 1,062,813 | 14,166,464 | 1 | 14,166,465 |
| Balance as at 1 January 2013 | 11,978,911 | 644,803 | 277,137 | 202,800 | 1,062,813 | 14,166,464 | 1 | 14,166,465 |
| Issuance of additional ordinary shares as a result of warrant exercises (Note 25.2) | 329,518 | - | - | - | - | 329,518 | - | 329,518 |
| Issuance of additional ordinary shares (Note 25.2) | 407,122 | (1,284) | - | - | - | 405,838 | - | 405,838 |
| Dividends paid (Note 28) | - | - | - | - | (406,682) | (406,682) | - | (406,682) |
| Appropriated to statutory reserve (Note 27) | - | - | - | 91,800 | (91,800) | - | - | - |
| Total comprehensive income for the year (loss) | - | - | (361,158) | - | 887,223 | 526,065 | - | 526,065 |
| Balance as at 31 December 2013 | 12,715,551 | 643,519 | (84,021) | 294,600 | 1,451,554 | 15,021,203 | 1 | 15,021,204 |

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

LH Financial Group Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity (continued)
For the year ended 31 December 2013

LH FINANCIAL GROUP PCL.

(Unit: Thousand Baht)

| | Separate financial statements | | | | |
|---|----------------------------------|---------------|--|----------------------------------|----------------|
| | Issued and paid-up share capital | Share premium | Other component of shareholders' equity - Revaluation deficit on investments | Retained earnings | Total |
| | | | | Appropriated - statutory reserve | Unappropriated |
| Balance as at 1 January 2012 | 11,472,096 | 480,196 | - | 29,000 | 504,145 |
| Issuance of additional ordinary shares as a result of warrant exercises (Note 25.2) | 124,007 | - | - | - | 124,007 |
| Stock dividend payments (Note 28) | 382,808 | 164,607 | - | - | (547,415) |
| Dividends paid (Note 28) | - | - | - | - | (42,495) |
| Appropriated to statutory reserve (Note 27) | - | - | - | 12,100 | (12,100) |
| Total comprehensive income for the year | - | - | - | - | 241,766 |
| Balance as at 31 December 2012 | 11,978,911 | 644,803 | - | 41,100 | 143,901 |
| Balance as at 1 January 2013 | 11,978,911 | 644,803 | - | 41,100 | 143,901 |
| Issuance of additional ordinary shares as a result of warrant exercises (Note 25.2) | 329,518 | - | - | - | - |
| Issuance of additional ordinary shares (Note 25.2) | 407,122 | (1,284) | - | - | - |
| Dividends paid (Note 28) | - | - | - | - | (406,682) |
| Appropriated to statutory reserve (Note 27) | - | - | - | 47,500 | (47,500) |
| Total comprehensive income for the year (loss) | - | - | (57,082) | - | 948,379 |
| Balance as at 31 December 2013 | 12,715,551 | 643,519 | (57,082) | 88,600 | 638,098 |
| | | | | | 14,028,686 |

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

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|--------------------------------------|--------------|----------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Cash flows from operating activities | | | | |
| Profit from operation before income taxes | 1,100,366 | 898,672 | 948,379 | 241,766 |
| Adjustments to reconcile profit from operation before income taxes to net cash provided by (paid for) operating activities | | | | |
| Depreciation and amortisation | 171,107 | 129,905 | 228 | 287 |
| Bad debts, doubtful accounts and impairment loss | 526,000 | 277,000 | - | - |
| Employee benefits expenses | 11,757 | 7,667 | - | - |
| Loss on write-off of equipment | 102 | - | - | - |
| Loss (gain) on disposal of available-for-sale investments | (210,387) | (145,926) | 1,644 | - |
| Net loss (gain) on trading transactions | 30,800 | (48,815) | 32,257 | (10,578) |
| Amortisation of deferred revenue/expenses - net | (15,227) | (6,647) | - | - |
| Amortisation of discount on revaluation of notes receivable to be interest income | (71) | (71) | - | - |
| Increase (decrease) in accrued expenses | 9,058 | 428 | (19) | (396) |
| Net interest income | (2,798,723) | (2,128,431) | (5,572) | (8,039) |
| Dividend income | (80,864) | (43,776) | (995,280) | (240,457) |
| Cash received on interest income | 5,150,733 | 3,841,022 | 5,602 | 8,882 |
| Cash paid on interest expenses | (3,200,240) | (2,596,515) | (1,601) | (28) |
| Cash paid on income taxes | (281,562) | (201,509) | (95) | (155) |
| Profit (loss) from operations before changes in operating assets and liabilities | 412,849 | (16,996) | (14,457) | (8,718) |
| Decrease (increase) in operating assets | | | | |
| Interbank and money market items | (1,991,953) | 314,861 | (985,705) | 292,780 |
| Trading securities | 190,810 | (199,197) | 189,353 | (237,434) |
| Loans to customers | (17,549,021) | (31,152,729) | - | - |
| Other assets | (16,957) | (150,434) | (52) | (41) |
| Increase (decrease) in operating liabilities | | | | |
| Deposits | 24,581,969 | 61,969,019 | - | - |
| Interbank and money market items | 1,642,911 | 13,042,648 | (100,000) | 100,000 |
| Liabilities payable on demand | (19,019) | 50,990 | - | - |
| Debts issued and borrowings | (765,858) | (35,095,724) | - | - |
| Provisions for employee benefits | (2,327) | (1,384) | - | - |
| Payable on purchase/sale of securities | (31,842) | 31,842 | (31,842) | 31,842 |
| Other liabilities | (3,163) | 149,072 | (86) | (46) |
| Net cash provided by (used in) operating activities | 6,448,399 | 8,941,968 | (942,789) | 178,383 |

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

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|--------------------------------------|-------------------------|----------------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Cash flows from investing activities | | | | |
| Proceeds from disposal of available-for-sale investments | 9,347,415 | 3,335,702 | 51,079 | - |
| Proceeds from matured debt securities | 1,420,000 | 119,400 | - | - |
| Cash received on interest income on investments | 1,294,099 | 908,840 | - | - |
| Cash received on dividend income on investments | 88,334 | 33,690 | 993,931 | 240,107 |
| Invested in available-for-sale investments | (6,514,513) | (4,422,314) | (430,896) | - |
| Invested in held-to-maturity debt securities | (12,064,860) | (7,859,317) | - | - |
| Invested in a subsidiary | - | - | - | (500,000) |
| Cash paid for purchases of land, premises and equipment | (173,980) | (237,543) | - | - |
| Cash paid for purchases of intangible assets | (66,725) | (104,990) | - | - |
| Net cash provided by (used in) investing activities | <u>(6,670,230)</u> | <u>(8,226,532)</u> | <u>614,114</u> | <u>(259,893)</u> |
| Cash flows from financing activities | | | | |
| Dividends paid | (406,682) | (42,495) | (406,682) | (42,495) |
| Proceeds from issuance of additional ordinary shares | 405,838 | - | 405,838 | - |
| Proceeds from warrant exercises | 329,518 | 124,007 | 329,518 | 124,007 |
| Net cash provided by financing activities | <u>328,674</u> | <u>81,512</u> | <u>328,674</u> | <u>81,512</u> |
| Net increase (decrease) in cash and cash equivalents | 106,843 | 796,948 | (1) | 2 |
| Cash and cash equivalents as at 1 January | <u>1,619,457</u> | <u>822,509</u> | <u>4</u> | <u>2</u> |
| Cash and cash equivalents as at 31 December | <u><u>1,726,300</u></u> | <u><u>1,619,457</u></u> | <u><u>3</u></u> | <u><u>4</u></u> |
| Supplemental cash flows information | | | | |
| Non - cash related items | | | | |
| Purchases of assets on credit | 17,478 | 52,514 | - | - |
| Stock dividend issuance | - | 547,415 | - | 547,415 |

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

1. Corporate information

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 the ordinary shares of Land and Houses Bank Public Company Limited ("LH Bank" or "Bank") at the rate of 99.99% of its issued and paid-up share capital. The Company is a listed company on the Stock Exchange of Thailand. 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 2013, the Company has 3 major shareholders, which are Land and Houses Public Company Limited, Quality Houses Public Company Limited and Ms. Piengjai Harnpanich and their shareholding percentages in the Company were 34.14%, 21.43%, and 16.55%, respectively (2012: the Company had 3 major shareholders, which were Land and Houses Public Company Limited, Quality Houses Public Company Limited and Ms. Piengjai Harnpanich and their shareholding percentages in the Company were 35.40%, 22.23%, and 17.16%, respectively).

2. Basis for preparation

2.1 Basis for preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543 and the presentation of 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 in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

(a) The consolidated financial statements included the financial statements of LH Financial Group Public Company Limited ("the Company") and its subsidiaries, ("Subsidiaries") as following:

| Company's name | Nature of business | Percentage of holding | | Percentage of assets to the consolidated total assets | | Percentage of revenues to the consolidated total revenues for the years | |
|---|--------------------------|-----------------------|---------|---|---------|---|---------|
| | | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | | Percent | Percent | Percent | Percent | Percent | Percent |
| <u>Subsidiary directly held by the Company</u> | | | | | | | |
| Land and Houses Bank Plc. | Banking business | 99.99 | 99.99 | 99.57 | 99.70 | 98.88 | 99.34 |
| <u>Subsidiary indirectly held by the Company (held by its subsidiary)</u> | | | | | | | |
| Land and Houses Fund Management Company Limited | Fund Management business | 99.99 | 99.99 | 0.16 | 0.23 | 1.24 | 0.63 |

- (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 for the same reporting period as the Company, using the same significant accounting policies.
- (d) The significant outstanding balances and intercompany transactions have been eliminated from the consolidated financial statements. The investments in a subsidiary as recorded in the Company's books of accounts have been eliminated against shareholders' equity of the subsidiaries.
- (e) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that is not held by the Company, and are presented separately in the consolidated statement of comprehensive income 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 subsidiaries under the cost method, have been prepared solely for the benefit of the public.

3. New accounting standards

Below is a summary of accounting standards that became effective in the current accounting year and those that will become effective in the future.

3.1 Accounting standards that became effective in the current accounting year

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:

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

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements and including Thai Accounting Standard No. 12 regarding Income Taxes of which the Company and its subsidiaries had early adopted before the effective date.

3.2 Accounting standards that will become effective in the future

| | | | <u>Effective date</u> |
|-----------------------|--------------------------------------|--|-----------------------|
| Accounting Standards: | | | |
| TAS 1 (revised 2012) | Presentation of Financial Statements | | 1 January 2014 |
| TAS 7 (revised 2012) | Statement of Cash Flows | | 1 January 2014 |
| TAS 12 (revised 2012) | Income Taxes | | 1 January 2014 |

Effective date

Accounting Standards:

| | | |
|-----------------------|---|----------------|
| TAS 17 (revised 2012) | Leases | 1 January 2014 |
| TAS 18 (revised 2012) | Revenue | 1 January 2014 |
| TAS 19 (revised 2012) | Employee Benefits | 1 January 2014 |
| TAS 21 (revised 2012) | The Effect of Changes in Foreign Exchange Rates | 1 January 2014 |
| TAS 24 (revised 2012) | Related Party Disclosures | 1 January 2014 |
| TAS 28 (revised 2012) | Investments in Associates | 1 January 2014 |
| TAS 31 (revised 2012) | Interests in Joint Ventures | 1 January 2014 |
| TAS 34 (revised 2012) | Interim Financial Reporting | 1 January 2014 |
| TAS 36 (revised 2012) | Impairment of Assets | 1 January 2014 |
| TAS 38 (revised 2012) | Intangible Assets | 1 January 2014 |

Financial Reporting Standards:

| | | |
|-----------------------|--|----------------|
| TFRS 2 (revised 2012) | Share-based Payment | 1 January 2014 |
| TFRS 3 (revised 2012) | Business Combinations | 1 January 2014 |
| TFRS 4 | Insurance Contracts | 1 January 2016 |
| TFRS 5 (revised 2012) | Non-current Assets Held for Sale and Discontinued Operations | 1 January 2014 |
| TFRS 8 (revised 2012) | Operating Segments | 1 January 2014 |

Accounting Standard Interpretations:

| | | |
|---------|--|----------------|
| TSIC 15 | Operating Leases - Incentives | 1 January 2014 |
| TSIC 27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | 1 January 2014 |
| TSIC 29 | Service Concession Arrangements: Disclosures | 1 January 2014 |
| TSIC 32 | Intangible Assets - Web Site Costs | 1 January 2014 |

Financial Reporting Standard Interpretations:

| | | |
|----------|--|----------------|
| TFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1 January 2014 |
| TFRIC 4 | Determining whether an Arrangement contains a Lease | 1 January 2014 |
| TFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 1 January 2014 |
| TFRIC 7 | Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies | 1 January 2014 |
| TFRIC 10 | Interim Financial Reporting and Impairment | 1 January 2014 |
| TFRIC 12 | Service Concession Arrangements | 1 January 2014 |
| TFRIC 13 | Customer Loyalty Programmes | 1 January 2014 |
| TFRIC 17 | Distributions of Non-cash Assets to Owners | 1 January 2014 |
| TFRIC 18 | Transfers of Assets from Customers | 1 January 2014 |

The Company and its subsidiaries' management have assessed the effect of the above accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standard interpretations that they will not have any significant impact on the financial statements when they are initially adopted.

4. Summary of 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; or (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 BoT's Notification. Interest is then recognised as income on cash basis until settlement of such overdue balance has been received from the debtors.

The subsidiary recognises interest income from hire purchase 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 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.

The Company recognised interest income as revenue on accrual basis.

(b) Interest and dividends on investments

Interest on investments is recognised as revenue on an accrual basis, considering effective interest rate. Dividends from investments are recognised as revenue when the right to receive the dividends is established.

(c) Gain (loss) on investments

Gain (loss) on investments is recognised as revenue/expenses on the transaction dates.

(d) Fees and service income

Fees and service income are recognised as revenue on an accrual basis, which taking into account the stage of completion.

Management and registrar fees are recognised as income on an accrual basis, calculated base on percentages of the net asset value of the funds or at rates stipulated in agreements.

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) Commission and direct expenses charged on hire purchase

Initial direct expenses at the inception of a hire purchase contract i.e. commission expenses, are to be deferred and amortised using the effective interest method.

Unearned income on hire purchase is presented net of commission expenses and initial direct cost on the inception of the contracts.

(c) Fees and services/other expenses

Fees and services/other expenses are recognised on an accrual basis.

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" 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" 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 in the statements of comprehensive income.

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 when the securities are sold.

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

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

Investment in a subsidiary is accounted for in the separate financial statements using the cost method net of allowance for impairment (if any).

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 unit trusts 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 in the statements of comprehensive income.

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 date. The difference between the carrying amount and the fair value on the date of reclassification are recorded in profit or loss or other comprehensive income in the statements of comprehensive income, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss in the statements of comprehensive income. The Company and its subsidiaries using weighted average method 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 that operates banking business 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 receivables, the subsidiary sets provision at percentages of the amount of principal outstanding net of deferred revenue, using the minimum rates stipulated by the BoT, and exclude the collateral value to be considered.

Allowance for doubtful debts additionally set up (deduct) is recognised as expense for each year.

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 year it is recovered.

Allowance for doubtful accounts of the subsidiary, which operates a fund management business, is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

4.8 Troubled debt restructuring and losses from debt restructuring

The subsidiary records troubled debt restructuring transactions with reference to criteria stipulated by BoT. 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. And 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. The excess of the recorded outstanding loans to customers balance over the determined present value of future cash flows is accounted for as revaluation allowance for debt restructuring and is recognised as expenses in part of profit or loss in the statements of comprehensive income on the debt restructuring date (only if the determined revaluation allowance for debt restructuring exceeds the allowance for doubtful debts already provided for such loans to customers).

In cases where the troubled debt restructuring involves debts/assets swap and/or debts/equity swap, the subsidiary recognises a gain/loss from debt restructuring in profit or loss from operation equal to the excess of the recorded outstanding loans to customers balances with the fair value of assets and/or equity received in settlement of debts (after deducting the estimated selling expense). However, the value of assets being transferred to the subsidiary will be recorded at the amount not exceeding the sum of the book value of loans to customers 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 accrued, the subsidiary recognises it as expenses.

4.9 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in part of profit or loss from operation.

4.10 Property foreclosed

Property foreclosed is stated at the lower of cost (with fair value, but this does not exceed the legally claimable amount of debt) or net realisable value, which is determined with reference to the latest appraisal value less estimated selling expenses, adjusts these in accordance with the BoT's guideline and taking into consideration the type and the nature of the assets.

Gains (losses) on disposal of property foreclosed are recognised as income (expenses) in part of profit or loss in the statements of comprehensive income when they are sold. Impairment losses are recognised as expenses in part of profit or loss.

4.11 Land, 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 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 is recognised as expense in part of profit or loss from operation.

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

An item of land, 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 part of profit or loss in the statements of comprehensive income when the asset is derecognised.

4.12 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 of each year end. The amortisation and allowance for impairment are recognised as expenses in part of profit or loss in the statements of comprehensive income.

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

4.13 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of 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, the calculations are based on 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 expenses in part of profit or loss in the statements of comprehensive income.

4.14 Employee benefits

(a) Short-term employment benefits

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

(b) 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 subsidiaries' obligation under the defined benefit plan is determined by a professionally qualified independent actuary, using the Projected Unit Credit Method, or by their management based on actuarial techniques.

Actuarial gains or losses arising from the defined benefit plan are recognised in other comprehensive income.

4.15 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.

4.16 Long-term leases

When the lease contracts entered into by the 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.

4.17 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 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.

4.18 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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 judgment, 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 to customers 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, collection experience from the debtor, the value of collateral and surrounding economic conditions.

5.3 Land, 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 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 land, premises and equipment for impairment on a periodical basis and records impairment loss when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments 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.

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 temporary differences and tax loss carried forward 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.

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.

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 judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

5.8 Recognition and derecognition of assets and liabilities

In considering whether to recognise or derecognise assets and liabilities, the management is required to make judgment on whether risk and rewards of those assets and liabilities have been transferred, base on their best knowledge of current events and arrangements.

5.9 Litigation

The subsidiary has contingent liabilities as a result of claim litigation. The management use judgment to assess of the result of the litigation and believes that no loss with result. Therefore no contingent liabilities are recorded as at the end of reporting period.

6. Interbank and money market items (assets)

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|--|-----------------------------------|---------|-----------|-----------|-----------|-----------|
| | 2013 | | | 2012 | | |
| | At call | Term | Total | At call | Term | Total |
| Domestic | | | | | | |
| Bank of Thailand | 1,779,002 | - | 1,779,002 | 1,348,452 | - | 1,348,452 |
| Commercial banks | 438,346 | 500,000 | 938,346 | 439,560 | 500,000 | 939,560 |
| Specialised financial institutions | 17 | - | 17 | 17 | - | 17 |
| Other financial institutions | 4,138,440 | 200,000 | 4,338,440 | 1,614,023 | 1,161,800 | 2,775,823 |
| Total domestic items | 6,355,805 | 700,000 | 7,055,805 | 3,402,052 | 1,661,800 | 5,063,852 |
| Add: Accrued interest receivables | 2,657 | - | 2,657 | 749 | 138 | 887 |
| Less: Allowance for doubtful debts | (41,384) | (7,000) | (48,384) | (16,140) | (16,618) | (32,758) |
| Interbank and money market items - net | 6,317,078 | 693,000 | 7,010,078 | 3,386,661 | 1,645,320 | 5,031,981 |

(Unit: Thousand Baht)

| | Separate financial statements | | | | | |
|-----------------------------------|-------------------------------|------|-----------|---------|------|---------|
| | 2013 | | | 2012 | | |
| | At call | Term | Total | At call | Term | Total |
| Domestic | | | | | | |
| Commercial banks | 1,139,380 | - | 1,139,380 | 153,675 | - | 153,675 |
| Add: Accrued interest receivables | 1,561 | - | 1,561 | 28 | - | 28 |
| Interbank and money market items | 1,140,941 | - | 1,140,941 | 153,703 | - | 153,703 |

7. Investments

7.1 Classified by investment type

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|------------|-------------------------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| <u>Trading securities - fair value</u> | | | | |
| Domestic marketable equity securities | 26,402 | 248,012 | 26,402 | 248,012 |
| Total trading securities | 26,402 | 248,012 | 26,402 | 248,012 |
| <u>Available-for-sale investments - fair value</u> | | | | |
| Government and state enterprise securities | 2,311,974 | 3,065,482 | - | - |
| Private sector debt securities | 326,072 | - | - | - |
| Domestic marketable equity securities | 1,988,673 | 1,530,213 | 327,045 | - |
| Total available-for-sale investments | 4,626,719 | 4,595,695 | 327,045 | - |
| <u>Held-to-maturity debt securities - cost/amortised cost</u> | | | | |
| Government and state enterprise securities | 16,798,862 | 16,046,015 | - | - |
| Private sector debt securities | 15,009,320 | 8,244,426 | - | - |
| Total held-to-maturity debt securities (1) | 31,808,182 | 24,290,441 | - | - |
| <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 | 36,466,103 | 29,138,948 | 353,447 | 248,012 |

(1) The fair values of held-to-maturity debt securities as at 31 December 2013 and 2012 totaled Baht 31,965 million and Baht 24,857 million, respectively.

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

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | | | |
|---|-----------------------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|
| | 2013 | | | | 2012 | | | |
| | Due within | | | | Due within | | | |
| | Within 1 year | 1 - 5 years | Over 5 years | Total | Within 1 year | 1 - 5 years | Over 5 years | Total |
| Available-for-sale investments | | | | | | | | |
| Government and state enterprise securities | - | 203,207 | 2,183,828 | 2,387,035 | - | 2,550,678 | 500,000 | 3,050,678 |
| Private sector debt securities | - | 160,000 | 170,000 | 330,000 | - | - | - | - |
| Add (less): Allowance for revaluation | - | (3,971) | (75,018) | (78,989) | - | 14,540 | 264 | 14,804 |
| Total available-for-sale securities - net | - | 359,236 | 2,278,810 | 2,638,046 | - | 2,565,218 | 500,264 | 3,065,482 |
| Held-to-maturity debt securities | | | | | | | | |
| Government and state enterprise securities | 1,605,929 | 7,082,989 | 8,109,944 | 16,798,862 | 1,420,492 | 8,074,840 | 6,550,683 | 16,046,015 |
| Private sector debt securities | 423,668 | 4,212,001 | 10,373,651 | 15,009,320 | - | 2,627,689 | 5,616,737 | 8,244,426 |
| Total held-to-maturity debt securities | 2,029,597 | 11,294,990 | 18,483,595 | 31,808,182 | 1,420,492 | 10,702,529 | 12,167,420 | 24,290,441 |
| Total investments in debt securities | <u>2,029,597</u> | <u>11,654,226</u> | <u>20,762,405</u> | <u>34,446,228</u> | <u>1,420,492</u> | <u>13,267,747</u> | <u>12,667,684</u> | <u>27,355,923</u> |

7.3 Other components of equity - Revaluation surplus (deficit) on investments

As at 31 December 2013 and 2012, revaluation surplus (deficit) on investments can be summarised as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|----------------|-------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Revaluation surplus on investments arising from reclassification | | | | |
| Debt securities | 75,907 | 46,338 | - | - |
| Total | 75,907 | 46,338 | - | - |
| Revaluation surplus on investments | | | | |
| Debt securities | 852 | 14,804 | - | - |
| Equity securities | 21,778 | 282,236 | - | - |
| Total | 22,630 | 297,040 | - | - |
| Revaluation deficit on investments | | | | |
| Debt securities | (79,841) | - | - | - |
| Equity securities | (112,302) | - | (57,082) | - |
| Total | (192,143) | - | (57,082) | - |
| Revaluation surplus (deficit) on investments | (93,606) | 343,378 | (57,082) | - |
| Add (less): Income tax effect | 9,585 | (66,241) | - | - |
| Revaluation surplus (deficit) on investments - net | <u>(84,021)</u> | <u>277,137</u> | <u>(57,082)</u> | <u>-</u> |

For the years ended 31 December 2013 and 2012, the changes in revaluation surplus (deficit) on investments are as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|-----------|-------------------------------|------|
| | 2013 | 2012 | 2013 | 2012 |
| Balance at beginning of the year | 343,378 | 243,073 | - | - |
| Increase from reclassification of investment types (Note 7.5) | 149,414 | - | - | - |
| Amortisation of revaluation surplus on investments arising from reclassification | (9,873) | (9,054) | - | - |
| Increase (decrease) from remeasuring available-for-sale investments | | | | |
| Debt securities | (93,639) | 14,804 | - | - |
| Equity securities | (296,721) | 282,236 | (57,082) | - |
| Realised on sales of investments | (76,194) | - | - | - |
| Realised on sales of investments from reclassification | (109,971) | (187,681) | - | - |
| Balances at end of the year | (93,606) | 343,378 | (57,082) | - |
| Add (less): Income tax effect | 9,585 | (66,241) | - | - |
| Balance at end of the year | (84,021) | 277,137 | (57,082) | - |

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

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | | | |
|-----------------------------------|------|------------|--------------------------------|---------------------------|------|------------|--------------------------------|
| 2013 | | | | 2012 | | | |
| Number of companies | Cost | Fair value | Allowance for impairment | Number of companies | Cost | Fair value | Allowance for impairment |
| 1 | 25 | - | 25 | 1 | 25 | - | 25 |
| 1 | 25 | - | 25 | 1 | 25 | - | 25 |

General investments

Companies which auditors' report indicating going concern issues

7.5 Reclassification of investment types

During the year ended 31 December 2013, a subsidiary had reclassified its investments in government and state enterprise securities from held-to-maturity debt securities to be available-for-sale investments, as approved by the subsidiary's Board of Directors, in order to correspond with the subsidiary's investment portfolio or investment portions. The fair value of these securities at the reclassification date amounted to Baht 3,226 million and the carrying value amounting to Baht 3,077 million. Therefore the difference of Baht 149 million was recognised in other comprehensive income. However, the subsidiary disposed of Baht 1,987 million, therefore part of the gain was recognised in profit or loss.

7.6 Investments subject to restriction

As at 31 December 2013 and 2012, the subsidiary placed state enterprise securities totaling Baht 2,967.2 million and Baht 1,991.1 million (face value), respectively, as securities against those sold under repurchase agreements.

8. Investments in subsidiaries

Investments in subsidiaries, as presented in the separate financial statements, is detailed below.

| (Unit: Thousand Baht) | | | | | | | | | |
|---|--------------------------|-----------------|------------|-------------------------|-------|------------------------|------------------------|------------------------------------|---------|
| Company's name | Nature of business | Paid-up capital | | Shareholding percentage | | Cost | | Dividend received during the years | |
| | | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | | | | (%) | (%) | | | | |
| <u>Subsidiary directly held by the Company</u> | | | | | | | | | |
| Land and Houses Bank Public Company Limited | Banking business | 12,500,000 | 12,500,000 | 99.99 | 99.99 | 12,499,999 | 12,499,999 | 970,000 | 240,000 |
| <u>Subsidiary indirectly held by the Company (held by its subsidiary)</u> | | | | | | | | | |
| Land and Houses Fund Management Company Limited | Fund Management Business | 300,000 | 300,000 | 99.99 | 99.99 | 257,289 ⁽¹⁾ | 257,289 ⁽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.

9. Loans to customers and accrued interest receivables

9.1 Classified by loan types

| (Unit: Thousand Baht) | | |
|---|-------------|------------|
| Consolidated financial statements | | |
| | 2013 | 2012 |
| Overdrafts | 4,216,542 | 4,161,906 |
| Loans | 78,755,509 | 65,775,443 |
| Bills | 18,505,549 | 15,470,039 |
| Hire Purchase | 2,491,731 | 840,855 |
| Total loans to customers | 103,969,331 | 86,248,243 |
| Less: Deferred revenue | (320,236) | (148,168) |
| Loans to customers net of deferred revenue | 103,649,095 | 86,100,075 |
| Add: Accrued interest receivables | 206,153 | 163,070 |
| Total loans to customers and accrued interest receivables | 103,855,248 | 86,263,145 |
| Less: Allowance for doubtful debts | (1,422,298) | (914,008) |
| Revaluation allowance for debt restructuring | (11,184) | (14,932) |
| Loans to customers and accrued interest receivables - net | 102,421,766 | 85,334,205 |

9.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|--|-----------------------------------|----------|-------------|------------|----------|------------|
| | 2013 | | | 2012 | | |
| | Domestic | Overseas | Total | Domestic | Overseas | Total |
| Baht | 103,649,095 | - | 103,649,095 | 86,100,075 | - | 86,100,075 |
| Loans to customers net of deferred revenue | 103,649,095 | - | 103,649,095 | 86,100,075 | - | 86,100,075 |

9.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|--|-----------------------------------|---------------------|------------------|----------|---------------------|-------------|
| | 2013 | | | | | |
| | Pass | Special- mention | Sub- standard | Doubtful | Doubtful of loss | Total |
| Agricultural and mining | 517,035 | - | - | - | - | 517,035 |
| Manufacturing and commerce | 19,399,797 | 114,979 | 8,431 | 107,842 | 196,109 | 19,827,158 |
| Real estate and construction | 10,962,813 | 801,989 | 114,968 | 96,549 | 92,182 | 12,068,501 |
| Public utilities and services | 25,862,710 | 249,497 | 73,808 | 27,824 | 35,048 | 26,248,887 |
| Housing loans | 30,639,752 | 486,831 | 200,904 | 297,710 | 648,200 | 32,273,397 |
| Financial intermediation | 10,120,627 | - | - | - | - | 10,120,627 |
| Others | 2,490,095 | 22,834 | 16,775 | 20,617 | 43,169 | 2,593,490 |
| Loans to customers net of deferred revenue | 99,992,829 | 1,676,130 | 414,886 | 550,542 | 1,014,708 | 103,649,095 |

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|--|-----------------------------------|---------------------|------------------|----------|---------------------|------------|
| | 2012 | | | | | |
| | Pass | Special- mention | Sub- standard | Doubtful | Doubtful of loss | Total |
| Agricultural and mining | 447,549 | - | - | - | - | 447,549 |
| Manufacturing and commerce | 16,703,812 | 136,779 | 16,633 | 184,103 | 62,143 | 17,103,470 |
| Real estate and construction | 8,464,501 | 188,674 | 6,824 | 406,352 | 30,342 | 9,096,693 |
| Public utilities and services | 20,693,271 | 132,148 | 3,402 | 11,438 | 23,698 | 20,863,957 |
| Housing loans | 29,253,968 | 720,428 | 45,294 | 300,170 | 482,505 | 30,802,365 |
| Financial intermediation | 5,203,973 | - | - | - | - | 5,203,973 |
| Others | 2,509,297 | 21,834 | 6,050 | 22,096 | 22,791 | 2,582,068 |
| Loans to customers net of deferred revenue | 83,276,371 | 1,199,863 | 78,203 | 924,159 | 621,479 | 86,100,075 |

9.4 Classified by loan classification

(Unit: Thousand Baht)

| | Consolidated financial statements | | | |
|---|---|---|----------------------------|------------------------------------|
| | 2013 | | | |
| | Loans to customers and accrued interest receivables | Net amount used for setting the allowance for doubtful account ⁽¹⁾ | Minimum provisioning rates | Allowance provided in the accounts |
| | | | (%) | |
| Provision at BoT's minimum required rates | | | | |
| Pass | 100,187,654 | 34,807,868 | 1 | 348,079 |
| Special-mention | 1,687,458 | 170,186 | 2 | 3,404 |
| Sub-standard | 414,886 | 138,080 | 100 | 138,080 |
| Doubtful | 550,542 | 228,364 | 100 | 228,364 |
| Doubtful of loss | 1,014,708 | 386,246 | 100 | 386,246 |
| Total | 103,855,248 | 35,730,744 | | 1,104,173 |
| General provision | | | | 318,125 |
| Total | | | | 1,422,298 |

- (1) For loans classified as pass and special mention, the net amount used for setting the allowance for doubtful account means principal balance excluding accrued interest and net of collateral. For loans classified as sub-standard, doubtful and doubtful of loss, the net amount used for setting the allowance for doubtful account means principal balance after deduction of the present value of future cash flows expected to be received from debt collection or from the disposal of collateral. For hire purchase receivables, collateral value is not included in consideration.

(Unit: Thousand Baht)

| | Consolidated financial statements | | | |
|---|---|---|----------------------------|------------------------------------|
| | 2012 | | | |
| | Loans to customers and accrued interest receivables | Net amount used for setting the allowance for doubtful account ⁽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 |
| Special-mention | 1,205,527 | 92,503 | 2 | 1,850 |
| Sub-standard | 78,203 | 18,949 | 100 | 18,949 |
| Doubtful | 924,159 | 309,432 | 100 | 309,432 |
| Doubtful of loss | 621,479 | 211,490 | 100 | 211,490 |
| Total | 86,263,145 | 27,052,051 | | 805,918 |
| Additional provision for specific debtors | | | | 16,805 |
| General provision | | | | 91,285 |
| Total | | | | 914,008 |

- (1) For loans classified as pass and special mention, the net amount used for setting the allowance for doubtful account means principal balance excluding accrued interest and net of collateral. For loans classified as sub-standard, doubtful and doubtful of loss, the net amount used for setting the allowance for doubtful account means principal balance after deduction of the present value of future cash flows expected to be received from debt collection or from the disposal of collateral. For hire purchase receivables, collateral value is not included in consideration.

9.5 Non-performing loans

As at 31 December 2013 and 2012, the subsidiary has the following non-performing loans.

| | Consolidated financial statements | |
|--|-----------------------------------|-----------|
| | 2013 | 2012 |
| Non-performing loans (Thousand Baht) | 1,980,136 | 1,623,841 |
| Percentage of non-performing loans to total loans ⁽¹⁾ | 1.82% | 1.82% |

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

Non-performing loans calculated based on the Notification of BoT. This included the “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 BoT criteria.

9.6 Non-accrued loans to customers

As at 31 December 2013 and 2012, the subsidiary has the following loans to customers on which interest income recognition has been ceased on an accrual basis:

| | Consolidated financial statements | |
|---|-----------------------------------|-----------|
| | 2013 | 2012 |
| Non-accrued loans (Thousand Baht) | 2,071,411 | 1,879,784 |
| Percentage of non-accrued loans to total loans ⁽¹⁾ | 1.91% | 2.10% |

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

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

As at 31 December 2013 and 2012, 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 | | | |
|---|-----------------------------------|--------------|------------------|---|
| | 2013 | | | |
| | Number of debtors | Debt balance | Collateral value | Allowance for doubtful debts/ Revaluation allowance |
| Companies and persons, which have problems in repayments of debts or defaulted payments | 588 | 3,667,594 | 2,733,389 | 759,147 |

(Unit: Thousand Baht)

| | Consolidated financial statements | | | |
|---|-----------------------------------|--------------|------------------|---|
| | 2012 | | | |
| | Number of debtors | Debt balance | Collateral value | Allowance for doubtful debts/ Revaluation allowance |
| Companies and persons, which have problems in repayments of debts or defaulted payments | 540 | 2,829,368 | 2,191,330 | 561,280 |

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 business 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 BoT in classification and provision for doubtful accounts.

9.8 Troubled debt restructuring

During the years 2013 and 2012, the subsidiary had completed restructuring of troubled debts as follows:

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | |
|-----------------------------------|--|---------------------|----------------------------------|------------|---|
| 2013 | | | | | |
| Number of debtors | Debt balances (principal and accrued interest receivables) | | Type of assets to be transferred | Fair value | Loss on debt restructuring ⁽¹⁾ |
| | Before restructuring | After restructuring | | | |
| Modification of terms of payments | 73 | 1,539,183 | - | - | 4,656 |
| Total restructured debts | 73 | 1,539,183 | | - | 4,656 |

- (1) Loss on debt restructuring is the amounts before deducting allowance for doubtful debts already provided in the accounts on the restructuring date

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | |
|-----------------------------------|--|---------------------|----------------------------------|------------|---|
| 2012 | | | | | |
| Number of debtors | Debt balances (principal and accrued interest receivables) | | Type of assets to be transferred | Fair value | Loss on debt restructuring ⁽¹⁾ |
| | Before restructuring | After restructuring | | | |
| Modification of terms of payments | 70 | 648,027 | - | - | 16,854 |
| Total restructured debts | 70 | 648,027 | | - | 16,854 |

- (1) Loss on debt restructuring is the amounts before deducting allowance for doubtful accounts already provided in the accounts on the restructuring date

The debts restructured during the years referred to above can be classified by the term of repayment under the restructuring agreements as follows:

| Consolidated financial statements | | | | (Unit: Million Baht) |
|--|-------------------|-----------------------------------|-------------------|-----------------------------------|
| 2013 | | 2012 | | |
| Debt balances | | Debt balances | | |
| Term of repayment under restructuring agreements | Number of debtors | Debt balances after restructuring | Number of debtors | Debt balances after restructuring |
| Less than 5 years | 4 | 607 | 1 | - |
| 5 - 10 years | 32 | 567 | 31 | 483 |
| 10 - 15 years | 7 | 253 | 1 | 7 |
| More than 15 years | 30 | 112 | 37 | 158 |
| Total | 73 | 1,539 | 70 | 648 |

Supplemental information for the years ended 31 December 2013 and 2012, relating to the restructured debts, are as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | |
|--|-----------------------------------|---------|
| | 2013 | 2012 |
| Interest income recognised in statements of comprehensive income | 101,005 | 79,472 |
| Cash settlement by debtors | 293,151 | 302,975 |
| Loss on debt restructuring | 4,656 | 16,854 |

As at 31 December 2013 and 2012, troubled debts which the subsidiary has completed restructuring can be summarised as follows:

(Unit: Thousand Baht)

| | Total debts | | Restructured debts | |
|------|-------------------|---|--------------------|---|
| | Number of debtors | Debt balances (principal and interest) | Number of debtors | Debt balances (principal and interest) |
| 2013 | 12,098 | 103,855,248 | 380 | 2,767,081 |
| 2012 | 11,125 | 86,263,145 | 349 | 1,872,179 |

As at 31 December 2013 and 2012, the subsidiary had no outstanding commitments to provide additional loans facilities after restructuring.

9.9 Hire purchase receivables

As at 31 December 2013 and 2012, 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 stipulated in the agreements.

(Unit: Thousand Baht)

| | Consolidated financial statements | | | |
|---|-----------------------------------|-------------|-------------------|-----------|
| | 2013 | | | |
| | Amounts due under the contracts | | | |
| | Less than 1 year | 1 - 5 years | More than 5 years | Total |
| Aggregate initial investments under the hire purchase contracts | 656,852 | 1,721,371 | 113,508 | 2,491,731 |
| Less: Deferred revenue | (122,225) | (171,128) | (7,345) | (300,698) |
| Present value of minimum lease payments | 534,627 | 1,550,243 | 106,163 | 2,191,033 |
| Less: Allowance for doubtful debts | | | | (27,319) |
| Hire purchase receivables - net | | | | 2,163,714 |

(Unit: Thousand Baht)

| | Consolidated financial statements | | | |
|---|-----------------------------------|-------------|-------------------|-----------|
| | 2012 | | | |
| | Amounts due under the contracts | | | |
| | Less than 1 year | 1 - 5 years | More than 5 years | Total |
| Aggregate initial investments under the hire purchase contracts | 196,648 | 607,262 | 36,945 | 840,855 |
| Less: Deferred revenue | (41,801) | (65,902) | (2,831) | (110,534) |
| Present value of minimum lease payments | 154,847 | 541,360 | 34,114 | 730,321 |
| Less: Allowance for doubtful debts | | | | (7,303) |
| Hire purchase receivables - net | | | | 723,018 |

10. Allowance for doubtful debts

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | | | | |
|--|----------------|---------------------|------------------|----------------|---------------------|---|----------------------|------------------|
| 2013 | | | | | | | | |
| Provision at BoT's minimum required rates | | | | | | | | |
| | Pass | Special- mention | Sub- standard | Doubtful | Doubtful of loss | Additional provision for specific debtors | General provision | Total |
| Balances - beginning of the year | 264,197 | 1,850 | 18,949 | 309,432 | 211,490 | 16,805 | 91,285 | 914,008 |
| Increased (decrease) during the year | 83,882 | 1,554 | 119,131 | (81,068) | 174,756 | (16,805) | 223,092 | 504,542 |
| Transferred from revaluation allowance for debt restructuring | - | - | - | - | - | - | 3,748 | 3,748 |
| Balances - end of the year | <u>348,079</u> | <u>3,404</u> | <u>138,080</u> | <u>228,364</u> | <u>386,246</u> | <u>-</u> | <u>318,125</u> | <u>1,422,298</u> |

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | | | | |
|--|----------------|---------------------|------------------|----------------|---------------------|---|----------------------|----------------|
| 2012 | | | | | | | | |
| Provision at BoT's minimum required rates | | | | | | | | |
| | Pass | Special- mention | Sub- standard | Doubtful | Doubtful of loss | Additional provision for specific debtors | General provision | Total |
| 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) | 32,851 | 274,324 |
| Transferred from revaluation allowance for debt restructuring | - | - | 299 | 13,939 | 24,749 | 16,805 | (2,711) | 53,081 |
| Others | - | - | - | - | - | - | 1,145 | 1,145 |
| Balances - end of the year | <u>264,197</u> | <u>1,850</u> | <u>18,949</u> | <u>309,432</u> | <u>211,490</u> | <u>16,805</u> | <u>91,285</u> | <u>914,008</u> |

The subsidiary has set aside provision for doubtful debt in accordance with the BoT regulations and guidelines, applying the minimum rates stipulated by the BoT, and adjusting the allowance by the amount that is expected to be uncollectible based on the current status of individual debtor, historical loss, the credit risk of loan and management's experience management, among other considerations.

In addition, for prudent reasons, the subsidiary plans to set aside additional allowance for performing loans for which there are indications of impairment (Possible Impair Loans), and for contingent losses on current loans as a result of cyclical economic instability, in compliance with BoT guidelines on setting aside additional allowance, with which financial institutions were asked to cooperate. On September 2013, the subsidiary notified to BoT in writing of the Bank's plans to set aside addition allowance of Baht 561 million within June 2014, and as of 31 December 2013 additional allowance amounting to Baht 490 million is still to be set aside.

11. Revaluation allowance for debt restructuring

(Unit: Thousand Baht)

| | Consolidated financial statements | |
|----------------------------------|-----------------------------------|----------|
| | For the years ended 31 December | |
| | 2013 | 2012 |
| Balances - beginning of the year | 14,932 | 68,013 |
| Increase during the year | 4,511 | 16,854 |
| Decrease during the year | (8,259) | (69,935) |
| Balances - end of the year | 11,184 | 14,932 |

12. Investment properties

The net book value of investment properties as at 31 December 2013 and 2012 is presented below.

(Unit: Thousand Baht)

| | Separated financial statements | | |
|-----------------------------------|--------------------------------|--------------------------|--------|
| | Land | Office building for rent | Total |
| Cost | | | |
| 1 January 2012 | 35,358 | 2,642 | 38,000 |
| 31 December 2012 | 35,358 | 2,642 | 38,000 |
| 31 December 2013 | 35,358 | 2,642 | 38,000 |
| Accumulated depreciation | | | |
| 1 January 2012 | - | 90 | 90 |
| Depreciation charged for the year | - | 132 | 132 |
| 31 December 2012 | - | 222 | 222 |
| Depreciation charged for the year | - | 132 | 132 |
| 31 December 2013 | - | 354 | 354 |
| Net book value | | | |
| 31 December 2012 | 35,358 | 2,420 | 37,778 |
| 31 December 2013 | 35,358 | 2,288 | 37,646 |
| Depreciation for the year | | | |
| 2012 | | | 132 |
| 2013 | | | 132 |
| Fair value | | | |
| 31 December 2012 | 35,358 | 2,642 | |
| 31 December 2013 | 36,641 | 3,329 | |

The fair values of land and office building for rent have been determined based on market price performed by an independent valuer.

The above investment properties is for its subsidiary therefore this amount is presented under the caption of "Land, premises and equipment" in the consolidated financial statements.

13. Properties foreclosed

(Unit: Thousand Baht)

| | Consolidated financial statements | | | |
|-----------------------|-------------------------------------|-----------|-----------|------------------------------|
| | For the year ended 31 December 2013 | | | |
| | Balance -beginning of the year | Additions | Disposals | Balance - end of the year |
| Properties foreclosed | | | | |
| - Immovable assets | - | 2,513 | (2,513) | - |
| Total | - | 2,513 | (2,513) | - |

14. Land, premises and equipment

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | | | |
|---|-----------------------------------|-----------|--------------------------------|---------------------------|---------------------|----------|-----------------------------------|---------|
| | Land | Buildings | Leasehold improve- ments | Furniture and fixtures | Office equipment | Vehicles | Assets under con- struction | Total |
| Cost | | | | | | | | |
| 1 January 2012 | 35,358 | 2,642 | 176,661 | 67,879 | 279,958 | 6,091 | - | 568,589 |
| Additions | 29,400 | 7,537 | 33,576 | 27,010 | 90,684 | - | 55,941 | 244,148 |
| Written-off | - | - | - | - | (2,678) | - | - | (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 | 810,059 |
| Additions | 11,189 | 2,674 | 53,114 | 20,933 | 62,536 | 1,498 | 21,413 | 173,357 |
| Written-off | - | - | (6,414) | (537) | (404) | - | - | (7,355) |
| Transferred in (out) | - | - | 24,254 | 285 | 1,009 | 1,754 | (27,302) | - |
| 31 December 2013 | 75,947 | 12,853 | 331,179 | 115,634 | 431,105 | 9,343 | - | 976,061 |
| Accumulated depreciation | | | | | | | | |
| 1 January 2012 | - | 90 | 89,854 | 38,117 | 160,645 | 3,469 | - | 292,175 |
| Accumulated depreciation on written-off | - | - | - | - | (2,678) | - | - | (2,678) |
| Depreciation charged for the year | - | 191 | 29,946 | 11,256 | 43,615 | 626 | - | 85,634 |
| 31 December 2012 | - | 281 | 119,800 | 49,373 | 201,582 | 4,095 | - | 375,131 |
| Accumulated depreciation on written-off | - | - | (6,298) | (522) | (375) | - | - | (7,195) |
| Depreciation charged for the year | - | 528 | 44,792 | 14,731 | 52,759 | 1,033 | - | 113,843 |
| 31 December 2013 | - | 809 | 158,294 | 63,582 | 253,966 | 5,128 | - | 481,779 |
| Net book value | | | | | | | | |
| 31 December 2012 | 64,758 | 9,898 | 140,425 | 45,580 | 166,382 | 1,996 | 5,889 | 434,928 |
| 31 December 2013 | 75,947 | 12,044 | 172,885 | 52,052 | 177,139 | 4,215 | - | 494,282 |

Depreciation for the year

2012

85,634

2013

113,843

As at 31 December 2013 and 2012, the subsidiaries have certain leasehold improvements, equipment and vehicles, which have been fully depreciated but are still in use. The original costs before deducting accumulated depreciation of those assets amounted to Baht 263 million and Baht 216 million, respectively.

15. Intangible assets

(Unit: Thousand Baht)

| | Consolidated financial statements | | | |
|---------------------------------------|-----------------------------------|----------------------|-------------------------------------|---------|
| | Computer software | Deferred license fee | Computer software under development | Total |
| Cost | | | | |
| 1 January 2012 | 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 |
| Additions | 25,601 | - | 6,711 | 32,312 |
| Transferred in (out) | 5,027 | - | (5,027) | - |
| 31 December 2013 | 427,793 | 28,273 | 24,337 | 480,403 |
| Accumulated amortisation | | | | |
| 1 January 2012 | 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 |
| Amortisation charged for the year | 54,368 | 2,800 | - | 57,168 |
| 31 December 2013 | 263,371 | 7,981 | - | 271,352 |
| Net book value | | | | |
| 31 December 2012 | 188,162 | 23,092 | 22,653 | 233,907 |
| 31 December 2013 | 164,422 | 20,292 | 24,337 | 209,051 |
| Amortisation for the year | | | | |
| 2012 | | | | 44,076 |
| 2013 | | | | 57,168 |
| Remaining amortisation (years) | 0 - 5 | 4, 7 | - | |

As at 31 December 2013 and 2012, the subsidiaries have certain computer software, which have been fully amortised but are still in use. The original cost before deducting accumulated amortisation of those assets amounted to Baht 158 million and Baht 115 million, respectively.

16. Deferred tax assets / liabilities and income taxes

16.1 Deferred tax assets / liabilities

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

(Unit: Thousand Baht)

| | Consolidated financial statements | | | |
|---|-----------------------------------|----------------|--|--------------|
| | | | Change in deferred tax assets/liabilities reported in profit or loss for the years ended 31 December | |
| | 2013 | 2012 | 2013 | 2012 |
| Deferred tax assets | | | | |
| Allowance for doubtful debts - general provision | 63,625 | 18,257 | 45,368 | 4,457 |
| Allowance for doubtful debts - other assets | 5,651 | 4,013 | 1,638 | 1,244 |
| Non-accrued interest income | 5,602 | 4,205 | 1,397 | 1,489 |
| Amortisation of assets | 9,513 | 10,167 | (654) | (2,978) |
| Bad debt written-off | 12,252 | 12,442 | (190) | (2,074) |
| Provisions for employee benefits | 11,288 | 7,476 | 2,268 | - |
| Discount on revaluation of notes receivable | 2 | 16 | (14) | (19) |
| Vacation leave accruals | 2,524 | 1,528 | 996 | (229) |
| Unused tax loss | 7,409 | - | 7,409 | - |
| Unrealised loss on remeasuring available-for-sale investments | 9,585 | - | | |
| Deferred tax assets | 127,451 | 58,104 | | |
| Deferred tax liabilities | | | | |
| Unrealised gain on remeasuring available-for-sale investments | - | 66,241 | | |
| Deferred tax liabilities | - | 66,241 | | |
| Deferred tax asset (liabilities) - net | 127,451 | (8,137) | 58,218 | 1,890 |

As at 31 December 2013 and 2012, the Company has not recognised tax-deductible temporary differences and unused tax losses totaling Baht 48 million and Baht 9 million, respectively, to be deferred tax assets since the Company believes that they are not probable that future taxable profit will be available to allow the deferred tax assets to be utilised.

16.2 Income taxes

Income taxes recognised in profit or loss for the years ended 31 December 2013 and 2012 are as follow:

(Unit: Thousand Baht)

| | Consolidated financial statements | |
|---|-----------------------------------|----------------|
| | 2013 | 2012 |
| Current income taxes: | | |
| Corporate income taxes for the year | 265,183 | 217,784 |
| Deferred taxes: | | |
| Relating to origination and reversal of temporary differences | (58,218) | (10,605) |
| Effects of changes in the applicable tax rates | - | 8,715 |
| Income taxes recognised in profit or loss | 206,965 | 215,894 |

The amounts of income taxes relating to gain (loss) on remeasuring available-for-sale investments and actuarial loss on post - employment retirement benefit plan recognised in other comprehensive income for the years ended 31 December 2013 and 2012 are summarised below:

(Unit: Thousand Baht)

| | Consolidated financial statements | |
|--|-----------------------------------|-----------------|
| | 2013 | 2012 |
| Deferred taxes relating to gain (loss) on remeasuring available-for-sale investments | 75,826 | (20,270) |
| Deferred taxes relating to actuarial loss on post - employment benefit plan | 1,544 | - |
| Effects of changes in the applicable tax rates | - | 9,936 |
| Income taxes recognised in other comprehensive income | 77,370 | (10,334) |

Reconciliations between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012 are as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|----------------|-------------------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Accounting profit before tax | 1,100,366 | 898,672 | 948,379 | 241,766 |
| Applicable tax rate | 20% | 23% | 20% | 23% |
| Accounting profit before tax multiplied by the applicable tax rate | 225,426 | 209,191 | 189,676 | 55,606 |
| Effect of change in the applicable tax rates | - | 8,715 | - | - |
| Effects of: | | | | |
| Tax-exempted revenue | (3,931) | (1,782) | (195,313) | (55,200) |
| Promotional privileges | (2,049) | (1,696) | (257) | - |
| Non-deductible expenses | 788 | 1,466 | 23 | 2,469 |
| Others | (13,269) | - | - | - |
| Income tax expenses recognised in profit or loss | 206,965 | 215,894 | -(1) | -(1) |

(1) The Company had a taxable profit (loss) from its operations and had tax loss brought forward, but its deferred tax assets on those losses have not been recognised, therefore no income tax expenses.

17. Other assets

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|----------|-------------------------------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| Deferred expenses | 124,100 | 104,033 | - | - |
| Deposits and guarantees | 59,061 | 51,942 | 1 | - |
| Suspense accounts - debtors | 35,743 | 50,682 | - | - |
| Accounts receivable - Revenue Department | 33,677 | 45,983 | - | - |
| Prepaid expenses | 17,052 | 11,689 | 1,482 | 1,430 |
| Revenue receivable | 14,150 | 13,176 | - | - |
| Token money | 14,120 | 14,120 | - | - |
| Advance payment | 4,010 | 717 | - | - |
| Withholding income tax awaiting refund | 3,039 | 832 | - | - |
| Dividend receivable | 2,615 | 10,085 | 1,698 | 350 |
| Others | 5,660 | 5,681 | - | - |
| Total | 313,227 | 308,940 | 3,181 | 1,780 |
| Less: Allowance for doubtful accounts/impairment | (26,409) | (20,577) | - | - |
| Other assets - net | 286,818 | 288,363 | 3,181 | 1,780 |

18. Classification of assets

As at 31 December 2013 and 2012, the subsidiary that operates in commercial banking business had assets which are categorised in compliance with the regulations of the BoT as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | |
|---------------------------------|---|-------------|--|--------------|-------------|
| | 2013 | | | | |
| | Interbank and money market and accrued interest receivables | Investments | Loans and accrued interest receivables | Other assets | Total |
| <u>Classification of assets</u> | | | | | |
| Pass | 4,841,096 | - | 100,187,654 | - | 105,028,750 |
| Special-mention | - | - | 1,687,458 | - | 1,687,458 |
| Sub-standard | - | - | 414,886 | - | 414,886 |
| Doubtful | - | - | 550,542 | - | 550,542 |
| Doubtful of loss | - | 115,585 | 1,014,708 | 25,895 | 1,156,188 |
| Total | 4,841,096 | 115,585 | 103,855,248 | 25,895 | 108,837,824 |

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | |
|-----------------------------------|--|-------------|---|--------------|------------|
| 2012 | | | | | |
| | Interbank and money market and accrued interest receivables | Investments | Loans 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 |

19. Deposits

19.1 Classified by type of deposits

(Unit: Thousand Baht)

| Consolidated financial statements | | |
|-----------------------------------|-------------|------------|
| | 2013 | 2012 |
| Demand deposits | 3,869,928 | 4,369,109 |
| Savings deposits | 26,769,659 | 29,659,430 |
| Time deposits | 35,409,875 | 26,607,599 |
| Fixed deposit receipt | 42,756,015 | 23,587,370 |
| Total deposits | 108,805,477 | 84,223,508 |

19.2 Classified by currency and residency of depositors

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|-------|-----------------------------------|----------|-------------|------------|----------|------------|
| | 2013 | | | 2012 | | |
| | Domestic | Overseas | Total | Domestic | Overseas | Total |
| Baht | 108,805,477 | - | 108,805,477 | 84,223,508 | - | 84,223,508 |
| Total | 108,805,477 | - | 108,805,477 | 84,223,508 | - | 84,223,508 |

20. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|--|-----------------------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | 2013 | | | 2012 | | |
| | At call | Term | Total | At call | Term | Total |
| Domestic: | | | | | | |
| Bank of Thailand | - | 6,960,070 | 6,960,070 | - | 7,175,511 | 7,175,511 |
| Commercial banks | 1,500,011 | 1,450,000 | 2,950,011 | 1,300,012 | 1,600,000 | 2,900,012 |
| Specialised financial institutions | 300,000 | 4,970,050 | 5,270,050 | 1,000,000 | 5,052,574 | 6,052,574 |
| Other financial institutions | 2,893,395 | 5,439,931 | 8,333,326 | 1,469,726 | 4,272,723 | 5,742,449 |
| Total interbank and money market items | <u>4,693,406</u> | <u>18,820,051</u> | <u>23,513,457</u> | <u>3,769,738</u> | <u>18,100,808</u> | <u>21,870,546</u> |

(Unit: Thousand Baht)

| | Separate financial statements | | | | | |
|--|-------------------------------|----------|----------|----------|----------------|----------------|
| | 2013 | | | 2012 | | |
| | At call | Term | Total | At call | Term | Total |
| Domestic: | | | | | | |
| Commercial banks | - | - | - | - | 100,000 | 100,000 |
| Total interbank and money market items | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>100,000</u> | <u>100,000</u> |

21. Debts issued and borrowings

As at 31 December 2013 and 2012, the subsidiary has borrowings in the form of bills of exchange which can be summarised as follows:

(Unit: Thousand Baht)

| Issued to | Due date | Consolidated financial statements | | | | |
|------------------------------|---------------|-----------------------------------|--------------|---------------|-------------------------|----------------|
| | | 2013 | | 2012 | | |
| | | Interest rate per annum | Amount | Due date | Interest rate per annum | Amount |
| Related persons | At call | - | - | At call | 2.50% | 7,533 |
| Funds | At call | - | - | At call | 3.00% | 3,054 |
| | Within 1 year | - | - | Within 1 year | 3.00% | 2,000 |
| Limited companies | At call | - | - | At call | 3.00% | 39,000 |
| | Within 1 year | - | - | Within 1 year | 3.05%-3.70% | 100,770 |
| Individuals | At call | - | - | At call | 2.50%-2.75% | 24,774 |
| | Within 1 year | 3.50%-3.75% | 3,198 | Within 1 year | 2.80%-3.75% | 557,538 |
| | Over 1 year | - | - | Over 1 year | 3.50%-3.75% | 3,198 |
| Other financial institutions | At call | - | - | At call | 2.50% | 2,000 |
| | Within 1 year | - | - | Within 1 year | 3.45%-3.70% | 29,188 |
| Total | | | <u>3,198</u> | | | <u>769,055</u> |

22. Provisions for employee benefits

Provisions for employee benefits, which is compensations on employees' retirement, was as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | |
|--|-----------------------------------|---------|
| | For the years ended 31 December | |
| | 2013 | 2012 |
| Defined benefit obligation - beginning of the year | 39,287 | 33,004 |
| Current service costs | 9,958 | 6,295 |
| Interest costs | 1,799 | 1,372 |
| Actuarial losses | 7,722 | - |
| Benefits paid during the year | (2,327) | (1,384) |
| Balances - end of the year | 56,439 | 39,287 |

Long-term employee benefit expenses included in the profit or loss as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | |
|---------------------------------|-----------------------------------|-------|
| | For the years ended 31 December | |
| | 2013 | 2012 |
| Current service costs | 9,958 | 6,295 |
| Interest costs | 1,799 | 1,372 |
| Total employee benefit expenses | 11,757 | 7,667 |

Principal actuarial assumptions at the valuation date were as follows:

| | Consolidated financial statements | |
|---------------------------------|-----------------------------------|---------------|
| | 2013 | 2012 |
| | (% per annum) | (% per annum) |
| Future salary incremental rates | 5 | 5 |
| Turnover rates | 0 - 25 | 0 - 25 |
| Discount rates | 3.8, 5 | 4.1, 5 |

23. Payable on purchase/sale of securities

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|---------|-------------------------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| Payable on purchase of securities | 6,605 | 33,667 | 5,955 | 31,842 |
| Subscriptions of investment units received in advance | 17,692 | 144,475 | - | - |
| | 24,297 | 178,142 | 5,955 | 31,842 |

24. Other liabilities

| | (Unit: Thousand Baht) | | | |
|---|-----------------------------------|---------|-------------------------------|------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2013 | 2012 | 2013 | 2012 |
| Suspense accounts – creditors | 117,822 | 88,024 | 4 | 5 |
| Accounts payable for acquisition of equipment and intangible assets | 17,478 | 52,514 | - | - |
| Deposits | 6,549 | 6,447 | 300 | 300 |
| Others | 2,286 | 1,835 | - | - |
| Total | 144,135 | 148,820 | 304 | 305 |

25. Share capital / Share premium

25.1 Increase in share capital

On 23 April 2012, the Annual General Meeting of the Company passed a resolution approving an increase in the Company's registered share capital from Baht 12,000,000,000 to Baht 12,399,982,813 by issuing 399,982,813 new ordinary shares with a par value of Baht 1 each, totaling Baht 399,982,813. The objective of the capital increase is to reserve shares for the stock dividend payment and adjustment of the exercise ratio of warrants. The Company registered the increase in share capital with the Ministry of Commerce on 17 May 2012.

On 22 April 2013, the Annual General Meeting of the Company passed resolutions:

- (1) 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.
- (2) 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. The Company registered the decrease in share capital with the Ministry of Commerce on 24 April 2013.
- (3) 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, adjustments to the exercise ratio and the exercise of warrants, and for the new issue and offering of Warrant#3. The Company registered the increase in its share capital with the Ministry of Commerce on 25 April 2013.

25.2 Issuance of ordinary shares

On 28 May 2013, the Company received payment of the additional share capital derived from offer of 407,122,411 new shares amounting to Baht 407,122,411. It also incurred financial advisory fee amounting to Baht 1,284,000 (present net of share premium). The Company registered the increase in its issued and paid-up share capital with the Ministry of Commerce on 31 May 2013.

Moreover, during the year ended 31 December 2013, the holders of Warrant#1 and Warrant#2 exercised their rights to convert warrants of the Company into 329,517,265 ordinary shares. The Company received payment of Baht 329,517,265 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.

Reconciliation of share capital

| | Separate financial statements | | | |
|---|--|-----------------------|--|-----------------------|
| | For the year ended 31 December 2013 | | For the year ended 31 December 2012 | |
| | Number of shares | Baht | Number of shares | Baht |
| <u>Registered share capital</u> | | | | |
| Ordinary share capital at beginning of the year | 12,399,982,813 | 12,399,982,813 | 12,000,000,000 | 12,000,000,000 |
| Add: Increase in the registered share capital during the year | 1,161,601,284 | 1,161,601,284 | 399,982,813 | 399,982,813 |
| Less: Decrease in the registered share capital during the year | (186,310,487) | (186,310,487) | - | - |
| Ordinary share capital at end of the year | <u>13,375,273,610</u> | <u>13,375,273,610</u> | <u>12,399,982,813</u> | <u>12,399,982,813</u> |
| <u>Issued and fully paid-up share capital</u> | | | | |
| Ordinary share capital at beginning of the year | 11,978,911,286 | 11,978,911,286 | 11,472,096,320 | 11,472,096,320 |
| Add: Issuance of ordinary shares as a result of warrant exercises | | | | |
| - exercise ratio: 1:1 | - | - | 12,279,600 | 12,279,600 |
| - exercise ratio: 1:1.0333 | 234,761,040 | 234,761,040 | 111,727,355 | 111,727,355 |
| - exercise ratio: 1:1.0437 | 94,756,225 | 94,756,225 | - | - |
| Issue of additional ordinary shares | <u>407,122,411</u> | <u>407,122,411</u> | <u>382,808,011</u> | <u>382,808,011</u> |
| Ordinary share capital at end of the year | <u>12,715,550,962</u> | <u>12,715,550,962</u> | <u>11,978,911,286</u> | <u>11,978,911,286</u> |

26. Warrants

On 18 September 2009, the Extraordinary General Meeting of shareholders No. 2/2552 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. 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 69,750,000 units of the first series of warrants ("Warrant#1" or "W1") to private investors, directors, and employees of Land and Houses Bank Public Company Limited who held that Bank's Warrant#1 and Warrant#2. 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, warrant holders can exercise all or any remaining allotted warrants, as the case may be, 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 remaining warrants can be exercised. • 13-18 months from the first day's trading, not remaining 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 (unless the rights are adjusted in accordance with the criteria and conditions stipulated under the terms of the warrants) |

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, and to the directors. 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 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 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 from 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.7/2554, held on 27 July 2011, resolved that the first exercise date for Warrant#1 and Warrant#2 were set to be 29-30 November 2011 whereby the Company granted the holders of Warrant#1 and Warrant#2 to exercise the warrants starting from 10 November 2011 onwards. In addition, the next exercise dates were 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.

Later the Annual General Meeting of the Company passed the resolution to acknowledge the adjustments on the exercise prices and ratios of Warrant#1 and Warrant#2, as following:

| | 23 April 2012, adjustment | 22 April 2013, adjustment |
|----------------|------------------------------------|-------------------------------------|
| Exercise price | Baht 1 per share | Baht 1 per share |
| Exercise ratio | 1 warrant to 1.0333 ordinary share | 1 warrant to 1.0437 ordinary shares |

The third series of warrants

On 22 April 2013, the Annual General Meeting passed resolution approving the issuance of 600 million warrants to be offered to employees of Land and Houses Bank Public Company Limited, including 35 million warrants to be issued to executive directors. The Board of Directors and/or the person assigned by the Board of Directors has authority to set the basis, terms and details of the allotment of the warrants. However, a meeting of the Board of Directors held on 26 August 2013, acknowledged requests to cede rights to allotments of such warrants from its employees and directors.

Movements in the number of units of warrants for the years ended 31 December 2013 and 2012 are as follows:

(Unit: units)

| | Separate financial statements | | |
|--|-------------------------------------|--------------|---------------|
| | For the year ended 31 December 2013 | | |
| | Warrant#1 | Warrant#2 | Total |
| Number of units of warrants at beginning of the year | 271,525,408 | 103,838,759 | 375,364,167 |
| Less: Warrant exercises | | | |
| - Exercise ratio 1:1.0333 | (140,936,308) | (86,259,259) | (227,195,567) |
| - Exercise ratio 1:1.0437 | (77,408,900) | (13,379,900) | (90,788,800) |
| Employee resigned during the year | - | (488,000) | (488,000) |
| Number of units of warrants at end of the year | 53,180,200 | 3,711,600 | 56,891,800 |

(Unit: units)

| | Separate financial statements | | |
|--|-------------------------------------|--------------|---------------|
| | For the year 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 |

27. 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 statutory reserve is not available for dividend distribution.

28. Dividends paid

On 23 April 2012, the Annual General Meeting of the Company passed a resolution to approve the payment of a dividend from the operating results of the year 2011 to the shareholders. This consist of a stock dividend of 1 dividend share for every 30 shares held, in total of 382,808,011 shares with a par value of Baht 1 each, which was equivalent to a dividend payment of Baht 0.0333 per share (any shareholders with shares left over after the allocation of stock dividends was to be paid in cash at a rate of Baht 0.0333 per share) and a cash dividend payment of Baht 0.0037 per share, or equivalent to Baht 42,495,081 in total. The cash dividend was paid and stock dividend was issued on 17 May 2012. The Company recorded the stock dividend payment based on the fair value of the shares, which resulted in a recognition of share premium of Baht 164.6 million on the stock dividend.

On 22 April 2013, the Annual General Meeting passed resolutions approving dividend payments from the operating results for the year ended 31 December 2012, and the interim operating results for the period ended 28 February 2013, at a rate of Baht 0.0333 per share, totaling Baht 407 million. And setting aside Baht 20 million to statutory reserve. The Company paid the dividend on 16 May 2013.

29. 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.

On 8 November 2012, the Bank of Thailand issued the BoT's Notification No. Sor Nor Sor. 13/2555 regarding "Elements of Capital Funds for Commercial Bank incorporated in Thailand", which has been effective since 1 January 2013, in order to align capital fund elements of commercial bank to Basel III.

As at 31 December 2013, capital funds of the subsidiary, which operates in banking business, calculated under Basel III (2012: calculated under Basel II) consist of the following:

| | (Unit: Thousand Baht) | |
|--|-----------------------|------------|
| | 2013 | 2012 |
| <u>Common equity Tier 1 capital fund</u> | | |
| Issued and fully paid up share capital | 12,500,000 | 12,500,000 |
| Statutory reserve | 196,200 | 127,000 |
| Retained earnings after appropriation | 446,487 | 291,820 |
| Revaluation deficit on investments in available-for-sale equity securities | (10,862) | - |
| Less: Deferred tax assets | (100,566) | (56,214) |
| Total common equity Tier 1 capital fund | 13,031,259 | |
| Total Tier 1 capital fund | 13,031,259 | 12,862,606 |
| <u>Tier 2 capital fund</u> | | |
| Reserve for assets classified as "Pass" and general reserve | 714,588 | 388,240 |
| Revaluation surplus on investments in available-for-sale equity securities | - | 121,597 |
| Total Tier 2 capital fund | 714,588 | 509,837 |
| Total capital funds | 13,745,847 | 13,372,443 |

| | (Unit: Percentage) | | | |
|---|--------------------|----------------------------------|---------|----------------------------------|
| | 2013 | | 2012 | |
| | LH Bank | Minimum rates required by law | LH Bank | Minimum rates required by law |
| The ratio of common equity Tier 1 capital fund to risk assets | 12.53 | 4.50 | - | - |
| The ratio of Tier 1 capital fund to risk assets | 12.53 | 6.00 | 15.56 | 4.25 |
| The ratio of total capital funds to risk assets | 13.21 | 8.50 | 16.17 | 8.50 |

In addition, in compliance with the Notification of the Bank of Thailand regarding "Consolidated Supervision", the Company disclosed capital adequacy and capital risk exposure information for the group as of 31 December 2012 through the Company's website at www.lhfg.co.th on 30 April 2013. Moreover, the Company will disclose capital adequacy and capital risk exposure information as of 31 December 2013 through the Company's website within April 2014.

30. Interest income

| | (Unit: Thousand Baht) | | | |
|----------------------------------|--------------------------------------|-----------|----------------------------------|-------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2013 | 2012 | 2013 | 2012 |
| Interbank and money market items | 137,910 | 146,054 | 7,136 | 8,104 |
| Investment in debt securities | 1,322,600 | 971,389 | - | - |
| Loans to customers | 4,957,377 | 3,727,742 | - | - |
| Hire Purchase | 100,299 | 10,940 | - | - |
| Total interest income | 6,518,186 | 4,856,125 | 7,136 | 8,104 |

31. Interest expenses

| | (Unit: Thousand Baht) | | | |
|---|-----------------------------------|-----------|-------------------------------|------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2013 | 2012 | 2013 | 2012 |
| Deposits | 2,809,572 | 1,495,292 | - | - |
| Interbank and money market items | 417,593 | 266,434 | 1,564 | 65 |
| Debts issued and borrowings | 6,128 | 663,618 | - | - |
| Contributions to the Deposit Protection Agency and the Bank of Thailand | 486,170 | 302,350 | - | - |
| Total interest expenses | 3,719,463 | 2,727,694 | 1,564 | 65 |

32. Fees and service income

| | (Unit: Thousand Baht) | | | |
|-----------------------------------|-----------------------------------|---------|-------------------------------|---------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2013 | 2012 | 2013 | 2012 |
| Fees and service income | | | | |
| Acceptances, avals and guarantees | 42,014 | 23,405 | - | - |
| Commission income | 87,956 | 59,151 | - | - |
| Others | 169,160 | 70,897 | - | - |
| Total fees and service income | 299,130 | 153,453 | - | - |
| Fees and service expenses | | | | |
| Fees and charges | 27,718 | 23,448 | - | - |
| Others | 22,398 | 16,481 | 8,887 | 8,012 |
| Total fees and service expenses | 50,116 | 39,929 | 8,887 | 8,012 |
| Net fees and service income | 249,014 | 113,524 | (8,887) | (8,012) |

33. Gain (loss) on investments

| | (Unit: Thousand Baht) | | | |
|----------------------------------|-----------------------------------|---------|-------------------------------|------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2013 | 2012 | 2013 | 2012 |
| Gain (loss) on investments | | | | |
| - Available-for-sale investments | 210,387 | 145,926 | (1,645) | - |
| | 210,387 | 145,926 | (1,645) | - |

34. Directors' remuneration

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

35. Bad debt, doubtful accounts and impairment loss

(Unit: Thousand Baht)

| | Consolidated financial statements | |
|--|-----------------------------------|---------|
| | 2013 | 2012 |
| Bad debts and doubtful accounts | | |
| Loans to customers ⁽¹⁾ | 504,542 | 274,324 |
| Interbank and money market items | 15,626 | (5,085) |
| Other assets | 5,832 | 7,761 |
| Total bad debts, doubtful accounts and impairment loss | 526,000 | 277,000 |

(1) Net of loss on debt restructuring

36. Components of other comprehensive income

Components of other comprehensive income for the years ended 31 December 2013 and 2012 are as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|---------------|-------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| a) Gain (loss) on remeasuring available-for-sale investments | | | | |
| Unrealised gain (loss) during the year | (390,360) | 297,040 | (57,082) | - |
| Reclassification of the realised loss that included in profit or loss from operation | (186,165) | (187,681) | - | - |
| Gain from reclassified investment - net | 149,414 | - | - | - |
| Amortisation of revaluation surplus on the reclassified investments | (9,873) | (9,054) | - | - |
| Gain (loss) on remeasuring available-for-sale investments | (436,984) | 100,305 | (57,082) | - |
| Effects of relevant income taxes | 75,826 | (10,334) | - | - |
| Gain (loss) on remeasuring available-for-sale investments - net of relevant income taxes | (361,158) | 89,971 | (57,082) | - |
| b) Actuarial loss on post-employment retirement benefit plan | | | | |
| Actuarial loss | (7,722) | - | - | - |
| Effects of relevant income taxes | 1,544 | - | - | - |
| Actuarial loss on post-employment retirement benefit plan - net of relevant income taxes | (6,178) | - | - | - |
| Other comprehensive income for the year (loss) | (367,336) | 89,971 | (57,082) | - |

37. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing profits for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year, plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

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

| Consolidated financial statements | | | | | | |
|---|---------------|--|-----------------|--------------------|--------|--------|
| Profit for the years | | Weighted average number of ordinary shares | | Earnings per share | | |
| 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | |
| Thousand Baht | Thousand Baht | Thousand shares | Thousand shares | Baht | Baht | |
| Basic earnings per share | | | | | | |
| Profit for the year attributable to equity holders of the Company | 893,401 | 682,778 | 12,484,204 | 11,908,325 | 0.0716 | 0.0573 |
| Effect of dilutive potential ordinary shares | | | | | | |
| Warrants | - | - | 38,314 | 122,496 | | |
| Diluted earnings per share | | | | | | |
| Profit for the year of ordinary shareholders assuming the conversion of warrants to ordinary shares | 893,401 | 682,778 | 12,522,518 | 12,030,821 | 0.0713 | 0.0568 |
| Separate financial statements | | | | | | |
| Profit for the years | | Weighted average number of ordinary shares | | Earnings per share | | |
| 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | |
| Thousand Baht | Thousand Baht | Thousand shares | Thousand shares | Baht | Baht | |
| Basic earnings per share | | | | | | |
| Profit for the year attributable to equity holders of the Company | 948,379 | 241,766 | 12,484,204 | 11,908,325 | 0.0760 | 0.0203 |
| Effect of dilutive potential ordinary shares | | | | | | |
| Warrants | - | - | 38,314 | 122,496 | | |
| Diluted earnings per share | | | | | | |
| Profit for the year of ordinary shareholders assuming the conversion of warrants to ordinary shares | 948,379 | 241,766 | 12,522,518 | 12,030,821 | 0.0757 | 0.0201 |

38. 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 will be paid to employees upon termination in accordance with the rules of the funds and are managed by Land and Houses Fund Management Company Limited and American International Assurance Company Limited. During the years 2013 and 2012, the subsidiaries contributed Baht 21.9 million and Baht 17.8 million, respectively, to the provident funds.

39. Commitments and contingent liabilities

39.1 Commitments

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|-------------------------|-----------------------------------|---------------------|-----------|-----------|---------------------|-----------|
| | 2013 | | | 2012 | | |
| | Baht | Foreign currency | Total | Baht | Foreign currency | Total |
| Avals to bills | 548,375 | - | 548,375 | 428,875 | - | 428,875 |
| Guarantee - others | 2,276,282 | - | 2,276,282 | 2,447,532 | - | 2,447,532 |
| Undrawn bank overdrafts | 3,585,243 | - | 3,585,243 | 3,357,055 | - | 3,357,055 |
| Total | 6,409,900 | - | 6,409,900 | 6,233,462 | - | 6,233,462 |

39.2 Commitments under long-term lease agreements

As at 31 December 2013 and 2012, the subsidiaries entered into a number of long-term lease agreements for buildings, equipment and motor vehicle and related service agreements. The terms of the agreements are between 1 and 9 years, under which future minimum rental and service fees, which are to payable by the subsidiaries, can be summarised as follows:

(Unit: Million Baht)

| | Consolidated financial statements | |
|-----------------------------|-----------------------------------|------|
| | 2013 | 2012 |
| Payable: | | |
| In up to 1 year | 222 | 212 |
| In over 1 and up to 5 years | 202 | 250 |
| In over 5 years | 4 | 4 |

As at 31 December 2013, the above commitments of the subsidiaries included commitments totaling Baht 79 million, under lease and related service agreements entered into with their related parties.

The subsidiary entered into various agreements relating to computer system development consultancy services and software development and installation services. As at 31 December 2013, the subsidiary is obligated to pay a further Baht 11 million. In addition, the subsidiary has executed agreements committing it to pay annual maintenance fee for permission to use computer programs at Baht 1.7 million per annum for the first two years and then at Baht 1.6 million for subsequent year. The agreements remain in effect until terminated by the subsidiary or either counterparty breaches conditions stipulated in the agreements.

39.3 Employee Joint Investment Program (EJIP) for employees

On 21 October 2013, the Board of Director's Meeting No. 11/2556 of the subsidiary passed a resolution approving the Employee Joint Investment Program (EJIP) for employees, with the following details:

| | |
|---------------------------------------|---|
| Period of EJIP | 1 January 2014 to 31 December 2018, with a total duration of 5 years |
| Eligible employees | Management of Land and Houses Bank Public Company Limited with level of assistant vice president or equivalent, who have passed probation and are not functioning in an acting capacity |
| EJIP arrangement | Employee contribution at no more than 5 percent of the employees' basic salaries. Subsidiary's contribution at 5 percent of the employees' basic salaries |
| Execution | Every month |
| Conditions for holding the securities | During the first to third year, employees cannot sell any shares. At the end of the third year, employees can sell 25% of accumulated shares. At the end of the fourth year, employees can sell 50% of accumulated shares. At the end of the fifth year, employees can sell all shares. Upon resignation from the program, under any circumstances, employees may sell shares immediately, without a silent period. |
| Agent | Phillip Securities (Thailand) Public Company Limited |

The Employee Joint Investment Program (EJIP) for employees was approved by the Office of the Securities and Exchange Commission on 7 January 2014.

39.4 Commitments from purchasing the subsidiary

On 27 November 2013, the Company entered into an agreement to purchase 635,900,646 shares of CIMB Securities International Public Company Limited from CIMB Securities International Public Company Limited ("CIMBI") and other shareholders in the group, or 99.79 percent of paid up capital of this company for a total of Baht 1,035.43 million. The agreement was made pursuant to a resolution passed by the Board of Directors, and are effective from the date that the share purchase was authorised by the Office of the Securities and Exchange Commission and the Bank of Thailand. Such authorisation was received on 15 January 2014 and the Company considered the share purchase transaction to be complete. The Company made payment on 22 January 2014 and is expected to commence providing of securities trading services within the third quarter of year 2014.

In addition, the Company has an obligation under the share purchase agreement to pay a benefit that is equal to 50% of the benefit received by CIMBI from the SET for the return of its membership in the event of demutualization. The method of calculating the benefit under different scenarios is stipulated in the agreement, including the payment period. Moreover, the obligation to pay this premium will remain with the Company, even if it sells its shares in CIMBI to a third party in the future.

The objective of the acquisition of shares in the above company is to expand the securities trading and financial consultancy business of the finance business group.

39.5 Other commitments

As at 31 December 2013 and 2012, 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.

39.6 Litigation

As at 31 December 2013, the subsidiary has contingent liabilities from sued for damage of totaling Baht 30 million. Final judgments have not yet been reached in respect of these cases. However, the subsidiary's management has exercised judgment to assess the outcome of the litigation and is confident that the subsidiary will not incur any loss therefore not recorded a contingent liability.

40. 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 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. The Company's subsidiaries are Land and Houses Bank Public Company Limited and Land and Houses Fund Management Company Limited.
2. Any person or companies, who holds more than 10 percent of shares in the Company ("the major shareholders") is as follows:
 - 2.1 Land and Houses Public Company Limited
 - 2.2 Quality Houses Public Company Limited
 - 2.3 Ms. Piengjai Hampanich
3. The subsidiaries of the major shareholders of the Company (shareholders as stated in No. 2 above), who have transactions with the Company and its subsidiaries, consist of:
 - 3.1 The Confidence Company Limited
 - 3.2 QH Management Company Limited
 - 3.3 QH International Company Limited
 - 3.4 LH Asset Company Limited
 - 3.5 L&H Property Company Limited
 - 3.6 Atlantic Real Estate Company Limited
 - 3.7 Casa Ville Company Limited
 - 3.8 Casa Ville (Rayong 2553) Company Limited
 - 3.9 Casa Ville (Petchburi 2553) Company Limited
 - 3.10 Casa Ville (Chonburi 2554) Company Limited
 - 3.11 Casa Ville (Prajubkirikhan 2554) Company Limited
 - 3.12 LH Real Estate Company Limited
 - 3.13 Pacific Real Estate Company Limited
 - 3.14 Property Host Company Limited
 - 3.15 Gusto Village Company Limited
 - 3.16 Idea Fitting Company Limited
 - 3.17 Land and Houses Northeast Company Limited
 - 3.18 L&H Hotel Management Company Limited
 - 3.19 L&H Retail Management Company Limited
 - 3.20 Center Point Hospitality Company Limited
 - 3.21 Siam Thani Property Company Limited
 - 3.22 Siam Thani Real Estate Company Limited

4. The associates of the major shareholders of the Company (shareholders as stated in No. 2 above), who have transactions with the Company and its subsidiaries, consist of:
 - 4.1 Home Product Center Public Company Limited
 - 4.2 Asia Asset Advisory Company Limited
 - 4.3 Quality Construction Products Public Company Limited
 - 4.4 Land and Houses Property and Loan Fund
 - 4.5 Quality Houses Leasehold Property Fund
 - 4.6 Quality Houses Hotel and Residence Freehold and Leasehold Property Fund
 - 4.7 L&H Management Company Limited
 - 4.8 Mega Home Center Company Limited
5. The companies, which are related through the Company's and its subsidiary's management and have transactions with the Company and its subsidiaries, consist of:
 - 5.1 Siam Retail Development Company Limited
 - 5.2 Thai Packaging & Printing Public Company Limited
 - 5.3 Pico (Thailand) Public Company Limited
 - 5.4 Banpu Public Company Limited
6. The companies, which are related through the major shareholders of the Company (shareholders as stated in No. 2 above), and have transactions with the Company and its subsidiaries, consist of:
 - 6.1 Industry Housing Company Limited
 - 6.2 Mayland Company Limited
 - 6.3 A.A. Property Company Limited
 - 6.4 Northern Real Estate Company Limited
 - 6.5 B.C. Real Estate Company Limited
 - 6.6 Prachachuen Real Estate Company Limited
 - 6.7 Surasaya Company Limited
 - 6.8 Attachat Company Limited
 - 6.9 Land and Houses Real Estate Company Limited
 - 6.10 Dahra Company Limited
 - 6.11 Pathumthani Real Estate Company Limited
 - 6.12 A&P Associate Company Limited
 - 6.13 Autumnland Company Limited
 - 6.14 Land and House Freehold and Leasehold Property Fund
 - 6.15 Mandarin Hotel Public Company Limited
7. The companies, which are controlled by the Company's and its subsidiary's related person and have transactions with the Company and its subsidiaries, consist of:
 - 7.1 Pornpol Subcharearn Company Limited
 - 7.2 A.A. Property (Chiang Mai) Company Limited
 - 7.3 AP (Thailand) Public Company Limited
8. Directors and executives, who are the Company's directors, the subsidiaries' directors, president, vice president, first executive vice president, heads of department and assistant heads of department.
9. 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. 2 above) and persons with close relationship with related parties of the subsidiary.

40.1 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 | | |
|---|-----------------------------------|--------|---|
| | 2013 | 2012 | Pricing policy |
| Interest income | | | |
| Related companies/persons | | | |
| Banpu Public Company Limited | 43,493 | 12,018 | As specified in prospectus |
| AP (Thailand) Public Company Limited | 10,125 | 10,153 | As specified in prospectus |
| Related persons | 3,044 | 2,781 | The same rates that a subsidiary charged to general customers |
| | 56,662 | 24,952 | |
| Fees and service income | | | |
| Related companies/persons | | | |
| Land and Houses Property and Loan Fund | 2,183 | 2,677 | At the percentage of net asset value of the fund |
| Quality Houses Leasehold Property Fund | 17,243 | 7,273 | At the percentage of net asset value of the fund |
| Quality Houses Hotel and Residence Freehold and Leasehold Property Fund | 9,537 | 4,025 | At the percentage of net asset value of the fund |
| Land and Houses Freehold and Leasehold Property Fund | 9,075 | 6,820 | At the percentage of net asset value of the fund |
| | 38,038 | 20,795 | |
| Dividend income | | | |
| Related companies/persons | | | |
| Quality Houses Hotel and Residence Freehold and Leasehold Property Fund | 4,708 | - | As declared by the fund |
| Land and Houses Freehold and Leasehold Property Fund | 6,393 | 1,767 | As declared by the fund |
| | 11,101 | 1,767 | |

(Unit: Thousand Baht)

| | Consolidated financial statements | | |
|--|-----------------------------------|--------|---|
| | 2013 | 2012 | Pricing policy |
| Interest expenses | | | |
| The major shareholders | | | |
| Land and Houses Public Company Limited | 13,811 | 21,402 | The same rates that a subsidiary paid to general depositors |
| Quality Houses Public Company Limited | 8,235 | 13,788 | The same rates that a subsidiary paid to general depositors |
| Ms. Piengjai Harnpanich | 896 | 1,107 | The same rates that a subsidiary paid to general depositors |
| Related companies/persons | | | |
| L&H Property Company Limited | 1,383 | 997 | The same rates that a subsidiary paid to general depositors |
| Casa Ville Company Limited | 2,376 | 1,681 | The same rates that a subsidiary paid to general depositors |
| Home Product Center Public Company Limited | 10,290 | 20,931 | The same rates that a subsidiary paid to general depositors |
| Land and Houses Property and Loan Fund | 2,280 | 2,302 | The same rates that a subsidiary paid to general depositors |
| Pico (Thailand) Public Company Limited | 3,613 | - | The same rates that a subsidiary paid to general depositors |
| Industry Housing Company Limited | 2,134 | 1,911 | The same rates that a subsidiary paid to general depositors |
| Mayland Company Limited | 3,164 | 6,038 | The same rates that a subsidiary paid to general depositors |
| Pathumthani Real Estate Company Limited | 1,634 | 1,097 | The same rates that a subsidiary paid to general depositors |
| Other related companies | 8,964 | 5,717 | The same rates that a subsidiary paid to general depositors |
| Directors and executives | 11,312 | 10,097 | The same rates that a subsidiary paid to general depositors |
| Related persons | 10,431 | 10,364 | The same rates that a subsidiary paid to general depositors |
| | 80,523 | 97,432 | |

Rental and service expensesThe major shareholders

| | | | |
|---------------------------------------|-------|-------|--------------------------------|
| Quality Houses Public Company Limited | 3,902 | 2,960 | As specified in the agreements |
|---------------------------------------|-------|-------|--------------------------------|

Related companies/persons

| | | | |
|--|---------------|---------------|--------------------------------|
| QH Management Company Limited | 230 | 188 | As specified in the agreements |
| L&H Property Company Limited | 3,452 | 3,508 | As specified in the agreements |
| Home Product Center Public Company Limited | 5,726 | 2,461 | As specified in the agreements |
| Quality Houses Leasehold Property Fund | 69,127 | 67,356 | As specified in the agreements |
| Siam Retail Development Company Limited | 7,007 | 5,134 | As specified in the agreements |
| | <u>89,444</u> | <u>81,607</u> | |

(Unit: Thousand Baht)

| | Separate financial statements | | |
|---|-------------------------------|-------|---|
| | 2013 | 2012 | Pricing policy |
| Interest income | | | |
| <u>The Company's subsidiary</u> | | | |
| Land and Houses Bank Public Company Limited | 7,103 | 8,095 | The same rates that a subsidiary paid to general depositors |
| | 7,103 | 8,095 | |

Dividend IncomeThe Company's subsidiary

| | | | |
|---|---------|---------|-----------------------------|
| Land and Houses Bank Public Company Limited | 970,000 | 240,000 | As declared by a subsidiary |
| | 970,000 | 240,000 | |

Office rental incomeThe Company's subsidiary

| | | | |
|---|-------|-------|--------------------------------|
| Land and Houses Bank Public Company Limited | 1,200 | 1,200 | As specified in the agreements |
| | 1,200 | 1,200 | |

Fees and service expensesThe Company's subsidiary

| | | | |
|---|----|----|--|
| Land and Houses Bank Public Company Limited | 80 | 55 | The same rates that a subsidiary paid to general customers |
| | 80 | 55 | |

40.2 The outstanding balances as at financial position dates

As at 31 December 2013 and 2012, the outstanding balances of significant transactions between the Company and its subsidiaries and their related parties can be summarised as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | |
|--|-----------------------------------|---------|
| | 2013 | 2012 |
| Investments - cost | | |
| <u>Related companies/persons</u> | | |
| Private sector debt securities - Banpu Public Company Limited | 1,400,000 | 400,000 |
| Private sector debt securities - AP (Thailand) Public Company Limited | 225,000 | 225,000 |
| Investment units - Quality Houses Hotel and Residence Freehold and Leasehold Property Fund | 67,200 | 67,200 |
| Investment units - Land and Houses Freehold and Leasehold Property Fund | 91,462 | 91,462 |
| | 1,783,662 | 783,662 |

(Unit: Thousand Baht)

Consolidated financial statements

Accrued interest receivables on investments

Related companies/persons

| | | |
|--------------------------------------|---------------|--------------|
| Banpu Public Company Limited | 25,790 | 2,057 |
| AP (Thailand) Public Company Limited | 2,358 | 2,358 |
| | <u>28,148</u> | <u>4,415</u> |

Loans to customers

Related companies/persons

| | | |
|-----------------|---------------|---------------|
| Related persons | 61,048 | 56,999 |
| | <u>61,048</u> | <u>56,999</u> |

Accrued interest receivables on loans to customers

Related companies/persons

| | | |
|-----------------|------------|-----------|
| Related persons | 102 | 67 |
| | <u>102</u> | <u>67</u> |

Other assets - office rental deposits

The major shareholders

| | | |
|---------------------------------------|-------|-----|
| Quality Houses Public Company Limited | 2,065 | 751 |
|---------------------------------------|-------|-----|

Related companies/persons

| | | |
|--|---------------|---------------|
| Quality Houses Leasehold Property Fund | 14,764 | 14,732 |
| Other related companies | 6,174 | 4,294 |
| | <u>23,003</u> | <u>19,777</u> |

Other assets - fees and service income receivables

Related companies/persons

| | | |
|-------------------------|--------------|--------------|
| Other related companies | 5,130 | 4,944 |
| | <u>5,130</u> | <u>4,944</u> |

(Unit: Thousand Baht)

Consolidated financial statements

| 2013 | 2012 |
|------|------|
|------|------|

Deposits

The major shareholders

| | | |
|--|---------|---------|
| Land and Houses Public Company Limited | 502,220 | 726,494 |
| Quality Houses Public Company Limited | 365,372 | 492,286 |
| Ms. Piengjai Harnpanich | 61,701 | 31,454 |

Related companies/persons

| | | |
|--|---------|---------|
| The Confidence Company Limited | 167,229 | 84,137 |
| QH Management Company Limited | 12,911 | 7,079 |
| QH International Company Limited | 42,013 | 65,887 |
| LH Asset Company Limited | 18,502 | 25,382 |
| L&H Property Company Limited | 39,845 | 54,427 |
| Atlantic Real Estate Company Limited | 46,408 | 84,964 |
| Casa Ville Company Limited | 287,833 | 169,010 |
| Casa Ville (Rayong 2553) Company Limited | 4,018 | 13,706 |
| Casa Ville (Petchburi 2553) Company Limited | 10,767 | 36,067 |
| Casa Ville (Chonburi 2554) Company Limited | 22,081 | 7,449 |
| LH Real Estate Company Limited | 280 | 19,150 |
| Property Host Company Limited | 5,099 | 13,442 |
| Gusto Village Company Limited | 199,553 | 67,700 |
| Land and Houses Northeast Company Limited | 21,278 | 2,050 |
| L&H Hotel Management Company Limited | 12,603 | - |
| Center Point Hospitality Company Limited | 34,719 | - |
| Home Product Center Public Company Limited | 67,021 | 819,161 |
| Asia Asset Advisory Company Limited | 37,406 | 27,222 |
| Land and Houses Property and Loan Fund | 73,235 | 70,729 |
| Quality Houses Leasehold Property Fund | 55,451 | 35,784 |
| Mega Home Center Company Limited | 12,138 | - |
| Thai Packing & Printing Public Company Limited | 14,182 | 1,131 |
| Pico (Thailand) Public Company Limited | 140,337 | - |
| Industry Housing Company Limited | 58,235 | 57,209 |
| Mayland Company Limited | 96,474 | 146,176 |
| Northern Real Estate Company Limited | 20,835 | 1,119 |
| Land and Houses Real Estate Company Limited | 16,088 | 15,885 |
| Pathumthani Real Estate Company Limited | 62,287 | 58,092 |

(Unit: Thousand Baht)

Consolidated financial statements

Deposits (continued)

| | 2013 | 2012 |
|--|------------------|------------------|
| A&P Associate Company Limited | 33,308 | 27,401 |
| Land and Houses Freehold and Leasehold Property Fund | 36,709 | 16,772 |
| Other related companies | 33,976 | 17,639 |
| Directors and executives | 889,944 | 724,875 |
| Related persons | 471,708 | 402,759 |
| | <u>3,973,766</u> | <u>4,322,638</u> |

Liabilities payable on demand

The major shareholders

| | | |
|--|-------|--------|
| Land and Houses Public Company Limited | 5,624 | 20,124 |
| Quality Houses Public Company Limited | 2,612 | 5,400 |

Related companies/persons

| | | |
|-------------------------|---------------|---------------|
| Other related companies | 7,306 | 23,740 |
| | <u>15,542</u> | <u>49,264</u> |

Debts issued and borrowings

Related companies/persons

| | | |
|-----------------|----------|--------------|
| Related persons | - | 7,533 |
| | <u>-</u> | <u>7,533</u> |

Accrued interest payables

The major shareholders

| | | |
|--|-----|----|
| Land and Houses Public Company Limited | 62 | 86 |
| Ms. Piengjai Hampanich | 156 | 44 |

Related companies/persons

| | | |
|--------------------------|--------------|--------------|
| Other related companies | 3,150 | 1,309 |
| Directors and executives | 2,686 | 804 |
| Related persons | 2,503 | 1,603 |
| | <u>8,557</u> | <u>3,846</u> |

40.3 Movements of related party transactions

The movements of related party interbank and money market items (assets), loans to customers, deposits and debts issued and borrowings are as follows:

(Unit: Thousand Baht)

Consolidated financial statements

For the year ended 31 December 2013

| Beginning balance | Increase | Decrease | Ending balance |
|----------------------|----------|-----------|-------------------|
| | | | |
| 56,999 | 174,852 | (170,803) | 61,048 |
| 56,999 | 174,852 | (170,803) | 61,048 |

Loans to customers

Related companies/persons

Related persons

Deposits

The major shareholders

| | | | | |
|--|---------|------------|--------------|---------|
| Land and Houses Public Company Limited | 726,494 | 66,835,910 | (67,060,184) | 502,220 |
| Quality Houses Public Company Limited | 492,286 | 57,404,302 | (57,531,216) | 365,372 |
| Ms. Piengjai Hampanich | 31,454 | 247,032 | (216,785) | 61,701 |

Related companies/persons

| | | | | |
|---|---------|------------|--------------|---------|
| The Confidence Company Limited | 84,137 | 6,286,880 | (6,203,788) | 167,229 |
| QH Management Company Limited | 7,079 | 141,562 | (135,730) | 12,911 |
| QH International Company Limited | 65,887 | 377,503 | (401,377) | 42,013 |
| LH Asset Company Limited | 25,382 | 981,504 | (988,384) | 18,502 |
| L&H Property Company Limited | 54,427 | 1,127,303 | (1,141,885) | 39,845 |
| Atlantic Real Estate Company Limited | 84,964 | 1,452,679 | (1,491,235) | 46,408 |
| Casa Ville Company Limited | 169,010 | 22,973,590 | (22,854,767) | 287,833 |
| Casa Ville (Rayong 2553) Company Limited | 13,706 | 174,054 | (183,742) | 4,018 |
| Casa Ville (Petchburi 2553) Company Limited | 36,067 | 247,677 | (272,977) | 10,767 |
| Casa Ville (Chonburi 2554) Company Limited | 7,449 | 854,023 | (839,391) | 22,081 |
| LH Real Estate Company Limited | 19,150 | 34,407 | (53,277) | 280 |
| Property Host Company Limited | 13,442 | 7,254 | (15,597) | 5,099 |
| Property Host Company Limited | 67,700 | 3,938,604 | (3,806,751) | 199,553 |
| Land and Houses Northeast Company Limited | 2,050 | 395,662 | (376,434) | 21,278 |
| L&H Hotel Management Company Limited | - | 421,830 | (409,227) | 12,603 |
| Center Point Hospitality Company Limited | - | 794,398 | (759,679) | 34,719 |
| Home Product Center Public Company Limited | 819,161 | 20,082,961 | (20,835,101) | 67,021 |
| Asia Asset Advisory Company Limited | 27,222 | 355,442 | (345,258) | 37,406 |

(Unit: Thousand Baht)

Consolidated financial statements

For the year ended 31 December 2013

Deposits (continued)

Related companies/persons

| | Beginning balance | Increase | Decrease | Ending balance |
|--|----------------------|--------------------|----------------------|-------------------|
| Land and Houses Property and Loan Fund | 70,729 | 147,825 | (145,319) | 73,235 |
| Quality Houses Leasehold Property Fund | 35,784 | 729,039 | (709,372) | 55,451 |
| Mega Home Center Company Limited | - | 472,312 | (460,174) | 12,138 |
| Thai Packaging & Printing Public Company Limited | 1,131 | 45,554 | (32,503) | 14,182 |
| Pico (Thailand) Public Company Limited | - | 1,383,249 | (1,242,912) | 140,337 |
| Industry Housing Company Limited | 57,209 | 140,845 | (139,819) | 58,235 |
| Mayland Company Limited | 146,176 | 1,865,428 | (1,915,130) | 96,474 |
| Northern Real Estate Company Limited | 1,119 | 93,251 | (73,535) | 20,835 |
| Land and Houses Real Estate Company Limited | 15,885 | 321 | (118) | 16,088 |
| Pathumthani Real Estate Company Limited | 58,092 | 270,978 | (266,783) | 62,287 |
| A&P Associate Company Limited | 27,401 | 183,985 | (178,078) | 33,308 |
| Land and Houses Freehold and Leasehold Property Fund | 16,772 | 344,593 | (324,656) | 36,709 |
| Other related companies | 17,639 | 1,847,325 | (1,830,988) | 33,976 |
| Directors and executives | 724,875 | 6,398,891 | (6,233,822) | 889,944 |
| Related persons | 402,759 | 2,087,225 | (2,018,276) | 471,708 |
| | <u>4,322,638</u> | <u>201,145,398</u> | <u>(201,494,270)</u> | <u>3,973,766</u> |

Debts issued and borrowings

Related companies/persons

| | | | | |
|-----------------|--------------|------------|----------------|----------|
| Related persons | 7,533 | 264 | (7,797) | - |
| | <u>7,533</u> | <u>264</u> | <u>(7,797)</u> | <u>-</u> |

(Unit: Thousand Baht)

Separate financial statements

For the year ended 31 December 2013

Interbank and money market items (assets)

The Company's subsidiary

| | | | | |
|---|----------------|------------------|--------------------|------------------|
| Land and Houses Bank Public Company Limited | 153,428 | 4,850,554 | (3,871,033) | 1,132,949 |
| | <u>153,428</u> | <u>4,850,554</u> | <u>(3,871,033)</u> | <u>1,132,949</u> |

40.4 Directors and executives' compensation

During the years ended 31 December 2013 and 2012, compensation to directors and executives of the Company and its subsidiaries, recognised in profit or loss from operation, was classified as follows.

(Unit: Million Baht)

| | Consolidated financial statements | | Separate financial statements | |
|------------------------------|-----------------------------------|-------|-------------------------------|------|
| | 2013 | 2012 | 2013 | 2012 |
| Short-term employee benefits | 62.21 | 54.01 | 7.86 | 6.86 |
| Post-employment benefits | 5.87 | 4.94 | - | - |

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

41. Operating segment

The Company and its subsidiaries have three principal operating segments: investment holding business, banking business and fund management business and they operate these businesses mainly in Thailand. For management purposes of the banking business, the executive board of directors has been identified as the chief operating decision maker, and the operating segment is divided into the lending segment (housing and retail and other loans) and other segments.

The management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. The Company's and its subsidiaries measure segment performance based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss in the financial statements. In addition, recording for inter-segment is reported on a basis consistent with external customers.

Operating segment information of the Company and its subsidiaries are as follows:

(Unit: Thousand Baht)

| | For the year ended 31 December 2013 | | | | | | | |
|---|-------------------------------------|------------|-------------|-----------|-----------|------------|--------------|-----------|
| | Banking business | | | | | | | |
| | Investment | Lending | | | | Fund | | |
| | holding | Housing | Other | | | management | | |
| | business | and retail | Other loans | segment | Total | business | Eliminations | Total |
| Interest income from external customers | 33 | 1,551,681 | 3,643,385 | 1,323,016 | 6,518,082 | 71 | - | 6,518,186 |
| Inter - segment interest income | 7,103 | - | - | - | - | 487 | (7,590) | - |
| Net interest income | 5,572 | | | | 2,792,593 | 558 | - | 2,798,723 |
| Net fees and service income (loss) | (8,887) | | | | 197,655 | 61,649 | (1,403) | 249,014 |
| Gain (loss) on investments | (1,645) | | | | 217,780 | 345 | (6,093) | 210,387 |
| Net loss on trading transactions | (32,257) | | | | - | - | 1,457 | (30,800) |

(Unit: Thousand Baht)

For the year ended 31 December 2013

| | | Banking business | | | | | | |
|--|---------------------|-----------------------|-------------|------------------|-------------|------------------------|--------------|-------------|
| | Investment | Lending | | | | Fund | | |
| | holding business | Housing and retail | Other loans | Other segment | Total | management business | Eliminations | Total |
| Dividend income | 995,280 | | | | 47,461 | 8,123 | (970,000) | 80,864 |
| Other operating income | 1,200 | | | | 7,046 | 154 | (1,200) | 7,200 |
| Other operating expenses | (10,884) | | | | (1,636,483) | (43,748) | 2,093 | (1,689,022) |
| Bad debts, doubtful accounts and impairment loss | - | | | | (526,000) | - | - | (526,000) |
| Income taxes | - | | | | (215,304) | (4,930) | 13,269 | (206,965) |
| Profit for the year before non- controlling interests | 948,379 | | | | 884,748 | 22,151 | (961,877) | 893,401 |

(Unit: Thousand Baht)

For the year ended 31 December 2012

| | Banking business | | | | | | | |
|---|------------------|--------------------|-------------|---------------|-------------|---------------------|--------------|-------------|
| | Investment | Lending | | | Fund | | | |
| | holding business | Housing and retail | Other loans | Other segment | Total | management business | Eliminations | Total |
| Interest income from external customers | 9 | 1,521,164 | 2,343,881 | 990,287 | 4,855,332 | 784 | - | 4,856,125 |
| Inter - segment interest income | 8,095 | - | - | - | - | 2,543 | (10,638) | - |
| Net interest income | 8,039 | | | | 2,117,065 | 3,327 | - | 2,128,431 |
| Net fees and service income (loss) | (8,012) | | | | 101,019 | 21,478 | (961) | 113,524 |
| Gain on investments | - | | | | 190,454 | - | (44,528) | 145,926 |
| Net gain on trading transactions | 10,578 | | | | - | - | 38,237 | 48,815 |
| Dividend income | 240,457 | | | | 41,886 | 1,433 | (240,000) | 43,776 |
| Other operating income | 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 taxes | - | | | | (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)

As at 31 December 2013

| | Banking business | | | | | | |
|---|-----------------------------|--------------------|-------------|---------------|-------------|--------------------------|-------------|
| | Investment holding business | Lending | | Other segment | Total | Fund management business | |
| | | Housing and retail | Other loans | | | Eliminations | Total |
| Loans to customers/interbank and money market items | - | 33,442,041 | 75,045,494 | - | 108,487,535 | - | 108,487,535 |
| Cash | 3 | | | | 1,726,296 | 1 | 1,726,300 |
| Interbank and money market items - net | 1,140,941 | | | | 6,994,579 | 35,803 | 7,010,078 |
| Investments - net | 353,447 | | | | 35,925,526 | 187,130 | 36,466,103 |
| Investment in a subsidiary | 12,499,999 | | | | 257,289 | - | - |
| Loans to customers and accrued interest receivables - net | - | | | | 102,421,766 | - | 102,421,766 |
| Other assets | 40,827 | | | | 1,391,323 | 43,315 | 1,474,466 |
| Total assets | 14,035,217 | | | | 148,716,779 | 266,249 | 149,098,713 |
| Deposits | - | | | | 109,948,054 | - | 108,805,477 |
| Interbank and money market items | - | | | | 23,530,564 | - | 23,513,457 |
| Debts issued and borrowings | - | | | | 3,198 | - | 3,198 |
| Other liabilities | 6,531 | | | | 1,727,986 | 22,978 | 1,755,377 |
| Total liabilities | 6,531 | | | | 135,209,802 | 22,978 | 134,077,509 |

(Unit: Thousand Baht)

As at 31 December 2012

| | Banking business | | | | | | |
|---|-----------------------------|--------------------|-------------|---------------|-------------|--------------------------|-------------|
| | Investment holding business | Lending | | Other segment | Total | Fund management business | |
| | | Housing and retail | Other loans | | | Eliminations | Total |
| Loans to customers/interbank and money market items | - | 31,812,965 | 57,562,932 | - | 89,375,897 | - | 89,375,897 |
| Cash | 4 | | | | 1,619,451 | 2 | 1,619,457 |
| Interbank and money market items - net | 153,703 | | | | 4,895,725 | 209,149 | 5,031,981 |
| Investments - net | 248,012 | | | | 28,734,282 | 156,654 | 29,138,948 |
| Investment in a subsidiary | 12,499,999 | | | | 257,289 | - | - |
| Loans to customers and accrued interest receivables - net | - | | | | 85,334,205 | - | 85,334,205 |
| Other assets | 39,558 | | | | 1,181,881 | 23,483 | 1,244,184 |
| Total assets | 12,941,276 | | | | 122,022,833 | 389,288 | 122,368,775 |

(Unit: Thousand Baht)

As at 31 December 2012

| As at 31 December 2012 | | | | | | | | |
|----------------------------------|------------|------------------|-------------|---------|-------------|--------------|-----------|-------------|
| | | Banking business | | | | | | |
| | Investment | Lending | | | Fund | | | |
| | holding | Housing | Other | | management | | | |
| | business | and retail | Other loans | segment | business | Eliminations | Total | |
| | | | | | | | | |
| Deposits | - | | | | 84,387,733 | - | (164,225) | 84,223,508 |
| Interbank and money market items | - | | | | 21,832,632 | - | (62,086) | 21,770,546 |
| Debts issued and borrowings | - | | | | 769,055 | - | - | 769,055 |
| Other liabilities | 132,561 | | | | 1,155,998 | 151,664 | (1,022) | 1,439,201 |
| Total liabilities | 132,561 | | | | 108,145,418 | 151,664 | (227,333) | 108,202,310 |

The Company and its subsidiaries are operated in Thailand only. As a result, all of the revenues, profits and assets as reflected in these financial statements pertain to the aforementioned geographical reportable. Moreover, during the years 2013 and 2012, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues, except all of dividend income in the separate financial statements, which received from the subsidiary.

42. Financial instruments

Financial instruments are any contracts which give 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, investments, investment in a subsidiary, loans to customers, deposits, liabilities payable on demand, debts issued and borrowings, and accounts payable on purchase/sale of securities. The Company and its subsidiaries have financial risks associated with these financial instruments and how they are managed is described below.

42.1 Credit risk

Credit risk is the chance or probability that debtors or counterparties will not be able to meet their obligation, 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, especially that associated with credit transactions, which are the core transactions of the subsidiary, both in terms of providing credit and in terms of obligations. Maximum exposure to credit loss of the subsidiary is the carrying value of loans to customers, including commitments in respect of provisions of guarantees, aval or other actions with similar characteristics.

The subsidiary 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 subsidiary considers 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 subsidiary conducts reviews of borrower risk level and their alignment with the identified risk factors.

(2) Risk Measurement

The subsidiary has developed tools to help it measure credit quality. These are a Credit Rating Model which is used to assign credit ratings to corporate banking customers, and a Credit Scoring Model which is used for personal banking customers. Both were developed by the risk management department in order to reduce the use of judgment by credit approvers during the credit approval process.

(3) Risk Monitoring and Reporting

The subsidiary conducts 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 subsidiary sets credit concentration limits at the industry level, and individual client level, in order to ensure the subsidiary's 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 subsidiary also has internal control and audit procedures in place to ensure that its risk management is in accordance with the frameworks and processes laid down by the subsidiary.

Furthermore, the subsidiary conducts 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 the subsidiary will be able to take timely action to mitigate the risk.

42.2 Market risk

Market risk is the risk that the value of assets, liabilities and commitments will change as a result of fluctuations in interest rate, securities prices, commodity prices and exchange rates. However, the Company and its subsidiaries have no foreign currency and commodity transactions. As such, market risk consists of interest rate risk and equity position risk.

(a) 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 repricing terms of assets and liabilities.

The Company and its subsidiary's assets structure mainly consist of cash at financial institutions, loans to customers and investments in debt securities, whereas their liabilities structure mainly consist of deposits, loans from financial institutions and debts issued and borrowings. These key transactions may be affected by interest rate fluctuations, which give rise to the risk that income, expense and/or economic value (shareholders' equity value) will be impacted, since the main risk related to transactions and balances of subsidiary. The subsidiary therefore need to manage interest rate risk in its 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 the subsidiary's statement 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.

The subsidiary has developed interest risk measurement tools to evaluate interest rate risk in the banking books. The subsidiary set risk limits in order to keep risk levels within stipulated parameters and to report risk levels to Asset and Liability Committee on a monthly basis.

Moreover, the subsidiary performs stress tests simulating an interest rate crisis, using simulations provided by the BoT and/or appropriate simulations established by itself, with quarterly reporting of the results of this testing to the Risk Committee.

As at 31 December 2013 and 2012, financial assets and liabilities, classified by types of interest rate, are as follows:

(Unit: Thousand Baht)

| Descriptions | Consolidated financial statements | | | |
|-----------------------------------|-----------------------------------|----------------------|----------------------|-------------|
| | 31 December 2013 | | | |
| | Floating interest rates | Fixed interest rates | Non-interest bearing | Total |
| <u>Financial Assets</u> | | | | |
| Cash | - | - | 1,726,300 | 1,726,300 |
| Interbank and money market items | 8,611 | 4,838,433 | 2,208,761 | 7,055,805 |
| Investments | - | 34,446,227 | 2,020,441 | 36,466,668 |
| Loans to customers ⁽¹⁾ | 49,644,846 | 52,342,548 | 1,981,937 | 103,969,331 |

(Unit: Thousand Baht)

| Descriptions | Consolidated financial statements | | | |
|--|-----------------------------------|----------------------|----------------------|-------------|
| | 31 December 2013 | | | |
| | Floating interest rates | Fixed interest rates | Non-interest bearing | Total |
| <u>Financial Liabilities</u> | | | | |
| Deposits | 29,401,079 | 79,284,042 | 120,356 | 108,805,477 |
| Interbank and money market items | 208,645 | 23,299,372 | 5,440 | 23,513,457 |
| Liabilities payable on demand | - | - | 214,561 | 214,561 |
| Debts issued and borrowings | - | 3,198 | - | 3,198 |
| Payable on purchase/sale of securities | - | - | 24,297 | 24,297 |

- (1) In case that the loan agreements charge fixed rate of interest over a certain period and charge floating rate over the further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the presentation date. In addition, non-interest bearing loans included non-performing loans.

(Unit: Thousand Baht)

| Descriptions | Consolidated financial statements | | | |
|--|-----------------------------------|----------------------|----------------------|------------|
| | 31 December 2012 | | | |
| | 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 |
| Payable on purchase/sale of securities | - | - | 178,142 | 178,142 |

- (1) In case that the loan agreements charge fixed rate of interest over a certain period and charge floating rate over the further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the presentation date. In addition, non-interest bearing loans included non-performing loans.

(Unit: Thousand Baht)

| Descriptions | Separate financial statements | | | |
|--|-------------------------------|----------------------|----------------------|------------|
| | 31 December 2013 | | | |
| | Floating interest rates | Fixed interest rates | Non-interest bearing | Total |
| <u>Financial Assets</u> | | | | |
| Cash | - | - | 3 | 3 |
| Interbank and money market items | 898,947 | 240,433 | - | 1,139,380 |
| Investments | - | - | 353,447 | 353,447 |
| Investment in a subsidiary | - | - | 12,499,999 | 12,499,999 |
| <u>Financial Liabilities</u> | | | | |
| Payable on purchase/sale of securities | - | - | 5,955 | 5,955 |

(Unit: Thousand Baht)

| Descriptions | Separate financial statements | | | |
|--|-------------------------------|----------------------|----------------------|------------|
| | 31 December 2012 | | | |
| | 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 |
| Investments | - | - | 248,012 | 248,012 |
| Investment in a subsidiary | - | - | 12,499,999 | 12,499,999 |
| <u>Financial Liabilities</u> | | | | |
| Interbank and money market items | - | 100,000 | - | 100,000 |
| Payable on purchase/sale of securities | - | - | 31,842 | 31,842 |

The remaining periods counting from 31 December 2013 and 2012 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 | | | | | | |
|----------------------------------|--|-----------------|------------------|----------------|-----------------|------------|----------------------------|
| | 31 December 2013 | | | | | | |
| | 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.) |
| <u>Financial Assets</u> | | | | | | | |
| Interbank and money market items | 4,138,433 | 700,000 | - | - | - | 4,838,433 | 2.15 - 6.00 |
| Investments | - | 199,939 | 1,829,657 | 11,654,226 | 20,762,405 | 34,446,227 | 2.80 - 7.11 |
| Loans to customers | 1,801,086 | 17,356,666 | 5,992,417 | 26,876,047 | 316,332 | 52,342,548 | 3.00 - 8.63 |
| <u>Financial Liabilities</u> | | | | | | | |
| Deposits | 2,790,763 | 45,103,086 | 25,420,432 | 5,969,761 | - | 79,284,042 | 2.25 - 7.03 |
| Interbank and money market items | 4,479,321 | 10,856,831 | 904,100 | 7,059,120 | - | 23,299,372 | 0.01 ⁽¹⁾ - 4.00 |
| Debts issued and borrowings | - | - | 3,198 | - | - | 3,198 | 3.50 - 3.75 |

(1) It is the interest rate charged on the balance of Baht 6,960 million obtained for financial assistance to debtors affected by the floods in 2011.

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | | |
|----------------------------------|--|-----------------|------------------|----------------|-----------------|------------|----------------------------|
| | 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.) |
| <u>Financial Assets</u> | | | | | | | |
| 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 |
| <u>Financial Liabilities</u> | | | | | | | |
| 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 balance of Baht 7,175 million obtained for financial assistance to debtors affected by the floods in 2011.

(Unit: Thousand Baht)

| Separate financial statements | | | | | | | |
|----------------------------------|--|-----------------|------------------|----------------|-----------------|---------|---------------------------|
| 31 December 2013 | | | | | | | |
| Descriptions | Remaining periods to repricing dates or maturity dates | | | | | Total | Interest rate (% p.a.) |
| | At call | 0 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | | |
| <u>Financial Assets</u> | | | | | | | |
| Interbank and money market items | 240,433 | - | - | - | - | 240,433 | 2.25 |

(Unit: Thousand Baht)

| Separate financial statements | | | | | | | |
|--|---------|--------------|---------------|-------------|--------------|---------|------------------------|
| 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.) |
| <u>Financial Assets</u> | | | | | | | |
| Interbank and money market items | 94,700 | - | - | - | - | 94,700 | 2.50 |
| <u>Financial Liabilities</u> | | | | | | | |
| Interbank and money market items | - | 100,000 | - | - | - | 100,000 | 3.40 |

In addition, the average balances of the financial assets and liabilities of the Company and its subsidiaries generating revenues/incurred expenses, calculated based on the average balances outstanding during the years, and the average interest rate for the years ended 31 December 2013 and 2012 can be summarised as follows:

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | | |
|---|---------------------------|----------------------------|------------------|---------------------------|----------------------------|------|
| 2013 | | | 2012 | | | |
| Average balances | Interest income/ expenses | Average rate (% per annum) | Average balances | Interest income/ expenses | Average rate (% per annum) | |
| <u>Performing financial assets</u> | | | | | | |
| Interbank and money market items | 3,028,952 | 137,910 | 4.55 | 3,473,635 | 146,054 | 4.20 |
| Investments in debt securities | 31,432,895 | 1,322,600 | 4.21 | 22,530,662 | 971,389 | 4.31 |
| Loans to customers | 94,000,454 | 5,057,676 | 5.38 | 65,771,663 | 3,738,682 | 5.68 |
| <u>Performing financial liabilities</u> | | | | | | |
| Deposits | 94,600,159 | 3,229,636 | 3.41 | 49,361,508 | 1,740,480 | 3.53 |
| Interbank and money market items | 15,809,923 | 482,644 | 3.05 | 12,969,951 | 271,058 | 2.09 |
| Debts issued and borrowings | 183,958 | 7,183 | 3.90 | 18,210,840 | 716,156 | 3.93 |

(Unit: Thousand Baht)

| Separate financial statements | | | | | | |
|---|---------------------------|----------------------------|------------------|---------------------------|----------------------------|------|
| 2013 | | | 2012 | | | |
| Average balances | Interest income/ expenses | Average rate (% per annum) | Average balances | Interest income/ expenses | Average rate (% per annum) | |
| <u>Performing financial assets</u> | | | | | | |
| Interbank and money market items | 501,818 | 7,136 | 1.42 | 312,824 | 8,104 | 2.59 |
| <u>Performing financial liabilities</u> | | | | | | |
| Interbank and money market items | 45,205 | 1,564 | 3.46 | 1,917 | 65 | 3.39 |

(b) 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 value of investments in equity securities as presented in the statements of financial position.

42.3 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 subsidiary manage their liquidity risk by performing through liquidity gap analysis of the subsidiary. The analysis has two components, a Contractual Liquidity Gap report and a Behavior Liquidity Gap report, which analyse the net liquidity of the subsidiary at each point in time and consider the cash flow adequacy of the subsidiary over the next year. Moreover, the subsidiary 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 subsidiary.

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

The subsidiary 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 Asset and Liability Committee the results, which measured liquidity requirements under each scenario, and provided a framework for establishing contingency plans.

The periods to maturity, counting from the financial position dates, of financial instruments outstanding as at 31 December 2013 and 2012 are as follows:

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | | |
|--|--------------------------|-----------------------|------------------|---------------------|----------------|-------------|
| 31 December 2013 | | | | | | |
| Descriptions | At call | Less than 3 months | 3 - 12 months | More than 1 year | No maturity | Total |
| Financial Assets | | | | | | |
| Cash | 1,726,300 | - | - | - | - | 1,726,300 |
| Interbank and money market items | 6,355,805 | 700,000 | - | - | - | 7,055,805 |
| Investments | - | 199,939 | 1,829,657 | 32,416,631 | 2,020,441 | 36,466,668 |
| Loans to customers | 8,072,637 ⁽¹⁾ | 15,063,071 | 12,104,303 | 68,729,320 | - | 103,969,331 |
| Financial Liabilities | | | | | | |
| Deposits | 30,399,154 | 45,534,916 | 26,062,716 | 6,808,691 | - | 108,805,477 |
| Interbank and money market items | 4,693,406 | 10,856,831 | 904,100 | 7,059,120 | - | 23,513,457 |
| Liabilities payable on demand | 214,561 | - | - | - | - | 214,561 |
| Debts issued and borrowings | - | - | 3,198 | - | - | 3,198 |
| Payable on purchase/sale of securities | - | 24,297 | - | - | - | 24,297 |

(1) Loans to customers mature at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | | |
|--|--------------------------|-----------------------|------------------|---------------------|----------------|------------|
| 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 |
| Payable on purchase/sale of securities | - | 178,142 | - | - | - | 178,142 |

(1) Loans to customers mature at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)

| Descriptions | Separate financial statements | | | | | |
|--|-------------------------------|-----------------------|------------------|---------------------|----------------|------------|
| | 31 December 2013 | | | | | |
| | At call | Less than 3 months | 3 - 12 months | More than 1 year | No maturity | Total |
| Financial Assets | | | | | | |
| Cash | 3 | - | - | - | - | 3 |
| Interbank and money market items | 1,139,380 | - | - | - | - | 1,139,380 |
| Investments | - | - | - | - | 353,447 | 353,447 |
| Investment in a subsidiary | - | - | - | - | 12,499,999 | 12,499,999 |
| Financial Liabilities | | | | | | |
| Payable on purchase/sale of securities | - | 5,955 | - | - | - | 5,955 |

(Unit: Thousand Baht)

| Descriptions | Separate financial statements | | | | | |
|--|-------------------------------|-----------------------|------------------|---------------------|----------------|------------|
| | 31 December 2012 | | | | | |
| | 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 |
| Investments | - | - | - | - | 248,012 | 248,012 |
| Investment in a subsidiary | - | - | - | - | 12,499,999 | 12,499,999 |
| Financial Liabilities | | | | | | |
| Interbank and money market items | - | 100,000 | - | - | - | 100,000 |
| Payable on purchase/sale of securities | - | 31,842 | - | - | - | 31,842 |

Moreover, as at 31 December 2013 and 2012, 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 financial position dates, of the contracts:

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|-------------------------|-----------------------------------|----------------|-----------|--------------------------|----------------|-----------|
| | 31 December 2013 | | | 31 December 2012 | | |
| | No more than 1 year | Over 1 year | Total | No more than 1 year | Over 1 year | Total |
| Avals to bills | 548,375 | - | 548,375 | 875 | 428,000 | 428,875 |
| Other guarantees | 1,983,985 ⁽¹⁾ | 292,297 | 2,276,282 | 2,169,340 ⁽¹⁾ | 278,192 | 2,447,532 |
| Undrawn bank overdrafts | 3,585,243 | - | 3,585,243 | 3,357,055 | - | 3,357,055 |

(1) As at 31 December 2013 and 2012, these amount included contracts with no maturity date, amounting to Baht 972 million and Baht 504 million, respectively.

42.4 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 Company and its subsidiaries have estimated the fair value of financial instruments as follows:

(a) Financial assets

The methodology used for determining the fair value is dependent upon the characteristics of the financial instruments. The fair values of financial assets are presented as the amount stated in the statements of financial position, including cash, interbank and money market items, loans to customers, which are considered to approximate their respective carrying value 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 value are determined from the quoted market price. And investment in a subsidiary is stated at the book value.

(b) Financial liabilities

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

As at 31 December 2013 and 2012, the book value and the fair value of financial instruments of the Company and its subsidiaries are as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | | |
|---|-----------------------------------|-------------|------------|------------|
| | 2013 | | 2012 | |
| | Book value | Fair value | Book value | Fair value |
| Financial assets | | | | |
| Cash | 1,726,300 | 1,726,300 | 1,619,457 | 1,619,457 |
| Interbank and money market items - net | 7,010,078 | 7,010,078 | 5,031,981 | 5,031,981 |
| Investments - net | 36,466,103 | 36,623,100 | 29,138,948 | 29,705,507 |
| Loans to customers and accrued interest receivables - net | 102,421,766 | 102,421,766 | 85,334,205 | 85,334,205 |
| Financial liabilities | | | | |
| Deposits | 108,805,477 | 108,805,477 | 84,223,508 | 84,223,508 |
| Interbank and money market items | 23,513,457 | 23,513,457 | 21,870,546 | 21,870,546 |
| Liabilities payable on demand | 214,561 | 214,561 | 233,580 | 233,580 |
| Debts issued and borrowings | 3,198 | 3,198 | 769,055 | 769,055 |
| Payable on purchase/sale of securities | 24,297 | 24,297 | 178,142 | 178,142 |

(Unit: Thousand Baht)

| | Separate financial statements | | | |
|--|-------------------------------|------------|------------|------------|
| | 2013 | | 2012 | |
| | Book value | Fair value | Book value | Fair value |
| <u>Financial assets</u> | | | | |
| Cash | 3 | 3 | 4 | 4 |
| Interbank and money market items - net | 1,140,941 | 1,140,941 | 153,703 | 153,703 |
| Investments - net | 353,447 | 353,447 | 248,012 | 248,012 |
| Investment in a subsidiary | 12,499,999 | 12,499,999 | 12,499,999 | 12,499,999 |
| <u>Financial liabilities</u> | | | | |
| Interbank and money market items | - | - | 100,000 | 100,000 |
| Payable on purchase/sale of securities | 5,955 | 5,955 | 31,842 | 31,842 |

43. Significant event after the reporting period

On 24 February 2014, the Board of Director's meeting No.2/2557 of the Company passed the following resolutions:

43.1 Dividend payment

Approved dividend payment of Baht 0.0333 per share from the operating results for the year ended 31 December 2013, or a total of not more than Baht 423.57 million.

43.2 Increase and decrease in share capital

1. Approved a right offering of new 423,993,555 shares with a par value of Baht 1 each, totalling Baht 423,993,555, to the existing shareholders proportionate to their shareholding at a ratio of 1 new share to every 30 existing shares and a price of Baht 1 per share.
2. Approved a decrease in the registered share capital from Baht 13,375,273,610 to Baht 12,775,273,610, by canceling the 600,000,000 registered shares with a par value of Baht 1 each that are unissued as a result of cancelation of Warrant#3. The decrease in share capital must be approved from BoT.
3. Acknowledged adjustments to the exercise ratios of Warrant#1 and Warrant#2 as a result of the increase in share capital as described in no. 1, with the exercise ratios change from 1 warrant to 1.0437 ordinary shares to 1 warrant to 1.0500 ordinary shares, effective from the first day that the Stock Exchange of Thailand post an XR sign.
4. Approved an increase in the Company's registered share capital from Baht 12,775,273,610 to Baht 13,199,599,896 by issuing new 424,326,286 ordinary shares with a par value of Baht 1 each to support the increase in capital described in no. 1 and the conversion of Warrant#1 and Warrant#2 as described in no. 3.

However, the dividend payment for the year, the increase and decrease in share capital must be approved by resolution of the Annual General Meeting of the Company's shareholders.

44. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2014.



Reference Information

| | | |
|------------------|---|--|
| Share registrars | : | Thailand Securities Depository Co., Ltd. |
| Address | : | 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110 |
| Tel. | : | 0-2229-2800 |
| Fax. | : | 0-2359-1259 |
| Website | : | www.tsd.co.th |

| | | |
|----------|---|--|
| Auditors | : | EY Office Limited (Formerly known as Ernst & Young Office Limited) |
| Auditors | : | Miss Ratana Jala Certified Public Accountant (Thailand), registration No. 3734 Miss Somjai Khunapasut Certified Public Accountant (Thailand), registration No. 4499 Miss Phuphun Charoensuk Certified Public Accountant (Thailand), registration No. 4950 |
| Address | : | 193/136-137, 33rd Floor, Lake Rajada Office Complex, New Rajadapisek Road, Klongtoey, Bangkok 10110 |
| Tel. | : | 0-2264-0777 |
| Fax. | : | 0-2264-0789-90 |
| Website | : | www.ey.com/th |

| | | |
|----------------------|---|---|
| Financial Advisories | : | Asia Plus Advisory Company Limited |
| Address | : | 175, 11 th Floor, Sathorn City Tower, South Sathorn Road, Thungmahamek, Sathorn , Bangkok 10120 |
| Tel. | : | 0-2680-4000 |
| Fax. | : | 0-2670-9291-2 |
| Website | : | www.asiaplus.co.th |



Branch Information

| Area | Branch | Telephone |
|---------|---------------------------------|---|
| Bangkok | Lumpini Office | 0-2359-0000 # 4801-4 |
| | Fashion Island Branch | 0-2947-5588 |
| | The Mall Bangkhae Branch | 0-2454-9204-6 |
| | Q House Asoke Branch | 0-2204-2515-7 |
| | The Mall Bangkok Branch | 0-2363-3489-91 |
| | The Old Siam Branch | 0-2223-9866-8 |
| | HomePro Petchkasem Branch | 0-2444-3045-7 |
| | Maboonkrong Center Branch | 0-2686-3930 |
| | Big C Rama II Branch | 0-2415-3737, 0-2415-3313, 0-2415-5423, 0-2415-7236 |
| | HomePro Ekamai-Rarmindra Branch | 0-2514-9112-4 |
| | The Mall Thapra Branch | 0-2477-9525,0-2477-9497, 0-2477-9540 |
| | Yaowaraj Branch | 0-2221-4600-2 |
| | Silom Branch | 0-2235-8372-4 |
| | Sampheng Branch | 0-2225-3552,0-2225-3556-7, 0-2622-4938 |
| | Thonglo Branch | 0-2392-6053-5 |
| | Bangrak Branch | 0-2235-7050-3 |
| | Khlongthom Branch | 0-2223-2024-6 |
| | Big C Onnut Branch | 0-2331-6471-3,0-2742-6800 |
| | Saphankhwai Branch | 0-2278-1755-57,0-2616-9407 |
| | Phrannok Branch | 0-2411-1272-74,0-2866-0314 |
| | Worachak Branch | 0-2221-6946-8,0-2621-2026 |
| | The Circle Ratchapruk Branch | 0-2863-8757-9,0-2863-8762 |
| | Wongwian 22 Karakada Branch | 0-2223-4194-5,0-2223-4280, 0-2623-0218 |
| | Terminal 21 Branch | 0-2254-0045-7,0-2108-0674 |
| | Sena Nikhom Branch | 0-2561-5577, 0-2561-2376, 0-2561-1957, 0-2941-1051 |
| | Pakkhlong Talat Branch | 0-2225-4932-4,0-2623-7316 |
| | Central Rama 9 Branch | 0-2160-3866-8 |
| | The Promenade Branch | 0-2947-5056-8,0-2130-4200 |
| | Seacon Bangkae Branch | 0-2458-2846-8 |

| Area | Branch | Telephone |
|-------------------|--------------------------------------|---|
| Bangkok (Con.) | Pratunam Branch | 0-2208-0860-2,0-2656-3162 |
| | Seacon Square Branch | 0-2138-6180-2,0-2721-9246 |
| | Thanon Chan Branch | 0-2212-8639-40, 0-2212-8634,0-2673-0453 |
| | Bobae Branch | 0-2280-9518,0-2280-9530, 0-2280-9541,0-2628-1356 |
| | Park Lane (Ekkamai) Branch | 0-2381-6573-5,0-2714-4182 |
| | Tarat Noi Branch | 0-2235-7463-5,0-2639-6103 |
| | Saphanmai Branch | 0-2522-7088-90,0-2971-1404 |
| | Tesco Lotus Rama 4 Branch | 0-2249-5758-60,0-2671-4697 |
| | Wave Place (Phloen Chit) Branch | 0-2254-4150-2,0-2655-7128 |
| | Central Plinklao Branch | 0-2433-1155,0-2433-1352-3 |
| | Big C Bangna Branch | 0-2361-6324-6 |
| | Tesco Lotus Rama I Branch | 0-2214-3568-70,0-2612-4920 |
| | Sena Fest (Charoen Nakhon) Branch | 0-2437-0038-40,0-2108-9040 |
| | Banglumphu Branch | 0-2282-4712-4,0-2629-4162 |
| | The Paseo Town (Ramkhamhaeng) Branch | 0-2111-3007-9 |
| Boundary | Samutsakhon Branch | 034-870737-9,034-870741, 034-810877 |
| | Big C Rattatanathibetch Branch | 0-2594-2578-80 |
| | Future Park Rangsit Branch | 0-2958-5271-3 |
| | Big C Bangplee Branch | 0-2312-2626,0-2312-2665, 0-2312-2667 |
| | The Mall Ngamwongwan Branch | 0-2550-1287-9 |
| | Talat thai Branch | 0-2529-6162-3,0-2529-6176-7, 0-2908-3420 |
| | Suksawat Branch | 0-2462-8364-6,0-2819-2726 |
| | Big C Tiwanon Branch | 0-2527-4551-2,0-2527-4557, 0-2968-3932 |
| | Tesco Lotus Bangna-Trad Branch | 0-2316-3184-6,0-2752-8143 |
| | Nakornprathom Branch | 034-271981-3,034-210143 |
| | Samutprakan Branch | 0-2389-1683-5,0-2702-6721 |
| | Megahome Rangsit Branch | 0-2516-0971-2,0-2105-3935 |
| | HomePro Prachachuen Branch | 0-2589-6015,0-2589-6071, 0-2589-6074,0-2951-8353 |
| | HomePro Phutthamonthon Sai 5 Branch | 0-2482-1286-7,034-109605 |

| Area | Branch | Telephone |
|------------|---|---|
| Middle | Phitsanulok Branch | 055-258051-3,055-219033 |
| | Nakhonsawan Branch | 056-228521-3,056-311015 |
| | HomePro Nakhonsawan Branch | 056-371357,056-009735 |
| | HomePro Suphanburi Branch | 035-522-346-7,035-969605 |
| | HomePro Saraburi Branch | 036-224471-2,036-679715 |
| | HomePro Phetchabun | 056-719541-2,056-029705 |
| | Big C Ayutthaya Branch | 035-747133-4,035-959715 |
| | HomePro Lopburi Branch | 036-776095-6,036-689805 |
| North | Big C Hangdong Branch | 053-447855-7 |
| | Talat Warorot Branch | 053-252223-5 |
| | HomePro Phrae Branch | 054-531955-6,054-069505 |
| | Tesco Lotus Ruamchok (Chiangmai) Branch | 053-014124-5,053-014282-3, 053-014154,053-014285, 053-852027 |
| | HomePro Chiangrai Branch | 053-604430-1,052-029835 |
| North East | Khonkaen Branch | 043-235244,043-235258, 043-235260,043-245364, 043-245366,043-245415 |
| | Udonthani Branch | 042-230280-2,042-230284, 042-230286 |
| | IT Plaza Udonthani Branch | 042-136155-7,042-343341 |
| | The Mall Nakhonratchasima Branch | 044-393925-7,044-288118 |
| | Central Khonkaen Branch | 043-288540-2 |
| | Ubon Ratchathani Branch | 045-242584-6,045-262311 |
| | HomePro Chaiyaphum Branch | 044-051842-3,044-109705 |
| | HomePro Sakonnakhon Branch | 042-712862,042-712868, 042-099705 |
| | HomePro Roiet Branch | 043-516849-50,043-039805 |
| | HomePro Leoi Branch | 042-845827-8,042-039805 |
| | HomePro Buriram Branch | 044-690490-91,044-119805 |
| | Megahome Nongkhai Branch | 042-990453-4,042-464229 |
| | HomePro Ubonratchathani Branch | 045-344738-9,045-959715 |
| East | HomePro Chonburi Branch | 038-387924-6 |
| | Si Racha Branch | 038-325693-5 |
| | Big C Pattaya Klang Branch | 038-428946-8,038-360200 |
| | Rayong Branch | 038-619434-6,038-864486 |
| | HomePro Chachoengsao Branch | 038-513418-9,033-599515 |
| | HomePro Prachinburi Branch | 037-482338-9,037-629755 |
| | HomePro Chanthaburi Branch | 039-418112-3,039-609815 |

| Area | Branch | Telephone |
|-------|---------------------------------|--|
| West | Hua Hin Branch | 032-513420-2 |
| | Robinson Ratchaburi Branch | 032-328025-7,032-310330 |
| | Megahome Mae Sot Branch | 055-506993-4 |
| | HomePro Kanchanaburi Branch | 034-602695-6,034-622043 |
| South | Phuket Branch | 076-355305-9 |
| | Tesco Lotus Phuket Branch | 076-304113-5 |
| | HomePro Phuket (Chalong) Branch | 076-384618-9,076-681135 |
| | Patong Branch | 076-340770-1,076-340773, 076-340775,076-340778, 076-3400801,076-292013 |
| | Central Suratthani Branch | 077-602709-11 |
| | Big C Hat Yai 2 Branch | 074-555211,074-555281, 074-344014 |
| | Hatyai Branch | 074-225622-3,074-225628, 074-350067 |
| | HomePro Chumphon Branch | 077-658893-4,077-979905 |
| | HomePro Trang Branch | 075-502276-7,075-829705 |
| | Nakhonsithammarat Branch | 075-357617-19,075-317770 |







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