



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



Driving Force
for Sustainable Development

2014 Annual Report
รายงานประจำปี
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the Chairman

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Message from the Chairman

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The company's board of directors always recognizes the significance of good corporate governance, business transparency, justification and accountability as well as sustaining the utmost benefits of all stakeholders

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Thailand's economic overview in 2014, the recovery remained weak due to the depression of agricultural products and the rising of household. However, the government has promoted an economic stimulus measures such as investment promotion, the stimulation of Public expenditure's infrastructure and farmers administration. Forces into the economic system, totally, being a main tool for sustaining economic situations at the end of the year.

The global economy, especially, the US that can succeed in economic stimulus package and strong recovery in labor market, therefore, on October, 2014 the Quantitative Easing (QE) has been terminated. However, European economy remained weak mainly due to the political conflict with Russia which discontinue an international trade between Russian and Western European countries.

In the year 2014, the subsidiaries of LH Financial Group PLC showed continued expansion in several aspects. Especially, net profit of the company stood at Baht 1,201 million or 34.5 % growth from the year 2013. In addition, the growth of Land and Houses Bank PLC, which total asset stood at Baht 164,808 million or 10.8% growth from the year 2013, total loans stood at Baht 116,302 million or 11.9% growth from the year 2013, with a good quality of loan and NPL stood at 1.92% with considered lower than the average of the total banking system with stood at 2.3%. Moreover, the bank has improved its services and extended its products and services to provide customers with faster and more convenient services to satisfy the need of its customers such as providing Currency Exchange service and expanding its branches from 100 in 2013 to 117 branches in 2014 in Bangkok, vicinity provinces and other provincial areas. For supporting the demand of the young generation who prefer to do a transaction via digital channels, such as, internet banking service or "LH BANK Speedy" and Mobile banking service which provided to do a transaction at every time and everywhere conveniently.

The growth of Land and Houses Fund Management Co., Ltd., which has total assets under management of Baht 40,978.62 million and 1.08% market share, ranked 12th among 22 fund management companies, and also the launch of Land and Houses Securities PLC.

The establishment of Land and Houses Securities PLC on 29 September, 2014 which is the broker No.5 of the Stock Exchange of Thailand, the company provides securities services and financial advisor. The company also joined with LHBANK and SET to operate Banker- to-Broker 2015 program which is set to promote investment via the bank's branches offer to customers and investors for opening an investment account via the bank's branches located over the country.

The company's board of directors always recognizes the significance of good corporate governance, business transparency, justification and accountability as well as sustaining the utmost benefits of all stakeholders and the whole society. In addition, our management emphasizes on an integrity which leads to an increase in competitiveness and a foundation of stability and sustainable growth. In October 2014, our group of companies including LH Financial Group PLC, Land and Houses Bank PLC and Land and Houses Fund Management Co., Ltd. has been certified companies of Thailand's private sector Collective Action Coalition Against Corruption (CAC). Land and Houses Securities PLC has signed a declaration of intent with the CAC and will join the CAC certification process in 2015.

Finally, the company would like to thank all shareholders, investors, all group of customers, public and private financial institutions and government agencies for trust and continued support that have been placed in LH Financial Group PLC.

(Mr. 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 Institution 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 Commerce after that the shareholders of Land and Houses Bank Public Company has become LH Financial Group Limited shareholders and the

company holds shares in Land and Houses Bank Public Company Limited 99.99% of paid-up share. Therefore, Land and Houses Bank Public Company 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	: Holding Company Investment in 2 subsidiaries. 1. Land and Houses Bank Public Company Limited 2. Land and Houses Securities Public Company Limited
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 Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registered Share Capital	: 13,199,599,896 Baht Divided into 13,199,599,896 ordinary shares
Paid-up Share Capital	: 13,198,747,016 Baht Divided into 13,198,747,016 ordinary shares
Par Value	: 1 Baht
Preferred Shares	: None
Accounting Period	: 1 January - 31 December

Contact : Head Office
 Telephone 0-2359-0000, 0-2677-7111
 Fax 0-2677-7223
 The Company Secretary
 Telephone 0-2359-0000
 Ext. 2020, 2019, 2021, 2024
 E-mail : presidentoffice@lhbanc.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
 E-mail : phairojh@lhbanc.co.th
 Mr. Adul Vinaiphat
 Member of the Audit Committee
 Telephone 081-834-0104
 E-mail : adulv@lhbanc.co.th
 Mr. Somsak Asavapokee
 Member of the Audit Committee
 Telephone 085-485-4269
 E-mail : somsaka@lhbanc.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
 : EY Office Limited
 193/136-137, 33rd Floor, Lake Rajada
 Office Complex,
 New Rajadapisek Road, Klongtoey,
 Bangkok 10110
 Telephone : 0-2264-0777
 Fax : 0-2264-0789-90
 Website : www.ey.com/th

Companies under the Financial Group

Land and Houses Bank Public Company Limited

Head Office : 1 Q.House Lumpini Building,
 G, 1st, 5th, 6th, 32nd Floor,
 South Sathon Road, Thungmahamek,
 Sathon, Bangkok 10120

Registration Number : 0107548000234

Registered Share Capital : 20,000,000,000 Baht

Paid-up Share Capital : 13,000,000,000 Baht

Telephone : 0-2359-0000, 0-2677-7111

Fax : 0-2677-7223

Website : www.lhbanc.co.th

Land and Houses Securities Public Company Limited

Head Office : 11 Q.House Sathon Building, M Floor,
 South Sathon Road, Thungmahamek,
 Sathon, Bangkok 10120

Registration Number : 0107542000038

Registered Share Capital : 637,215,030 Baht

Paid-up Share Capital : 637,215,030 Baht

Telephone : 0-2352-5100

Fax : 0-2286-2681-2

Website : www.lhsec.co.th

Land and Houses Fund Management Company Limited

Head Office : 11 Q.House Sathon Building, 14th Floor,
 South Sathon Road, Thungmahamek,
 Sathon, Bangkok 10120

Registration Number : 0105551006645

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

Website : www.lhfund.co.th

Land and Houses Advisory Company Limited

Head Office : 11 Q.House Sathon Building, M Floor,
 South Sathon Road, Thungmahamek,
 Sathon, Bangkok 10120

Registration Number : 0105545029400

Registered Share Capital : 20,000,000 baht

Paid-up Share Capital : 20,000,000 baht

Telephone : 0-2352-5100

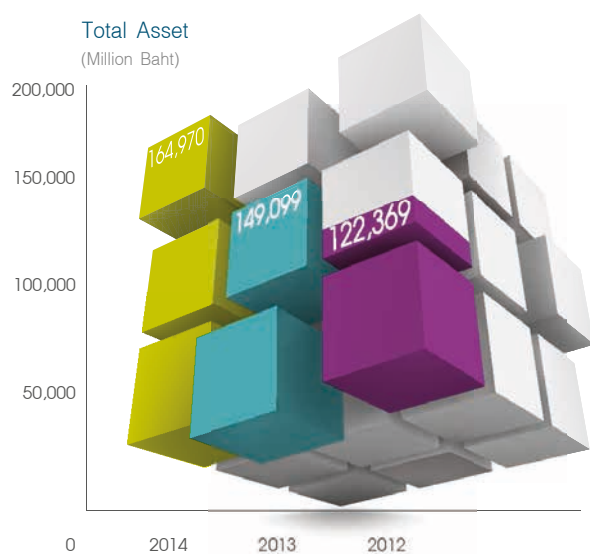
Fax : 0-2286-2681-2

Financial Highlights

Items	Consolidated Financial Statements		
	2014	2013	2012
Statements of financial position : Million Baht			
Total assets	164,970	149,099	122,369
Loans to customers	115,915	103,969	86,248
Allowance for doubtful debts	2,145	1,433	929
Non-performing loans (Gross NPLs)	2,519	1,980	1,624
Deposits	122,632	108,805	84,224
Debts issued and borrowings	1,000	3	769
Total Liabilities	148,684	134,078	108,203
Total shareholders' equity	16,286	15,021	14,166
Registered share capital	13,200	13,375	12,400
Paid-up share capital	13,199	12,716	11,979
Statements of comprehensive income : Million Baht			
Interest income	7,455	6,517	4,856
Interest expenses	(4,073)	(3,719)	(2,728)
Net interest income	3,382	2,798	2,128
Non-interest income	865	516	356
Total operating income	4,247	3,314	2,484
Non-interest expenses	(2,045)	(1,688)	(1,309)
Bad debts and doubtful accounts	(710)	(526)	(277)
Profit from operation before income tax expenses	1,492	1,100	899
Net profit	1,201	893	683
Comparing per share : Baht			
Basic earnings per share	0.0921	0.0702	0.0573
Dividend rate per share	0.0370 ⁽¹⁾	0.0333	0.0333
Book Value per share	1.2339	1.1813	1.1826
Financial Ratio (%)			
Return on average assets (ROA)	0.77	0.66	0.67
Return on average shareholders' equity (ROE)	7.67	6.12	4.97
Non-interest income to total income	20.36	15.59	14.33
Non-interest expenses to total income	48.16	50.93	52.68
Dividend payout ratio	58.88	76.65	42.74

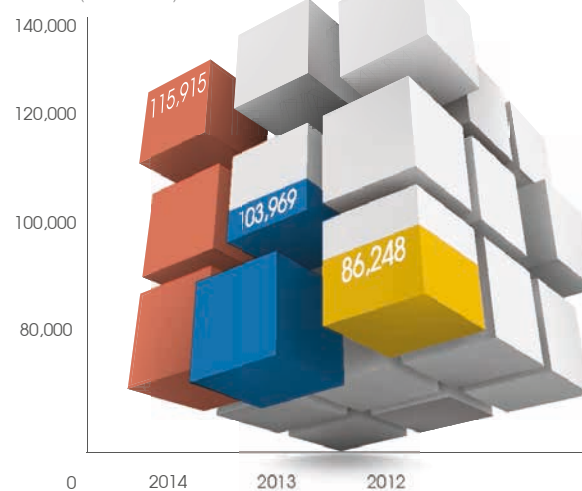
Note: (1) In 2014, the company has paid dividend to common stock at the rate of 30 shares per 1 share dividend and cash dividend of Baht 0.0037 per share.

Total Asset
(Million Baht)

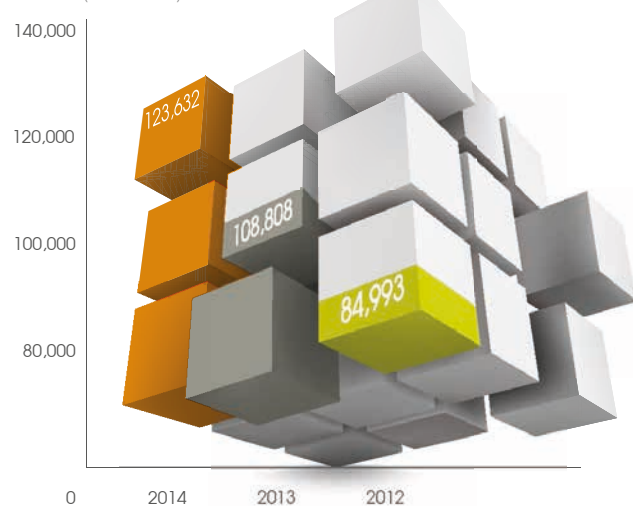


Loans

(Million Baht)

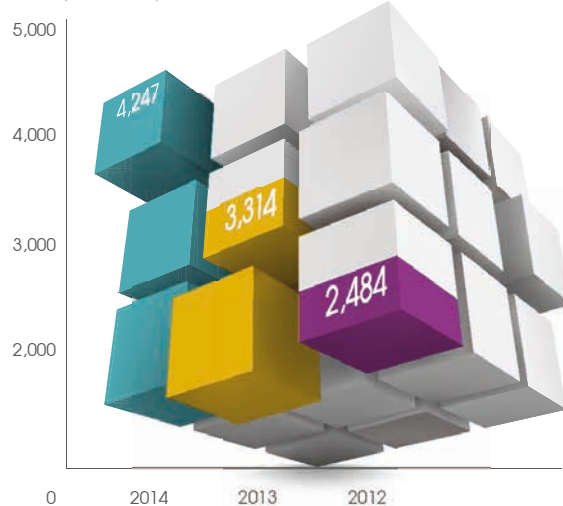


Deposits & Borrowings
(Million Baht)

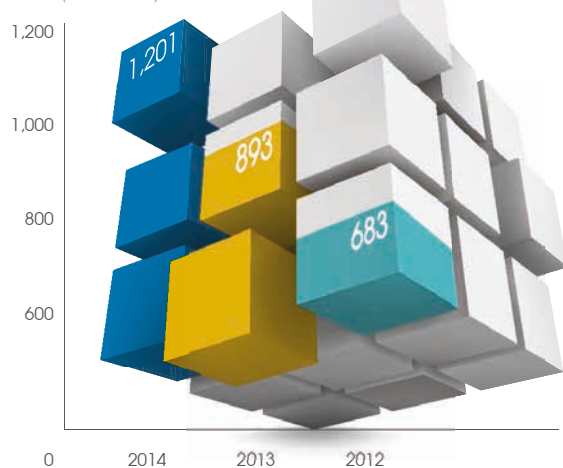


Total Operating Income

(Million Baht)

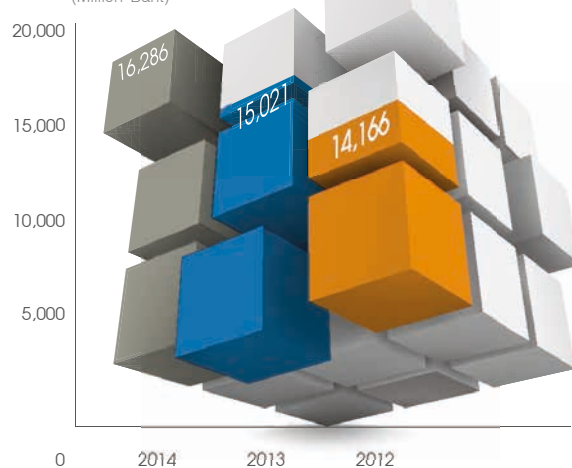


Net Profit
(Million Baht)



Total Shareholders' Equity

(Million Baht)



Board of Directors



Mr. Anant Asavabhokhin



Mr. Rutt Phanijphand



Mr. Phairoj Hengsakul



Mr. Adul Vinaiphat



Mr. Somsak Assavapokee



Mr. Khunawut Thumpomkul



Mr. Naporn Sunthornchitcharoen



Mrs. Suwanna Buddhaprasart



Mrs. Sasitorn Phongsathorn



Name:	Mr. Anant Asavabhokhin
Position:	Chairman
Age: (Years)	64
Education:	<ul style="list-style-type: none"> - 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 direct holding of shares	- None -
Number of indirect holding of shares	- 2014 hold by Land and Houses PLC = 4,485,253,517 shares : Shareholding 33.99%
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 PLC
1995-present	Chairman	Home Product Center PLC
1985-present	Chairman and Chairman of the Executive Board	Land & Houses PLC
1983-present	Director	Quality Houses PLC
1988-May 2013	Chief Executive Officer	Land & Houses PLC
2005-Mar. 2011	Chairman	Bangkok Chain Hospital PLC
1994-Feb. 2010	Chairman	Quality Construction Products PLC
Aug-Dec. 2005	Chairman	Book Club Finance PLC
• Positions in Non-Listed Companies		
2005-present	Chairman	Land and Houses Bank PLC
2005-present	Director	L&H Property Co., Ltd.
2005-present	Director	L&H Sathon Co., Ltd.
2004-present	Director	LH Real Estate Co., Ltd.
2004-present	Director	LH Asset Co., Ltd.
2002-present	Director	Land & Houses Property Fund 2
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 PLC



Name:	Mr. Rutt Phanijphand
Position:	Chairman of Executive Director
Age: (Years)	67
Education:	<ul style="list-style-type: none"> - 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 direct holding of shares	- None -
Number of indirect holding of shares	- None -
Relationship with executives	- None -

Work experiences in the past 5 years

Period	Position	Organization/Company
• Positions in Listed Companies		
Apr. 2014-present	Member of the Audit Committee	Banpu PLC
Apr. 2009-present	Chairman of Executive Director	LH Financial Group PLC
2005-present	Chairman of the Compensation Committee	Banpu PLC
2001-present	Executive Director and Chairman of the Nomination and Remuneration Committee	Home Product Center PLC
Aug.2001-Dec.2014	President and Chief Executive Officer	Quality Houses PLC
Oct. 2006-Apr. 2009	Independent Director and Member of the Audit Committee	IRPC PLC
Feb-Dec. 2005	Director	Dhipaya Insurance PLC
May 2004-Dec.2005	Executive Director	Krung Thai Bank PLC
Apr. 2003-Apr. 2004	Member of the Audit Committee	Krung Thai Bank PLC
• Positions in Non-Listed Companies		
Dec.2013-present	Chairman	Land and Houses Securities PLC
Oct. 2010-present	Chairman	Land and Houses Fund Management Co., Ltd.
Dec.2005-present	Chairman of Executive Director	Land and Houses Bank PLC
Jan. 2003-Dec.2014	Director	QH Management Co., Ltd.
Aug.2001-Dec.2014	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)	67
Education:	<ul style="list-style-type: none"> - 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, Sasun 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 direct holding of shares	<ul style="list-style-type: none"> - 2014 = 6,393,675 shares : Shareholding 0.048% - 2013 = 9,661,621 shares : Shareholding 0.076%
Number of indirect holding 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	Independent Director, Chairman of the Audit Committee and Member of the Corporate Governance Committee	LH Financial Group PLC
Apr. 2009-Apr. 2011	Member of the Nomination and Remuneration Committee	LH Financial Group PLC
• 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 PLC
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 Vinaiphath
Position:	Independent Director Chairman of the Nomination and Remuneration Committee Chairman of the Corporate Governance Committee Member of the Audit Committee
Age: (Years)	68
Education:	<ul style="list-style-type: none"> - 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 direct holding of shares	<ul style="list-style-type: none"> - 2014 = None - 2013 = 4,764,002 shares : Shareholding 0.037%
Number of indirect holding of shares	- None -
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 PLC
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 PLC
Aug. 2001-present	Independent director, Chairman of the Audit Committee, and Member of the Nominating and Remuneration Committee	Quality Houses PLC
Jul. 2008-Dec. 2010	Chairman of the Nomination and Remuneration Committee	Quality Houses PLC
Aug.-Dec 2005	Member of the Audit Committee	Book Club Finance PLC
• Positions in Non-Listed Companies		
Oct. 2014-present	Independent Director and Chairman of the Audit Committee	Land and Houses Securities PLC
Apr. 2009-present	Director and Chairman of the Executive Committee	Evergreen Plus Co., Ltd.
2007-present	Director	I.G.S. PLC.
Dec. 2005-present	Independent Director, Chairman of the Nomination and Remuneration Committee, Member of the Corporate Governance Committee, and Member of the Audit Committee	Land and Houses Bank PLC
2002-present	Vice President	The Thai Tapioca Development Institute Foundation (TTDI)
2008-Oct. 2013	Director	The Tapioca Development Institute (Huay Bong)
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 PLC
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 PLC



Name: Mr. Somsak Assavapokee
Position: Independent Director
 Member of the Audit Committee
 Member of the Corporate Governance Committee
 Member of the Nomination and Remuneration Committee
Age: (Years) 62
Education:

- M.B.A., New York University, USA
- Commerce and Accountancy, Thammasat University
- Director Certification Program 157/2012: IOD

Number of direct holding of shares - None -
Number of indirect holding of shares - None -
Relationship with executives - None -

Work experiences in the past 5 years

Period	Position	Organization/Company
• Positions in Listed Companies		
Oct. 2014-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 PLC
• Positions in Non-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	Land and Houses Bank PLC
Oct. 2005-Sep. 2012	First Senior Executive Vice President	Government Housing Bank
2003-Sep. 2012	Director and Executive Director	Secondary Mortgage Corporation
Nov. 2000-Oct. 2005	Executive Vice President	Government Housing Bank
Apr. 2000-Oct. 2000	Vice President Acting President	Government Housing Bank
Oct. 1998-Apr. 2000	Senior Executive Vice President	Government Housing Bank
Nov. 1994-Oct. 1998	Executive Vice President	Government Housing Bank

Note: Mr. Somsak Assavapokee had been effective Director since 9 October 2014



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 direct holding of shares - None -

Number of indirect holding of shares - 2014 hold by spouse = 3,000,000 shares :
Shareholding 0.02%

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 PLC
1995-present	Director, Executive Director and Managing Director	Home Product Center PLC
• Positions in Non-Listed Companies		
Sep. 2013-present	Chairman	DC Service Center Co., Ltd.
Mar. 2012-present	Director and Executive Director	Land and Houses Bank PLC
2012-present	Chairman	Mega Home Center Co., Ltd.
2011-present	Chairman	Home Product Center (Malaysia) SDN. Bhd
2005-present	Chairman	Market Village Co., Ltd



Name: Mr. Naporn Sunthornchitcharoen

Position: Executive Director
Member of the Nomination and Remuneration Committee

Age: (Years) 56

Education:

- 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 direct holding of shares - None -

Number of indirect holding of shares - None -

Relationship with executives - None -

Work experiences in the past 5 years

Period	Position	Company/Organization
• Positions in Listed Companies		
Apr. 2011-present	Director, Executive Director and Member of the Nomination and Remuneration Committee	LH Financial Group PLC
May 2013-present	Director, Executive Director and Managing Director (Operations)	Land & Houses PLC
1995-present	Director	Home Product Center PLC
1994-present	Director	Quality Construction Products PLC
2002-Apr. 2013	Executive Director and Senior Executive Vice President (Operations)	Land & Houses PLC
1994-Mar. 2011	Director	Bangkok Chain Hospital PLC
Aug.-Dec. 2005	Director	Book club Finance PLC
1991-May 2001	Executive Vice President	Land and Houses PLC
• Positions in Non-Listed Companies		
Dec.2013-present	Director	Land and Houses Securities PLC
2012-present	Director	Land and Houses USA, INC
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 PLC
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 PLC
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.
1986-present	Director	Pacific Real Estate Co., Ltd.
Jun.-Dec. 2005	Director	Land and Houses Credit Foncier PLC
2001-Feb. 2010	Director	Q-CON Eastern Co., Ltd.
1994-Dec. 2009	Director	Saraburi Vechakij Co., Ltd.
1994-Dec. 2009	Director	Siburin Medical Co., Ltd.



Name:	Mrs. Suwanna Buddhaprasart
Position:	Director
Age: (Years)	59
Education:	<ul style="list-style-type: none"> - 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 direct holding of shares	- None -
Number of indirect holding 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 PLC
2003-present	Director	Home Product Center PLC
2000-present	Director, Senior Executive Vice President, Member of the Corporate Governance Committee, Member of the Risk Management Committee and Company Secretary	Quality Houses PLC
Apr. 2011-Apr. 2012	Member of the Nomination and Remuneration Committee	LH Financial Group PLC
Aug.-Dec.2005	Director	Book Club Finance PLC
• Positions in Non-Listed Companies		
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	Q. House Precast 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.
Aug.2013- Dec.2014	Director	Land and Houses Bank PLC
2005-Feb. 2012	Director and Member of the Nomination and Remuneration Committee	Land and Houses Bank PLC
1992-2005	Director	Land and Houses Credit Foncier PLC



Name:	Mrs. Sasitorn Phongsathorn
Position:	Executive Director and President
Age: (Years)	57
Education:	<ul style="list-style-type: none"> - M.B.A., Nortre 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 direct holding of shares	<ul style="list-style-type: none"> - 2014 = 672,448 shares : Shareholding 0.005 - 2013 = 9,661,621 shares : Shareholding 0.076%
Number of indirect holding of shares	- None -
Relationship with executives	- None -

Work experiences in the past 5 years

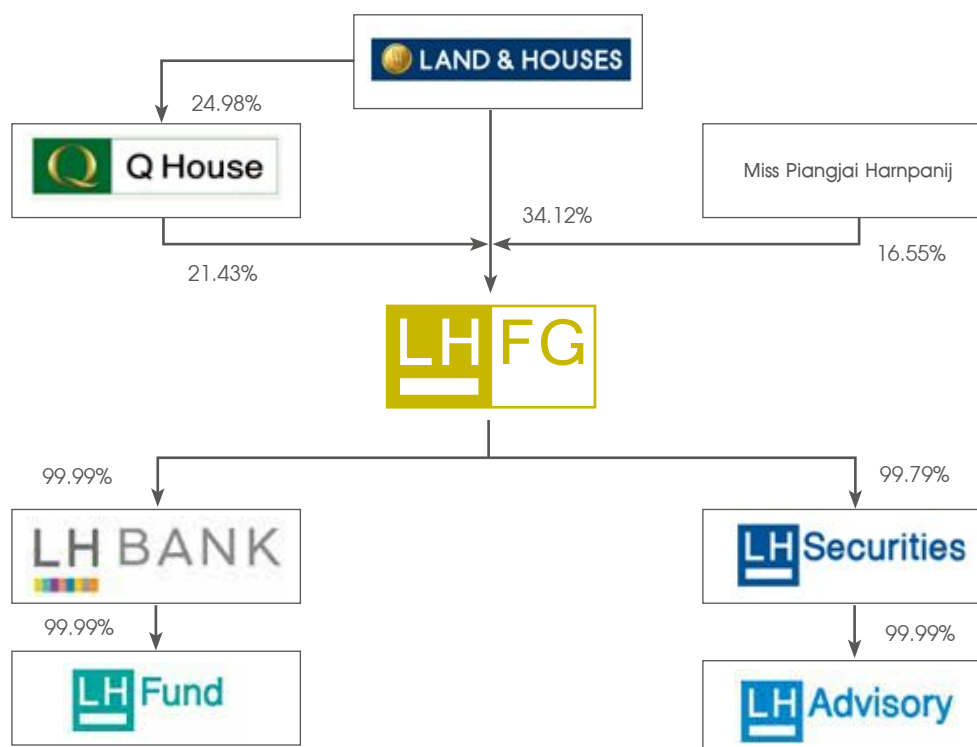
Period	Position	Organization/Company
• Positions in Listed Companies		
Apr. 2009-present	Executive Director and President	LH Financial Group PLC
Nov. 2005-present	Independent Director, Member of the Audit Committee and Member of the Nomination and Remuneration Committee	Pico (Thailand) PLC
Jul.- Dec. 2005	Vice President	Book Club Finance PLC
Jan. 2004-May 2005	Director and President	United Securities PLC
Nov.1998-Jul. 1999	Chief Financial Officer	The Cogeneration PLC
Sep.1983-Jul. 1998	Senior Vice President	Dhana Siam Finance and Securities PLC
• Positions in Non-Listed Companies		
Jan. 2014-present	Director	Land and Houses Advisory Co., Ltd
Jan. 2014-present	Director	Land and Houses Securities PLC
Dec.2005-present	Executive Director, President and Chairman of the Risk Management Committee	Land and Houses Bank PLC.
Aug.2012- Aug.2014	Director and Member of the Nomination and Corporate Governance Committee	The Stock Exchange of Thailand
Apr.2000-Dec.2003	Senior Director	United Advisory Service Co., Ltd.

18 Nature of Business Operation

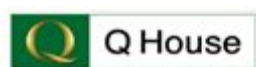
LH Financial Group Public Company Limited is a non-operating holding company and a parent company of financial business group, the company holds shares in other companies for the purpose of acquiring their management control. Therefore, business operation of the company can be categorized by business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



: Land and Houses Public Company Limited (LH) is a listed company in the Stock Exchange of Thailand.

Miss Piangjai Harnpanij

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



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



: Land and Houses Bank Public Company Limited (LH Bank)



: Land and Houses Fund Management Company Limited (LH Fund)



: Land and Houses Securities Public Company Limited



: Land and Houses Advisory 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 Public 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 Public 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.

1. Nature of Business Operation

1.1 Investment Business

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

The board of director has approved the aforementioned vision and mission since 2012. The bank have focused on the vision and the mission for goals of the company as a guide of planning business and strategic planning include to review the suitability of vision and mission every year.

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 Land and Houses Securities 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 business operational goal of LH Financial Group Public Company Limited has been determined the strategy as the financial business group for operating fully financial business as a universal bank. Currently, the financial business group has provided various kinds of financial products and other services to meet the demands of customers including to deposit, loan, fund, securities, financial advisory and other services such as insurance broker, payment service, internet banking and cash management etc. and develop the quality of services and information technology systems for rapid operation and respond to the need of customers.

In addition to its business operational goal, Land and Houses financial business group emphasizes on operating business in accordance with good corporate governance, prevention of payment for corruption, strengthening of risk management coverage, and social responsibility. In October 2014 the company in the group namely, LH Financial Group Public Company Limited, Land and Houses Bank Public Company Limited and Land and Houses Advisory Company Limited has recognized as a member of the Thailand Collective Action Coalition Against Corruption by the Private Sector Collective Action Coalition Against Corruption Council. For Land and Houses Securities Public Company Limited the company has signed the commitment of Thailand Collective Action Coalition Against Corruption and will be recognized as a member of the Thailand Collective Action Coalition Against Corruption in the year 2015.

1.2 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.

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.

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 the bank received a second time, showing that the bank's business and financial status has constantly been improved

with good quality assets and have a strong capital base.

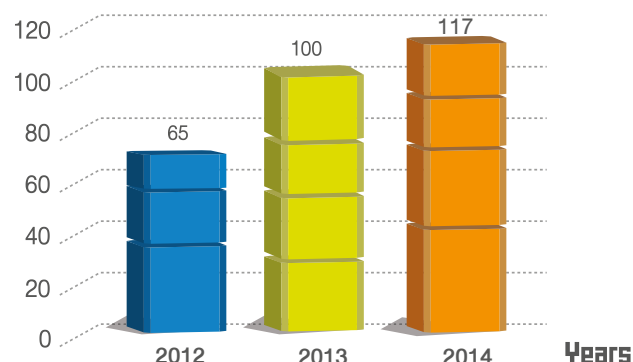
Branches of the bank

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 2014 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 117 branches, as follows:

- Bangkok 45 branches
- Boundary 15 branches
- Central 8 branches
- North 7 branches
- North East 16 branches
- East 8 branches

- West 5 branches
- South 13 branches

Branches



Area		Branches		
Bangkok (45 branches)	1.	Lumpini Branch	2.	The Mall Bangkok Branch
	4.	Q House Asoke Branch	5.	The Old Siam Branch
	7.	Big C Bangna Branch	8.	HomePro Petchgasem Branch
	10.	HomePro Ekamai — Ramindra Branch	9.	The Mall Thaphra Branch
	13.	Silom Branch	12.	Sampheng Branch
	16.	Bangrak Branch	15.	Khlongthom Branch
	19.	Saphankhwai Branch	18.	Phrannok Branch
	22.	Sena Nikhom Branch	21.	The Circle Ratchapruk Branch
	25.	Terminal 21 Branch	24.	Pakkhlong Talat Branch
	28.	The Promenade Branch	27.	Pratunam Branch
	31.	Park Lane (Ekamai) Branch	30.	Tarat Noi Branch
	34.	Saphanmai Branch	33.	Seacon Bangkok Branch
	37.	Tesco Lotus Rama 4 Branch	36.	Central Pinklao Branch
	40.	Tesco Lotus Rama I Branch	39.	Sena Fest (Chareon Nakorn) Branch
	43.	The Paseo Town (Ramkhamhaeng) Branch	42.	Fashion Island Branch
			45.	Q House Sathorn Branch
Boundary (15 branches)	1.	Future Park Rangsit Branch	3.	Big C Rattanaibeth Branch
	4.	The Mall Ngamwongwan Branch	6.	Talat Thai Branch
	7.	Suksawat Branch	9.	Tesco Lotus Bangna-Trad Branch
	10.	Samutprakan Branch	12.	HomePro PrachaChuen Branch
	13.	Nakornprathom Branch	15.	Tesco Lotus Srinakarin Branch
Middle (8 branches)	1.	Phitsanulok Branch	2.	Nakhonsawan Branch
	4.	HomePro Saraburi Branch	5.	HomePro Phetchabun Branch
	7.	HomePro Lopburi Branch	6.	HomePro Nakhonsawan Branch

Area	Branches					
North (7 branches)	1.	Big C Hang dong Branch	2.	Talat Warorot Branch	3.	Tesco Lotus Ruamchok (Chiangmai) Branch
	4.	HomePro Phrae Branch	5.	HomePro Chiangrai Branch	6.	Chiangrai Branch
	7.	HomePro Lumpang				
North East (16 branches)	1.	Khonkaen Branch	2.	Udonthani Branch	3.	Central Udonthani Branch
	4.	The Mall Nakhonratchasima Branch	5.	Central Khonkaen Branch	6.	Ubonratchathani Branch
	7.	HomePro Chaiyaphum Branch	8.	HomePro Sakonnakhon Branch	9.	HomePro Roiet Branch
	10.	HomePro Loei Branch	11.	HomePro Buri ram Branch	12.	HomePro Nong Khai
	13.	HomePro Ubonratchathani Branch	14.	HomePro Khao Yai	15.	HomePro Surin
	16.	Home Pro Nakhonratchasima Branch				
East (8 branches)	1.	HomePro Chon buri Branch	2.	Siracha Branch	3.	Big C Pattaya Klang Branch
	4.	Rayong Branch	5.	HomePro Chachoengsao Branch	6.	HomePro Prachinburi Branch
	7.	HomePro Chanthaburi Branch	8.	Mega Home Bowin Branch		
West (5 branches)	1.	Hua Hin Branch	2.	HomePro Kanchanaburi Branch	3.	Maga Home Mae Sot Branch
	4.	Robinson Ratchaburi Branch	5.	HomePro Prachuap Khiri Khan Branch		
South (13 branches)	1.	Tesco Lotus Phuket Branch	2.	Pathong Branch	3.	Phuket Branch
	4.	HomePro Phuket (Chalong)	5.	HomePro Phuket (Thalang)	6.	Central Suratthani Branch
	7.	Big C Hatyai 2 Branch	8.	Hatyai Branch	9.	HomePro Chumphon Branch
	10.	HomePro Trang Branch	11.	Nakhonsithammarat Branch	12.	Kra Bi Branch
	13.	Tesco Lotus Samui				

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.

- 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 has launched a series form of deposit product include a benefit project, new promotion and customer relationship project (Loyalty Program) that emphasize to respond to customer demand for attract and increase customer to use our bank branches. It's an opportunity for present the product and service (Cross-selling) for to expand fee income.

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.

By classifying loans under purpose of the 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, such as overdraft (O/D) and Short Term Loan etc.

- 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

Is a financial services, one of the transaction is similar to a Short-term loan for increase in liquidity and working capital management for entrepreneur. By the assignment of the receivable to the bank that agrees to purchase invoices from a business, customer must to send commercial documents to the bank such as a commercial invoice, purchase order, bill, payment receipt. The bank would be paid according to the agreed ratio such as the bank can provide 70-80% of the invoice value, purchase order, bill, payment receipt etc., without having to provide real estate or similar assets as security. Upon receipt of payment from your customers you receive the remaining balance back.

- 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. The banks are used strategy by all bank 117 branches might introduce bank's SME loans and giving the existing customers of banks offering loans to friends or business partner.

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, such as:

- **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 2014, there are 178 Automatic Teller Machines, increasing by 26 machines from 2013. The bank's ATM can accept 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 and to make sure for financial transactions. 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, such as:

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 call center 02-359-0000 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 marketing its electronic services through its branch channel for individual customers, who wants convenience in conducting transactions and safety in financial transactions. The bank also arranges promotional programs to promote via social media directly to customers.

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:**
Samaggi Insurance PLC
The Deves Insurance PLC
Charan Insurance PLC
Dhipaya Insurance PLC
Syn Mun Kong Insurance PLC
Muang Thai Insurance PLC
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 PLC

Finansa Asset Management Co., Ltd.

SCB Asset Management Co., Ltd.

One Asset Management Co., Ltd.

Krungthai Asset Management PLC

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.

Tisco Asset Management Co., Ltd.

Kasikorn Asset Management 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, UOB Kayhian Securities (Thailand) Public Company Limited and Land and Houses Securities 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 Influencing Opportunities or Constraints to Business Operations

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

For business operations in 2015, the bank has continued to develop in 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, development of an Information technology system for rapid operation and advance towards Digital Banking. The bank has provided the internet banking service and has continued developing and application for mobile banking service and launched marketing campaign via Social media , such as Lines, Facebook and Youtube to multiply up communication channels for better approach the bank's target group.

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. In October 2014 the bank has been recognized as a member of the Thailand Collective Action Coalition Against Corruption by the Private Sector Collective Action Coalition Against Corruption Council.

1.3 Securities Business

Land and Houses Securities Public Company Limited

Land and Houses Securities Public Company Limited officially operated as a securities business from September 29, 2014 under the symbol "LHS". The company becomes a "broker No.5" of the Stock Exchange of Thailand. The company has been licensed by the Ministry of Finance to operate as a securities business and derivatives business.

The company's securities operations are detailed as follows:

- Securities brokerage service
- Internet trading service
- Derivatives brokerage service
- Securities borrowing and lending service
- Mutual fund trading service
- Securities underwriting service

Products and Services

- **Securities brokerage service** is a brokerage service of securities trading for Cash Account, Cash Balance Account and Credit Balance Account supported by our marketing officers who are well trained and highly experienced. Clients can choose to submit order by our marketing officers or internet service.

- **Internet trading service** is a securities trading service offers "PROMPT TRADE" via internet system. It allows customers to follow up investment news and movement of securities prices and place order from anywhere via their tablet and smartphone. Based on the determination in developing a securities trading system for support customer needs, PROMPT TRADE is a system combining popular placement systems of buying and selling orders among investors such as i2Trade Plus and Aspen Settrade in addition for support investment accurate information service and promptness, helping customers not miss any investment information updates from E-finance and SET SMART.

- **Derivatives brokerage service** The company has been granted a derivatives agent license by the Securities and Exchange Commission (SEC) and has received approval to be a member of the Thailand Futures Exchange (TFEX). Currently, it provides the following derivatives trading services:

- SET50 Index Futures
- SET50 Index Options
- Single Stock Futures
- Gold Futures

- Silver Futures
- Brent Crude Oil Futures
- Interest Rate Futures
- Currency Futures
- Sector Futures

- **Securities borrowing and lending service** The company operates as an agent and broker for investors of all types. Securities borrowers for short sale can take benefits from diversification of their investment portfolio or make a profit from a bear market. And securities lenders can take benefits from lending fees of the stocks that they hold by obtaining collateral whose value is not less than the value of securities placed for lending, and still obtain the same benefits such as dividend and IPO. The company will act as a contract party for borrowers and lenders. Securities available for the transactions shall be listed in SET20 and TDEX or ENGYS.

- **Mutual fund trading service** is a service providing an investment alternative for investors who desire to invest in mutual funds. The company has various mutual funds to serve all your needs of funds offered by asset management firms. Investors will be treated and advice supported by experienced officers who are well trained and highly experienced in investment and tax planning.

- **Securities underwriting service** The company provides securities underwriting service for companies issuing the securities that aim to sell various types of securities including debt securities and equity to investors. With its readiness on customer base, alliance network and expert teams, in 2014 the Company has been appointed two co-underwriter, namely Buriram Sugar Public Company Limited and Muangthai Leasing Public Company Limited - that have gained good response from investors.

Details of securities that the company provides securities underwriting services in 2014

Ticker Symbol	Company's name	Role	First day of trading	Stock value at IPO price (Million Baht)
BRR	Buriram Sugar Public Company Limited	Co-underwriter	6 Nov 2014	1,150.44
MTLS	Muangthai Leasing Public Company Limited	Co-underwriter	26 Nov 2014	2,997.50

Operational Targets

The company focuses on expanding its customer base among institutional investors that are business alliances of LH Financial Group PLC and also existing customers of the financial business group especially Land and Houses Bank PLC. The company and the bank have participated in Banker-to-Broker campaign aiming at promoting alternative investment opportunities via commercial banks' branches and electronic services under collaboration with the Stock Exchange of Thailand. The campaign allows the company to approach potential customers through more than 120 bank branches nationwide. In addition, under the strength of the linked investment network of the financial business group, the company has advantages in investment information and analysis and state-of-the-art technology that enable it to develop innovations and products appropriate for all groups of customers.

Land and Houses Securities Public Company Limited emphasizes on operating business in accordance with good corporate governance, prevention of payment for corruption, strengthening of risk management coverage, and social responsibility. It has signed a declaration of intent with Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) and will join the CAC certification process in 2015.

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

1. Stock market overview

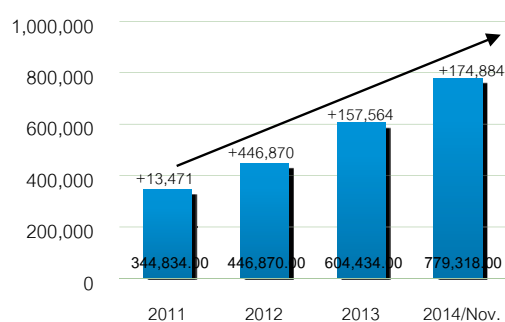
In 2014, Thailand's stock market continually grew even though it was affected by internal and external factors. As of the end of 2014, SET Index closed at 1,497.67, up 15.32% from

the end of 2013, with daily average trading value of Baht 45,466 million. Thailand Futures Exchange (TFEX) had the total trading volume of 36.02 million contracts or 147,025 contracts per day, up 116% from 2013.

2. The number of accounts and growth of investors trading via the internet

In 2014, driven by a continued growth rate of Thailand's stock market and demographic transition that people's lifestyles depend more on technology as well as investors' more comprehension in financial products, stock trading via the internet became interesting and tended to continually grow, reflected by 174,884 newly opened online accounts and the online trading volume accounting for 59.49% of the total trading volume by retail customers.

The number of investors trading via online (accounts)



3. Internal and external factors

Among the current internal factors, the political factors are deemed to considerably and severely affect the stock market because the government stipulates many policies which directly affect the economy including determination of tax rates, investment promotion and seeking international markets.

External factors, especially the direction of oil prices and global economy, are not yet in good conditions. Also, a possible increase in foreign policy interest rate could affect capital flows and investments in the securities market.

4. Other factors

Natural factors including drought, flooding, earthquake or other disasters, domestic or cross-border unrest could affect economic condition and also have ongoing impact on the performance of business sector listed in the stock market.

1.4 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. The company emphasizes on operating business in accordance with good corporate governance, prevention of payment for corruption, strengthening of risk management coverage, and social responsibility. In October 2014 the bank has been recognized as a member of the Thailand Collective Action Coalition Against Corruption by the Private Sector Collective Action Coalition Against Corruption Council.

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

3. Receiving approval from the Office of Securities and Exchange Commission to be Real Estate Investment Trust (REIT) Manager for a period of five years, from 7 May 2014 to 6 May 2019.

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.

- **Real Estate Investment Trust** The company as the trustee or the management company for Real Estate Investment Trust, provides the service for customers to invest in various types of real property including real property abroad. The REIT manager will invest and manage REIT for making profit for investors and report net assets regularly and arrange the meeting with REIT investors annually.

Net Asset Value under management

As at 31 December 2014, Land and Houses Fund Management Company Limited has funds under management, with a total Net Asset Value amount of Baht 42,565.85 million, including Property Funds amount of Baht 22,549.43 million, Bond funds amount of Baht 17,568.22 million, Equity Funds amount of Baht 860.97 million and Provident Funds amount of Baht 1,587.23 million and 1.08% market share, ranked 12th among 22 fund management companies.

Factors Influencing Opportunities or Constraints to Business Operations

Investments in the first half of 2014 were affected by negative factors locally and internationally, making investors having less confidence in investments. As a result, it had ongoing impacts on the Company's investment and a delay in issuance and new fund offers, so its operating plans in the first half of the year fell short of the target. However, in the second half, local investments tended to get better and continually expand. The Company adjusted its operating plan and investment strategies that enabled it to expand sizes of the funds according to the target and move forward in the direction close to overall market expansion.

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.

1.5 Financial advisory business

Land and Houses Advisory Company Limited provides financial advisory services in the scope stipulated by the Office of Securities and Exchange Commission. The services cover complete financial advisory including initial public offering, company listing on the Stock Exchange of Thailand, merger and acquisition, stock valuation, financing, debt restructuring, project feasibility analysis, security valuation and other financial advisory services.

Operational targets

With potential of financial group business of LH Financial Group PLC and alliances, in the year 2015 Land and Houses Advisory Company Limited aims at approaching a group of alliances of financial group business to suggest and provide advices for business achievement.

2. 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 2014, 2013, and 2012 can be categorized into 5 business types including investment, commercial bank, securities, fund management, and financial advisory, with the details as follows;

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

Table: Income Structure of the financial business group, Categorized by Business Type	Operated by	Shareholding Proportion of the company (%)	Consolidated Financial Statements					
			31 December 2014		31 December 2013		31 December 2012	
			Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
Interest income								
Investment Business	LHFG ^{/1}		0.01	-	0.03	-	0.01	-
Commercial Bank Business	LH Bank ^{/2}	99.99	7,454.75	175.54	6,517.28	196.63	4,855.33	195.44
Securities Business	LH Securities ^{/3}	99.79	0.32	0.01	-	-	-	-
Fund management Business	LH Fund ^{/4}	99.99	-	-	0.07	-	0.78	0.03
Financial advisory Business	LH Advisory ^{/5}	99.99	-	-	-	-	-	-
Total interest income			7,455.08	175.55	6,517.38	196.63	4,856.12	195.47
Total interest expenses			(4,073.15)	(95.91)	(3,719.46)	(112.22)	(2,727.69)	(109.80)
Net interest income			3,381.93	79.64	2,797.92	84.41	2,128.43	85.67
Fees and service income								
Commercial Bank Business	LH Bank	99.99	198.72	4.68	220.00	6.64	122.94	4.95
Securities Business	LH Securities	99.80	3.70	0.09	-	-	-	-
Fund management Business	LH Fund	99.99	94.34	2.22	79.13	2.39	30.51	1.23
Financial advisory Business	LH Advisory	99.99	-	-	-	-	-	-
Total fees and service income			296.76	6.99	299.13	9.02	153.45	6.18
Total fees and service expenses			(80.54)	(1.90)	(50.18)	(1.51)	(39.93)	(1.61)
Net fees and service income			216.22	5.09	248.95	7.51	113.52	4.57
Total other income			648.54	15.27	267.65	8.08	242.37	9.76
Total operating income			4,246.69	100.00	3,314.52	100.00	2,484.32	100.00

Remarks

LHFG ^{/1}	:	LH Financial Group Public Company Limited
LH Bank ^{/2}	:	Land and Houses Bank Public Company Limited
LH Securities ^{/3}	:	Land and Houses Securities Public Company Limited
LH Fund ^{/4}	:	Land and Houses Fund Management Company Limited
LH Advisory ^{/5}	:	Land and Houses Advisory Company Limited

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 2014,

2013, and 2012 can be categorized into 3 types of income including interest income, fees and service income, and other incomes, with the details as follows;

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

Income Structure, Categorized by Revenue Type	Consolidated Financial Statements					
	31 December 2014		31 December 2013		31 December 2012	
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
Interest income						
Loans to customers	5,544.03	130.55	4,957.38	149.57	3,727.74	150.05
Investment in debt securities	1,476.58	34.77	1,322.60	39.90	971.39	39.10
Interbank and money market items	298.85	7.04	137.91	4.16	146.05	5.88
Hire Purchase	135.62	3.19	99.50	3.00	10.94	0.44
Total interest income	7,455.08	175.55	6,517.39	196.63	4,856.12	195.47
Interest expenses						
Deposits	(3,169.65)	(74.64)	(2,809.57)	(84.77)	(1,495.29)	(60.19)
Debts issued and borrowings	(1.12)	(0.03)	(6.13)	(0.18)	(663.62)	(27.71)
Interbank and money market items	(314.65)	(7.41)	(417.59)	(12.60)	(266.43)	(10.72)
Contributions to the Deposit Protection Agency and Bank of Thailand	(587.73)	(13.84)	(486.17)	(14.67)	(302.35)	(12.17)
Total interest expenses	(4,073.15)	(95.91)	(3,719.46)	(112.22)	(2,727.69)	(109.80)
Net interest income	3,381.93	79.64	2,797.92	84.41	2,128.43	85.67
Fees and service income						
Acceptances, aval and guarantees	40.58	0.96	42.01	1.27	23.41	0.94
Commission income	93.00	2.19	87.96	2.65	59.15	2.38
Others	163.18	3.84	169.16	5.10	70.89	2.86
Total fees and service income	296.76	6.99	299.13	9.02	153.45	6.18
Fees and service expenses						
Fees and charges	(41.69)	(0.98)	(27.72)	(0.84)	(23.45)	(0.94)
Others	(38.84)	(0.91)	(22.46)	(0.68)	(16.48)	(0.66)
Total fees and service expenses	(80.54)	(1.90)	(50.18)	(1.51)	(39.93)	(1.61)
Net fees and service income	216.22	5.09	248.95	7.51	113.52	4.57
Other income						
Gain on investments	491.42	11.57	210.39	6.35	145.93	5.87
Net gain (loss) on trading transactions and foreign exchange	1.21	0.03	(30.80)	(0.93)	48.82	1.96
Other operating income	155.92	3.67	88.06	2.66	47.62	1.92
Total other income	648.54	15.27	267.65	8.08	242.37	9.76
Net operating income	4,246.69	100.00	3,314.52	100.00	2,484.32	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 2014, the company and its subsidiaries had total interest income of Baht 7,455.08 million, increase from year 2013 of Baht 937.70 million or 14.39% 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 2014, the company and its subsidiaries had total interest expenses of Baht 4,073.15 million, an increase from year 2013 of Baht 353.69 million or 9.51% resulted from an increase in interest expenses on deposits which the company and its subsidiaries had deposits increase of Baht 13,826.42 million or 12.71% from 2013.

As at year ended 31 December 2014 the company and its subsidiaries had net interest income of Baht 3,381.93 million or 79.64% of total operating income, an increase of Baht 584.01 million and Baht 1,253.50 million in 2013 and 2012 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 2014, the company and its subsidiaries had total fees and service income of Baht 296.76 million, decrease of Baht 2.37 million or 0.79% from 2013.

As at the year ended 31 December 2014 the company and its subsidiaries had total fees and service expenses of Baht 80.54 million, an increase of Baht 30.36 million or 60.50% from 2013. The company and its subsidiaries had net fees and service income of Baht 216.22 million or 5.09% of total operating income, decrease of Baht 32.73 million from 2013.

3. Other incomes

Others income consists of gain on investments, gains (losses) on trading transactions, foreign exchange and other operating income. As at the year ended 31 December 2014, the company and its subsidiaries had total others income of Baht 648.54 million, an increase of Baht 380.89 million or 142.31% from 2013 resulted from gains on investments of its subsidiaries increased of Baht 281.03 million and dividend income increased Baht 50.82 million.

Securities and Shareholders Information

1. Securities Information

1.1 Ordinary shares

As at 31 December 2014 the company has registered share capital and paid-up share capital as follows:

Registered share capital : 13,199,599,896 Baht

Paid-up share capital : 13,198,747,016 Baht

Divided into issued and paid-up shares capital 13,198,747,016 ordinary shares with the par value of 1 Baht.

1.2 Warrants

Warrants to purchase the company’s ordinary shares Series 1 and Series 2 had been expired on November 30, 2014 as the following details.

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 30th 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 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

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:

- 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.

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.

1.3 Agreements with the major shareholders

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 29 April, 2014 as follows:

No.	Shareholder Names	Number of Shares	%
1.	Land & Houses Public Company Limited	4,340,567,920	34.124
2.	Quality Houses Public Company Limited	2,725,472,880	21.427
3.	Miss Piengjai Hanpanich	2,104,605,029	16.546
4.	Thai NVDR Company Limited	190,521,997	1.498
5.	Asavabhokhin family group	186,070,720	1.463
6.	Mr. Wiroj Engpaiboon	135,000,000	1.061
7.	Mrs. Pantip Techapaibul	119,674,497	0.941
8.	Mr. Samreng Manoonphol	112,988,084	0.888
9.	Mr. Pairoj Paisarnsisomsuk	108,270,926	0.851
10.	Mrs. Sinee Sirisamphan	67,382,986	0.530
Shareholdings of top 10 major shareholders		10,090,555,039	79.329
Other Minority Shareholders		2,629,251,607	20.671
Total		12,719,806,646	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

3.3.1 Land and Houses Bank Public Company Limited

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.

3.3.2 Land and Houses Securities Public Company Limited

In considering a dividend payment of the subsidiaries which is Land and Houses Securities Public Company Limited, 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 under the governing laws.

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

- None-

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

The company name : Land and Houses Bank Public Company Limited

Head Office : 1 Q.House Lumpini Building, G, 1st, 5th, 6th, 32nd Floor,
South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120

Registration Number : 0107548000234

Registered Capital : 20,000,000,000 Baht

Paid-up Capital : 13,000,000,000 Baht

Par value : 10 Baht

All Type of shares : Include Ordinary share 1,300,000,000 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 2014 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 1,299,999,900 shares with par value 10 Baht

The company name : Land and Houses Securities Public Company Limited

Head Office : 1 Q.House Lumpini Building, M Floor,
South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120

Registration Number : 0107542000038

Registered Capital : 637,215,030 Baht

Paid-up Capital : 637,215,030 Baht

Par value : 1 Baht

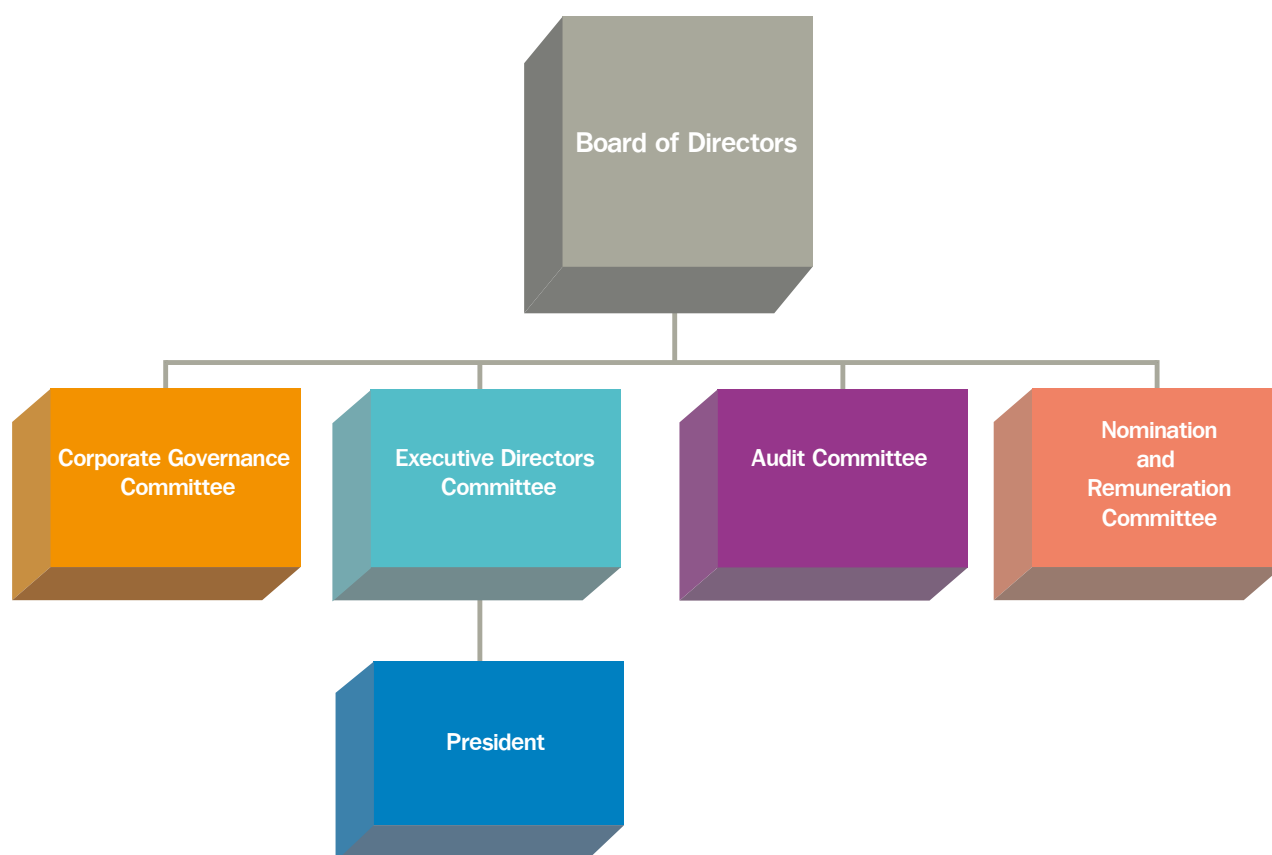
All Type of shares : Include Ordinary share 637,215,030 shares
Preferred share -None-

Telephone : 0-2352-5100

Fax : 0-2286-2681-2

Website : www.lhsec.co.th

Major shareholders : As at 31 December 2014 major shareholders of the company as follows:
LH Financial Group Public Company Limited
holds 99.79% of the issued and paid-up share capital
divided into ordinary share 635,925,646 shares with par value 10 Baht



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 and holds 99.79% of total paid-up share capital of Land and Houses Securities Public Company Limited. Therefore, the two mentioned companies are considered the core subsidiaries.

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 2014, 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.Somsak Assavapokee ^{/1}	Independent Director
6. Mr.Khunawut Thumpomkul	Director
7. Mr.Naporn Sunthornchitcharoen	Director
8. Mrs. Suwanna Buddhaprasart	Director
9. Mrs. Sasitorn Phongsathorn	Director
Mr.Vichian Amornpoonchai	Company Secretary

Note: ^{/1} Mr. Somsak Assavapokee joined the Independent Directors on 9 October 2014, replaced the resignation of Mr. Sun Vitthesonghe.

Authorized signatory directors

Mr. Rutt Phanijsaphand, 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 are 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.

The Scope of power of the Board of Directors

The summary of the Board of Directors' power are as follows:

- Administrative consideration
- To consider approval of business plans and business strategies
- To consider approval of annual budgets
- To consider approval of the vision and mission
- To consider approval of any issue related to the administrative work and making decision
- Operative consideration
- To consider approval of the policies
- To consider approval asking permission to the government sector
- To consider approval any issue under the Public Limited Companies Act.

The roles and duties of the Chairman

The roles and duties of the Chairman in addition to those mentioned above are as follows;

- Having the role of the leader and presides over the Board of Directors' meeting
- Having a casting vote in case the Board of Directors' meeting has a tie vote
- Calling meetings of the Board of Directors
- Having the role of the leader and presides over the Annual General Meeting of Shareholders

2. Executive Directors Committee

As of December 31, 2014, the Executive Board consists of 4 directors as follows:

1. Mr. Rutt Phanijsaphand
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

Scope of Authority and Duties of the Executive Directors Committee

The Executive Directors Committee has the following authorities and duties 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 any issue/task prior to proposing to the Board of Directors of the company.
3. Manage and develop the company to ensure effectiveness and efficiency.
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 2014, the Audit Committee consists of 3 directors as follows:

1. Mr. Phairoj Hengsakul^{/1}
Chairman of the Audit Committee
2. Mr. Adul Vinaiphath
Member of the Audit Committee
3. Mr. Somsak Assavapokee^{/2}
Member of the Audit Committee
- Ms. Chutima Boonmee
Secretary

Note: /1 The director has the knowledge and experience in accounting and financial.

/2 Mr. Somsak Assavapokee joined the Member of the Audit Committee on 9 October 2014, replaced the resignation of Mr. Sun Vithespong.

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 2014, the Corporate Governance Committee consists of 3 directors as follows:

1. Mr. Adul Vinaiphat
Chairman of the Corporate Governance Committee
2. Mr. Phairoj Hengsakul
Member of the Corporate Governance Committee
3. Mr. Somsak Assavapokee^{/1}
Member of the Corporate Governance Committee
Ms. Chutima Boonmee
Secretary

Note: ^{/1} Mr. Somsak Assavapokee joined the Member of the Corporate Governance Committee on 9 October 2014, replaced the resignation of Mr. Sun Vitthesponge.

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 2014, 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. Somsak Assavapokee^{/1}
Member of the Nomination and Remuneration Committee
Mr. Ruangsak Vitavaskarnvej
Secretary

Note: ^{/1} Mr. Somsak Assavapokee joined the Member of the Nomination and Remuneration Committee on 9 October 2014, replaced the resignation of Mr. Sun Vitthesponge.

Scope of Authority and Duties of the Nomination and Remuneration Committee

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

1. Determine the following policies:
 - 1.1 Policy, criteria and procedures for nominating the company's directors or high-ranking executives from senior executive vice president and higher
 - 1.2 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.
2. Select and propose the names of individuals with suitable qualifications for the following positions to be proposed to the Company's Board of Directors.
 - 2.1 Directors (addition/substitution/rotation)
 - 2.2 High-ranking executives from the position of senior executive vice president and higher
3. Supervise to ensure that the directors and high-ranking executives holding the positions of president or higher receive remuneration (director remuneration/position remuneration/meeting allowances) or bonuses that suit their duties and responsibilities for the company.

4. Consider the guideline on evaluating the performance of the President for the consideration of his/her annual remuneration package based on his/her duties and responsibilities for the company.

5. Consider the budget for annual salary increases, annual bonus payment or other forms of compensation for the company's employees to be proposed to the Board of Directors.

6. Disclose reports of the operations of the Nomination and Remuneration Committee in the company's Annual Report.

7. Perform other duties assigned by the Board of Director of the company

Rules for the 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 information. 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 2014, 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 2014

		Number of meeting attendance				
Name		Board of Directors	Executive Director Committee	Audit Committee	Nomination and Remuneration Committee	Corporate Governance Committee
Total meetings		12	24	12	2	6
1. Mr. Anant	Asavabhokhin	11	-	-	-	-
2. Mr. Rutt	Phanijphand	12	24	-	-	-
3. Mr. Phairoj	Hengsakul	12	-	12	-	6
4. Mr. Adul	Vinaiphath	11	-	12	2	6
5. Mr. Somsak	Assavapokee	3 (total 3 meetings)	-	3 (total 3 meetings)	1 (total 1 meetings)	2 (total 2 meetings)
6. Mr. Khunnawut Thumpomkul ^{/1}		12	19	-	-	-
7. Mr. Naporn	Sunthornchitcharoen	11	22	-	2	-
8. Mrs.Suwanna	Buddhaprasart	12	-	-	-	-
9. Mrs.Sasitorn	Phongsathorn	12	24	-	-	-
10. Mr. Sun	Vithespongse ^{/2}	6 (total 6 meetings)	-	8 (total 8 meetings)	-	3 (total 3 meetings)

Note: ^{/1} Mr. Somsak Assavapokee joined the Board on 9 October 2014 as the Independent Director, Member of the Audit Committee, Member of the Nomination and Remuneration Committee, Member of the Corporate Governance Committee, replaced the resignation on 8 September 2014 of Mr. Sun Vithespongse. Mr. Somsak Assavapokee has joined the Board of Directors Meeting since the meeting No. 10/2014, the Audit Committee Meeting since the meeting No. 10/2014, the Nomination and Remuneration Committee Meeting since the meeting No. 2/2014 and the Corporate Governance Committee Meeting since the meeting No. 5/2014.

^{/2} Mr. Sun Vithespongse had resigned on 8 September 2014.

6. The Executive

As at 31 December 2014, the Company has 1 executive as follows:

Name		Position in the company ^{/1}	Position in the subsidiary ^{/2}	Position in the subsidiary ^{/3}	Position in the subsidiary ^{/4}
1. Mrs. Sasitorn	Phongsathorn	President	President	Director	Director

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

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

^{/3} The Subsidiary refers to Land and Houses Securities Public Company Limited

^{/4} The Subsidiary refers to Land and Houses Advisory 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 prepare 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 information.

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 2014, on 21 April 2014, had approved the monthly remuneration and meeting allowances as follows;

Table: The Remuneration of Directors for the year 2014 and 2013

Position	Allowance (per time)											
	Remuneration (per month)		The Board of Directors		The Audit Committee		The Executive Directors Committee		The Nomination and Remuneration Committee		The Corporate Governance Committee	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Chairman	60,000	50,000	30,000	25,000	30,000	25,000	30,000	20,000	30,000	20,000	30,000	-
Non-Executive Directors	40,000	40,000	25,000	20,000	20,000	20,000	20,000	15,000	20,000	15,000	20,000	-
Executive Directors	40,000	40,000	-	-	-	-	-	-	-	-	-	-

The Remuneration of Directors

In 2014, LH Financial group Public Company Limited has paid the remuneration which consists of monthly remuneration and meeting allowances, for 10 directors in total to 9,036,333.33 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 2014 and 2013

			2014			2013		
Board Members		Date appointed as Director	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	1,005,000	-None-	-None-	800,000	-None-	-None-
2. Mr. Rutt	Phanijphand	15 May 2009	1,415,000	-None-	-None-	1,200,000	-None-	-None-
3. Mr. Phairoj	Hengsakul	15 May 2009	1,110,000	-None-	-None-	1,000,000	-None-	-None-
4. Mr. Adul	Vinaiphat	15 May 2009	1,130,000	-None-	-None-	980,000	-None-	-None-
5. Mr. Sun	Vithespongse ^{/2}	10 October 2012	669,333.33	-None-	-None-	965,000	-None-	-None-
6. Mr. Khunnawut	Thumpomkul	1 August 2013	1,130,000	-None-	-None-	444,000	-None-	-None-
7. Mr. Naporn	Sunthornchitcharoen	25 April 2011	1,145,000	-None-	-None-	1,095,000	-None-	-None-
8. Mrs. Suwanna	Buddhaprasart	25 April 2011	765,000	-None-	-None-	700,000	-None-	-None-
9. Mr. Somsak	Assavapokee ^{/3}	9 October 2014	187,000	-None-	-None-	-	-None-	-None-
10. Mrs. Sasitorn	Phongsathorn	15 May 2009	480,000	-None-	-None-	480,000	-None-	-None-
Total			9,036,333.33			7,664,000		

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. Sun Vithespongse Independent Director, Member of the Audit Committee, Member of the Corporate Governance Committee and Member of the Nomination and Remuneration Committee had resigned on 8 September 2014.

^{/3} Mr. Somsak Assavapokee joined the Board on 9 October 2014 as the Independent Director, Member of the Audit Committee, Member of the Corporate Governance Committee, and Member of the Nomination and Remuneration Committee replaced the resignation of Mr. Sun Vithespongse since 8 September 2014.

Table: Board of Directors' Shareholding Proportion in LH Financial Group Public Company Limited and its subsidiaries as at December 31, 2014 and December 31, 2013

Board of Director	Position	31 December 2014			31 December 2013		
		Number of Shares Held			Number of Shares Held		
		The company ¹	The subsidiary ²	The subsidiary ³	The company ¹	The subsidiary ²	The subsidiary ³
1. Mr. Anant Asavabhokhin	Chairman	-None-	-None-	-None-	-None-	-None-	-None-
2. Mr. Rutt Phanijphand	Chairman of Executive Director	-None-	-None-	-None-	-None-	-None-	-None-
3. Mr. Phairoj Hengsakul	Independent Director, Chairman of the Audit Committee, and Member of the Corporate Governance Committee	6,393,675 shares (0.048%)	-None-	-None-	9,661,621 shares (0.076%)	-None-	-None-
4. Mr. Abdul Vinaiphat	Independent Director, Chairman of the Nomination and Remuneration Committee, Chairman of the Corporate Governance Committee, and Member of the Audit Committee	-None-	-None-	-None-	4,764,002 shares (0.037%)	-None-	-None-
5. Mr. Somsak Assavapokee	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-	-None-	-None-
6. Mr. Khunnawut Thumpomkul	Executive Director	-None-	-None-	-None-	-None-	-None-	-None-
7. Mr. Naporn Sunthornchitcharoen	Executive Director and Member of the Nomination and Remuneration Committee	-None-	-None-	-None-	-None-	-None-	-None-
8. Mrs. Suwanna Buddhaprasart	Director	-None-	-None-	-None-	-None-	-None-	-None-
9. Mrs. Sasitorn Phongsathorn	Executive Director and President	672,448 shares (0.005%)	-None-	-None-	6,000,000 shares (0.047%)	-None-	-None-

Note: ^{1/1} The company refers to LH Financial Group Public Company Limited
^{1/2} The subsidiary refers to Land and Houses Bank Public Company Limited
^{1/3} The subsidiary refers to Land and Houses Securities Public Company Limited

RISK FACTORS

LH Financial Group Public Company Limited was established to act as the holding company and the parent 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. The 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 bank as the subsidiary under the solo consolidation group consists of 4 businesses categories, Land and Houses Bank Public Company Limited is a commercial banking business Land and Houses Fund Management Company Limited is a fund management business Land and Houses Securities Public Company Limited is a securities business and Land and Houses Advisory Company Limited is a financial advisory.

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 uninterruptedly.

4. Policy regarding disclosure of capital maintenance of the financial business group is a guideline regarding disclosure of capital maintenance and risk management including capital maintenance, risk level, 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 to manage risk and to be consistent with good internal supervision and control policies, as follows:

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

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;

1. The company's operational risks

2. The risks from subsidiaries, namely Land and Houses Bank Public Company Limited, Land and Houses Securities Public Company Limited as well as Land and Houses Fund

Management Company Limited and Land and Houses Advisory Company Limited as the indirect holding companies.

1. The company's operational risks

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 2014, the company has invested in 2 subsidiaries, which are Land and Houses Bank Public Company Limited and Land and Houses Securities Public Company Limited. The company's performance is thus directly related to the performance of subsidiaries 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, the securities company 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.

1.1 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 2014, the company does not have the risk changing of price since the company does not have trading investments.

1.2 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).

1.3. Risk from insufficient capital fund

The changing of capital fund supervision under Basel III rules, in accordance with the Basel Committee on Banking Supervision (BCBS), which covering capital fund and liquidity risk management for the bank and the financial business group to control with both quantity and quality and determines for the bank and the financial business group must have to increase the capital fund reservation sufficient for support in normal and critical circumstances. Moreover, it aims to strengthen capital fund position and determine framework to manage liquidity risk of the banks and financial businesses more effectively, which has been effective for the banks from 1 January 2013 onwards, and effective for financial businesses from 1 January 2014.

Under Basel III framework, the bank and the financial group have to maintain a minimum ratio of total capital to risk-weighted assets were not be less than 8.50%. Additionally, the ratio of Tier 1 capital to risk-weighted assets cannot be less than 6.00% and Common Equity Tier 1 to risk-weighted assets cannot be less than 4.50%.

As at 31 December 2014, the total Capital to risk weighted asset ratio (BIS)'s of the financial group was 13.24%, Tier 1 was 12.16% and Tier 1 ratio of the Common Equity was 12.16% which higher than the BOT's minimum capital ratios.

Accordance with the Basel III framework, the financial group's total capital funds maintained under the laws were Baht 16,319.19 million, which can be divided into tier 1 capital funds of Baht 14,983.08 million or 91.81% of total capital funds before deduction and tier 2 capital funds of Baht 1,336.11 million or 8.19% of total capital funds, which is sufficient to operate business and support growth under normal and critical circumstances.

2. The risks from subsidiaries and indirect holding companies.

Reputation risk related to the risk that originate from any operations of the subsidiaries that may cause the financial group loss its reputation such as negative identity, dissemination both in private and public, being complained and being impleaded. As any difficulties that occur in the company within the financial group may affect to other companies and may lead to the problem of the financial group's Liquidity and trust.

The company has established the framework of reputation risk management by requiring all companies within the group to report a significant risk or any amend that may cause the risk to the company, focusing on the case that may affect to its financial, capital fund and the financial group's reputation for monitoring and handling any risk properly.

2.1 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 determining 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 due 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 - Liabilities 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 Sub-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 government regulations and rules and directly report to the Audit Committee.

Risk Factors

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, adjustments by competitors, and political participation 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

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

The changing of capital fund supervision under 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.

According to the Basel III framework, the bank and the financial group have to maintain a minimum ratio of total capital to risk-weighted assets were not less than 8.50%. Additionally, the ratio of Tier 1 capital to risk-weighted assets cannot be less than 6.00% and Common Equity Tier 1 to risk-weighted assets cannot be less than 4.50%.

As at 31 December 2014, the total Capital to risk weighted asset ratio (BIS's of the financial group was 12.41%, Tier 1 was 11.32% and Tier 1 ratio of the Common Equity was 11.32% which higher than the BOT's minimum capital ratios.

The bank's capital funds following the criteria of Basel III totaled Baht 15,231.93 million, which was Tier 1 capital fund and Common equity Tier 1 capital fund was Baht 13,895.82 million or calculated as 91.23% of total capital fund and the rate adequate for the business operation and business growth promotion following the lay-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 including determine the specialized agency review the information for approving credit, monitoring compliance with the loan terms, promotion of new credit quality and treatment the original loan efficiently for more effective control monitor and control credit also, provide credit training for employees. This is the goal of business bank plan.

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 for determine the quality of its credit portfolio and potential risks.

Credit risk consists of three components;

2.1 Risk incurred from deterioration of credit quality

The most significant risk of the bank is a result of the rise of NPLs. In addition, the bank has to increase its reserve allowance for Doubtful Accounts which directly impact to the bank's profits and Capital adequacy. 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, moreover, the bank has improved and developed tools for screening and categorizing risk-levels of the bank's debtors 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 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 for avoiding any concentration of credit significantly 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 65.71% of the credit fund. The guarantee in the type of real estate is calculated as 92.49% 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 2014, the net investment was Baht 33,180.41 million (excluded the investment in the subsidiaries for Baht 257.29 million divided into available for sale investment with the fair value of Baht 1,175.94 million and the held to maturity debt securities of Baht 31,999.67 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 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 provided Currency Exchange trading (buying and selling) and also set standard for currency balance at the end of the day under the Bank of Thailand's regulations, thus, the bank has no significant 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. According to its growth, the bank has realized related to the operation risks from both internal and external fraud, therefore, fraud risk assessment has been set to monitor its operations start from the business units that fraud risk tends to be happened and using these findings as data to set guideline for protecting and approaching fraud risk.

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 every year for ensure the bank can operate under crisis condition and efficiently.

The bank regularly develops its personnel to enhance the efficiency of the employees' performances. The bank 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. Also 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.

2.2 Risk of Land and Houses Securities Public Company Limited (Subsidiary)

Overview of Risk Management

The company sets out scope and strategy in performing business for growth on the basis of efficient risk management in parallel with generating secured returns to an organization. The company systematically monitors and controls risk management by clearly setting out structure and policy on risk management in writing for the key purpose to prevent risk and to manage risk efficiently. This also includes having business practices in accordance with good corporate governance and taking into consideration of the provision of fair, accurate and transparent services to customers and the maximum benefits of shareholders.

1. Risk incurred by competition

From 1 January 2012, the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand initiated free negotiation approach for fee calculation, as well as freely open unlimited number of Securities Company Licenses. The change of fee calculation approach and the freedom of Securities Business License issuance have caused higher competition amongst securities companies, as well as the occurrence of new securities companies who are stealing some market shares. This will affect the company's competitiveness. Nevertheless, the company recognized such risk and prepared for competition by determining a strategy focusing on the expansion of Land and House financial sector customer base, including both individual and institutional customers, as the priority. In addition, the company also develops its products and services, as well as capability of purchasing and selling system through internet to offer convenience, timeliness, and user-friendliness, together with controls expenses and develops competency, knowledge, and ability of personnel contacting with investors.

2. Risk incurred by securities market variation

Revenues from brokerage fees resulted from the purchasing and selling of securities are the company's main source of revenues, subject to overall purchasing and selling values in accordance with market condition and investors' confidence. In market condition with variation from several uncontrollable factors both domestically and internationally, such as political issues, economic condition, and oil price, there may be some effects to the quantity of securities purchased and sold, as well as to revenues from brokerage fees. Consequently, in order to decrease risk incurred by revenues gained for securities brokerage fees, the company plans to distribute revenue structure and business performance to not mainly depend on one source of revenue by expanding other services, such as sales support services and redemption of investment units, financial consultant service, etc.

3. Risk incurred by Dependence on Major Customers

In 2014, it was the commencement of business. The company mostly received main revenues from brokerage fees collected from individual customers who were major customers with high volume of purchasing and selling. As a result, there was risk from concentration. Therefore to reduce such risk, the company plans to expand retail customer base by implementing several marketing promotional plans, such as increasing new customers through Banker-to-Broker project with Land and House Bank which possesses huge base of customers with interest in investment products, Stock Saving Project, continuously providing knowledge amongst investors, and increasing proportion of institutional investors.

4. Risk incurred in relation to personnel

Securities business relies on marketing personnel possessing knowledge, experience and license to be responsible for contacting with investors to provide advices on securities purchasing and to expand customer base. The company therefore recognizes the importance to recruit marketing personnel possessing knowledge and experience, as well as sets several policies to retain such quality personnel to serve the company for a long term. In addition, the company recognizes the importance to build young marketing personnel under Young Financial Advisor Project which has been launched since early 2014.

5. Risk incurred by Securities Selling Transactions

Risks incurred by inability to distribute or to offer securities for sales at the guaranteed quantity may be caused by inappropriate offering price or variation of market condition. This may effect in loss from accepting all remaining securities from selling into investment account. In this connection, the company determines guideline to prevent such risk by analyzing and inspective business type, basic information, business performance, and trend for future business performance of the company, securities issuers, as well as investors' interest and their demand for offering securities which will be used to support decision-making to become a distributor and to guarantee securities selling. In 2014, the company became a distributor for 2 companies. It was successful and the company received good interests amongst investors.

6. Risk incurred by doubtful debts and bad debts

Risk incurred by doubtful debts and bad debts is risk resulted from the case that a customer bought securities by cash but failed to make a payment within the determined period of time, as well as customers requested for a loan to purchase securities of credit balance account.

The company recognizes the importance of selecting cash account customers by setting appropriate budget for purchasing and selling based on financial status of each customer. There is also close monitoring of financial status and spending budget of each customer. In addition, the company also set security at 20% of securities purchasing budget in accordance with conditions set by the Stock Exchange of Thailand, as well as has a procedure to follow up on customers' payments for get paid on time.

The company, by Risk Management Committee, set out policy on loan for securities purchasing in order to maintain loans at the level determined by the company and appropriate to market condition at that time. Loan budget for each customer must be proper and consistent with such customer's financial status, and must not over 20 percent of the company's fund. The proportion of loan against fund by debt balance must not exceed 1 time of fund amount and there must be a control to prevent concentration of purchasing one of securities.

On 31 December 2013, the company had securities receivables (for principles only) who suspended revenue recognition amounting to Baht 69.6 million and set allowance for doubtful accounts at the entire amount. Those receivables had existed before the company acquired CIMB Securities International (Thailand) Public Company Limited.

On 31 December 2014, the company had receivables of securities purchasing by cash amounting to Baht 16.3 million. Loan for securities receivables had remaining balance at Baht 43.9 million whereas these receivables had guarantee amount more than debts. In this connection, in 2014 the company had no bad debt or allowance for doubtful accounts from securities business receivables.

Legal Dispute

The company had no legal dispute significantly affecting its business performance.

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 of Land and Houses Bank Public Company Limited and holds 99.79% of all paid-up shares of Land and Houses Securities Public Company Limited. Therefore Land and Houses Bank Public Company Limited and Land and Houses Securities Public Company Limited are its core company. The company's performances are, therefore, derived from the two mentioned companies.

2014 Economic Overview and Outlook in 2015

2014 Economic Overview^{/1}

An overview of Thai economy in 2014 showed GDP growth of 1.0% due to the following 4 main factors:

1. In Q3, world economy growth is less than in Q2. Also, the prices of agricultural export decreased, which caused the export values to slow down after gradually rising in Q2.
2. The amount of car sales has continuously decreased for 41.9%, which is more than the forecasted figure.
3. The disbursement in Q4 of 2014 was 20.8%, which was lower than the set target of 25.0%. The disbursement rate of 2014 was 89.0%, which was less than the targeted amount of 95.0%.
4. Tourism has slow recovery. The number of foreign tourists in Q3 reduced more than expected. As for other economic factors, it is expected that the export values in US dollars will not increase from 2013. Household consumption expanded for 0.7%. The investments decreased for 1.9%. Average inflation was 2.1%. The current account surplus was 2.9% of GDP.

In the banking sector, loan growth was good in 2014. However, a significant increase in NPLs forced financial institutions to tighten loan approvals. Deposits increased following loan growth and competition to gain fees among commercial banks was more intensified subsequently.

Economic Outlook for 2015^{/1}

An overview of Thai economy in 2015 is expected to expand for 3.5-4.5% due to the growth of export, consumption, and investment in private section. The expenditure of the government in infrastructure investment project is the main factor which drives the economy to improve according 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.

Note ^{/1} Source : Data from Office of the National Economic and Social Development Board and the Stock Exchange of Thailand

Land and Houses Bank Public Company Limited formulated its strategies based on advantages of various trading partnerships 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.

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	2014	2013	2012
Profitability Ratio			
Gross profit margin	46.42%	44.70%	44.75%
Net profit margin	28.29%	26.95%	27.48%
Return on Equity	7.67%	6.12%	4.97%
Yield on interest income	5.06%	5.07%	5.29%
Yield on interest expense	3.02%	3.36%	3.39%
Net Interest margin	2.04%	1.71%	1.90%
Return on Investment	5.98%	4.92%	4.74%
Efficiency Ratio			
Net interest income to assets ratio	2.15%	2.06%	2.09%
Return on asset (ROA)	0.77%	0.66%	0.67%
Total Assets turnover (time)	0.03	0.02	0.02
Financial Ratio			
Debt to equity ratio (time)	9.13	8.93	7.64
Loans to borrowings ratio	93.64%	95.26%	101.22%
Loans to deposits ratio	94.49%	95.45%	102.42%
Deposits to total liabilities ratio	82.48%	81.15%	77.84%
Dividend payout ratio	58.88%	76.65%	42.74%
Total capital funds to risk assets ratios	12.41%	13.38%	16.17%
Asset Quality Ratio			
Loan loss reserve ratio	1.85%	1.38%	1.08%
Non-performing loan to total loans ratio	2.04%	1.91%	2.10%
Accrued interest receivables to total loans ratio	0.21%	0.20%	0.19%
Comparing per Share (Baht)			
Book value per share	1.2339	1.1813	1.1826
Earnings per share (EPS)	0.0921	0.0702	0.0573

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 2014 compared to the year 2013.

In 2014, LH Financial Group Public Company Limited and its subsidiaries profit from operating before income tax in consolidated financial statement of Baht 1,491.64 million, rising Baht 391.27 million or 35.56% from 2013. After deducting income tax of Baht 290.25 million, the company's net profit was Baht 1,201.39 million, up Baht 307.99 million or 34.47% compared to 2013. An increase in net profit was mainly contributed by a 20.87% increase in net interest income and a 142.31% growth in total dividend income and other operating income following the growth of all loan types and return on investment through dividends and capital gains.

In 2014, the company and its subsidiaries recorded profit from operating before bad debts and doubtful accounts of Baht 2,201.64 million, rising Baht 575.27 million or 35.37% compared to the year 2013.

The profit from operating margin before doubtful accounts to total revenues ratio in 2014 was 51.84%, up from 49.06% in 2013, mainly from an increase in interest income due to loan growth and return on investment.

Basic earning per share in 2014 was 0.0921 Baht per share, compared to the previous year at 0.0702 Baht per share.

The return on equity (ROE) for the year 2014 were 7.67% and the year 2013 were 6.12%.

Table: Operating Results

Operating Results	Consolidated Financial Statements			Change (2014 compared to 2013)	
	2014	2013	2012	Addition (Reduction)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	3,381.93	2,797.92	2,128.43	584.01	20.87
Net fees and service income	216.22	248.95	113.52	(32.73)	(13.15)
Total dividend income and other operating income	648.54	267.65	242.37	380.89	142.31
Total operating income	4,246.69	3,314.52	2,484.32	932.17	28.12
Other operating expenses	(2,045.05)	(1,688.15)	(1,308.65)	356.90	21.14
Profit from operating	2,201.64	1,626.37	1,175.67	575.27	35.37
Bad debts, doubtful accounts and impairment loss	(710.00)	(526.00)	(277.00)	184.00	34.98
Profit from operating before income tax	1,491.64	1,100.37	898.67	391.27	35.56
Income tax	(290.25)	(206.97)	(215.89)	83.28	40.24
Net profit	1,201.39	893.40	682.78	307.99	34.47
Basic earning per share (EPS) (Baht)	0.0921	0.0702	0.0573	-	-
Return on equity ratio (ROE)	7.67 %	6.12 %	4.97 %	-	-
Return on total assets ratio (ROA)	0.77 %	0.66 %	0.67 %	-	-

1.1 Structure of Operating Income

Structure of operating income of LH Financial Group Public Company Limited and its subsidiaries for the year 2014, 2013 and 2012 is as follows:

Operating Income

In 2014, the company and its subsidiaries recorded operating income of Baht 4,246.69 million, rising Baht 932.17 million or 28.12% compared to 2013 due to an increase

in net interest income, dividend income and other operating income. In 2014, interest expenses were Baht 4,073.15 million, rising Baht 353.69 million or 9.51% compared to 2013 as the following details:

Table: Total Operating Income

Total Operating Income	Consolidated Financial Statements			Change (2014 compared to 2013) Addition (Reduction)	
	2014	2013	2012		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest income	7,455.08	6,517.38	4,856.12	937.70	14.39
Interest expenses	(4,073.15)	(3,719.46)	(2,727.69)	353.69	9.51
Net interest income	3,381.93	2,797.92	2,128.43	584.01	20.87
Fee and service income	296.76	299.13	153.45	(2.37)	(0.79)
Fee and service expenses	(80.54)	(50.18)	(39.93)	30.36	60.50
Net fee and service income	216.22	248.95	113.52	(32.73)	(13.15)
Gains on investments	491.42	210.39	145.93	281.03	133.58
Net gain (loss) on trading and foreign exchange transactions	1.21	(30.80)	48.82	32.01	103.93
Dividend income	131.68	80.86	43.78	50.82	62.85
Other operating income	24.23	7.20	3.84	17.03	236.53
Total other operating income	648.54	267.65	242.37	380.89	142.31
Total operating income	4,246.69	3,314.52	2,484.32	932.17	28.12
Net interest income to the performing financial assets ratio	2.30%	2.18%	2.32%	-	-

Net interest income

Net interest income was Baht 3,381.93 million, rising Baht 584.01 million or 20.87% from 2013 due to interest income following loan growth.

Interest expenses were Baht 4,073.15 million, rising Baht 353.69 million or 9.51%, which was less than the rising of net interest income which resulted in net interest income to the performing financial asset ratio by 0.12% from 2.18 to 2.30% in 2014.

Net Non-Interest Income

Net non-interest income included net fee and service income, gains on investments, net gain (loss) on trading and foreign exchange transactions, dividend income and other operating income. Net non-interest income continued rising from Baht 516.60 million in 2013 to Baht 864.76 million in 2014, up Baht 348.16 million.

- Net Fee and Service Income

Net fee and service income totaled Baht 216.22 million, decreased by Baht 32.73 million or 13.15% from 2013, resulted from the promotion to increase the number of depositors and stimulate LH Bank ATM and ATM card usage at the beginning

of 2014. This promotion allowed depositors to use LH BANK ATM card to withdraw money from LH BANK ATM for free of charge.

- Other Income

Other income of totaled Baht 648.54 million, rising Baht 380.89 million or 142.31% from 2013, due to an increase in gains on investments.

Other operating expenses

In 2014, total of other operating expenses was Baht 2,045.05 million, up Baht 356.90 million or 21.14% from 2013. It was mainly from an increase in the subsidiaries' employee's expenses for business expansion and premises and equipment expenses following outlet expansion from 2013 of 16 branches to 117 branches by the end of 2014.

Table: Other operating expenses

Other operating expenses	Consolidated Financial Statements			Change (2014 compared to 2013) Addition (Reduction)	
	2014	2013	2012		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employees' expenses	960.97	767.73	606.28	193.24	25.17
Directors' remuneration	11.42	9.53	8.19	1.89	19.83
Premises and equipment expenses	629.29	512.91	381.25	116.38	22.69
Tax and duties	193.51	172.31	126.71	21.20	12.30
Advertising and promotion expenses	83.89	81.69	62.39	2.20	2.69
Amortization and Intangible assets	58.75	57.17	44.08	1.58	2.76
Other expenses	107.22	86.81	79.75	20.41	23.51
Total other operating expenses	2,045.05	1,688.15	1,308.65	356.90	21.14
Total operating expenses to total operating income ratio	48.16%	50.93%	52.68%	-	-

- Personnel Expenses

Employees' expenses were Baht 960.97 million, up Baht 193.24 million or 25.17% from 2013, resulting from an increase in salary, annual bonus and the number of employees for business expansion.

As of 31 December 2014, the company had 1 employee and its subsidiaries, Land and Houses Bank Public Company Limited had 1,467 employees, up 133 employees

compared to 2013, mainly due to an increase in the number of branches. The Land and Houses Securities Public Company Limited had 48 employees. The Land and Houses Fund Management Company Limited had 35 employees. The Land and Houses Advisory Company Limited had 2 employees.

	31 December 2014					31 December 2013		31 December 2012	
	LHFG	LH BANK	LHS	LH FUND	LHA	LHFG	LH BANK	LHFG	LH BANK
The number of employees	1	1,467	48	35	2	1	1,334	1	1,157

Note	LHFG	LH Financial Group Public Company Limited
	LH BANK	Land and Houses Bank Public Company Limited
	LHS	Land and Houses Securities Public Company Limited
	LH FUND	Land and Houses Fund Management Company Limited
	LHA	Land and Houses Advisory Company Limited

Premises and equipment expenses

Premises and equipment expenses were Baht 629.29 million, up Baht 116.38 million or 22.69% compared to 2013, as a result of branch expansion of the bank.

Other Expenses

Other expenses were Baht 107.22 million, up Baht 20.41 million or 23.51% compared to 2013.

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 2014 and 31 December 2013.

Table: Total Assets

Total Assets	Consolidated Financial Statements			Change	
	31 December 2014	31 December 2013	31 December 2012	(2014 compared to 2013) Addition (Reduction)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Assets					
Cash	2,503.97	1,726.30	1,619.46	777.67	45.05
Interbank and money market items-net	13,117.18	7,010.08	5,031.98	6,107.10	87.12
Investments-net	33,728.13	36,466.10	29,138.95	(2,737.97)	(7.51)
Loans to customers and accrued interest receivables					
Loans to customers	115,915.21	103,969.33	86,248.24	11,945.88	11.49
Accrued interest receivables	239.81	206.15	163.07	33.66	16.33
Total loans to customers and accrued interest receivables	116,155.02	104,175.48	86,411.31	11,979.54	11.50
Less: Deferred revenue	(281.52)	(320.24)	(148.17)	(38.72)	(12.09)
Allowance for doubtful debts	(2,137.82)	(1,422.29)	(914.01)	715.53	50.31
Revaluation allowance for debts restructuring	(7.55)	(11.18)	(14.93)	(3.63)	(32.47)
Loans to customers and accrued interest receivables-net	113,728.13	102,421.77	85,334.20	11,306.36	11.04
Properties foreclosed	52.81	-	-	52.81	100.00
Land, Premises and equipment -net	543.77	494.28	434.93	49.49	10.01
Intangible assets-net	291.45	209.05	233.91	82.40	39.42
Deferred tax assets-net	145.19	127.45	-	17.74	13.92
Accrued interest receivables on investments	345.39	356.86	286.99	(11.47)	(3.21)
Other assets-net	514.28	286.82	288.35	227.46	79.30
Total assets	164,970.30	149,098.71	122,368.77	15,871.59	10.65

Total Assets

As at 31 December 2014, total assets were Baht 164,970.30 million, up Baht 15,871.59 million or 10.65% compared to 2013. Main assets included loans to customer and accrued

interest receivables-net, accounting for 68.94% of total assets, followed by investment-net, accounting for 20.44% of total assets.

Investments - Net

As at 31 December 2014, investment-net in equity investment in government and state enterprise securities and at book value was Baht 33,728.13 million, decreased by Baht private sector debt securities. 2,737.97 million or 7.51% compared to 2013, mainly from

Table: Investment classified by type of investment at book value

Investment-Net	Consolidated Financial Statements			Change (2014 compared to 2013) Addition (Reduction)	
	31 December 2014	31 December 2013	31 December 2012		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Trading securities					
Domestic marketable equity securities	-	26.40	248.01	(26.40)	(100.00)
Total trading securities	-	26.40	248.01	(26.40)	(100.00)
Available- for -Sale investments					
Government and state enterprise securities	-	2,311.98	3,065.48	(2,311.98)	(100.00)
Private sector debt securities	-	326.07	-	(326.07)	(100.00)
Domestic marketable equity securities	1,715.37	1,988.67	1,530.21	(273.30)	(13.74)
Total available-for-sale investments	1,715.37	4,626.72	4,595.69	(2,911.35)	(62.92)
Held-to-maturity debt securities					
Government and state enterprise securities	15,386.44	16,798.86	16,046.02	(1,412.42)	(8.41)
Private sector debt securities	16,613.23	15,009.32	8,244.43	1,603.91	10.69
Total held-to-maturity debt securities	31,999.67	31,808.18	24,290.45	191.49	0.60
General Investments - Cost					
Non-marketable equity securities	13.66	5.37	5.37	8.29	154.38
Less: Allowance for impairment	(0.57)	(0.57)	(0.57)	-	-
General investments - net	13.09	4.80	4.80	8.29	172.71
Investments - Net	33,728.13	36,466.10	29,138.95	(2,737.97)	(7.51)

Total Liabilities

As of 31 December 2014, total liabilities were money market items, accounting for 82.48% and 15.58% of total Baht 148,683.95 million, up Baht 14,606.44 million or 10.89% liabilities, respectively. compared to 2013, mostly from deposits and interbank and

Table: Liabilities Classified by Type of Liability

Liabilities Classified by Type of Liability	Consolidated Financial Statement			Change (2014 compared to 2013)	
	31 December 2014	31 December 2013	31 December 2012	Addition (Reduction)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	122,631.90	108,805.48	84,223.51	13,826.42	12.71
Interbank and money market items	23,171.16	23,513.46	21,870.55	(342.30)	(1.46)
Liabilities payable on demand	109.95	214.56	233.58	(104.61)	(48.76)
Debts issued and borrowings	1,000.00	3.20	769.05	996.80	31,150.00
Others	1,770.94	1,540.81	1,105.62	230.13	14.94
Total liabilities	148,683.95	134,077.51	108,202.31	14,606.44	10.89

Owners' Equity

As of 31 December 2014, owners' equity totaled Baht 16,286.35 million, up Baht 1,265.15 million or 8.42% compared to 2013. An increase in owners' equity was mainly contributed by net profit from operating of Baht 1,201.39 million in 2014 and exercise of ordinary share buying warrant of Baht 59.20 million.

1.3 Capital Adequacy

Sources and Uses of Fund

As of 31 December 2014, capital structure according to the consolidated financial statements comprised liabilities of Baht 148,683.95 million and owners' equity of Baht 16,286.35 million, accounting for 9.13 times of debt to equity ratio. Sources of fund composition in terms of liabilities included deposits accounting for 74.34% of sources of fund, interbank and money market items accounting for 14.05% and debt issued and borrowing accounting for 0.61% and others accounting for 1.13%, while owners' equity accounted for 9.87%.

Relations of Sources and Uses of Fund

As of 31 December 2014, loans to customers (before deducting deferred income) totaled Baht 115,915.21 million. Loans to deposits ratio of the bank accounted for 94.49%. 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 of 31 December 2014 could be divided by contract maturity date. Deposits aged less than 1 year totaled Baht 118,897.47 million, accounting for 96.95% of total deposits. Loans for debtors aged less than 1 year totaled Baht 42,418.84 million, accounting for 36.59% of total loans. Deposits aged over 1 year totaled Baht 3,734.43 million, accounting for 3.05% of total deposits. Loans aged over 1 year totaled Baht 73,382.72 million, accounting for 63.31% of total loans.

Table: Sources and Uses of Fund

Periods	Deposits				Loans			
	31 December 2014		31 December 2013		31 December 2014		31 December 2013	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	118,897.47	96.95	101,996.79	93.74	42,418.84	36.59	35,240.01	33.89
More than 1 year	3,734.43	3.05	6,808.69	6.26	73,382.72	63.31	68,729.32	66.11
No due date	-	-	-	-	113.65	0.10	-	-
Total	122,631.90	100.00	108,805.48	100.00	115,915.21	100.00	103,969.33	100.00

1.4 Change of Cash Flow

The cash of the company and its subsidiaries as of 31 December 2014 was Baht 2,503.97 million, up Baht 777.67 million compared to 2013. The net cash received and spent in the following activities.

- Net cash flows from operating activities was Baht 2,683.78 million, which was from the profit from operations before the change of assets and liabilities at Baht 124.85 million and the change of assets and main operating liabilities including loans to customers increasing by Baht 11,032.15 million, interbank and money market items (assets) increasing by Baht 6,172.10 million and cash deposit increasing by Baht 13,826.43 million.

- Net cash flows from investing activities was Baht 3,402.78 million, mostly from cash spent for buying held-to-maturity debt securities Baht 11,454.40 million while cash from matured debt securities date for Baht 13,747.22 million.

- Net cash flows from financing activities was Baht 58.66 million, which was from paying dividend for Baht 423.57 million, cash from issuance of additional ordinary shares for Baht 423.03 million and cash from warrant exercised for Baht 59.20 million.

1.5 Adequacy of Liquidity

Item	31 December 2014	31 December 2013
Total asset	164,970.30	149,098.71
Deposit	122,631.90	108,805.48
Loans to customers	115,633.69	103,649.09
Quick asset	49,349.29	45,202.48
Loan/Deposit (%)	94.29	95.26
Quick asset/Total asset (%)	29.91	30.32
Quick asset/deposit (%)	40.24	41.54

Note : Liquidity assets include cash, interbank transaction and money market items (asset) and investment-net

1.6 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 Banking Business

Land and Houses Bank Public Company Limited and its subsidiaries have operating results as followings

Overview of Commercial Banking Industry and Competition in 2014¹

In 2014, overview of commercial banking industry slightly expanded and grew in the last quarter of the year. Loan growth of commercial banking industry expanded by 4.2% compared to last year, most of which was from business loans.

There was intense competition in fund-raising, reflected by the contention to launch new deposit products to maintain the liquidity. Besides, commercial banks had more borrowings from the issues of subordinated bonds and bonds overseas.

In terms of profitability, commercial banks saw an increase in combined net profits of 2.4% from the previous year, mainly from the reduction of financial cost and interest rate. As a result, the net interest income and non-interest income increased, causing the average net interest margin to asset ratio become higher.

Note ¹ Source : The Stock Exchange of Thailand and the Bank of Thailand January 2015

Data of the Land and Houses Bank PLC Compared to Commercial Banking Industry

As of 31 December 2014

(Unit : Million Baht)	2014	2013	2012	Growth Rate (per year)		Growth Rate (per year) average of past 2 years
				2014	2013	
Commercial Banking*						
Asset	14,794,702	14,167,993	12,900,453	4.4%	9.8%	7.1%
Loan	10,469,467	10,023,548	9,066,634	4.4%	10.6%	7.5%
Deposit	10,930,105	10,254,534	9,346,089	6.6%	9.7%	8.1%
Land and Houses Bank						
Asset	164,970	149,099	122,369	10.6%	21.8%	16.1%
Loan	115,915	103,969	86,248	11.5%	20.5%	15.9%
Deposit	122,632	108,805	84,224	12.7%	29.2%	20.7%
LH BANK's Market Share						
Asset	1.12%	1.05%	0.95%	-	-	-
Loan	1.11%	1.04%	0.95%	-	-	-
Deposit	1.12%	1.06%	0.90%	-	-	-

Note : * Data from the Bank of Thailand

Even though the world economy slowed down and Thailand was having political unrest at the beginning of the year, growth of overall performances could be seen in every aspect including asset, loan, and deposit. Loan growth of commercial banking industry in 2014 increased by 4.4% (less than the previous year which was 10.6%). The average loan growth in the past two years was 7.5% while deposit growth was at 8.1%.

As for Land and Houses Bank, its loan growth rate in 2014 was 11.5% and deposit growth rate was 12.7%, which was 2-3 times higher than commercial banking's growth rate. This is a reflection of the higher market share in assets which continuously increased from 2012-2014 by 0.95, 1.05 and 1.12 respectively.

Outlook of Commercial Banking Industry and Competition in 2015^{/2}

For outlook of banking industry in 2015, loan demand will rise by 7-8% or 7.5% average, higher than 2014 which was 4.0%, based on the assumption of economic growth in 2015 of 3.5-4.5% (4.0% average). However, that growth rate was still lower than the average rate in the past 5 years, which was about 11%.

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 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.

Analysis of Banking Industry Influencing the Bank's Performance

For the key strategy in 2015, 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 ^{/2} Source : Kasikorn Research Center January 2015

Overall Performance

The analysis of operating results of the Land and Houses Bank Public Company Limited and its subsidiaries performance is comparative performance of the year 2014 compared to the year 2013.

In 2014, the bank and its subsidiaries posted net operating profit of Baht 1,229.10 million, rising Baht 314.08 million or 34.32% from 2013. An increase in net profit was mainly contributed by a 21.14% increase in net interest income following the growth of all loan types, profit on trading transactions and foreign exchange, profit from investments, dividend income and other operating income increasing by 124.73%.

Other operating expenses increased by Baht 322.32 million or 19.21% compared to 2013 due to the expansion of the branches which caused higher employees' expenses and equipment and premises expenses.

An allowance for doubtful accounts increased by Baht 184.00 million, or 34.98% compared to 2013, in line with loan growth and preparation for possible uncertainty in domestic economy.

The profit from operating margin before bad debts and doubtful accounts to total revenues ratio in 2014 was 52.71%, slightly rising from 49.56% in 2013, mainly from an increase in total income and other operating expenses which go in the same direction. The increase in total income was 7.96% higher than that of other operating income.

Basic earning per share in 2014 was 0.97 Baht per share, compared to the previous year at 0.73 Baht per share. The return on equity (ROE) for the year 2014 were 8.82% and the return on total assets for the year 2014 were 0.78%.

Table: Operating Results

Operating Results	Consolidated Financial Statement			Change (2014 compared to 2013) Addition (Reduction)	
	2014	2013	2012		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	3,382.66	2,792.35	2,120.40	590.31	21.14
Net fees and service income	225.60	256.92	121.53	(31.32)	(12.19)
Total gain on trading and foreign exchange transactions, gain on investments, dividend income and other operating income	620.84	276.26	230.89	344.58	124.73
Total operating income	4,229.10	3,325.53	2,472.82	903.57	27.17
Other operating expenses	(1,999.86)	(1,677.54)	(1,298.91)	322.32	19.21
Profit from operating	2,229.24	1,647.99	1,173.91	581.25	35.27
Bad debts, doubtful accounts and impairment loss	(710.00)	(526.00)	(277.00)	184.00	34.98
Profit from operating before income taxes	1,519.24	1,121.99	896.91	397.25	35.41
Income tax	(290.14)	(206.97)	(215.90)	83.17	40.18
Net profit	1,229.10	915.02	681.01	314.08	34.32
Basic earning per share (EPS) (Baht)	0.97	0.73	0.55	0.24	32.88
Return on equity ratio (ROE)	8.82%	6.69%	5.10%		
Return on total assets ratio (ROA)	0.78%	0.68%	0.67%		

2.1 Structure of Operating Income

Structure of operating income of Land and Houses Bank Public Company Limited and its subsidiaries is as follows: interest income from loans and following loan growth as the following details:

Operating Income

In 2014, the company and its subsidiaries recorded operating income of Baht 4,299.10 million, rising Baht 903.57 million or 27.17% compared to 2013 due to an increase in net

Table: Total Operating Income

Total Operating Income	Consolidated Financial Statements			Change (2014 compared to 2013) Addition (Reduction)	
	2014	2013	2012		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest income					
Interbank and money market	298.52	137.88	146.05	160.64	116.51
Debt instrument investment	1,476.58	1,322.60	971.39	153.98	11.64
Loan to customers	5,570.29	4,957.38	3,727.74	612.91	12.36
Leasing	135.62	99.50	10.94	36.12	36.30
Total interest income	7,481.01	6,517.36	4,856.12	963.65	14.79
Interest expenses	(4,098.35)	(3,725.01)	(2,735.72)	373.34	10.02
Net interest income	3,382.66	2,792.35	2,120.40	590.31	21.14
Fee and service income	293.16	299.21	153.50	(6.05)	(2.02)
Fee and service expenses	(67.56)	(42.29)	(31.97)	25.27	59.75
Net fee and service income	225.60	256.92	121.53	(31.32)	(12.19)
Gains on investments	488.19	213.47	183.74	274.72	128.69
Dividend income	108.93	55.59	43.32	53.34	95.95
Other operating income	23.72	7.20	3.83	16.52	229.44
Total other operating income	620.84	276.26	230.89	344.58	124.73
Total operating income	4,229.10	3,325.53	2,472.82	903.57	27.17
Net interest income to the performing financial assets ratio	2.29%	2.17%	2.31%	-	-

Net Interest Income

In 2014, net interest income of the bank and its subsidiaries was Baht 3,382.66 million, rising Baht 590.31 million or 21.14% from 2013 due to an increase in interest income from loans and leasing following loan growth.

Interest expenses were Baht 4,098.35 million, rising Baht 373.34 million or 10.02%, which was less than the rising of Net interest income which resulted in Net interest income to the performing financial asset ratio from 2.17% to 2.29% in 2014.

Net non-interest income

Net non-interest income included net fee and service income, gains on investments, dividend income and other operating income. In 2014, net non-interest income of the Bank and its subsidiaries was Baht 846.44 million, up Baht 313.26 million, or 58.75% compared to 2013 as the following details.

- Net fee and service income

Net fee and service income totaled Baht 225.60 million, decreased by Baht 31.32 million or 12.19% from 2013, resulted from the promotion to increase the number of

depositors and stimulate LH Bank ATM and ATM card usage at the beginning of 2014. This promotion allowed depositors to use LH BANK ATM card to withdraw money from LH BANK ATM for free of charge.

- Other income

The bank and its subsidiaries had other income totaled Baht 620.84 million, rising Baht 344.58 million or 124.73% from 2013, due to an increase in gains on investments and dividend income.

Net Interest Income after Deducting Bad Debts, Doubtful Accounts and Impairment Loss

The bank had set bad debts and doubtful accounts conform with the rule and regulation of the Bank of Thailand

and appraised debtor with experiences.

In 2014, Net interest income after deducting bad debts, doubtful accounts and impairment loss were Baht 2,672.66 million, up Baht 406.31 million or 17.93% compared to 2013.

Bad Debts, Doubtful Accounts and Impairment Loss

In 2014, The bank had bad debts and doubtful accounts and impairment loss were Baht 710.00 million, up Baht 184.00 million or 34.98% compared to 2013, following loan growth and also additional provision amidst possible uncertainty in domestic economy. The minimum reserve ratio of the BOT's criteria was 157.35% in the year 2014 and 126.74% in the year 2013.

Table: Net Interest Income after Deducting Bad Debts, Doubtful Accounts and Impairment Loss

Net Interest Income after Deducting Bad Debts, Doubtful Accounts and Impairment Loss	Consolidated Financial Statements			Change (2014 compared to 2013) Addition (Reduction)	
	2014	2013	2012		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	3,382.66	2,792.35	2,120.40	590.31	21.14
Bad debts, doubtful accounts and impairment loss	710.00	526.00	277.00	184.00	34.98
Net Interest Income after deducting bad debts, doubtful accounts and impairment loss	2,672.66	2,266.35	1,843.40	406.31	17.93
Cash reserve per minimum reserve requirement	157.35%	126.74%	112.37%		

Other operating expenses

Other operating expenses included employee's expenses, directors' remuneration, premises and equipment expenses, tax and duties, advertising and promotion expenses, amortization and intangible assets, and other expenses. In 2014, the bank and its subsidiaries total other operating expenses was Baht 1,999.86 million, up Baht 322.32 million or 19.21% from 2013. 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 of 16 branches at the end of 2013 to 117 branches at the end of 2014. The total operating expenses to total operating income ratio in 2014 was 47.29%, reducing from 2013 which was 50.44%, as detailed in the following table.

Table: Other operating expenses

Other operating expenses	Consolidated Financial Statements			Change (2014 compared to 2013) Addition (Reduction)	
	2014	2013	2012		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employees' expenses	944.45	767.74	606.28	176.71	23.02
Directors' remuneration	2.38	1.65	0.74	0.73	44.24
Premises and equipment expenses	619.39	513.97	382.32	105.42	20.51
Tax and duties	192.26	172.19	126.55	20.07	11.66
Advertising and promotion expenses	81.51	80.73	61.16	0.78	0.97
Amortisation and Intangible assets	57.77	57.17	44.08	0.60	1.05
Other expenses	102.10	84.09	77.78	18.01	21.42
Total other operating expenses	1,999.86	1,677.54	1,298.91	322.32	19.21
Total operating expenses to total operating income ratio	47.29%	50.44%	52.53%		

2.2 Asset Management Efficiency

An Analysis of Financial Positions

of financial positions as of 31 December 2014 and 31 December

An analysis of financial positions of Land and Houses 2013

Bank Public Company Limited its subsidiaries was a comparison

Table: Total Assets

Total Assets	Consolidated Financial Statements			Change (2014 compared to 2013) Addition (Reduction)	
	31 December 2014	31 December 2013	31 December 2012		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Assets					
Cash	2,503.96	1,726.29	1,619.45	777.67	45.05
Interbank and money market items-net	13,092.52	7,002.09	5,031.71	6,090.43	86.98
Investments-net	33,378.73	36,112.66	28,890.94	(2,733.93)	(7.57)

Table: Total Assets (continued)

Total Assets	Consolidated Financial Statements			Change (2014 compared to 2013) Addition (Reduction)	
	31 December 2014	31 December 2013	31 December 2012		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Loans to customers and accrued interest receivables					
Loans to customers	116,301.56	103,969.33	86,248.24	12,332.23	11.86
Accrued interest receivables	239.68	206.15	163.07	33.53	16.26
Total loans to customers and accrued interest receivables	116,541.24	104,175.48	86,411.31	12,365.76	11.87
Less: Deferred revenue	(281.52)	(320.24)	(148.17)	(38.72)	(12.09)
Allowance for doubtful debts	(2,068.13)	(1,422.29)	(914.01)	645.84	45.41
Revaluation allowance for debts restructuring	(7.55)	(11.18)	(14.93)	(3.63)	(32.47)
Loans to customers and accrued interest receivables-net	114,184.04	102,421.77	85,334.20	11,762.27	11.48
Land, Premises and equipment-net	466.52	456.64	397.15	9.88	2.16
Intangible assets-net	188.61	209.05	233.91	(20.44)	(9.78)
Deferred tax assets-net	142.55	127.45	-	15.10	11.85
Accrued interest receivables on investments	345.39	356.86	286.99	(11.47)	(3.21)
Other assets-net	505.71	283.93	286.88	221.78	78.11
Total assets	164,808.03	148,696.74	122,081.23	16,111.29	10.83

Total Assets

Main assets of the bank and its subsidiaries included loans to customer and accrued interest receivables-net, accounting for 69.28% of total assets, followed by investment-net, accounting for 20.25% of total assets. As at 31 December 2014, total assets were Baht 164,808.03 million, up Baht 16,111.29

million or 10.83% compared to 2013, which is mainly from an increase in loans to customer, accrued interest receivables-net, interbank and money market items.

Loans

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

As of 31 December 2014, net loans from deferred income (including interbank and money market (items) of the Bank totaled Baht 127,617.54 million, up Baht 19,130.00 million or

17.63% compared to 2013. They were mainly Big Corporate & Corporate loans, accounting for 54.67%, followed by Retail loans accounting for 25.35% of total loans. When classied by type of loans, housing loans and utilities and service loans accounted for 23.88% and 21.38% of total loans, respectively.

Table: Loans Classified by Business Sector

Loans classified by business sector	Consolidated Financial Statements						Change (2014 compared to 2013) Addition (Reduction)	
	31 December 2014		31 December 2013		31 December 2012		Amount (Million Baht)	Ratio (%)
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)		
Big Corporate & Corporate loans	69,774.26	54.67	52,233.84	48.15	36,403.50	40.73	17,540.42	33.58
SMEs & SSME loans	25,486.31	19.97	22,112.60	20.38	20,517.52	22.96	3,373.71	15.26
Retail loans	32,356.97	25.36	34,141.10	31.47	32,454.88	36.31	(1,784.13)	(5.23)
Net loans of deferred revenue	127,617.54	100.00	108,487.54	100.00	89,375.90	100.00	19,130.00	17.63
Add : accrued interest receivables	244.93	-	208.81	-	163.96	-	36.12	17.30
Total net loans and accrued interest receivables of deferred revenue	127,862.47	-	108,696.35	-	89,539.86	-	19,166.12	17.63

Table: Loans Classified by Business Sector

Loans classified by type of loans	Consolidated Financial Statements						Change (2014 compared to 2013) Addition (Reduction)	
	31 December 2014		31 December 2013		31 December 2012		Amount (million Baht)	Ratio (%)
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)		
Housing loans	30,472.25	23.88	32,273.40	29.75	30,802.36	34.46	(1,801.15)	(5.58)
Manufacturing and commerce	22,909.61	17.95	19,827.16	18.28	17,103.47	19.14	3,082.45	15.55
Public utilities and services	27,283.53	21.38	26,248.89	24.19	20,863.96	23.34	1,034.64	3.94
Real estate and construction	15,230.61	11.93	12,068.50	11.12	9,096.69	10.18	3,162.11	26.20
Agricultural and mining	420.88	0.33	517.03	0.48	447.55	0.50	(96.15)	(18.60)
Financial intermediation	18,151.13	14.22	10,620.63	9.79	5,803.97	6.49	7,530.50	70.90
Saving cooperative	10,878.50	8.53	4,338.44	4.00	2,675.83	3.00	6,540.06	150.75
Others	2,271.03	1.78	2,593.49	2.39	2,582.07	2.89	(322.46)	(12.43)
Total net loans from deferred income	127,617.54	100.00	108,487.54	100.00	89,375.90	100.00	19,130.00	17.63

Asset Quality

As of 31 December 2014, classified assets included interbank and money market items 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 (2014 compared to 2013) Addition (Reduction)	
	31 December 2014	31 December 2013	31 December 2012		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (million Baht)	Ratio (%)
Interbank and money market and accrued interest receivables					
- Pass	11,602.75	4,841.10	3,276.71	6,761.65	139.67
Investments					
- Doubtful of loss	36.03	117.38	0.57	(81.35)	(69.30)
Loans and accrued interest receivables					
- Pass	111,826.75	100,187.65	83,433.78	11,639.10	11.62
- Special - mention	1,983.91	1,687.45	1,205.52	296.46	17.57
- Sub - standard	507.50	414.89	78.20	92.61	22.32
- Doubtful	570.55	550.54	924.16	20.01	3.63
- Doubtful of loss	1,371.01	1,014.71	621.48	356.30	35.11
Other assets					
- Doubtful of loss	26.11	25.90	20.06	0.21	0.81
Total	127,924.61	108,839.62	89,560.48	19,084.99	17.53

Allowance for Doubtful Accounts

As of 31 December 2014, allowance for doubtful accounts (only banking industry) was Baht 2,068.13 million, up Baht 645.84 million or 45.51% compared to 2013, in line with loan growth and preparation for possible uncertainty in domestic economy.

Allowance for doubtful accounts to total loans was 1.78%, up 1.38% from 2013. LLR/NPL increased from 72.39% to 84.75%.

Table: Allowance for Doubtful Accounts classified by debtor classification (banking industry only)

Loans to customers and accrued interest receivables and allowance for doubtful accounts classified by debtor classification	Consolidated Financial Statements								Change	
	31 December 2014				31 December 2013				(2014 compared to 2013)	
	Loans to customers and accrued interest receivables		Allowance for doubtful accounts		Loans to customers and accrued interest receivables		Allowance for doubtful accounts		Addition (Reduction)	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Pass	111,826.75	96.19	411.84	19.91	100,187.65	96.47	348.08	24.47	63.76	18.32
Special - mention	1,983.90	1.71	2.50	0.12	1,687.46	1.62	3.40	0.24	(0.90)	(26.47)
Sub - standard	507.50	0.44	87.31	4.22	414.89	0.40	138.08	9.71	(50.77)	(36.77)
Doubtful	570.55	0.49	140.54	6.80	550.54	0.53	228.36	16.06	(87.82)	(38.46)
Doubtful of loss	1,371.01	1.17	617.65	29.87	1,014.71	0.98	386.25	27.16	231.40	59.91
total	116,259.71	100.00	1,259.84	60.92	103,855.25	100.00	1,104.17	77.63	155.67	14.10
Additional provision for specific debtors			380.00	18.37					380.00	100.00
General provision			428.29	20.71			318.12	22.37	110.16	34.63
Total	116,259.71	100.00	2,068.13	100.00	103,855.25	100.00	1,422.29	100.00	645.84	45.41
LLR/NPL (%)	-	-	-	84.75	-	-	-	72.39	-	-

As of 31 December 2014, the bank's loans classified by overdue debtors were as follows:

Loans to customers	Consolidated Financial Statements			Change	
	31 December 2014	31 December 2013	31 December 2013	(2014 compared to 2013)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
At call	8,514.33 ¹⁾	8,072.64 ¹⁾	6,866.73 ¹⁾	441.69	5.47
Less than 3 months	19,771.29	15,063.07	12,630.56	4,708.22	31.26
3 — 12 months	14,633.22	12,104.30	8,116.01	2,528.92	20.89
More than 1 year	73,382.72	68,729.32	58,634.94	4,653.40	6.77
Total	116,301.56	103,969.33	86,248.24	12,332.23	11.86

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.

Allowance for Troubled Debt Restructuring

The bank set an allowance for troubled debt restructuring for Baht 7.55 million, reducing by Baht 3.63 million or 32.47% compared to 2013.

Non-performing loans

As of 31 December 2013, non-performing loans (gross) were Baht 2,449.06 million, up Baht 468.92 million or 23.68% compared to 2013. Non-performing loan to total loans ratio accounted for 1.92% of total loans, up 1.83% from 2013.

Non-performing loans (net) were Baht 1,603.56 million, accounting for 1.26% of total loans after deducting allowance for doubtful accounts of non-performing loans.

Total Liabilities

As of 31 December 2013, the bank and its subsidiaries had total liabilities were Baht 150,432.40 million, up Baht 15,228.17 million or 11.26% compared to 2013, mostly from deposits.

Table: Liabilities Classified by Type of Liability

Liabilities Classified by Type of Liability	Consolidated Financial Statement			Change (2014 compared to 2013) Addition (Reduction)	
	31 December 2014	31 December 2013	31 December 2012		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	123,661.96	109,936.87	84,376.91	13,725.09	12.48
Interbank and money market items	23,917.27	23,513.46	21,770.55	403.81	1.72
Liabilities payable on demand	109.95	214.56	233.58	(104.61)	(48.76)
Debts issued and borrowings	1,000.00	3.20	769.05	996.80	31,150.00
Others	1,743.22	1,536.14	1,073.39	207.08	13.48
Total liabilities	150,432.40	135,204.23	108,223.48	15,228.17	11.26

Deposits

As of 31 December 2014, the bank had total deposits amounted Baht 123,661.96 million, up Baht 13,725.09 million or 12.48% compared to 2013, mostly from saving deposit.

Table: Deposits Classified by Type of Deposits

Deposits Classified by Type of Deposits	Consolidated Financial Statement			Change (2014 compared to 2013) Addition (Reduction)	
	31 December 2014	31 December 2013	31 December 2012		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Demand deposits	5,034.06	3,869.66	4,463.81	1,164.40	30.09
Savings deposits	50,659.00	27,660.88	29,718.13	22,998.12	83.14
Time deposits	30,684.68	35,409.88	26,607.60	(4,725.20)	(13.34)
Fixed deposit receipt	37,284.22	42,996.45	23,587.37	(5,712.23)	(13.29)
Total deposits	123,661.96	109,936.87	84,376.91	13,725.09	12.48

Owners' Equity

As of 31 December 2014, the bank and its subsidiaries had owners' equity totaled Baht 14,375.63 million, up Baht 883.11 million or 6.55% compared to 2013.

2.2 Capital Adequacy

Sources and Uses of Fund

As of 31 December 2014, capital structure according to the consolidated financial statements comprised liabilities of Baht 150,432.40 million and owners' equity of Baht 14,375.63 million, accounting for 10.46 times of debt to equity ratio. Sources of fund composition in terms of liabilities included deposits accounting for 75.03% of sources of fund, interbank and money market items accounting for 14.51% and debt securities issued and borrowing accounting for 0.61% and demand deposits, long-term loans and others accounting for 1.13%, while owners' equity accounted for 8.72%.

Relations of Sources and Uses of Fund

As of 31 December 2014, loans to customers (before deducting deferred income) totaled Baht 116,301.56 million. Loans to deposits ratio of the bank accounted for 94.01%. The bank invested remaining liquidity in liquid assets such as interbank and money market items and loans.

Significant sources and uses of fund as of 31 December 2014 could be divided by contract maturity date. Deposits aged less than 1 year totaled Baht 119,927.53 million, accounting for 96.98% of total deposits. Loans for debtors aged less than 1 year totaled Baht 42,918.84 million, accounting for 36.90% of total loans. Deposits aged over 1 year totaled Baht 3,734.43 million, accounting for 3.02% of total deposits. Loans aged over 1 year totaled Baht 73,382.72 million, accounting for 63.10% of total loans.

Table: Sources and uses of fund

Periods	Deposits				Loans			
	31 December 2014		31 December 2013		31 December 2014		31 December 2013	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	119,927.53	96.98	103,128.18	93.81	42,918.84	36.90	35,240.01	33.89
More than 1 year	3,734.43	3.02	6,808.69	6.19	73,382.72	63.10	68,729.32	66.11
Total	123,661.96	100.00	109,936.87	100.00	116,301.56	100.00	103,969.33	100.00

2.4 Change of Cash Flow

The cash of the bank and its subsidiaries as of 31 December 2014 was Baht 2,503.96 million, up Baht 777.67 million compared to 2013. The net cash received and spent in the following activities.

- Net cash flows from operating activities was Baht 3,328.21 million, which was from the profit of operations before change in the operating assets and liabilities at Baht 173.74 million and the change of assets and main operating loans including cash for debtor's loans reducing by Baht 12,412.20 million, interbank transactions and money market (assets) increasing by Baht 6,155.43 million and cash deposit increasing by Baht 13,725.10 million.

- Net cash flows from investing activities was Baht 4,450.88 million, mostly from cash spent for buying held-to-maturity debt securities Baht 11,454.40 million while cash received from matured debt securities Baht 13,747.22 million.

- Net cash used in financing activities was Baht 345.00 million, which was from paying dividend for Baht 845.00 million, and cash from capital increasing of ordinary shares Baht 500.00 million.

2.5 Adequacy of Liquidity

Item	31 December 2014	31 December 2013
Total asset	164,808.03	148,696.74
Deposit	123,661.96	109,936.87
Loan to customers	116,020.04	103,649.09
Quick asset	48,975.21	44,841.04
Loan to customers/Deposit (%)	93.82	94.28
Quick asset/Total asset (%)	29.72	30.16
Quick asset/Deposit (%)	39.60	40.79

Note : Liquidity assets include cash, interbank and money market items (asset) and investments-net

2.6 Quick Asset Ratio

Land and Houses Bank Public Company Limited maintained the quick asset ratio on average at not lower than 6.00% of cash deposit and some types of borrowings according to the criteria set by Bank of Thailand. As of 31 December 2014, the bank had the cash at hands, cash at the cash center, deposit cash at Bank of Thailand and assets without commitments for Baht 35,882.69 million in total.

2.7 Fund Adequacy and Maintaining Capital to Risk-Weighted Asset Ratio

As of 31 December 2014, Land and Houses Bank Public Company Limited maintained the capital fund to risk assets ratio of 12.41%, higher than minimum 8.50% ratio required by the Bank of Thailand and down from BIS ratio as of 31 December 2013 at 13.38%.

Its Tier 1-capital was 11.32%, higher than the minimum requirement by the Bank of Thailand at 6.00%.

Table: Capital to fund to risk assets ratio

Capital Fund to Risk Assets Ratio	31 December 2014		31 December 2013		31 December 2012	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Common equity Tier 1 capital fund						
The bank	13,895.82	11.32	13,206.94	12.69	-	-
Minimum rates required by law		4.50		4.50	-	-
The Difference		6.82		8.19	-	-
Tier 1 capital funds						
The bank	13,895.82	11.32	13,206.94	12.69	12,862.61	15.56
Minimum rates required by law		6.00		6.00		4.25
The Difference		5.32		6.69		11.31
Total capital funds						
The bank	15,231.93	12.41	13,921.53	13.38	13,372.44	16.17
Minimum rates required by law		8.50		8.50		8.50
The Difference		3.91		4.88		7.67

Credit Rating

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

2.8 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.

3. Securities Business

Land and Houses Securities Public Company Limited has provided stock trading service since 29 September 2014 and got stock market membership number 5. The company provides the following services.

- Equity Service
- Online Service
- Derivatives
- Securities Borrowing and Lending
- Mutual Fund
- Securities and Underwriting

Overall Performance

The operating results of Land and Houses Securities Public Company Limited and its subsidiaries were Baht 14.16 million net loss, reducing from gaining Baht 11.25 million profit in 2013, due to an increase in employee’s expenses and expenses on premises and equipment.

The company’s main source of income was from equity service, and advanced contract selling agency services. The company received agency income (both from equity service, and advanced contract selling agency services) for 13% of total income. The retail customers were around 96% of the company’s equity selling service amount, and institution customers were about 4%.

In 2014, the company and its subsidiaries received total income of Baht 26.21 million, reducing by Baht 4.61 million compared to 2013 due to the company started offering equity service since September 2014. The company’s income includes:

- Agency service income

The company and its subsidiaries received agency income from brokerage commission fee, and advanced

contract selling for Baht 3.33 million, up Baht 3.27 million compared to 2013.

- Other income

The company and its subsidiaries received other income from fee and service, gains from investment, interest, dividend, and loan interest for stock buying for Baht 22.88 million, reducing by Baht 7.88 million, compared to 2013.

The company and its subsidiaries had total expenses of Baht 40.25 million, up Baht 23.10 million, compared to 2013, which is from an increase of employees to prepare for the company’s expansion and higher expenses on premises and equipment.

- Bad debts and doubtful accounts

As of 31 December 2014, sub-prime debts were Baht 69.69 million. The company suspended revenue recognition for the whole amount. These sub-prime debtors were loan debtors for stock buying before the company took over the business, who have already been filed.

Stock exchange debtors and advanced contract selling

The company has stock exchange debtors and advanced contract selling (including pending interest) of Baht 60.47 million which consists of:

- Stock debtors by cash accounting for Baht 16.33 million, or 27.09% of stock exchange debtors and accrued interest receivables.
- Stock debtors by loans accounting for Baht 43.96 million or 72.91% of stock exchange debtors and accrued interest receivables.

Adequacy of liquidity

The company and its subsidiaries’ net cash flow for operating was Baht 62.42 million, which is mainly from an increase in the number of stock exchange debtors and advanced contract selling as well as stock exchange creditors and advanced contract selling.

The company and its subsidiaries’ net cash flow received from investment activities was Baht 798.81 million, which is mainly from investment activities which are paying debt to a big company for Baht 880 million, cash for investment for selling of Baht 15.45 million, cash for premises and equipment expenses of Baht 42.48 million, and cash for buying intangible assets of Baht 23.71 million.

The company maintained NCR at 989.44 - 5,569.04%, which is higher than 7% of the minimum requirement of NC set by SEC. This showed that the company has adequacy of

liquidity in operating. However, this ratio may change according to different factors such as the amount of stock selling, stock selling warranty, etc.

Change of significant accounting policies

1. Standard of financial reporting effective in the current accounting year

- Financial reporting framework (revised in 2014)
- Accounting standards 13 items
- Financial reporting standards 4 items
- Accounting standard interpretations 4 items
- Financial reporting standard interpretations 9 items
- Accounting guideline for accounting of dividend stock

All of financial reporting standards mentioned above were revised and issued to correspond with international financial reporting standards, mostly in terms of wording and vocabulary, interpretations, and accounting guidelines for standard executors. These financial reporting standards do not have significant effects on financial statement as mentioned in a note for financial statement No. 3.1 regarding financial reporting standard effective in the current accounting year.

2. Financial reporting standard effective in the future

The Federation of Accounting issued many accounting standards which are effective for accounting period started on 1 January 2015 or after. These financial reporting standards mentioned above were revised and issued to correspond with international financial reporting standards mostly in terms of wording and vocabulary, interpretations, and accounting guidelines for standard executors. The management of the company and its subsidiaries believed that it will not have any significant effects on financial statement of the year that the standard is applied. However, some of financial reporting standards mentioned above were changed in some significant principles. The items that directly affect the company and its subsidiaries are as follows.

TAS 19 (revised in 2014): employee's benefits

This TAS requires that companies immediately recognize actuarial gains and losses while the previous version allowed companies to choose whether to immediately or gradually recognize actuarial gains and losses.

This revised standard does not affect financial statement because the company and its subsidiaries already recognize actuarial gains and losses immediately at the first place.

Financial reporting standard 10: total financial statement

FRS 10 specified a criteria on making total financial statement, to be used as a replacement of accounting part on financial statement which was in TAS 27 regarding total financial statement and financial statement for business only. This standard changed the principle to consider whether the investor has controlling power. In other words, based on this standard, the investor considers themselves able to control the business they invest in or are involved in the business performance and able to use the authority in giving orders on an activity that will affect that revenue even though their proportion of stock shares is less than 50%. This change made management to consider very carefully whether the company and its subsidiaries have controlling power in the business they invest or which companies in the business group that should be selected for making financial statement.

The management of the company and its subsidiaries believed that it will not have any significant effects on financial statement.

Financial reporting standard 12: disclosure of related information on gains and losses in other business

This standard specified the requirements about disclosure of related information on gains and losses in business of the subsidiary companies, cooperation in a joint company, as well as business with special structure. Therefore, this standard does not have any effects on financial statement of the company and its subsidiaries.

Financial reporting standard 13: fair value measurement

This standard provides guidelines for fair value measurement and disclosure of information related to fair value measurement. In other words, if the company has to measure fair value of assets or loans according to the requirements of other related standards, the company must follow the principles of measuring fair value specified in this standard and apply the immediate change method onwards in recognizing the effects of applying this standard.

In the initial assessment, the management of the company and its subsidiaries believed that it will not have any significant effects on financial statement of the company and its subsidiaries.



The company's Corporate Governance Committee consists of 3 members as follows;

1. Mr. Adul Vinaiphat
Chairman of the Corporate Governance Committee
2. Mr. Phairoj Hengsakul
Member of the Corporate Governance Committee
3. Mr. Somsak Assavapokee
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. On October 27, 2014, the company has appointed Mr. Somsak Assavapokee to be a member of the Corporate Governance Committee to replace the resignation of Mr. Sun Vithespongse. In 2014, the company arranged 6 times meeting and reported the result of the meeting to the Board of Directors. The summary was 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.

- Consider approval a Self- Assessment Report relevant to Anti-Corruption measurement for the requisition to have a certificate as a member of the Thailand's private sector Collective Action Coalition Against Corruption (CAC). On October 16, 2014, the company has been certified companies of Thailand's private sector Collective Action Coalition Against Corruption (CAC).

- 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 Vinaiphat)

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 has indoctrinated the “consciousness” and “Public mind” to all levels of employees in the company’s operation. In the operation, the company focus on the participation of employees as well as being the reliable alliance with the customers, shareholders, and trade partners including paying attention to growing stably through the company’s “ProActive” core values.

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.

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 in response to the satisfaction of stakeholders in all dimensions. The company realizes that the sustainable and stable 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 in affecting of the great value creation to the company and shareholders including the confident creation to shareholders. 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 perceives 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 morally 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 working awareness of social responsibility. In addition, it is also to make the strong base of sustainable development and lead to society and country development to be truly stable.

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 with the national and international standards to be applied 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. It is also to create the conscious mind in social responsibility with Board of Directors, executives, and all levels of employees for building the same attitude in the company and for indicating the intention to be the strong financial institution with the highest corporate social responsibility.

Operation of CSR-after-Process

CSR-after-Process means the activities operate 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, both in public and private sector for leading to lay the foundation for vigorous society and country permanently.

Business Sustainability Reporting Guidelines

The company has provided business sustainability report as part of the annual report for communicating with all groups of stakeholders to clearly inform regarding to policy guidelines, management guidelines and the outcome of social and environmental responsibility by demonstrating the company’s performance in the fiscal year from January 1- December 31, 2014 follow the guideline of Corporate Social Responsibility Institute, the Securities and Exchange Commission and the Stock Exchange of Thailand. The content of the report covers the whole business by collecting data from the direct responsibility business unit.

The company determines the action guidelines on stakeholders as writing in business operation ethnics and employee ethnics by placing importance on the rights of all groups of stakeholders, including the internal stakeholders, namely, the company’s directors and employees and the external stakeholders namely, shareholders, customers, business partners, opponents, creditors, communities, environment and social as well as promote the participation of the stakeholders to perceive and meet their demands properly.

Analysis of Stakeholders' Requirements

<div> <div>LH BANK</div> </div>			
Stakeholders	Requirements Analysis	Policy-compliant Practices	Implementation
1. Shareholders	<ul style="list-style-type: none"> - Good business performance under appropriate risk - Work with transparency, fairness, and accountability. 	Perform business under good corporate governance policy.	<ul style="list-style-type: none"> - Organize the Annual General Meeting of Shareholders for 1 time/year. - Organize the press conference and analyst meeting for 2 times/year. - Present information through all channels with correctness, equality, and transparency. - Receive suggestions and petitions through channels provided by the banks.
2. Bank's board of directors	<ul style="list-style-type: none"> - The management performs work with transparency for sustainable growth of the organization. - Treat all stakeholders on the basis of fairness. 	Perform business under good corporate governance policy	<ul style="list-style-type: none"> - Organize Board of Directors meeting every month. - Provide sufficient, complete, and timely information. - Participate in good corporate governance. - Develop knowledge related to board of directors' works. - Conduct self-evaluation, which will be used for improvement.
3. Employees	<ul style="list-style-type: none"> - Proper wages and welfares. - Work security and progress. - Continuous Knowledge and skills development. - Safety at work. 	<ul style="list-style-type: none"> - Non-discrimination recruitment without any concern regarding ethnic, race, gender, status, religion, political views, or age used for recruitment consideration and decision making. - Promote employment for vulnerable labors, such as provide opportunities by employing people with disability. - Develop human resources by providing skill training and capacity building by creating learning and promotion opportunities for career progress. 	<ul style="list-style-type: none"> - New employees orientation. - Arrange capacity building learning for employees. - Survey market rate of compensation on regular basis every year to be considered approximates accordance with proper industrial or living standard. - Provide channels to receive opinions and suggestions. - Protect and do not treat or punish any disciplinary proceedings against an employee who reports with integrity to executives or public agencies, in relation to any wrongdoings done within the bank.

LH BANK

Stakeholders

3. Employees (Continued)

Requirements Analysis

Policy-compliant Practices

Implementation

- Do not dismiss or terminate any employment which is solely based on the Management's decision or based on discrimination.
- Promote and respect human right protection by not supporting labor coercion, as well as promote employees' work-life balance.
- Respect right to express opinions of employees, covering their independence in providing comments without intervention, their right to received information or opinions through media, as well the provision of channels to hear employees' opinions.
- Fair employment condition which allows employees to receive proper compensation based on their competency or agreement made between the employer and each employee in accordance with proper industrial or living standard.
- Properly arrange working environment for work safety and dignity, allowing employees to work with full capacity and to have time for their family.
- Protect and do not treat or punish any disciplinary proceedings against an employee who reports with integrity to executives or public agencies, in relation to any wrongdoings done within the bank.
- Prepare policy on safety and occupational health, as well as analyze and determine measures for controlling risks on safety and occupational health at work.

- Prepare policy on safety and occupational health at work.
- Support and promote career opportunity for people with disability to live in the society with pride.



LH BANK



Stakeholders

5. Society, environment, and society

Requirements Analysis

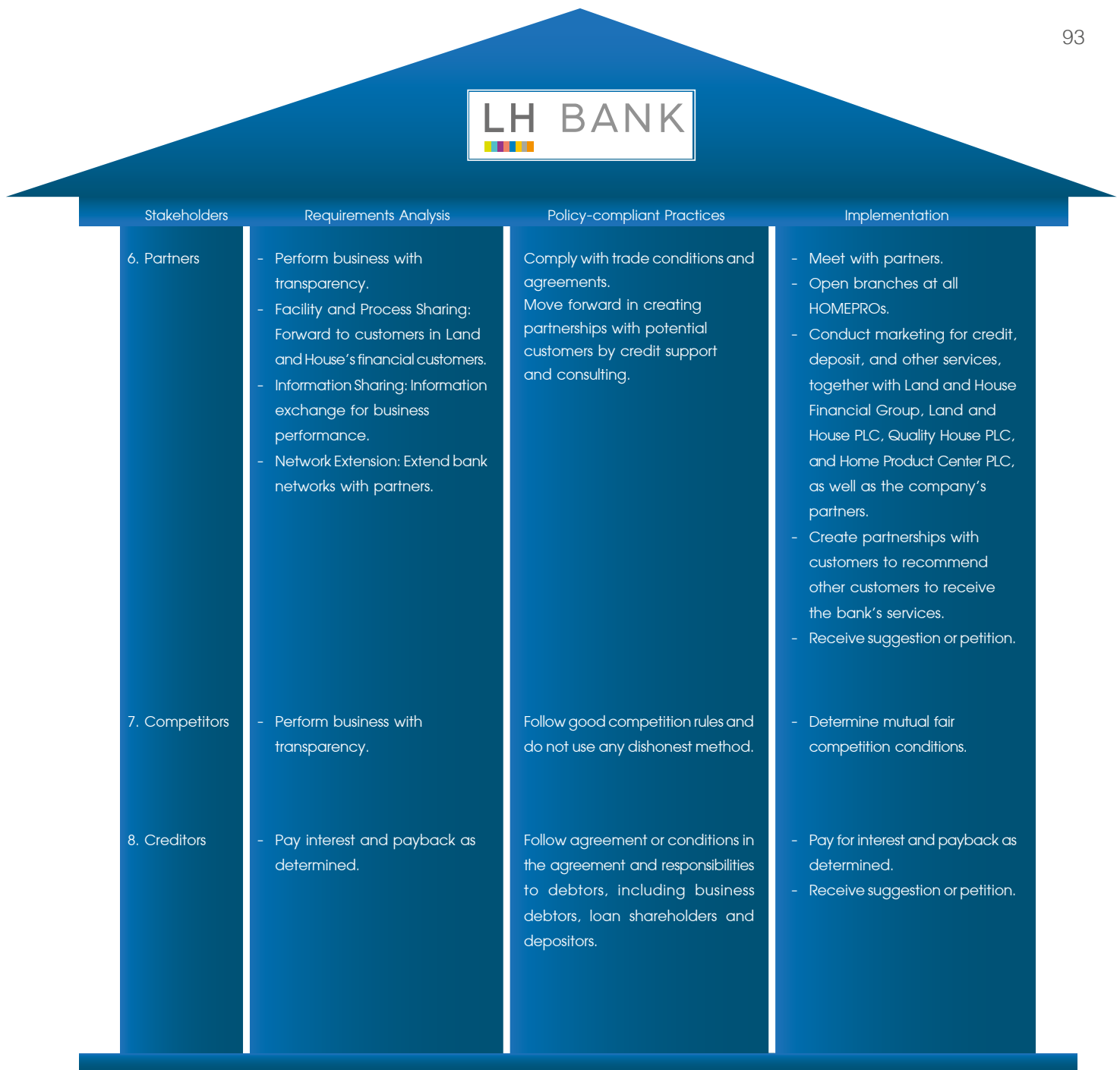
- Support communities activities
- Preserve environment.

Policy-compliant Practices

- Perform business with ethics in parallel with environmental and social responsibilities.
- Support social activities benefiting communities.
- Encourage employees' participation in activities.
- Support and promote education, as well as participation in improving educational quality and accessibility.
- Promote cultural activities in accordance with local culture, tradition, and religion.
- Promote effective use of resources by concerning capability in maximizing value of resources.
- Prepare emergency plan suitable for reducing wastes which may increase in the future.
- Open and facilitate benefits to all stakeholders on creativity which is the root of abilities in creating innovation causing the continuous creation of innovation within the bank.
- Promote and cooperate with the bank's stakeholders, such as partners, to develop innovation with social responsibilities. Such innovation promotion includes becoming a model for innovation development with social responsibility.
- Regularly review business procedure whether it causes any risk or adverse effects to society and environment or not. If any, it must be resolved promptly.

Implementation

- Review community and social requirements
- Allow communities to participate in activities
- Provide support for cultural activities suitable for local culture, tradition, and religion.



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 in 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 operationand the disclosure of informationto related parties
- 2. Integrity : Honesty
- 3. Accountability : Responsibility on theperformance 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	EquitableTreatment 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 is 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 management structure 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 responsibilities 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 stronger 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 directors.

The company reveals the details of the 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 nominating 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 of 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 the auditor to EY Office Limited which is the company's auditor.

1.1 Table representing the remuneration of auditor in 2014 and 2013

Details of Fee	2014 (Baht)	2013 (Baht)	Increase (Baht)	Increase (%)
1. Review Fee				
• The First Quarter as at 31 st March	120,000	110,000	10,000	9.09
• The Third Quarter as at 30 th September	120,000	110,000	10,000	9.09
2. Audit Fee				
• For the 6-month periods ended 30 th June	255,000	240,000	15,000	6.25
• For the year ended 31 th December	255,000	240,000	15,000	6.25
Total	750,000	700,000	50,000	7.14

1.2 Other service fees

-None-

2. Remuneration of the subsidiaries' auditor

2.1 Land and Houses Bank Public Company Limited

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.

2.1.1 Table representing the remuneration of auditor in 2014 and 2013

Details of Fee	2014 (Baht)	2013 (Baht)	Increase (Baht)	Increase (%)
1. Review Fee				
• The First Quarter as at 31 st March	600,000	530,000	70,000	13.21
• The Third Quarter as at 30 th September	600,000	530,000	70,000	13.21
2. Audit Fee				
• For the 6-month periods ended 30 th June	1,375,000	1,245,000	130,000	10.44
• For the year ended 31 st December	1,375,000	1,245,000	130,000	10.44
3. Review Fee in accordance with the requirements of the Bank of Thailand				
Evaluating the internal audit and the bank's transactions , which has special type and condition	220,000	220,000	-	-
Evaluating the electronic transfer services system	220,000	220,000	-	-
Total**	4,390,000	3,990,000	400,000	10.03

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.

2.1.2 Other service fees

-None-

2.2 Land and Houses Securities Public Company Limited

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

2.2.1 Table representing the remuneration of auditor in 2014 and 2013

Details of Fee	2014 (Baht)	2013 (Baht)	Increase (Baht)	Increase (%)
1. Review Audit Fee for financial statement				
• The First Quarter as at 31 st March	-	-	-	-
• The Third Quarter as at 30 th September	40,000	-	40,000	100.0
2. Audit Fee for financial statement				
• For the 6-month periods ended 30 th June	80,000	100,000	(20,000)	(20.0)
• For the year ended 31 th December	270,000	105,000	165,000	157.14
Total	390,000	205,000	185,000	90.24

Remark * The calculation of the mentioned fees calculation that is based on the fact that the company has begun will begin operations in the third quarter in of the year 2014.

** The remuneration of the auditing of Pricewaterhouse Coopers ABAS Limited Company.

2.2.2 Other service fees

-None-

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, effective, 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 Shareholders Rights

- In recognition of the significance of the rights of shareholders, the company is committed to ensuring their equitable treatment for all shareholders. The shareholders' basic legal rights include buying, selling or transferring shares; receiving their rightful portion of company profits; easily obtaining relevant and adequate information of the company on a regular basis via the company's website on "Shareholder Information" part, rights to appoint a proxy to attend the meeting and vote, rights of proposing an opinion and question at the shareholders' meeting, rights to receive dividends, rights to attending and voting in the shareholders' meetings to elect, determining director and 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 internal stakeholders, namely, the company board of directors, executives and employees, or external stakeholders, namely, such



as all groups of stakeholders such as shareholders no matter institutional shareholders, competitors, government agencies and other related agencies. The company has a policy to conduct its business transparently with good corporate governance, including supporting 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 exercise of the right to participate in the Annual General Meeting and voting and not restrict attending and voting opportunities and the voting process has a hassle-free way such as a 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

- Before the Annual General Meeting, for encourage and support all groups of shareholders to place importance to attend the meeting ,the company has delivered an invitation letter in paper to the shareholders with the annual report for support all groups of shareholders to attend on important of the Annual General Meeting, which The invitation letter specifies the date, time, map of the meeting venue, documents for meeting, regulations for the shareholders' meetings and proxy form according to the regulation of the Ministry of commerce. The proxies can use the proxy form attached to this Notice of Meeting for specifying the opinion of vote and the agenda with the fact, the reason, the opinion clearly of the Board of Directors and sub-committees involved for consideration of the shareholders. The company promulgated in the daily Thai newspaper for three consecutive days at least 3 days prior to the meeting and before the meeting at least 3 days.
- With regard to the 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 conducts the shareholders' meeting in order to make the meeting proceed quickly and convenience, which starting from the process of preparation of the information of attendance, registration of attendants, process of voting results following the agenda and conclude the minute of the shareholders' meeting. result.
 - On the date of shareholders' meeting, shareholders can register 2 hours before the meeting start time of the meeting 2 hours. The company will prepare for registration process to make convenience in the registration of for shareholders and proxies.
 - 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 the 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 shareholders to appoint as their proxies the attorney 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 2014 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 B and 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

In the meeting, the Chairman of the Audit Committee shall allocate 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 endeavor to arrange for all directors, top 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 2014 Annual General Meeting of Shareholders, 9 directors, the Executive Directors of Land and Houses Bank Public Company Limited and the Executive Directors of Land and Houses Fund Management Company Limited 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 2014 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 2014 shareholders' meeting and result of the votes in each agenda both in Thai and English versions within the meeting date of 21st April, 2014, 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 2014 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 2nd May, 2014.

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, vote and the vote counting 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 2014 Annual General Meeting, the company disclosed Agenda of the meeting via the Stock Exchange of Thailand information dissemination channel since 24 February 2014 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 17 March 2014.

- 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.

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 2014 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 2014 to 31 December 2014. 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 and the company has reported the results of minority rights to propose matters to be included as the meeting agenda of the annual general meeting of the year 2015 on the company's website.

- 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. Directors as a stakeholders
 - The company has determined that the Directors, Top executives Management or top 4 executives whose ranks are subsequent to the Top executives, any person holding the 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 and the Stock Exchange of Thailand 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.
- At the meeting of the 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 the 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 within the strongly adhered principles: integrity, 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 good quality of products and services, 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

E-mail: phairojh@lhbanks.co.th

Tel. 081-990-7448

Mr. Adul Vinaiphath

Member of the Audit Committee

E-mail: adulv@lhbanks.co.th

Tel. 081-834-0104

Mr. Somsak Assavapokee

Member of the Audit Committee

E-mail: somsaka@lhbanks.co.th

Tel. 085-485-4269

Via the company's website www.lhfg.co.th

E-mail: presidentoffice@lhbanks.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, 5th Floor,
South Sathon Rd.,
Thungmahamek, Sathon,
Bangkok 10120

Telephone : 0-2359-0000 Ext. 2019,
2020, 2021, 2024

Fax : 0-2677-7223

E-mail : 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 one hour before the opening of the Stock Exchange of Thailand on the next working day. In addition, the company shall also prepare the minutes of the meeting in which all relevant information. The Company shall disseminate the above minutes on its website and submit in to the Stock Exchange of Thailand within 14 days from the date of the meeting.

The 2014 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 2, 2014 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 2014, 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. 1 Company Visits
 3. 1 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, whichever number is higher.

- The Board of Directors are selected on the basis of among other things, knowledge, experience, skill diversity of expertise, integrity, ability to make independent analytical inquiries, and their understanding of the Financial Business Group.
- The Board of Directors has set a number of companies that the directors could be appointed to other companies for directors. However, the Bank of Thailand has guidelines to directors to be appointed to other companies for the directors has sufficient time in the company's management. Furthermore, The Directors and Management has to avoid a position or jobs that might cause a conflict of interest.
- 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. 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)	53
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 (%) 0.002

Relationship with executives - None -

Work experiences in the past 5 years

Period	Position	Organization/Company
Mar. 2014 - Present	Company Secretary	Land and Houses Securities PLC
Jan. 2014 - Present	Director	Land and Houses Advisory Co., Ltd.
Nov. 2010 - Present	First Vice President Office of the president	Land and Houses Bank PLC
Aug. 2006 - Oct. 2010	First Vice President Office of the president and Acting First Vice President Compliance Office	Land and Houses Retail Bank PLC
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 PLC
Dec. 1998 - Dec. 2005	Vice President Internal Audit Department	The Book Club Finance PLC

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 executives 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 professionalists 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 by using form of self-evaluation of the Stock Exchange of Thailand and consider applying according to the company's business environment and operations.

Self-evaluation of the company divided into 4 areas as follows.

1. Self-evaluation of the Board of Directors
2. Self-evaluation of individual directors
3. Self-evaluation of sub committees
4. Self-evaluation of implementation according to the principles of good corporate governance

5.1 Self-evaluation of the Board of Directors

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

5.2 Self-evaluation of individual directors

The year 2014 was the first year of the self-evaluation of the individual directors and the evaluation divided into 4 areas as follows.

1. Function and responsibilities of the directors
2. The board of directors meeting
3. The relationship with the executives team
4. The self-improvement of the directors and the

development of the executives

5.3 Self-evaluation of sub committees

The year 2014 was the first year for the self-evaluation of all sub committees as follows.

1. The Executive Director Committee
2. The Audit Committee
3. The Nomination and Remuneration Committee
4. The Corporate Governance Committee

5.4 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
 6. Remuneration of the Director and Executives
- The Board of Directors of the company has appointed the Nomination and Remuneration Committee, chaired by an independent director, to lay down

the policies, methods and criteria in remunerating the directors and the President in a fair and transparent manner which links to the company's operating results and the performance of each director in line with industry's standards. The remuneration, which must be high enough to retain the Directors with desirable qualifications, must be approved at the company's shareholders' meeting and disclosed in the Annual Report.

- The remuneration of the directors must be approved by Nomination and Remuneration Committee and shareholders' meeting respectively and disclosed in the annual report.

7. Development of the Directors and Executives

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

In the year 2014, the directors attended the training seminars as follows:

Name of Directors	Training Seminars Program
Mr. Phairoj Hengsakul	Announcement of Corporate Governance Report of Thai Listed Companies according to ASEAN CG Scorecard 2013-2014 The Securities and Exchange Commission The Stock Exchange of Thailand and Thai Institute Of Directors Renaissance Bangkok Hotel Ratchaprasong
Mr. Adul Vinaiphat	Seminar "The Flow of Change" EY Office Limited Plaza Athenee Bangkok, A Royal Meridien Hotel

8. Director Orientation

- The company holds orientation meeting for new board members. In these meetings, the Chairman of the Executive Board, President and Senior Executives give briefings on the vision, mission, performance, strategies and key business targets including nature of business and documents are also provided to new directors, including Roles and Responsibilities of Directors, laws and regulations related to the business, annual report, Nature of Business and other information of the company.

9. 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

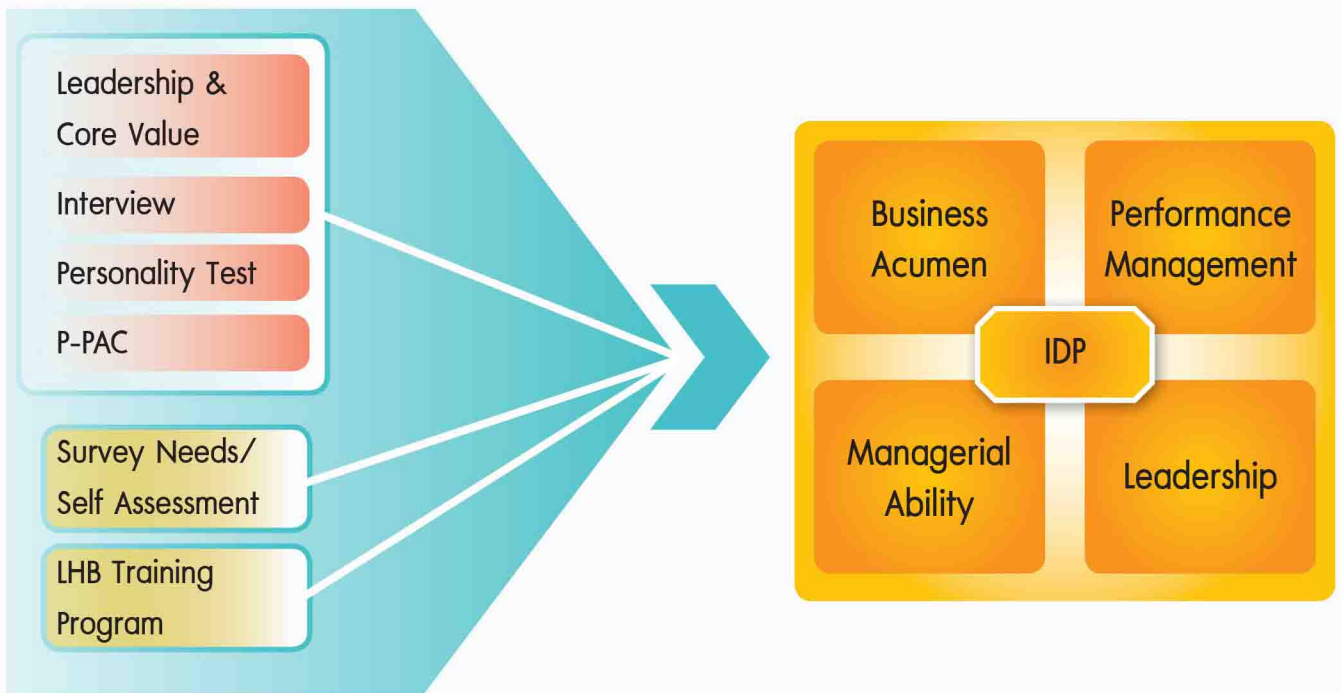
company's representative for many operation. Such a succession planning, the purpose is to ensure stability and continuity of the company business operation and to ensure that the company has the preparation of staff for the importance position of the company business operation.

- The company has provided the Leadership Development Program under the project name "LH BANK People SMART" which was the 99-hour workshop for developing the executives as the leader development in the future plan. The program has learned in 4 dimensions, namely, Business Management, Performance Management, Managerial Effectiveness and People Management.

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Individual Development Planing (IDP)



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 used as 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 is confident that the fair business operation would lead to confidence of relevant sectors, which will in turn benefit of 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 for stakeholders 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

LH Financial Group Public Company Limited 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. On 16 October 2014, Land and Houses financial business group namely, LH Financial Group

Public Company Limited, Land and Houses Bank Public Company Limited and Land and Houses Securities Public Company Limited has recognized as a member of the Thailand Collective Action Coalition Against Corruption by the Private Sector Collective Action Coalition Against Corruption Council.

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.

The Compliance Department of Land and Houses Bank Public Company Limited acts as the center of compliance supervision, responsible for overseeing the company's business operations in compliance with the company's policies and regulations, as well as regulatory requirements. It is the company's policy to ensure full regulatory compliance of Land and Houses financial business group. The Compliance Policy, approved by the Board of Directors, stipulates the duties and responsibilities related to compliance of the Board of Directors, the Audit Committee, executives, departments or units and employees. Employee communications have been conducted to instill the awareness of their duties and responsibilities in studying and understanding related laws and requirements, as well as the bank regulations, and in strictly complying with such regulations. The performance of internal audit is an independent, focuses on risk audit including to fraud and unethical conduct are among the concerned risks assessed and audited with appropriate. In addition, recommendations on fraud-prevention measures are proposed.

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.com.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.



The company in Land and Houses financial business group including, LHFG, LH Bank and LH Fund has recognized as a member of the Thailand Collective Action Coalition Against Corruption

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.

The company recognizes the importance of respect of human rights as a basic practical guidelines, by determined the good practical guidelines for employees as follows;

- To arrange of vacation leaves and holidays in accordance or more with the requirements of the law or more than the requirements of the law for some holidays for employees to manage the balancing of working life and private life plan.

- To determine the criteria for investigation and disciplinary action clearly for fair punishment along with the similarly practical guidelines standard.

- To support staff activities for communication and strengthen teamwork in the company.

In addition the company has committed to support and respect for the protection of human dignity without the use of forced labor and child labor, which effect to the confidence of external stakeholders.

5. Fair treatment of labor

Land and House Bank Public Company Limited operates its business with transparency and fairness to maintain credibility among all stakeholders and found a stable ground for the growth in the future. Operation business fairly is a key factor to success. It will make the bank an interesting choice for co-investment for shareholders, investors, and business partners, and a good career choice for employees.

Strategy

The Bank has developed a learning system for employees (E-Handbook) focusing on business ethics and working principles so that the employees in every units and every branches or over the country get to know the good corporate governance and the business ethics by themselves. In addition, the Bank requires all new employees to learn business ethics and working principles as criteria for hiring them as full-time employees.

The Bank has promoted the effective communication through LH Bank People Intranet by communicate the movement of the bank, an information which related to and beneficial to the employees. Moreover, the bank gives an opportunity for employees to criticize and express their opinion through the bank's intranet that all employees can access.

Occupational safety and health

The Bank has established occupational safety and health for its employees as well as the policy to keep them aware and motivated about occupational safety.

Strategy

The Bank promotes participation in occupational safety, health, and environment by nomination and election of Occupational Safety, Health, and Environment Committee. The objective of this activity is to attract participation in establishing the policy, plan, measures, and guidelines for occupational safety, preventing and reducing accident, injuries, or annoyance due to unsafe operation of the employees, contractors, and outsource workers or service providers. In addition, the Bank also provides training about the standard of occupational safety, health, and environment management as required by the ministerial regulation.

The Bank has invited occupational safety, health, and environment managers from top company as a role model who emphasizes on occupational safety, health, and



environment of world figures. The managers have come to share their knowledge, concept, and strategy in creating and promoting occupational safety, health, and environment so that the Bank's Occupational Safety, Health, and Environment Committee may apply to use.

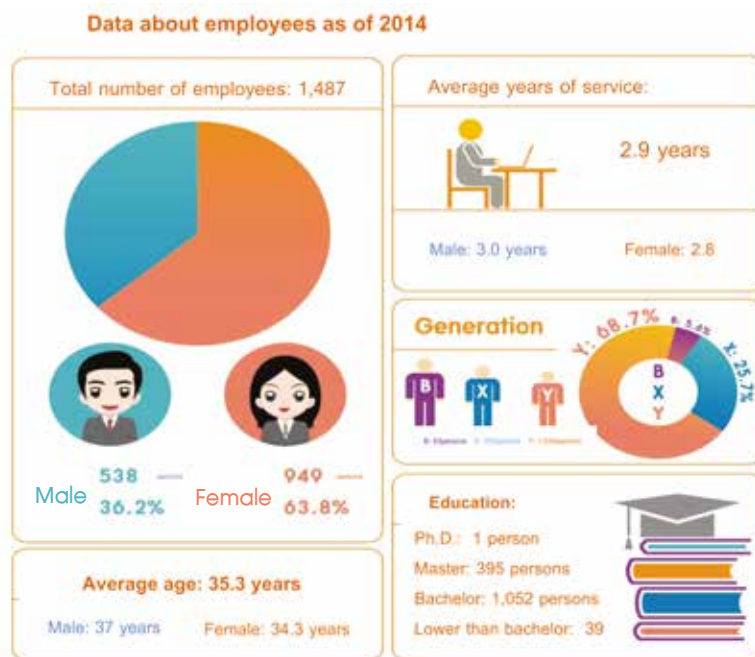


Occupational Safety, Health, and Environment Committee have set the work plan as follows:

- Improve safety policy and system related to safety such as safety policy, survey and review accident statistics, and report unsafe working condition
- Undertake such activities as communication/motivation/education about occupational safety, health, and

environment, annual physical checkup and vaccination, health promotion, drinking water quality check, working area lighting and temperature check, fire extinguishing and escape training, etc.

The Bank is well aware of the quality of life of and concerned about employees who experience ordinary sickness such as a headache, fever, or minor accident. So it provides a first aid room and assigns a nurse on duty every Tuesday and Thursday.



Sustainable human resource management strategy

The Bank emphasizes on human resource development by providing more knowledge for employee's higher efficiency. Employees are essential for the success and drive the business toward the vision and mission.

Strategy

Employees are important factors that drive the business through vision, mission, and strategy. The Bank has human resources preparedness for competitiveness, especially in creating a fundamental system for a strong human resource management and developing employees' potential so that they have skills and knowledge to produce efficient work have strong commitment to work for the Bank and grow together with the organization. Skills and knowledge will enable them to get through all challenges at present and in the future. Therefore, the Bank has set the strategies and strategic target as the operation guideline as shown below.

Strategies	Targets
S1: Infrastructure development of human resource management	Modern infrastructure of human resource management modern, able to support and suitable for the growth policy and expansion of transaction of being a commercial bank.
S2: Employees' Development	Employees' development based on core competency and functional competency as the need of the Bank's demand and value.
S3: Development and motivation of employees according to the corporate value	Development of thinking and practical method according to the corporate identity
S4: Leadership Development	Change & Challenge leadership development for all level through various forms of training, making the trainees their own leader, team leader, department leader, and corporate leader
S5: Quality of Work Life	Development of quality of work life for all employees so that they are physically strong, motivated, and committed to success of their task and the Bank as a whole.

Recruitment Procurement

The corporate's success relies on personnel with the right abilities and behaviors. The Bank places importance on recruitment procedure based on evaluation of knowledge and skills and behaviors conform with the corporate's value of "ProActive".

The Bank has applied marketing principles with the strategies for creating a new recruitment channel launching HR branding as a communication channel using "LH BANK People" with the slogan "Toward success together". On this matter, LH Bank divided the strategy for creating the recruitment channel into 2 types:

1. Above the line strategy: recruitment via media such as

- LH BANK People Facebook
- LH Bank People Intranet
- Newspaper advertising
- LH Bank People career website

2. Below the line strategy: recruitment with no emphasis on media but applicant-oriented marketing strategy instead such as

- LH Bank Recruitment Mobile: a recruitment and interview in the target provinces for establishing new branches
- LH Bank Toward Success Together Day: Special interview on Saturday to facilitate job applicants which will be held every 3 months
- LH BANK Job Fair
- Friend Get Friends

LH Bank has developed e-Recruitment system for data management. The system will make recruitment process easier and more accurate planning, searching, and storing the records of interview. Application letters are more easily managed which is considered as preparedness for business growth.

Motivation

LH Bank has the policy to give a fair and competitive payment. The salary rates are in relation with the success of the particular person. For this matter, the Bank has established Nomination and Remuneration Committee so that every stage of salary management is above the board. The corporate specifies the salary due to the value of work, responsibility, and ability of the employees.

The Bank constantly surveyed the pay rates of other top companies in the market and review factors like customer price index (CPI) and inflation which might affect the employees.

Performance evaluation

The Bank values performance management of the entire organization, at the department level, and the individual level. It has introduced the performance management by connecting among the corporate goal, business plan of each department, and the personal KPI. There are 2 parts of performance evaluation:

Part 1: success evaluation

Part 2: Performance evaluation against the ProACTIVE value.

In addition, in order to get the personal performance evaluation systematic and easy to follow up and track the employee performance evaluation for career development, the Bank has developed a performance management system (PMS) through which all employees are evaluated.

Employee potential development

The Bank emphasizes on employee potential

Flow of Performance Motivation through PMS



development by increasing their skills, knowledge, and ability suited for their assigned task. It also opens an opportunity for them to develop to their full capacity both in the form of self-learning and corporate-provided training. Human resource development is still considered an important factor for career path and sustainability of the Bank.

Employee training and development

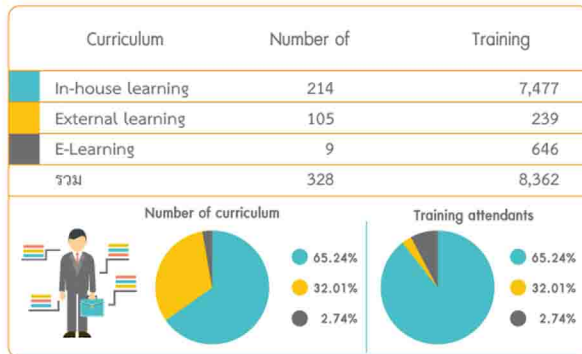
Regarding employees' learning and development, the Bank has been working on it. The Bank has categorized employees to make it easier to design the lesson and develop

them for the right role and responsibility. The categories include executives, management, supervisors, and officers. The training data in 2014 are as follows:

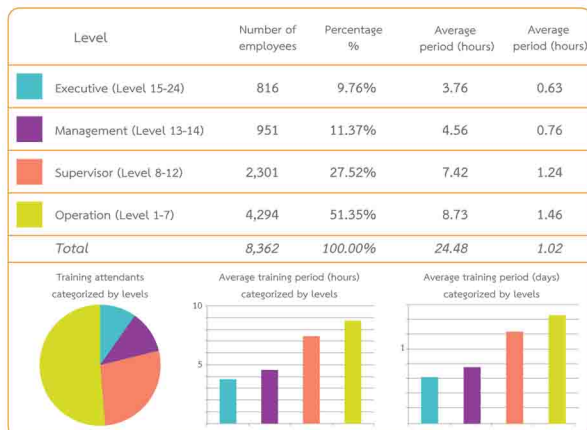
Employee performance development

The Bank has set a manual for new employees to know more about the corporate and "ProACTIVE" value as the compulsory knowledge. The manual is compiled to

Training data in 2014



Training attendants categorized by levels



make sure that the new employees learn and understand the corporate and important way of practice in the Bank. They have access to take the lesson by themselves through the E-Learning system. In addition, they will need to learn information from the orientation and pass the exam within the probation period as criteria for being full-time employees.

Branch Management School is the training for employees to be working in branches. The training is aimed for the employees to have knowledge and understanding, and ability to follow the work instruction. The curriculum is a

preparation for them to work at the assigned branch before actual work.

Corporate Credit Skill is the training provided for employees to be working in credit department or those related to credit granting. It is aimed to educate them on the overview of credit process, industry risk analysis, and business risk. The training will also make them know about credit facilities structuring, monitoring, and taking care of credit customers, to prepare them to be operational credit officers.

Director's Seminar is the training aimed to create leadership for the executives and directors. The curriculum will encourage strategic thinking and open the managerial aspect. The training may include management seminar and management retreat.

Provide various, different, and modern learning channels and media to grab learners' attention such as

- Mobile Training
- VTR for Branch Management School
- Column "Easy...Easy Finance"

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.

Fundamental rights of consumers

Rights of consumers	Products	Personnel or Processes
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 Office of Insurance Commission 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.

Fair treatment of labor

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 via our www.lhbank.co.th 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 mains 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 ATM Screen, LCD, Website, Facebook, Youtube, radio, television, SMS, and SMS Alert

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

Education is the foundation of every kind of success.

The Bank continually realizes the importance of giving educational support to develop knowledge, abilities and quality of young Thai people. For example, our executives and officers participated in donating books to prisoners in the project “Give books and learning materials to the department of corrections”. The Bank also organized another project called “second-handed computers for under privileged children” to provide computers and connecting devices to children in Bangkok and vicinity provinces with shortage of these equipment. This project was aimed to support the children’s learning and to expand the opportunity to benefit from using internet for learning purpose.



LH Bank donates books to the Department of Corrections for prisoners to develop themselves and their knowledge.



LH Bank gives computers and connecting devices to lacking schools to support children's 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, the Company supports the projects and activities of Thammasat Chulachulakornrajavidyalaya Hospital to help poor patients and procure medical devices, occupation support for the foundation for the employment promotion for the blind by getting donation via LH Bank ATM all over the country, holding an activity to get donated dolls for under

privileged children of the Children Hospital Foundation and Baan Nokkamin Foundation. Moreover, the Company supports anti-corruption activities to encourage Thai society to resist all kinds of corruptions. Also, the Company strengthens customer relation by organizing an activity called "My Bank My Love" to give thanks to customers for their trust in the Bank's service.

THAMMASAT UNIVERSITY HOSPITAL

โรงพยาบาลธรรมศาสตร์เฉลิมพระเกียรติ

☎ Call Center 02-926-9999



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



LH Bank welcomes the donation via ATM of the Bank for supporting the Foundation for Employment Promotion for the Blind

- My Bank My Love Activity



LH Bank organizes Mix & Match for Rain, hats making by fabric flowers



- Environment

Land and Houses Bank Public Company Limited supports loans for Gulf Group of Company to be used in investing for the construction of 12 small power plants (SPP) that will use natural gas as fuel, which is considered as a way to increase energy efficiency, focusing on sustainability.

- 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 young Thai people

The bank Public Company Limited realizes that young Thai people are the future of the nation. As keening on how to make the young people smart and well-behaved, the bank cooperates with CSR Club, Thai Bankers Association, and National Center for Youth Development under Royal Patronage of HRH Princess Sirindhorn (NCYD) in organizing a project "Be happy by saving and using wisely" to develop saving discipline for young people who are leaders in universities to develop leaders potential in promoting saving discipline from knowledge sharing by banking sector to directly benefit the community and society as a response to the Bank's intention to provide intellectual asset to the sustainably develop the society.



Young people saving project under the topic "Know how to earn, save, use, and extend benefits" at Pracha-upatham School.



Young people saving project under the topic "Know how to earn, save, use, and extend benefits" at Triamudomsuksa Pattanakarn Ratchada School



LH Bank cooperates with CSR Club, Thai Bankers Association, and National Center for Youth Development under Royal Patronage of HRH Princess Sirindhorn (NCYD) in organizing a project "Be happy by saving and using wisely" to develop saving discipline for young people

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 Children's Day Activity for promoting and encouraging the tradition and culture with the communities around the branch of the Bank.



LH Bank supports Children's Day Activity at Library for Learning, Lumpini Park



LH Bank supports Children's Day Activity at Baan Manangkasila



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

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.

Green Office Project

All implementations of the Bank consume resources and energy and cause environmental impacts such as waste and polluted water. Inevitably, the Bank shares a part in greenhouse gas emission into the atmosphere which in turn causes climate change and global warming, a critical environmental issue affecting the whole nation and the world.

The Bank understands the importance of good environmental management and has assigned the Occupational Safety, Health, and Environment Committee to study and improve the practice for introducing Green Office Project. The project has been carried out since 2012. The main focus is to educate the employees about management of resources, energy, and environment, and environment-friendly procurement. The final goal is to have an efficient use of resources and energy to alleviate the standard to environment-friendly level.

By achieving that, the Bank will be successful in reducing the emission of greenhouse gasses and environmental impact. It all can start with the environment-friendly activities to change the behavior of the officers in the Bank and encourage them to join the minimized consumption of energy and emission of pollution to the public.

Green Office Project Activities

1. Use energy saving device (suitable bulb, size of cable, and tap)
2. Take advantage of the natural light
3. Design an efficient office layout
4. Promote 5S activity

5. Check illumination in the office with the standard value

6. Increase green space in the office

Energy management

The Bank is continuously trying to do a good energy management including electricity and tap water in order to achieve efficient use and sustainability of the corporate. Some of the improvements include the following:

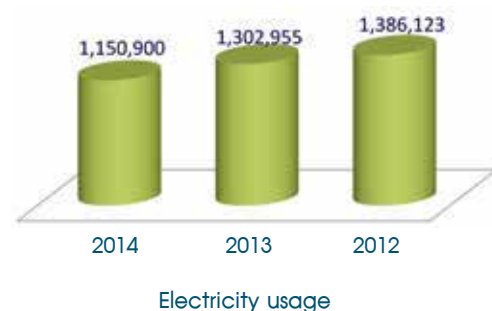
- The Bank has improved the office and supplies in an environmental-oriented manner and protects its employees from pollution. The focus is the management to reduce pollution, energy usage, and costs.

- The bank has reduced the old technology devices and the single function items and shift to new technologies that help reduce pollution and save energy. The outcome of constant implementation since 2012 showed that the activity has helped reduce the energy costs and other expenses greatly, especially paper usage, supplies procurement, maintenance cost, and the space of the office.

- The Bank has been choosing the energy saving devices. It chooses to use the LED tube light, the suitable size of cable, and water-saving tap. The improvement has helped the Bank reduce electricity and tap water usage. The reduce usage of electricity has in turn helped reduce the usage of resources for generating electricity and the cause of global warming. The energy saving campaign has helped the Bank in reducing resources as explained below.

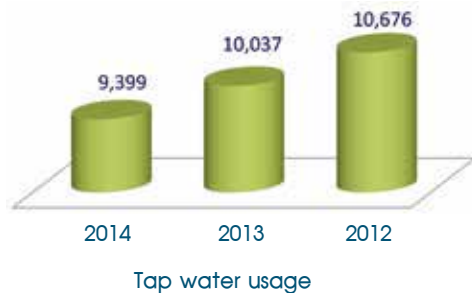
Electricity usage

It is obvious that electricity usage has decreased continuously. In 2014, it consumed 1,150,900 units (kWh) or reduced by 11.67% compared to 1,302,955 units (kWh) in 2013.



Tap water usage

Likewise, the tap water usage has dropped constantly. In 2014, the Bank consumed 9,399 cubic meters of tap water while compared to 10,037 cubic meters in 2013.



Shifting from printed meeting invitation letter to saving the letter in iPad

Previously, the Bank ran its many errands on paper such as the meeting document of the bank committee, audit committee, corporate governor, procurement and payment committee as well as the meeting invitation letters. It has now shifted those documents to electronic form in iPad, reducing paper usage up to approximately 5,000 pieces a month.

Pool Printer Management Project

The Bank has improved the way its department use the printers. Formerly, the departments used the single-function printers but now they have shifted to use the multi-function (4 in 1) printers. One printer is shared among a pool of departments. The result is the lower usage of paper, electricity, and space.

Paper usage

The paper used by the Bank in 2014 was 13,780 reams, down by 35.03 % compared to 21,210 reams in 2013.



Measurement of Intensity of light in workplace

The Bank understands the dangers of light toward the employees. In case of insufficient illumination, it will cause negative symptoms to the eyes and tire the eye muscles because it forces the pupil to open wide due to unclear visibility and taking longer time to look. Such a case causes fatigue in the eyes for the operator needs to focus harder on the working object, resulting in pain in the eyes and headache. In addition, not enough illumination may cause simple accidents like failing to catch an object or touching the dangerous part of the tools by mistake. Too much illumination, on the other hand, causes discomfort, tire, eye strain, headache, dizziness, twitching of the eyelid muscles, insomnia, and poorer vision. Both too much and insufficient light, do not only cause mental downside; slow performance and lower motivation to work, but also bring about occupational accident.

In 2014, the bank has measured the intensity of light in all areas of the office to use the data for monitoring, finding a preventing and corrective action for both too much illumination and insufficient illumination.

Measurement and data collection

- Intensity of light can be measured with one of the following methods:

1. Measure at important points: focus on the intensity of light on the spots that operators need to perform sight-specific work
2. Measure and average of the general area: measure the intensity of light in general areas such as walkways and working areas.

The results of Measurement of Intensity of light in workplace: After the actual measurement of the intensity of light in lux unit, it was found that illumination in the office was sufficient and compliant with the standard of not less than and not more than 400 lux.

5S activity

Currently, both state and private agencies are trying to improve work efficiency and productivity. One of the activities commonly applied to increase work efficiency

to the corporate is the 5S activity which include sort, set in order, shine, standardize and sustain. The first 3 S were about improving the workplace while the others for human resource development. The substantial advantage of the activity is the neater workplace and environment free of dirt and unnecessary objects, healthier and more disciplined staff. This in turn results in saving of resources and costs. In addition, the 5S activity also helps reduce the operation costs. Therefore, it contributes to a quality and efficient work and a safe working environment. In one way, it creates a good attitude among the employees and satisfaction and confidence among the customers.

The Bank has applied the 5S activity for improved performance and efficiency. In a way, 5S activity helps create awareness of compliance with work standard which is the basic that leads to the whole quality system according to the international standard. The 5S activity that the Bank launched gained satisfying cooperation from the employees. In 2015, the Bank has a plan to keep running the activity constantly, with one additional project: using the decoration items that do not have negative impact both on the organization itself and outside.

5S activity results

1. Result of Sort

- Cutting down the waste of resources including human resources, budget, facilities, equipment, tools, and document cabinets.
- Having spare space for other purposes
- Have a more spacious workplace, easy to work, resulting in a better mood of the employees
- Minimizing the mistake due to bad working environment

2. Results of Set in order

- Settling the common and troublesome searches
- Increased work efficiency
- Easier monitoring of everything as the slogan saying "easy to use, known where to find when not found, and looking neat"
- Creating good image for the Bank

3. Results of Shine (cleaning)

- A pleasant working environment
- Cutting down the waste of resources
- Increased efficiency of tools and equipment and decreased breakdown of office supplies

4. Results of Standardize

- Neat and tidy workplace
- Employees in a good mood and willing to work better

5. Results of Sustain

- All employees have a good habit and attitude toward work
- Customers receive quality and fast service

LH BANK ATM Stops Global Warming

LH Bank has played a part in helping slow down global warming constantly by reducing usage of electricity and printing of the transaction receipt. This can be said that we save the environment through our ATM. As of 31 December 2014, LH Bank has totally 178 ATM that

1. reduce the usage of electricity especially those in shopping malls which is accomplished by setting the switch of electricity and illumination according to operating hours of the mall

2. reduce printing of receipt from the ATM which is done by having the customers choose whether they want to print it or not. This policy reduces the usage of paper a great deal.

Communication of the environmental campaign

The Bank focuses on creating environmental awareness through internal communication channel to encourage employees to participate in conserving the environment which concerns everyone.

Strategy

The Bank has launched environmental campaign through its internal communication (Intranet) to reach all employees. In the initial stage, the Bank create the media named Save Energy, the content of which is about energy saving and conservation.

In 2014, in order to get a more extensive communication and campaign, the Bank has changed the name from Save Energy to Pro Eco. The framework of the project has changed slightly from energy-focused to covering

more issues including environment, ecosystem, and sustainable development. The content and the media are meticulously selected and constantly communicated to the employees so that they are educated on and aware of environmental issues.

Examples of Save Energy Activities



Examples of Pro Eco Activities



9. Innovation and its disseminating about social responsibility

Land and Houses Bank Public Company Limited is determined to come up with business innovation to create the highest benefits for the business and society. Moreover, financial products and services are being promoted continuously to facilitate and meet customers' needs. We are also preparing for the government's policy that aims toward Digital Transformation and Digital Economy and helping customers' save traveling time as well as reducing the use of paper. Digital financial products and services that are being developed are as follows.

Banking Service on Mobile Vans is similar to a mobile branch, helping increase channels of financial service for customers in several places. This service also allows customers to save time and expense in traveling to make transactions at the bank branches.

No Slip Deposit — Withdrawal and Transfer Service is another way to provide more convenient and faster transactions to customers.

Mobile Native Application provides a channel to carry on transactions via mobile phones, which have now become a part of customers' daily life. This new service channel is not limited to places and time but still maintains the same form and safety standard as transactions at the bank branches.

Internet Banking Service (LH Bank Speedy) provides convenient services of financial transactions both to individual and juristic persons every day at any places and time. Our internet banking comes with the Double Security system to ensure financial transaction safety. LH Bank Speedy is user-friendly with various services such as fund transfers within the bank and inter-bank transfers, payment of goods and services, loan payment, cheque status and stop cheque status inquiries, as well as account status inquiry. The bank will send SMS transaction notifications to customers after each transaction.

In addition, the Bank has been publicizing these products and services to ensure efficiency among customers, society, and environment.

The bank promotes creativity and development of new innovation which will result in continuity of the bank improvement. At the same time, social responsibility and regular observations on the business operation are ensured to avoid risks or negative impacts to the society and environment. However, if such risks or negative impacts are found, the bank will try to seek for proper solutions immediately.

Internal Control and Risk Management

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 the role on the appointment and dismissal of the auditor, the Audit Committee will consider the qualifications and performance of the auditor. Each year, the Audit Committee will propose the mentioned in the qualifications and performance include of auditor's remuneration to the Bank's Board of Directors for approval by the meetings of shareholders.

The Audit Committee has reviewed the financial statements. The auditor shall be invited to attend at the meetings of The Audit Committee. The auditor is invited to propose the significant issues related to the internal control environment and

financial statement. The auditor of the company is EY Office Limited which is the auditor in fiscal year 2014 and proposed to report on the financial statements that unconditioned 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 the Audit Committee. An auditing and monitoring operations by the internal control group which has an independence 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 conduct. 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 conduct, 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**

Compliance unit is responsible for controlling the bank's operation to conform with the law and government regulation that related to financial business. In addition, the unit has to report the result of supervising and verification to the audit committee and the board of director regularly and pay attention to the revision of the law and government regulation.

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 - Master of Public Administration (M.PA.)
 National Institute of Development Administration (NIDA)
 - Master of Education : Srinakharinwirot University

Training - Thailand's 5 th National Conference on Collective Action Against Corruption "Tackling Corruption through Public — Private Collaboration" : IOD
 - Anti — Corruption for Executive Program 4/2012 : IOD
 - 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)

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 PLC

• Positions in Non-Listed Companies

Period	Position	Organization/Company
Aug. 2013 — Present	First Executive Vice President Control Group	Land and Houses Bank PLC
Mar. 2012 — Aug. 2013	First Senior Vice President Control Group	Land and Houses Bank PLC
Nov. 2010 — 16 Feb. 2012	Senior Vice President Compliance Office	Land and Houses Bank PLC

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 government sector, which is in line with rules by the 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 20 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.

Risk management policy in transactions of financial group

In order to enhance transparency for intra-group transactions between companies in financial group and to avoid any conflict of interest between businesses that connected entities. The company has established risk management policy of financial group the policy has been approved and is annually reviewed by the Board of Directors. The policy covers the control of intra-group transaction risk management that controls any major transaction. Also, the policy has determined that in financial group transaction and must not include special conditions that materially differ from similar business transactions with unrelated parties.

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.

Measures for Approving Related party transactions

The company strict compliance with the Stock Exchange of Thailand regulations, notifications of the Board of Directors capital markets regarding connected transactions and transactions that might involve a conflict of interest. Hence, directors or executives involved in transactions that might lead to a conflict of interest are excluded from consideration of such transactions. The company secretary records the relationships of directors or executives in the minutes if applicable and pricing policy and conditions for transactions between the Bank and connected entities must be on an arm's length basis and, broadly, the same as those for transactions with external parties.

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 company and its subsidiaries or the shareholders, whichever is applicable, will base their decisions. In any case, the company will always disclose such transactions in its audited financial statements.

Policies and Trends for Future Related Party Transactions

The company and its subsidiaries have a policy of continuing to conduct related party transactions with persons with potential conflicts of interest 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 related party 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.

Information Disclosure

The company discloses related party transactions and connected transactions, in compliance with the regulations of the Stock Exchange of Thailand in the annual report.

During the year 2014, the company had no connected transaction of significant value that was required to be disclosed according to the requirements of the regulations of the Stock Exchange of Thailand.

Related Party Transactions

During the year 2014, the company and its subsidiaries 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 Note 40 to the financial statements of the company and its subsidiaries. The details are as follows:

The outstanding balances as at 31 December 2014

As at 31 December 2014, the outstanding balances of transactions between the company and its subsidiaries and their related parties can be summarized as follows:

(Unit: Million Baht)

Relationship ^{/1}	Consolidated financial statements										
	Investments - cost	Accrued interest receivables on investments	Loans to customers	Accrued interest receivables on loans to customers	Other assets	Deposits	Interbank and money market items (liabilities)	Liabilities payable on demand	Accrued interest payables	Other	Commitments - Bank guarantee
1. The company's subsidiaries are Land and Houses Bank Public Company Limited, Land and Houses Fund Management Company Limited, Land and Houses Securities Public Company Limited and Land and Houses Advisory Company Limited.	-	-	-	-	-	-	-	-	-	-	-
2. Any persons or companies who hold more than 10 percent of shares in the company ("the major shareholders")	-	-	-	-	6.32	3,249.56	-	39.49	6.86	0.21	-
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	-	-	-	-	1.65	835.76	-	-	0.11	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	67.20	-	-	-	22.79	2,247.35	-	0.17	4.03	1.09	21.19
5. The companies which are related through the company's and the subsidiaries' management, and have transactions with the company and its subsidiaries	2,850.00	67.44	-	-	2.76	64.08	-	-	0.32	0.03	-
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	91.46	-	-	-	1.48	413.19	-	-	0.94	-	-
7. The companies which are controlled by the company's and subsidiaries' related persons, and have transactions with the company and its subsidiaries	225.00	3.04	-	-	-	1.14	-	5.42	-	-	-
8. Directors and executives	-	-	15.51	0.02	-	304.74	-	-	0.22	-	-
9. Related persons	-	-	34.46	0.04	-	714.54	-	-	2.34	-	-
Total	3,233.66	70.48	49.97	0.06	35.00	7,830.36	-	45.08	14.82	1.36	21.19

Notes: ^{/1} The nature of the relationships are described in the Note 40 to the financial statements "Related party transactions"

(Unit: Million Baht)

Relationship ^{/1}	Consolidated financial statements											
	Interbank and money market items (assets)	Investment - cost	Accrued interest receivables on investments	Loans to customers	Accrued interest receivables on loans to customers	Other assets	Deposits	Interbank and money market items (liabilities)	Liabilities payable on demand	Accrued interest from interbank and money market items (liabilities)	Other liabilities	Commitments
1. The company's subsidiary is Land and Houses Bank Public Company Limited, Land and Houses Fund Management Company Limited, Land and Houses Securities Public Company Limited and Land and Houses Advisory Company Limited.	1,024.10	-	-	-	-	-	-	500.00	-	0.05	0.30	-
Total	1,024.10	-	-	-	-	-	-	500.00	-	0.05	0.30	

Notes: ^{/1} The nature of the relationships are described in the Note 40 to the financial statements "Related party transactions"

Transactions during the year 2014

During the year 2014, 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 transactions	Value of transactions	Pricing policy
1. The company's subsidiaries are Land and Houses Bank Public Company Limited and Land and Houses Fund Management Company Limited, Land and Houses Securities Public Company Limited and Land and Houses Advisory Company Limited.	-None-	-None-	-None-
2. Any persons or companies who holds more than 10 percent of shares in the company ("the major shareholders")	Interest expenses	35.41	-The same rates that a subsidiary paid to general depositors
	Rental and service expenses	17.78	-As specified in the agreements
	Purchases of assets - Vehicle	2.90	-At market value
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	9.38	-The same rates that a subsidiary paid to general depositors
	Rental and service expenses	2.58	-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	28.77	-At the percentage of net asset value of fund
	Dividend income	4.97	-As announced by the fund
	Interest expenses	11.91	-The same rates that a subsidiary paid to general depositors
	Rental and service expenses	70.57	-As specified in the agreements

(Unit: Million baht)

Relationship ^{/1}	Consolidated financial statements		
	Type of transactions	Value of transactions	Pricing policy
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	109.25	-As specified in prospectus
	Interest expenses	3.88	-The same rates that a subsidiary paid to general depositors
	Rental and service expenses	4.56	- 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	8.79	-At the percentage of net asset value of the fund
	Dividend income	6.41	-As announced by the fund
	Interest expenses	9.95	-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	11.54	-As specified in prospectus
	Interest expenses	0.01	-The same rates that a subsidiary paid to general depositors
8. Directors and executives	Interest Income	0.39	-The same rates that a subsidiary charged to general customers
	Interest expenses	8.22	-The same rates that a subsidiary paid to general depositors
9. Related persons	Interest Income	2.45	-The same rates that a subsidiary charged to general customers
	Interest expenses	13.62	-The same rates that a subsidiary paid to general depositors

Notes: ^{/1} The nature of the relationships are described in the Note 40 to the financial statements "Related party transactions"

(Unit: Million Baht)

Relationship ^{/1}	Separate financial statements		
	Type of transactions	Value of the transactions	Pricing policy
1. The company's subsidiary is Land and Houses Bank Public Company Limited	Interest income	6.87	-The same rates that a subsidiary paid to general depositors
	Dividend income	845.00	-As announced by the subsidiary
	Office rental income	1.22	-As specified in the agreements
	Interest expenses	28.13	-The same rates that a subsidiary charged to general customers and 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 described in the Note 40 to the financial statements "Related party transactions"

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. Adul	Vinaiphat	Member of the Audit Committee
3. Mr. Somsak	Assavapokee	Member of the Audit Committee

And Ms. Chutima Bunmee is the 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 2014, the member of the Audit Committee has changed due to the resignation of Mr. Sun Vitthesponge and the Board of Directors has appointed Mr. Somsak Assavapokee to replace as the Member of the Audit Committee since 9 October 2014. 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. The 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 2014, the company's auditor was EY Office Limited that was an auditor of 2014 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 Director consists of three directors, namely Mr. Adul Vinaiphat, Chairman of the Nomination and Remuneration Committee, Mr. Naporn Sunthornchitcharoen, and Mr. Somsak Assavapokee, members of the Nomination and Remuneration Committee, all of them are not executives of the company. The Chairman of the Nomination and Remuneration Committee is an independent director.

During the year 2014, Mr. Sun Vitthespongse 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. Somsak Assavapokee, was proposed by the Committee for the Board of Directors' approval.

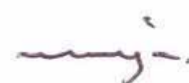
During the year 2014, the Nomination and Remuneration Committee held the meeting two times.

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 managements of the company from the position of the senior executive vice president level and above, determine the remuneration of the company's Board of Directors and top-level management from the position of president and above, determine guideline of the president 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 Limited Companies 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 2014, the Nomination and Remuneration Committee has considered the 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, the Audit Committee and the Nomination and Remuneration Committee for 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.

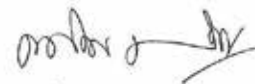
The separated and consolidated financial statements of the company were audited by the certified public accountant of EY Office Limited. In the audit, the company has supported all information, data and documents in order that the auditor would be able to audit and address opinions to the auditing standards. 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, 2014.



(Mr. Anant Asavabhokhin)

Chairman of the Board of Directors



(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 statements of financial position as at 31 December 2014, 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 2014, their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

EY Office Limited

Bangkok: 23 February 2015



Financial Statement
and Notes to Financial Statements

LH Financial Group Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2014

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Assets					
Cash		2,503,973	1,726,300	4	3
Interbank and money market items - net	6	13,117,183	7,010,078	1,024,099	1,140,941
Investments - net	7	33,728,134	36,466,103	326,591	353,447
Investments in subsidiaries	8	-	-	14,035,991	12,499,999
Loans to customers and accrued interest receivables	9				
Loans to customers		115,915,211	103,969,331	-	-
Accrued interest receivables		239,810	206,153	-	-
Total loans to customers and accrued interest receivables		116,155,021	104,175,484	-	-
Less : Deferred revenue		(281,516)	(320,236)	-	-
Allowance for doubtful debts	10	(2,137,826)	(1,422,298)	-	-
Revaluation allowance for debt restructuring	11	(7,547)	(11,184)	-	-
Loans to customers and accrued interest receivables - net		113,728,132	102,421,766	-	-
Investment properties	12	-	-	37,514	37,646
Properties foreclosed	13	52,809	-	-	-
Land, premises and equipment - net	14	543,764	494,282	-	-
Intangible assets - net	15	291,450	209,051	-	-
Deferred tax assets	16	145,192	127,451	-	-
Accrued interest receivables on investments		345,393	356,864	-	-
Accounts receivable on sale of securities		159,604	-	-	-
Other assets - net	17	354,672	286,818	1,511	3,181
Total assets		164,970,306	149,098,713	15,425,710	14,035,217

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

LH Financial Group Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2014

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Liabilities and equity					
Deposits	19	122,631,902	108,805,477	-	-
Interbank and money market items	20	23,171,161	23,513,457	500,000	-
Liabilities payable on demand		109,952	214,561	-	-
Debts issued and borrowings	21	1,000,000	3,198	-	-
Interest payables		727,565	782,726	48	-
Accrued expenses		339,172	300,696	803	267
Provisions for employee benefits	22	68,312	56,439	-	-
Tax payable		256,541	133,820	84	5
Accounts payable on purchase/sale of securities	23	10,673	24,297	-	5,955
Income collected in advance		158,034	98,703	-	-
Other liabilities	24	210,639	144,135	573	304
Total liabilities		148,683,951	134,077,509	501,508	6,531
Equity					
Share capital					
Registered share capital					
13,199,599,896 ordinary shares of Baht 1 each					
(2013: 13,375,273,610 ordinary shares					
of Baht 1 each)	25	13,199,600	13,375,274	13,199,600	13,375,274
Issued and paid-up share capital					
13,198,747,016 ordinary shares of Baht 1 each					
(2013: 12,715,550,962 ordinary shares					
of Baht 1 each)	25	13,198,747	12,715,551	13,198,747	12,715,551
Share premium	25	642,556	643,519	642,556	643,519
Other component of equity -					
Revaluation deficit on investments	7.3	(78,921)	(84,021)	(50,505)	(57,082)
Retained earnings					
Appropriated - statutory reserve	27	396,400	294,600	130,200	88,600
Unappropriated		2,127,572	1,451,554	1,003,204	638,098
Equity attributable to equity holders of the Company		16,286,354	15,021,203	14,924,202	14,028,686
Non-controlling interests		1	1	-	-
Total equity		16,286,355	15,021,204	14,924,202	14,028,686
Total liabilities and equity		164,970,306	149,098,713	15,425,710	14,035,217

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

LH Financial Group Public Company Limited and its subsidiaries

Statements of comprehensive income

For the year ended 31 December 2014

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

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Profit or loss:					
Interest income	30	7,455,078	6,517,387	6,880	7,136
Interest expenses	31	(4,073,150)	(3,719,463)	(28,132)	(1,564)
Net interest income (loss)		3,381,928	2,797,924	(21,252)	5,572
Fees and service income	32	296,757	299,130	-	-
Fees and service expenses	32	(80,535)	(50,185)	(7,801)	(7,979)
Net fees and service income (loss)		216,222	248,945	(7,801)	(7,979)
Gain (loss) on trading and foreign exchange transactions		1,206	(30,800)	668	(32,257)
Gain (loss) on investments	33	491,419	210,387	3,209	(1,645)
Dividend income		131,686	80,864	866,888	995,280
Other operating income		24,229	7,200	1,220	1,200
Total operating income		4,246,690	3,314,520	842,932	960,171
Other operating expenses					
Employees' expenses		960,970	767,737	-	-
Directors' remuneration	34	11,416	9,527	9,036	7,872
Premises and equipment expenses		629,286	512,907	132	132
Tax and duties		193,512	172,308	148	119
Advertising and promotion expenses		83,887	81,693	1,339	963
Amortisation on intangible assets		58,755	57,167	-	-
Other expenses		107,219	86,815	2,002	2,706
Total other operating expenses		2,045,045	1,688,154	12,657	11,792
Bad debts, doubtful accounts and impairment loss	35	710,000	526,000	-	-
Profit from operation before income tax		1,491,645	1,100,366	830,275	948,379
Income tax	16.2	(290,258)	(206,965)	-	-
Profit for the year		1,201,387	893,401	830,275	948,379
Other comprehensive income:					
Gain (loss) on change in value of available-for-sale investments	36	5,220	(436,984)	6,577	(57,082)
Actuarial loss on post-employee benefit plan	36	-	(7,722)	-	-
Income tax effect	36	(120)	77,370	-	-
Other comprehensive income for the year (loss)		5,100	(367,336)	6,577	(57,082)
Total comprehensive income		1,206,487	526,065	836,852	891,297

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

LH Financial Group Public Company Limited and its subsidiaries

Statements of comprehensive income (continued)

For the year ended 31 December 2014

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

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Profit for the year attributable to					
Equity holders of the Company		1,201,387	893,401	830,275	948,379
Non-controlling interests		-	-	-	-
		<u>1,201,387</u>	<u>893,401</u>		
		-	-		
Total comprehensive income attributable to					
Equity holders of the Company		1,206,487	526,065	836,852	891,297
Non-controlling interests		-	-	-	-
		<u>1,206,487</u>	<u>526,065</u>		
		-	-		
Earnings per share of equity holders of the Company	37				
Basic earnings per share (Baht per share)		<u>0.0921</u>	<u>0.0702</u>	<u>0.0637</u>	<u>0.0745</u>
Diluted earnings per share (Baht per share)		<u>0.0921</u>	<u>0.0700</u>	<u>0.0636</u>	<u>0.0743</u>

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

(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 equity - Revaluation surplus (deficit) on investments		Retained earnings	
			Unappropriated	statutory reserve	Unappropriated	Total equity attributable to equity holders of the Company
Balance as at 1 January 2013	11,978,911	644,803	277,137	202,800	1,062,813	14,166,464
Issuance of additional ordinary shares as a result of warrant exercises (Note 25.2)	329,518	-	-	-	-	329,518
Issuance of additional ordinary shares (Note 25.2)	407,122	(1,284)	-	-	-	405,838
Dividends paid (Note 28)	-	-	-	-	(406,682)	(406,682)
Appropriated to statutory reserve (Note 27)	-	-	-	91,800	(91,800)	-
Profit for the year	-	-	-	-	893,401	893,401
Other comprehensive income for the year (loss)	-	-	(361,158)	-	(6,178)	(367,336)
Total comprehensive income for the year (loss)	-	-	(361,158)	-	887,223	526,065
Balance as at 31 December 2013	12,715,551	643,519	(84,021)	294,600	1,451,554	15,021,204
Balance as at 1 January 2014	12,715,551	643,519	(84,021)	294,600	1,451,554	15,021,204
Issuance of additional ordinary shares as a result of warrant exercises (Note 25.2)	59,202	-	-	-	-	59,202
Issuance of additional ordinary shares (Note 25.2)	423,994	(963)	-	-	-	423,031
Dividends paid (Note 28)	-	-	-	-	(423,569)	(423,569)
Appropriated to statutory reserve (Note 27)	-	-	-	101,800	(101,800)	-
Profit for the year	-	-	-	-	1,201,387	1,201,387
Other comprehensive income for the year	-	-	5,100	-	-	5,100
Total comprehensive income for the year	-	-	5,100	-	1,201,387	1,206,487
Balance as at 31 December 2014	13,198,747	642,556	(78,921)	396,400	2,127,572	16,286,355

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

LH Financial Group Public Company Limited and its subsidiaries

Statements of changes in equity (continued)

For the year ended 31 December 2014

(Unit: Thousand Baht)

	Separate financial statements				
	Issued and paid-up share capital	Share premium	Other component		Total
			of equity - Revaluation surplus (deficit) on investments	Retained earnings Appropriated - statutory reserve Unappropriated	
Balance as at 1 January 2013	11,978,911	644,803	-	41,100	12,808,715
Issuance of additional ordinary shares as a result of warrant exercises (Note 25.2)	329,518	-	-	-	329,518
Issuance of additional ordinary shares (Note 25.2)	407,122	(1,284)	-	-	405,838
Dividends paid (Note 28)	-	-	-	-	(406,682)
Appropriated to statutory reserve (Note 27)	-	-	-	47,500	-
Profit for the year	-	-	-	-	948,379
Other comprehensive income for the year (loss)	-	-	(57,082)	-	(57,082)
Total comprehensive income for the year (loss)	-	-	(57,082)	-	891,297
Balance as at 31 December 2013	12,715,551	643,519	(57,082)	88,600	14,028,686
Balance as at 1 January 2014	12,715,551	643,519	(57,082)	88,600	14,028,686
Issuance of additional ordinary shares as a result of warrant exercises (Note 25.2)	59,202	-	-	-	59,202
Issuance of additional ordinary shares (Note 25.2)	423,994	(963)	-	-	423,031
Dividends paid (Note 28)	-	-	-	-	(423,569)
Appropriated to statutory reserve (Note 27)	-	-	-	41,600	-
Profit for the year	-	-	-	-	830,275
Other comprehensive income for the year	-	-	6,577	-	6,577
Total comprehensive income for the year	-	-	6,577	-	836,852
Balance as at 31 December 2014	13,198,747	642,556	(50,505)	130,200	14,924,202

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

LH Financial Group Public Company Limited and its subsidiaries

Statements of cash flows

For the year ended 31 December 2014

			(Unit: Thousand Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Cash flows from operating activities				
Profit from operation before income tax	1,491,645	1,100,366	830,275	948,379
Adjustments to reconcile profit from operation before				
income tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	204,446	171,107	277	228
Bad debts, doubtful accounts and impairment loss	710,000	526,000	-	-
Employee benefits expenses	14,588	11,757	-	-
Loss on disposal/write-off of equipment	5,795	102	-	-
Loss (gain) on trading and foreign exchange transactions	(1,206)	30,800	(668)	32,257
Loss (gain) on disposal of available-for-sale investments				
and held-to-maturity debt securities	(491,419)	(210,387)	(3,209)	1,644
Amortisation of discount on revaluation of				
notes receivable to be interest income	(12)	(71)	-	-
Increase (decrease) in accrued expenses	(7,369)	9,058	536	(19)
Net interest income (expenses)	(3,381,928)	(2,797,924)	21,252	(5,572)
Dividend income	(131,686)	(80,864)	(866,888)	(995,280)
Cash received on interest income	5,998,641	5,224,104	8,441	5,602
Cash paid on interest expenses	(4,079,401)	(3,200,240)	(28,084)	(1,601)
Cash paid on income tax	(207,246)	(281,562)	(145)	(95)
Profit (loss) from operation before changes				
in operating assets and liabilities	124,848	502,246	(38,213)	(14,457)
Decrease (increase) in operating assets				
Interbank and money market items	(6,172,098)	(1,991,953)	115,281	(985,705)
Trading securities	27,070	190,810	27,070	189,353
Loans to customers	(11,032,153)	(17,549,021)	-	-
Properties foreclosed	(11,552)	-	-	-
Other assets	(80,854)	(9,420)	(28)	(52)
Increase (decrease) in operating liabilities				
Deposits	13,826,425	24,581,969	-	-
Interbank and money market items	(342,296)	1,642,911	500,000	(100,000)
Liabilities payable on demand	(104,609)	(19,019)	-	-
Debts issued and borrowings	996,802	(765,858)	-	-
Provisions for employee benefits	(2,715)	(2,327)	-	-
Payable on purchase/sale of securities	(7,019)	(31,842)	-	(31,842)
Other liabilities	94,376	(100,097)	348	(86)
Net cash flows from (used in) operating activities	(2,683,775)	6,448,399	604,458	(942,789)

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

LH Financial Group Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the year ended 31 December 2014

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Cash flows from investing activities				
Proceeds from disposal of available-for-sale investments	2,494,752	9,347,415	70,836	51,079
Proceeds from matured debt securities	13,747,221	1,420,000	-	-
Cash received on interest income on investments	1,538,885	1,294,099	-	-
Cash received on dividend income on investments	134,300	88,334	868,586	993,931
Invested in available-for-sale investments	(1,787,472)	(6,514,513)	(66,551)	(430,896)
Invested in held-to-maturity debt securities	(11,454,403)	(12,064,860)	-	-
Invested in subsidiaries	(995,647)	-	(1,535,992)	-
Proceeds from disposal of equipment	1,706	-	-	-
Cash paid for purchase of leasehold improvements and equipment	(214,989)	(173,980)	-	-
Cash paid for purchase of intangible assets	(61,569)	(66,725)	-	-
Net cash flows from (used in) investing activities	3,402,784	(6,670,230)	(663,121)	614,114
Cash flows from financing activities				
Dividends paid	(423,569)	(406,682)	(423,569)	(406,682)
Proceeds from issuance of additional ordinary shares	423,031	405,838	423,031	405,838
Proceeds from warrant exercises	59,202	329,518	59,202	329,518
Net cash flows from financing activities	58,664	328,674	58,664	328,674
Net increase (decrease) in cash and cash equivalents	777,673	106,843	1	(1)
Cash and cash equivalents as at 1 January	1,726,300	1,619,457	3	4
Cash and cash equivalents as at 31 December	2,503,973	1,726,300	4	3
Supplemental cash flows information				
Non - cash related items				
Purchases of assets on credit	4,559	17,478	-	-
Transfer of properties foreclosed from receivables for debt settlement	41,257	-	-	-

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

LH Financial Group Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2014

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 “the 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 2014, 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 34.12%, 21.43%, and 16.55%, respectively (2013: 3 major shareholders were 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).

2. Basis for preparation the financial statements

2.1 Basis for preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and the regulation of the Bank of Thailand (“BoT”), and their presentation of the financial statements has been made in compliance with the 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 these financial statements in Thai language.

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

2.2 Basis for preparation of consolidated financial statements

- (a) These consolidated financial statements included the financial statements of LH Financial Group Public Company Limited ("the Company") and the following subsidiaries.

Company's name	Nature of business	Percentage of holding as at 31 December		Percentage of assets to the consolidated totals as at 31 December		Percentage of revenues to the consolidated totals for the years ended 31 December	
		2014	2013	2014	2013	2014	2013
		Percent	Percent	Percent	Percent	Percent	Percent
<u>Subsidiaries directly held by the Company</u>							
Land and Houses Bank Public Company Limited	Banking business	99.99	99.99	98.86	99.57	98.38	98.88
Land and Houses Securities Public Company Limited	Securities business	99.80	-	0.15	-	1.24	-
<u>Subsidiaries indirectly held by the Company (held by its subsidiary)</u>							
Land and Houses Fund Management Company Limited	Fund management business	99.99	99.99	0.14	0.16	0.07	1.24
Land and Houses Advisory Company Limited	Financial advisory business (temporary cease operation)	99.99	-	-	-	-	-

On 27 November 2013, the Company entered into an agreement to purchase 635,900,646 shares of CIMB Securities International (Thailand) Public Company Limited from CIMB Securities International Pte. Ltd. and other shareholders in the group, or 99.79 percent of paid up capital of this company, for a total of Baht 1,035.95 million. The share purchase agreement was to be effective from the date that the share purchase transaction was authorised by the Office of the Securities and Exchange Commission ("SEC") and the Bank of Thailand ("BoT"). Such authorisations were received on 15 January 2014, the Company therefore treated that purchase as having occurring in January 2014. Moreover, the Company made payment on 22 January 2014 and 24 January 2014.

Under purchase business, the Company has to estimate the fair value of each assets and liabilities of those company. The difference of cost of purchase business and fair value of assets and liabilities amounted to Baht 80 million are recognised as intangible assets in the consolidated financial statements.

CIMB Securities International (Thailand) Public Company Limited holds 99.99% of the shares of CIMB Advisory (Thailand) Company Limited making CIMB Advisory (Thailand) Company Limited as a subsidiary of the group. Moreover, CIMB Advisory (Thailand) Company Limited was changed its name to Land and Houses Advisory Company Limited on 28 February 2014. CIMB Securities International (Thailand) Public Company Limited was changed its name to Land and Houses Securities Public Company Limited on 17 April 2014.

- (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 subsidiaries 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 statements 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 investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

3. New financial reporting standards

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

3.1 Financial reporting standards that became effective in the current accounting year

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effect of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

Accounting Standard Interpretations:

TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures

TSIC 32	Intangible Assets - Web Site Costs
Financial Reporting Standard Interpretations:	
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, provision interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on this financial statements.

3.2 Financial reporting standards that will become effective in the future

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, provision interpretations and accounting guidance to users of the accounting standards. The management of the Company and its subsidiaries believe they will not have any significant impact on the financial statements in the years in which they are adopted. However, some of these financial reporting standards involve changes to key principles, the standards that related to the Company and its subsidiaries are as follows:

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognise actuarial gain and loss immediately in other comprehensive income while the existing standard allows the entity to elect to recognise such gain and loss immediately in profit or loss or other comprehensive income or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiaries already recognised actuarial gain and loss immediately in other comprehensive income.

TFRS 10 Consolidated Financial Statements

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 Consolidated and Separate Financial Statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgment when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company and its subsidiaries' financial statements.

TFRS 12 Disclosure of Interests in Other Entities

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the financial statements of the Company and its subsidiaries.

TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other accounting standards to measure their assets or liabilities at fair value. The effect of the changes from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis performed, the management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company and its subsidiaries' financial statements.

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 discount on loans to customers as revenue on an accrual basis, based on the amount of principal outstanding. For (a) loans to customers on which principal or interest payments have been defaulted for more than three months from the due date; (b) loans to customers 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 date, the subsidiary ceases accrual of interest income and instead recognises interest income on 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 from the due date, 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 discount which are already included in the face value of notes receivable or loans are recorded as deferred revenue, 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 date.

(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.

(e) Brokerage fee income

The subsidiary recognised brokerage fees on trading of securities and derivatives as income on the transaction date.

(f) Interest on margin loans

Interest is recognised as accrued interest based on time portion, but where there is uncertainty as to the collectability of loans and interest, the subsidiary ceases accrual.

The following cases are considered as uncertainty of collectability of loans and interest.

- (1) Loans with are not fully collateralised.
- (2) Installment loans with repayments scheduled less frequently than every three months and for which principal or interest is overdue by more than three months.
- (3) Installment loans with repayments scheduled no less frequently than every three months, unless there is clear evidence and a high degree of certainty that full repayment will be received.

(4) Debtors that are problemated financial institutions.

(5) Other receivables from which interest payment is overdue for longer than three months.

These conditions are based on the guidelines stipulated by the Office of Securities and Exchange Commission No. Kor. Thor. 5/2544 dated 15 February 2001.

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

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

Deferred revenue on hire purchase is presented net of initial direct expenses on the inception of the contracts.

(c) Fees and service/other expenses

Fees and service/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, which engages in banking business, 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 resale commitments 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 cost 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).

Investments in subsidiaries are 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.

Loss 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. The Company and its subsidiaries use weighted average method for computation of the cost of investments when they are 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 discount 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 initial direct costs.

4.7 Allowance for doubtful debts

The subsidiary, which engages in banking business, provides allowance for doubtful accounts in accordance with BoT's 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 net of deferred revenue (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 balances over the present value of expected future cash flows from debt collection or from collateral disposal, 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.

Starting from 1 January 2014 onwards, allowance for hire purchase receivables are calculated using the minimum rate stipulated by BoT based on the amount of principal outstanding net of deferred revenue and collateral value, whereas formerly collateral value was not considered in determining allowance for hire purchase.

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 subsidiaries is provided for the estimated loss 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 loss from debt restructuring

The subsidiary, which engages in banking business, 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 contract 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 rates. The excess of the recorded outstanding loans to customers balances over the determined present value of future cash flows is accounted for as revaluation allowance for debt restructuring and is recognised as expenses in profit or loss 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). After restructuring troubled debt, the subsidiary will review allowance based on present value of remaining future cash flows and adjusts allowance against bad debts and doubtful account expenses.

In cases where the troubled debt restructuring involves assets swap and/or equity swap, the subsidiary recognises 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 recognised it as expenses.

4.9 Securities and derivatives business receivables and allowance for doubtful debts

Securities and derivatives business receivables comprise the net securities business receivables and derivatives business receivables, after deducting allowance for doubtful accounts and adding related accrued interest receivables.

Securities business receivables comprise credit balance receivables in which the securities purchased are pledged as collateral, guarantee deposit receivables which comprise cash place a guarantee for borrowers of securities or Thai Securities Depository as well as other receivables such as overdue cash customers accounts and receivables which are subject to legal proceedings, undergoing restructuring or settling in installment.

The subsidiary provides allowance for doubtful accounts based on assessment of debtor payment ability including consideration of credit risk and collateral valuation. An allowance is set aside for doubtful accounts which not fully cover by collateral and/or those which may not be fully recovered. Such debt classifications and allowances are made in accordance with the following criteria.

(a) Assets classified as bad debts are defined as follows:

- (1) Debts which the subsidiary has made effort to follow up, but could not collect the payment and it has already written them off in accordance with tax law.
- (2) Debts which the subsidiary has contracted to forgive them.

(b) Doubtful debts are defined as the uncollateralised portion of the debts which meet the following criteria:

- (1) General debtors, a problemed financial institutions debtors, and other debtors having collateral value lower than the debts.
- (2) Installment loans with repayments scheduled no more than 3 months for each installment, which the principal of interest is overdue more than 3 months.
- (3) Installment loans with repayments scheduled no less than 3 months for each installment, unless there is a clear evidence and a high degree of certainty that the full payment is recovered.

(c) Sub-standard debts are defined as the collateralised portion of debts which meet the criteria in (b).

Loans classified as bad debts will be written off when identified. Allowance for doubtful accounts will be set aside not less than 100 percentages for loans classified as doubtful. Such debt classifications and provisions are made in accordance with Notification No. Kor.Thor. 33/2543 dated 25 August 2000 which is updated by Notification No. Kor. Thor 5/2554 dated 15 February 2011 of the Office of the Securities and Exchange Commission.

4.10 Recognition and derecognition of customers' assets

Cash received from customers on their cash balance accounts, credit balance accounts and derivatives trading accounts are recorded as assets and liabilities of the subsidiary for internal control purposes. At the end of the reporting period, the subsidiary excludes these amounts from its both assets and liabilities and presents only assets which belongs to the subsidiary.

4.11 Receivables from/payables to Clearing House

Receivables from/payables to Clearing House comprise the net balance receivables from/payables to Thailand Clearing House ("TCH") in respect of securities trading and derivative trading, and also include amounts pledged with Thailand Clearing House as securities for derivatives trading.

4.12 Investment properties

Investment properties are measured initially at cost, including transaction cost. 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.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the assets is recognised in profit or loss in the year when the asset is derecognised.

4.13 Properties foreclosed

Properties foreclosed is stated at the lower of cost or net realisable value. Net realisable value is determined with reference to the latest appraisal value less estimated selling expenses, adjusted these in accordance with the BoT's guideline and taking into consideration the type and the nature of the assets.

Gain (loss) on disposal of properties foreclosed is recognised as income (expenses) in profit or loss when they are sold. Impairment loss is recognised as expenses in profit or loss.

4.14 Land, premises and equipment/Depreciation

Land is stated at cost less allowance for impairment (if any). Building, leasehold improvement 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 over the following estimated useful lives.

Building	-	20 years
Leasehold improvement	-	3,5 years
Furniture and fixtures	-	5 years
Office equipment	-	3-5 years
Vehicles	-	5 years

Depreciation is recognised as expense in profit or loss from operation.

No depreciation is provided on land and assets under construction.

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

4.15 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 loss (if any).

Intangible assets with finite useful lives are amortised on a systematic basis over their economic useful lives 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 profit or loss.

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

Intangible assets with indefinite useful lives (intangible assets from purchased business) are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite useful lives of the intangible assets is reviewed annually.

4.16 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 profit or loss.

4.17 Securities and derivatives business payables

Securities and derivatives business payables are the obligations of the subsidiary in respect of its securities and derivatives business with outside parties, such as the net payable balances of cash accounts.

4.18 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 plans

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 plans

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 or by their management based on actuarial techniques, using the Projected Unit Credit Method.

Actuarial gain or loss arising from the defined benefit plan is recognised in other comprehensive income.

4.19 Income tax

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

(a) Current tax

Current tax is 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.

(b) Deferred tax

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognised deferred tax liabilities for all taxable temporary differences while they recognised 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 tax directly to equity if the taxes relate to items that are recorded directly to equity.

4.20 Long-term leases

When the subsidiaries entered into the contracts 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.

4.21 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 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.

4.22 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 exercises 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 long-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, accrued interest receivables and securities and derivatives business receivables are intended to adjust the value of loans to customers for probable credit loss. The management follows the BoT's guidelines and the Office of the Securities and Exchange Commission regarding the provision of allowance for doubtful debts, including the use of judgment to estimate loss 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 estimate of the useful lives and residual value of premises and equipment and to review estimate useful lives and residual value 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

The initial recognition measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the assets 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 those 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 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 risks and rewards of those assets and liabilities have been transferred, base on their best knowledge of current events and arrangements.

5.8 Litigation

The subsidiaries have contingent liabilities as a result of claim litigation. The management uses judgment to assess the result of the litigation and believes that no loss with result, therefore no contingent liabilities are recorded at the end of reporting period.

6. Interbank and money market items (assets)

	(Unit: Thousand Baht)					
	Consolidated financial statements					
	2014			2013		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand	1,407,790	-	1,407,790	1,779,002	-	1,779,002
Commercial banks	222,613	-	222,613	438,346	500,000	938,346
Specialised financial institutions	-	-	-	17	-	17
Other financial institutions	2,168,000	9,429,500	11,597,500	4,138,440	200,000	4,338,440
Total domestic items	3,798,403	9,429,500	13,227,903	6,355,805	700,000	7,055,805
Add: Accrued interest receivables	768	4,487	5,255	2,657	-	2,657
Less: Allowance for doubtful debts	(21,680)	(94,295)	(115,975)	(41,384)	(7,000)	(48,384)
Interbank and money market items - net	<u>3,777,491</u>	<u>9,339,692</u>	<u>13,117,183</u>	<u>6,317,078</u>	<u>693,000</u>	<u>7,010,078</u>

(Unit: Thousand Baht)

	Separate financial statements					
	2014			2013		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	1,024,099	-	1,024,099	1,139,380	-	1,139,380
Add: Accrued interest receivables	-	-	-	1,561	-	1,561
Interbank and money market items	1,024,099	-	1,024,099	1,140,941	-	1,140,941

7. Investments

7.1 Classified by investment type

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<u>Trading securities - fair value</u>				
Domestic marketable equity securities	-	26,402	-	26,402
Total trading securities	-	26,402	-	26,402
<u>Available-for-sale investments - fair value</u>				
Government and state enterprise securities	-	2,311,974	-	-
Private sector debt securities	-	326,072	-	-
Domestic marketable equity securities	1,715,373	1,988,673	326,591	327,045
Total available-for-sale investments	1,715,373	4,626,719	326,591	327,045
<u>Held-to-maturity debt securities - cost/amortised cost</u>				
Government and state enterprise securities	15,386,439	16,798,862	-	-
Private sector debt securities	16,613,233	15,009,320	-	-
Total held-to-maturity debt securities ⁽¹⁾	31,999,672	31,808,182	-	-
<u>General investments - cost</u>				
Non-marketable domestic equity securities	13,654	5,365	-	-
Less: Allowance for impairment	(565)	(565)	-	-
General investments - net	13,089	4,800	-	-
Investments - net	33,728,134	36,466,103	326,591	353,447

(1) The fair value of held-to-maturity debt securities as at 31 December 2014 and 2013 totaled Baht 33,520 million and Baht 31,965 million, respectively.

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

(Unit: Thousand Baht)

	Consolidated financial statements							
	2014				2013			
	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
Private sector debt securities	-	-	-	-	-	160,000	170,000	330,000
Less: Allowance for revaluation	-	-	-	-	-	(3,971)	(75,018)	(78,989)
Total available-for-sale investments - net	-	-	-	-	-	359,236	2,278,810	2,638,046
Held-to-maturity debt securities								
Government and state enterprise securities	143,493	8,100,608	7,142,338	15,386,439	1,605,929	7,082,989	8,109,944	16,798,862
Private sector debt securities	675,697	4,217,517	11,720,019	16,613,233	423,668	4,212,001	10,373,651	15,009,320
Total held-to-maturity debt securities	819,190	12,318,125	18,862,357	31,999,672	2,029,597	11,294,990	18,483,595	31,808,182
Total investments in debt securities	819,190	12,318,125	18,862,357	31,999,672	2,029,597	11,654,226	20,762,405	34,446,228

7.3 Other components of equity - Revaluation deficit on investments

As at 31 December 2014 and 2013, revaluation deficit on investments can be summarised as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Revaluation surplus on investments arising from reclassifications				
Debt securities	9,467	75,907	-	-
Total	9,467	75,907	-	-
Revaluation deficit on investments arising from reclassifications				
Debt securities	(9,214)	-	-	-
Total	(9,214)	-	-	-
Revaluation surplus on investments				
Debt securities	-	852	-	-
Equity securities	16,168	21,778	-	-
Total	16,168	22,630	-	-
Revaluation deficit on investments				
Debt securities	-	(79,841)	-	-
Equity securities	(104,807)	(112,302)	(50,505)	(57,082)
Total	(104,807)	(192,143)	(50,505)	(57,082)
Revaluation deficit on investments	(88,386)	(93,606)	(50,505)	(57,082)
Add : Income tax effect	9,465	9,585	-	-
Revaluation deficit on investments - net	(78,921)	(84,021)	(50,505)	(57,082)

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

(Unit: Thousand Baht)

Consolidated financial statements								
2014				2013				
Number of companies	Cost	Fair value	Allowance	Number of companies	Cost	Fair value	Allowance	
			for impairment				for impairment	
General investments								
Companies which								
auditors' report								
indicating going								
concern issues								
1	25	-	25	1	25	-	25	
1	25	-	25	1	25	-	25	

7.5 Reclassification of investment types

During the year ended 31 December 2014, the subsidiary had reclassified its investments in government and state enterprise securities and private sector debt securities from available-for-sale investments to be held-to-maturity debt securities, as approved by the subsidiary's Asset and Liability Committee. The fair value at the reclassification date and the original cost of these securities amounted to Baht 2,279 million and Baht 2,286 million, respectively, and the difference of Baht 7 million was recognised as revaluation deficit on investments in equity part, which will be amortised throughout the remaining period of the debt securities.

7.6 Investments subject to restriction

As at 31 December 2013, the subsidiary placed state enterprise securities totaling Baht 2,967.2 million (face value) as securities against those sold under repurchase agreements (2014: None).

8. Investments in subsidiaries

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

Company's name	(Unit: Thousand Baht)							
	Paid-up capital		Shareholding percentage		Cost		Dividend received for the years ended	
	2014	2013	2014	2013	2014	2013	31 December	
			(Percent)	(Percent)			2014	2013
<u>Subsidiaries directly held by the Company</u>								
Land and Houses Bank Public Company Limited	13,000,000	12,500,000	99.99	99.99	12,999,999	12,499,999	845,000	970,000
Land and Houses Securities Public Company Limited	637,215	-	99.80	-	1,035,992	-	-	-
					<u>14,035,991</u>	<u>12,499,999</u>	<u>845,000</u>	<u>970,000</u>
<u>Subsidiaries indirectly held by the Company (held by its subsidiary)</u>								
Land and Houses Fund Management Company Limited	300,000	300,000	99.99	99.99	257,289 ⁽¹⁾	257,289 ⁽¹⁾	-	-
Land and Houses Advisory Company Limited	20,000	-	99.99	-	6,802 ⁽¹⁾	-	-	-

(1) As these subsidiaries are held by the Company's subsidiaries, the investment cost is shown at the separate financial statements of those subsidiaries.

9. Loans to customers and accrued interest receivables

9.1 Classified by loan types

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2014	2013
Overdrafts	4,400,744	4,216,542
Loans	87,678,312	78,755,509
Bills	21,146,041	18,505,549
Hire purchase	2,576,459	2,491,731
Securities and derivatives business receivables	113,655	-
Total loans to customers	115,915,211	103,969,331
Less: Deferred revenue	(281,516)	(320,236)
Loans to customers net of deferred revenue	115,633,695	103,649,095
Add: Accrued interest receivables	239,810	206,153
Total loans to customers and accrued interest receivables	115,873,505	103,855,248
Less: Allowance for doubtful debts	(2,137,826)	(1,422,298)
Revaluation allowance for debt restructuring	(7,547)	(11,184)
Loans to customers and accrued interest receivables - net	<u>113,728,132</u>	<u>102,421,766</u>

9.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	Consolidated financial statements					
	2014			2013		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	115,633,695	-	115,633,695	103,649,095	-	103,649,095
Loans to customers net of deferred revenue	115,633,695	-	115,633,695	103,649,095	-	103,649,095

9.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

	Consolidated financial statements					
	2014					
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	420,881	-	-	-	-	420,881
Manufacturing and commerce	22,123,253	328,598	90,280	54,463	313,019	22,909,613
Real estate and construction	14,161,535	708,244	186,622	46,763	127,440	15,230,604
Public utilities and services	26,633,942	490,953	46,562	9,779	102,291	27,283,527
Housing loans	28,727,918	421,153	161,329	422,376	739,476	30,472,252
Financial intermediation	16,932,134	-	-	-	-	16,932,134
Others	2,148,531	17,797	22,706	37,175	158,475	2,384,684
Loans to customers net of deferred revenue	111,148,194	1,966,745	507,499	570,556	1,440,701	115,633,695

(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

9.4 Classified by loan classification

- (a) Banking business - As at 31 December 2014 and 2013, the Bank (the subsidiary) has loan classification and provision, as stipulated by BoT as follows:

(Unit: Thousand Baht)

Consolidated financial statements				
2014				
	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful account ⁽¹⁾	Minimum provisioning rates	Allowance for doubtful account
			(Percent)	
Provision at BoT's minimum required rates				
Pass	111,326,701	40,684,405	1	406,844
Special-mention	1,983,907	124,755	2	2,495
Sub-standard	507,499	87,312	100	87,312
Doubtful	570,556	140,544	100	140,544
Doubtful of loss	1,371,006	617,646	100	617,646
Total	<u>115,759,669</u>	<u>41,654,662</u>		<u>1,254,841</u>
Additional provision for specific debtors				380,000
General provision				433,290
Total				<u>2,068,131</u>

- (1) For loans classified as pass and special-mention, net amount used for setting the allowance for doubtful account means principal balance excluding accrued interest receivables and net of collateral. For loans classified as sub-standard, doubtful and doubtful of loss, it means the 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.

During the year ended 31 December 2014, the subsidiary has changed its accounting estimation on setting aside allowance for doubtful account for hire purchase receivables, whereas formerly collateral value was not considered in determining provisions, collateral value is now considered. This change resulted in a Baht 53 million decrease in allowance for doubtful account for the current year.

(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 for doubtful account
			(Percent)	
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	<u>103,855,248</u>	<u>35,730,744</u>		<u>1,104,173</u>
General provision				<u>318,125</u>
Total				<u>1,422,298</u>

(1) For loans classified as pass and special-mention, net amount used for setting the allowance for doubtful account means principal balance excluding accrued interest receivables and net of collateral. For loans classified as sub-standard, doubtful and doubtful of loss, it means the 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 was not included in consideration.

(b) Securities business - As at 31 December 2014, the subsidiary, which engages in securities business, has classified securities business receivables and accrued interest receivables in accordance with the Notification of the SEC regarding accounting for non-performing debts of securities company, as follows:

(Unit: Thousand Baht)			
Consolidated financial statements			
	Debt balances	Allowance for doubtful debts	Debt balances after allowance for doubtful debts
Pass	44,140	-	44,140
Sub-standard	-	-	-
Doubtful of loss	69,695	69,695	-
Total	<u>113,835</u>	<u>69,695</u>	<u>44,140</u>

In addition, as at 31 December 2014, that subsidiary also has cash account securities business receivables amounting to Baht 16 million. These receivables are presented as part of other assets in the consolidated financial statements, and classified as "pass" in compliance with the SEC's regulations.

9.5 Non-performing loans

As at 31 December 2014 and 2013, the subsidiaries have the following non-performing loans:

	Consolidated financial statements	
	2014	2013
Non-performing loans (Thousand Baht)		
Banking business	2,449,061	1,980,136
Securities business	69,695	-
Total	2,518,756	1,980,136
Percentage of non-performing loans to total loans ⁽¹⁾	1.98%	1.83%

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

Non-performing loans calculated based on the Notification of BoT and SEC. Those include 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 criteria.

9.6 Non-accrued loans to customers

As at 31 December 2014 and 2013, the subsidiaries have the following loans to customers on which interest income recognition has been ceased on an accrual basis:

	Consolidated financial statements	
	2014	2013
Non-accrued loans (Thousand Baht)		
Banking business	2,525,798	2,071,411
Securities business	69,695	-
Total	2,595,493	2,071,411
Percentage of non-accrued loans to total loans ⁽¹⁾	2.04%	1.91%

(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 2014 and 2013, the subsidiaries have 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				
2014				
	Number of debtors	Debt balances	Collateral value	Allowance for doubtful debts/ Revaluation allowance
Companies and persons which have problems in repayments of debts or defaulted payments	725	4,502,663	3,445,549	923,487

(Unit: Thousand Baht)

Consolidated financial statements				
2013				
	Number of debtors	Debt balances	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

The subsidiaries have 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 delisting criteria. However, the subsidiaries have taken into accounts the guidelines of the BoT and SEC in classification and provision for doubtful accounts.

9.8 Troubled debt restructuring

For the years ended 31 December 2014 and 2013, the subsidiary had completed restructuring of troubled debts. Summary are as follows:

(Unit: Thousand Baht)			
Consolidated financial statements			
2014			
Debt balances (principal and accrued interest receivables)			
Number of debtors	Before restructuring	After restructuring	Loss on debt restructuring ⁽¹⁾
Modification of terms of payments	87	1,386,431	620
Total restructured debts	87	1,386,431	620

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

(Unit: Thousand Baht)			
Consolidated financial statements			
2013			
Debt balances (principal and accrued interest receivables)			
Number of debtors	Before restructuring	After restructuring	Loss on debt restructuring ⁽¹⁾
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 accounts already provided in the accounts on the restructuring date

For the years ended 31 December 2014 and 2013, the debts restructured referred above can be classified by the term of repayment under the restructuring agreements as follows:

(Unit: Thousand Baht)				
Consolidated financial statements				
Term of repayment under restructuring agreements	2014		2013	
	Number of debtors	Debt balances	Number of debtors	Debt balances
		after restructuring		after restructuring
Less than 5 years	8	425,910	4	606,983
5 - 10 years	31	483,867	32	566,890
10 - 15 years	7	333,245	7	253,610
More than 15 years	41	143,409	30	111,700
Total	87	1,386,431	73	1,539,183

Supplemental information for the years ended 31 December 2014 and 2013, relating to the restructured debts, are as follows:

(Unit: Thousand Baht)		
Consolidated financial statements		
	2014	2013
Interest income recognised in statements of comprehensive income	165,515	101,005
Cash settlement by debtors	418,313	293,151
Loss on debt restructuring	620	4,656

As at 31 December 2014 and 2013, troubled debts which the subsidiaries have completed restructuring can be summarised as follows:

(Unit: Thousand Baht)				
	Total debts		Restructured debts	
	Number of debtors	Debt balances	Number of debtors	Debt balances
		(principal and interest)		(principal and interest)
2014	12,195	115,873,505	425	3,252,507
2013	12,098	103,855,248	380	2,767,081

As at 31 December 2014 and 2013, the subsidiary had no outstanding commitments to provide additional loans facilities after restructuring.

9.9 Hire purchase receivables

As at 31 December 2014 and 2013, the subsidiary has hire purchase receivables which the terms of the agreements are generally between 2 and 8 years and they carry interest at fixed rates stipulated in the agreements.

(Unit: Thousand Baht)

Consolidated financial statements				
2014				
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	843,538	1,643,152	89,769	2,576,459
Less: Deferred revenue	(124,484)	(143,247)	(4,083)	(271,814)
Present value of minimum lease payments	719,054	1,499,905	85,686	2,304,645
Less: Allowance for doubtful debts				(15,989)
Hire purchase receivables - net				2,288,656

(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

10. Allowance for doubtful debts

(Unit: Thousand Baht)

	Consolidated financial statements							
	2014							
	Provision at BoT's minimum required rates					Additional provision for specific debtors	General provision	Total
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss			
Balances - beginning of the year	348,079	3,404	138,080	228,364	386,246	-	318,125	1,422,298
Increase (decrease) during the year	58,765	(909)	(50,768)	(87,820)	231,400	380,000	111,528	642,196
Allowance for doubtful debts of the subsidiary purchased during the year	-	-	-	-	69,695	-	-	69,695
Transferred from revaluation allowance for debt restructuring	-	-	-	-	-	-	3,637	3,637
Balances - end of the year	406,844	2,495	87,312	140,544	687,341	380,000	433,290	2,137,826

(Unit: Thousand Baht)

	Consolidated financial statements							
	2013							
	Provision at BoT's minimum required rates					Additional provision		
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	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
Increase (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	348,079	3,404	138,080	228,364	386,246	-	318,125	1,422,298

In addition to the provision setting up in accordance with the BoT's minimum rates, for prudent reasons, the subsidiary has set aside additional allowance for performing loans for which there are indications of impairment (Possible Impaired Loans), and for contingent loss on current loans as a result of cyclical economic instability (Current Loans), in compliance with BoT's guidelines on setting aside additional allowance, which the financial institutions were asked to cooperate. In July 2014, BoT issued the letter to the subsidiary in order to set aside additional allowance for those loans, referring to the outstanding loans balances as at 30 June 2013. As at 31 December 2014, the subsidiary has fully set up those allowance.

11. Revaluation allowance for debt restructuring

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2014	2013
Balances - beginning of the year	11,184	14,932
Increase during the year	620	4,511
Decrease during the year	(4,257)	(8,259)
Balances - end of the year	7,547	11,184

12. Investment properties

The net book value of investment properties as at 31 December 2014 and 2013 is presented below.

(Unit: Thousand Baht)

	Separated financial statements		
	Office building		Total
	Land	for rent	
Cost			
1 January 2013	35,358	2,642	38,000
31 December 2013	35,358	2,642	38,000
31 December 2014	35,358	2,642	38,000
Accumulated depreciation			
1 January 2013	-	222	222
Depreciation charged for the year	-	132	132
31 December 2013	-	354	354
Depreciation charged for the year	-	132	132
31 December 2014	-	486	486
Net book value			
31 December 2013	35,358	2,288	37,646
31 December 2014	35,358	2,156	37,514
Depreciation for the years ended			
2013			132
2014			132
Fair value			
31 December 2013	36,641	3,329	
31 December 2014	36,641	3,189	

The fair value 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.

2014	145,612
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As at 31 December 2014 and 2013, the subsidiaries have certain leasehold improvement, equipment and vehicles which have been fully depreciated but are still in use. The original cost before deducting accumulated depreciation of those assets amounted to Baht 275 million and Baht 263 million, respectively.

15. Intangible assets

(Unit: Thousand Baht)

	Consolidated financial statements				
	Computer software	Deferred license fee	Intangible assets from purchased business	Computer software under development	Total
Cost					
1 January 2013	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
Additions	48,441	-	80,041	12,600	141,082
Transferred in (out)	1,179	-	-	(1,179)	-
31 December 2014	477,413	28,273	80,041	35,758	621,485
Accumulated amortisation					
1 January 2013	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
Amortisation charged for the year	55,882	2,801	-	-	58,683
31 December 2014	319,253	10,782	-	-	330,035
Net book value					
31 December 2013	164,422	20,292	-	24,337	209,051
31 December 2014	158,160	17,491	80,041	35,758	291,450
Amortisation for the years ended					
2013					57,168
2014					58,683
Remaining amortisation period (years)	0 - 5	3, 6	-	-	

As at 31 December 2014 and 2013, 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 180 million and Baht 158 million, respectively.

16. Deferred tax assets and income tax

16.1 Deferred tax assets

The components of deferred tax assets are as follows:

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		Change in deferred tax assets reported in profit or loss for the years ended 31 December	
		2014	2013
Deferred tax assets			
Allowance for doubtful debts - general provision	85,658	63,625	22,033
Allowance for doubtful debts - other assets	5,693	5,651	42
Allowance for impairment of investments	2,640	-	-
Non-accrued interest income	6,469	5,602	867
Amortisation of assets	5,148	9,513	(4,365)
Bad debt written-off	11,671	12,252	(581)
Provisions for employee benefits	13,549	11,288	2,261
Discount on revaluation of notes receivable	-	2	(2)
Vacation leave accruals	2,524	2,524	-
Unused tax loss	2,375	7,409	(5,152)
Unrealised loss on change in value of available-for-sale investments	9,465	9,585	
Deferred tax assets	145,192	127,451	15,103
			58,218

As at 31 December 2014, the Company and certain subsidiaries have not recognised tax-deductible temporary differences and unused tax loss totaling Baht 158 million (the Company only: Baht 130 million) to be deferred tax assets since the Company and those subsidiaries believe that they are not probable that future taxable profit will be available to allow the deferred tax assets to be utilised (2013: Consolidated and separated financial statements of the Company amounted to Baht 109 million).

16.2 Income tax

Income tax recognised in profit or loss for the years ended 31 December 2014 and 2013 are as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2014	2013
Current income tax:		
Corporate income tax for the year	305,361	265,183
Deferred tax:		
Relating to origination and reversal of temporary differences	(15,103)	(58,218)
Income tax recognised in profit or loss	290,258	206,965

The amounts of income tax relating to (gain) loss on change in value of available-for-sale investments and actuarial loss on post - employment retirement benefit plan recognised in other comprehensive income for the years ended 31 December 2014 and 2013 are summarised below:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2014	2013
Deferred tax relating to (gain) loss on change in value of available-for-sale investments	(120)	75,826
Deferred tax relating to actuarial loss on post - employment retirement benefit plan	-	1,544
Income tax recognised in other comprehensive income	(120)	77,370

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2014 and 2013 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Accounting profit before tax	1,491,645	1,100,366	830,275	948,379
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by the applicable tax rate	466,767	415,102	166,055	189,676
Effects of:				
Tax-exempted revenue	(182,783)	(199,244)	(172,014)	(195,313)
Promotional privileges expenses	(2,747)	(2,306)	(193)	(257)
Non-deductible expenses	1,138	811	29	23
Unused tax loss for the year which are not recognise as deferred tax assets	9,122	5,871	6,123	5,871
Reversal of unused deferred tax assets	119	-	-	-
Others	(1,358)	(13,269)	-	-
Income tax expenses recognised in profit or loss	290,258	206,965	-	-

17. Other assets

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Deferred expenses	94,025	124,100	-	-
Deposits and guarantees	69,441	59,061	1	1
Receivables from disposal of properties foreclosed	54,693	6,186	-	-
Suspense accounts - debtors	27,918	29,557	-	-
Prepaid expenses	26,868	17,052	1,510	1,482
Clearing fund	25,259	-	-	-
Revenue receivables	16,839	14,150	-	-
Securities business receivables - cash account	16,334	-	-	-
Token money	14,381	14,120	-	-
Receivables from Clearing House	7,775	-	-	-
Accounts receivable - Revenue Department	6,312	33,677	-	-
Withholding income tax awaiting refund	6,039	3,039	-	-
Security deposits	5,091	-	-	-
Others	10,216	12,285	-	1,698
Total	381,191	313,227	1,511	3,181
Less: Allowance for doubtful accounts/ impairment	(26,519)	(26,409)	-	-
Other assets - net	354,672	286,818	1,511	3,181

18. Classification of assets

As at 31 December 2014 and 2013, the subsidiary which engages in banking business, has assets which are categorised in compliance with the regulations of the BoT as follows:

(Unit: Thousand Baht)

	Consolidated financial statements				
	2014				
	Interbank and money market items and accrued interest receivables	Investments	Loans and accrued interest receivables	Other assets	Total
<u>Classification of assets</u>					
Pass	11,602,752	-	111,326,701	-	122,929,453
Special-mention	-	-	1,983,907	-	1,983,907
Sub-standard	-	-	507,499	-	507,499
Doubtful	-	-	570,556	-	570,556
Doubtful of loss	-	36,031	1,371,006	26,109	1,433,146
Total	11,602,752	36,031	115,759,669	26,109	127,424,561

(Unit: Thousand Baht)

	Consolidated financial statements				
	2013				
	Interbank and money market items 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	-	117,378	1,014,708	25,895	1,157,981
Total	4,841,096	117,378	103,855,248	25,895	108,839,617

19. Deposits

19.1 Classified by type of deposits

(Unit: Thousand Baht)

	Consolidated financial statements	
	2014	2013
Demand deposits	5,034,067	3,869,928
Savings deposits	49,628,940	26,769,659
Time deposits	30,684,678	35,409,875
Fixed deposit receipt	37,284,217	42,756,015
Total deposits	122,631,902	108,805,477

19.2 Classified by currency and residency of depositors

(Unit: Thousand Baht)

	Consolidated financial statements					
	2014			2013		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	122,631,902	-	122,631,902	108,805,477	-	108,805,477
Total	122,631,902	-	122,631,902	108,805,477	-	108,805,477

20. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements					
	2014			2013		
	At call	Term	Total	At call	Term	Total
Domestic:						
Bank of Thailand	-	6,169,344	6,169,344	-	6,960,070	6,960,070
Commercial banks	9	3,001,000	3,001,009	1,500,011	1,450,000	2,950,011
Specialised financial institutions	-	3,570,050	3,570,050	300,000	4,970,050	5,270,050
Other financial institutions	4,543,745	5,887,013	10,430,758	2,893,395	5,439,931	8,333,326
Total interbank and money market items	4,543,754	18,627,407	23,171,161	4,693,406	18,820,051	23,513,457

(Unit: Thousand Baht)

	Separate financial statements					
	2014			2013		
	At call	Term	Total	At call	Term	Total
Domestic:						
Commercial banks	-	500,000	500,000	-	-	-
Total interbank and money market items	-	500,000	500,000	-	-	-

21. Debts issued and borrowings

As at 31 December 2014 and 2013, the subsidiary has borrowings in the form of bills of exchange, which can be summarised as follows:

(Unit: Thousand Baht)						
Consolidated financial statements						
Issued to	2014			2013		
	Due date	Interest rate	Amount	Due date	Interest rate	Amount
	Within 1					
Funds	year	2.75%	1,000,000	-	-	-
				Within 1		
Individuals	-	-	-	year	3.50%-3.75%	3,198
Total			1,000,000			3,198

22. Provisions for employee benefits

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

(Unit: Thousand Baht)		
Consolidated financial statements		
For the years ended 31 December		
	2014	2013
Defined benefit obligations - beginning of the year	56,439	39,287
Current service cost	12,336	9,958
Interest cost	2,252	1,799
Actuarial loss	-	7,722
Benefits paid during the year	(2,715)	(2,327)
Balances - end of the year	68,312	56,439

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

(Unit: Thousand Baht)		
Consolidated financial statements		
For the years ended 31 December		
	2014	2013
Current service cost	12,336	9,958
Interest cost	2,252	1,799
Total employee benefit expenses	14,588	11,757

Principal actuarial assumptions at the valuation date are as follows:

	Consolidated financial statements	
	2014	2013
	(% per annum)	(% per annum)
Future salary incremental rates	4, 5	5
Turnover rates	0 - 25	0 - 25
Discount rates	3.8, 4.02, 5	3.8, 5

The amounts of defined benefit obligations for the current year and the past three years are as follows:

	(Unit: Thousand Baht)
	Defined benefit obligations
	Consolidated financial statements
Year 2014	68,312
Year 2013	56,439
Year 2012	39,287
Year 2011	33,004

23. Accounts payable on purchase/sale of securities

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Accounts payable on purchase of securities	-	6,605	-	5,955
Subscriptions of investment units received in advance	10,673	17,692	-	-
	10,673	24,297	-	5,955

24. Other liabilities

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Suspense accounts - creditors	165,160	117,822	267	4
Securities business payable	14,352	-	-	-
Accounts payable for acquisition of equipment and intangible assets	3,373	17,478	-	-
Deposits	6,693	6,549	300	300
Provision for decommissioning cost	5,669	-	-	-
Payable to Clearing House	9,996	-	-	-
Others	5,396	2,286	6	-
Total	210,639	144,135	573	304

25. Share capital / Share premium

25.1 Increase/decrease in share capital

On 22 April 2013, the Annual General Meeting of the Company's shareholders passed the following resolutions:

- (a) Approved the right offering of new 407,122,411 shares at a par value of Baht 1 each, totaling 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.
- (b) Approved a decrease in the Company's 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.
- (c) 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.

On 21 April 2014, the Annual General Meeting of the Company's shareholders passed the following resolutions:

- (a) Approved a right offering of new 423,993,555 shares at 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 for a price of Baht 1 per share.

- (b) Approved a decrease in the Company's registered share capital from Baht 13,375,273,610 to Baht 12,775,273,610, by cancelling 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.
- (c) 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 and the conversion of Warrant#1 and Warrant#2 from the adjustment on the exercise prices and ratios.

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.

On 6 June 2014, the Company received payment of the additional share capital derived from offer of 423,993,555 new shares amounting to Baht 423,993,555. It also incurred financial advisory fee amounting to Baht 963,000 (presented net of share premium). The Company registered the increase in its issued and paid-up share capital with the Ministry of Commerce on 9 June 2014.

Moreover, during the year ended 31 December 2014, the holders of Warrant#1 and Warrant#2 exercised their rights to convert warrants of the Company into 59,202,499 ordinary shares. The Company received payment of Baht 59,202,499 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

	Consolidated and separate financial statements			
	For the years ended 31 December			
	2014		2013	
	Number of shares	Baht	Number of shares	Baht
<u>Registered share capital</u>				
Ordinary share capital at beginning of the year	13,375,273,610	13,375,273,610	12,399,982,813	12,399,982,813
Add: Increase in the registered share capital during the year	424,326,286	424,326,286	1,161,601,284	1,161,601,284
Less: Decrease in the registered share capital during the year	(600,000,000)	(600,000,000)	(186,310,487)	(186,310,487)
Ordinary share capital at end of the year	<u>13,199,599,896</u>	<u>13,199,599,896</u>	<u>13,375,273,610</u>	<u>13,375,273,610</u>
<u>Issued and fully paid-up share capital</u>				
Ordinary share capital at beginning of the year	12,715,550,962	12,715,550,962	11,978,911,286	11,978,911,286
Add: Issuance of ordinary shares as a result of warrant exercises				
- exercise ratio: 1:1.0333	-	-	234,761,040	234,761,040
- exercise ratio: 1:1.0437	4,255,684	4,255,684	94,756,225	94,756,225
- exercise ratio: 1:1.0500	54,946,815	54,946,815	-	-
Issue of additional ordinary shares	<u>423,993,555</u>	<u>423,993,555</u>	<u>407,122,411</u>	<u>407,122,411</u>
Ordinary share capital at end of the year	<u>13,198,747,016</u>	<u>13,198,747,016</u>	<u>12,715,550,962</u>	<u>12,715,550,962</u>

26. Warrants

On 18 September 2009, the Extraordinary General Meeting of the Company's shareholders No. 2/2552 passed resolutions approving the issuance of 93,006,000 warrants. The details of each series of the warrants to be issued by the Company are summarised below.

The first series of warrants

On 1 December 2009, the Company issued the 69,750,000 units of the first series of warrants ("Warrant#1" or "W1") to the private placement, directors and employees of Land and Houses Bank Public Company Limited. At present, 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	:	On the 30 th of January, April, July and October and last exercise date is on 30 November 2014.
Restriction on exercise	:	Warrant holders can exercise the warrant base on holding period, and at present all warrant 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 employees of Land and Houses Bank Public Company Limited. At present, 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	:	On the 30 th of January, April, July and October and last exercise date is on 30 November 2014.
Restriction on exercise	:	Warrant holders can exercise the warrant base on holding period, and at present all warrant 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 Company had continuously adjusted exercise prices and ratios, and on 21 April 2014, the Annual General Meeting of the Company's shareholders passed the resolution to acknowledge the adjustments on the exercise prices and ratios of Warrant#1 and Warrant#2, detail of exercise price and ratio are as following:

Exercise price	:	Baht 1 per share
Exercise ratio	:	1 warrant to 1.0500 ordinary shares

Movements in the number of units of warrants for the years ended 31 December 2014 and 2013 are as follows:

	(Unit: units)		
	Separate financial statements		
	For the year ended 31 December 2014		
	Warrant#1	Warrant#2	Total
Number of units of warrants at beginning of the year	53,180,200	3,711,600	56,891,800
Less: Warrant exercises			
- Exercise ratio 1:1.0437	(4,044,700)	(32,800)	(4,077,500)
- Exercise ratio 1:1.0500	(49,000,500)	(3,329,800)	(52,330,300)
Employee resigned during the year	-	(349,000)	(349,000)
Expire warrants	(135,000)	-	(135,000)
Number of units of warrants at end of the year	-	-	-
	(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

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 22 April 2013, the Annual General Meeting of the Company's shareholders passed resolutions approving dividend payments from the operating results for the year ended 31 December 2012, and from 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.

On 21 April 2014, the Annual General Meeting of the Company's shareholders passed resolutions approving dividend payments from the operating results for the year ended 31 December 2013, at a rate of Baht 0.0333 per share, totaling Baht 424 million. The Company paid the dividend on 14 May 2014.

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.

As at 31 December 2014 and 2013, capital funds of the subsidiary, which operates in banking business, calculated under Basel III consist of the following:

	(Unit: Thousand Baht)	
	2014	2013
<u>Common Equity Tier 1 capital fund</u>		
Issued and fully paid up share capital	13,000,000	12,500,000
Statutory reserve	266,200	196,200
Retained earnings after appropriation	814,305	622,168
Revaluation deficit on investments in available-for-sale debt securities and equity securities	(14,461)	(10,862)
Less: Deferred tax assets	(133,436)	(100,566)
Less: Intangible assets	(36,788)	-
Total Common Equity Tier 1 capital fund	13,895,820	13,206,940
Total Tier 1 capital fund	13,895,820	13,206,940
<u>Tier 2 capital fund</u>		
Reserve for assets classified as "Pass" and general reserve	1,336,109	714,588
Total Tier 2 capital fund	1,336,109	714,588
Total capital funds	15,231,929	13,921,528

	(Unit: Percentage)			
	2014		2013	
	Minimum		Minimum	
	Rates required		Rates required	
	LH Bank	by law	LH Bank	by law
The ratio of common equity Tier 1 capital fund to risk assets	11.32	4.50	12.69	4.50
The ratio of Tier 1 capital fund to risk assets	11.32	6.00	12.69	6.00
The ratio of total capital fund to risk assets	12.41	8.50	13.38	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 2013 through the Company’s website at www.lhfg.co.th on 30 April 2014. Moreover, the Company will disclose capital adequacy and capital risk exposure information as of 31 December 2014 through the Company’s website within April 2015.

30. Interest income

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Interbank and money market items	298,849	137,910	6,880	7,136
Investments in debt securities	1,476,577	1,322,600	-	-
Loans to customers	5,544,033	4,957,377	-	-
Hire purchase	135,619	99,500	-	-
Total interest income	7,455,078	6,517,387	6,880	7,136

31. Interest expenses

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Deposits	3,169,650	2,809,572	-	-
Interbank and money market items	314,647	417,593	28,132	1,564
Debts issued and borrowings	1,121	6,128	-	-
Contributions to the Deposit Protection Agency and the Bank of Thailand	587,732	486,170	-	-
Total interest expenses	4,073,150	3,719,463	28,132	1,564

32. Fees and service income

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Fees and service income				
Acceptances, avals and guarantees	40,577	42,014	-	-
Commission income	92,998	87,956	-	-
Others	163,182	169,160	-	-
Total fees and service income	296,757	299,130	-	-
Fees and service expenses				
Fees and charges	41,691	27,718	-	-
Others	38,844	22,467	7,801	7,979
Total fees and service expenses	80,535	50,185	7,801	7,979
Net fees and service income	216,222	248,945	(7,801)	(7,979)

33. Gain (loss) on investments

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Gain (loss) on investments				
- Available-for-sale investments	46,179	210,387	3,209	(1,645)
- Held-to-maturity debt securities	445,240	-	-	-
	<u>491,419</u>	<u>210,387</u>	<u>3,209</u>	<u>(1,645)</u>

During the year ended 31 December 2014, the subsidiary disposed Baht 11,544 million of held-to-maturity debt securities, at amortised cost, in accordance with a resolution approved by the Board of Directors of the subsidiary. There was a realised gain of Baht 445 million.

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 debts, doubtful accounts and impairment loss

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2014	2013
Bad debts and doubtful accounts		
Loans to customers ⁽¹⁾	642,196	504,542
Interbank and money market items	67,591	15,626
Other assets	213	5,832
Total bad debts, doubtful accounts and impairment loss	<u>710,000</u>	<u>526,000</u>

(1) Net of loss on debt restructuring

36. Components of other comprehensive income

Components of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
a) Gain (loss) on change in value of available-for-sale investments				
Unrealised gain (loss) during the year	7,456	(390,360)	6,577	(57,082)
Realised gain (loss) that included in profit or loss from operation				
- Realised on sales of investments	45,926	(76,194)	-	-
- Realised on sales of investments in debt securities from reclassification	(64,646)	(109,971)	-	-
Gain from reclassified investments	20,951	149,414	-	-
Amortisation of revaluation surplus on the reclassified investments	(4,467)	(9,873)	-	-
Gain (loss) on change in value of available-for-sale investments	5,220	(436,984)	6,577	(57,082)
Income tax effect	(120)	75,826	-	-
Gain (loss) on change in value of available-for-sale investments - net of income tax	5,100	(361,158)	6,577	(57,082)
b) Actuarial loss on post-employment retirement benefit plan				
Actuarial loss	-	(7,722)	-	-
Income tax effect	-	1,544	-	-
Actuarial loss on post-employment retirement benefit plan - net of income tax	-	(6,178)	-	-
Other comprehensive income for the years (loss)	5,100	(367,336)	6,577	(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 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, 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 year		Weighted average number of ordinary shares		Earnings per share		
2014	2013	2014	2013	2014	2013	
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	1,201,387	893,401	13,041,754	12,730,958	0.0921	0.0702
Effect of dilutive potential ordinary shares						
Warrants	-	-	8,198	36,233		
Diluted earnings per share						
Profit for the year attributable to equity holders assuming the conversion of warrants to ordinary shares	<u>1,201,387</u>	<u>893,401</u>	<u>13,049,952</u>	<u>12,767,191</u>	0.0921	0.0700

	Separate financial statements					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2014	2013	2014	2013	2014	2013
	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	830,275	948,379	13,041,754	12,730,958	0.0637	0.0745
Effect of dilutive potential ordinary shares						
Warrants	-	-	8,198	36,233		
Diluted earnings per share						
Profit for the year attributable to equity holders assuming the conversion of warrants to ordinary shares	<u>830,275</u>	<u>948,379</u>	<u>13,049,952</u>	<u>12,767,191</u>	0.0636	0.0743

38. Provident fund

The 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 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. During the year ended 31 December 2014, the subsidiaries contributed Baht 26.7 million to the provident funds (2013: Baht 21.9 million).

39. Commitments and contingent liabilities

39.1 Commitments

	(Unit: Thousand Baht)					
	Consolidated financial statements					
	2014			2013		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	246,713	-	246,713	548,375	-	548,375
Guarantee - others	2,518,296	-	2,518,296	2,276,282	-	2,276,282
Undrawn bank overdrafts	4,523,311	-	4,523,311	3,585,243	-	3,585,243
Total	<u>7,288,320</u>	<u>-</u>	<u>7,288,320</u>	<u>6,409,900</u>	<u>-</u>	<u>6,409,900</u>

39.2 Commitments under long-term lease agreements

As at 31 December 2014 and 2013, the subsidiaries entered into a number of long-term lease and service agreements for building, equipment and motor vehicle. 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	
	2014	2013
Payable:		
In up to 1 year	328	222
In over 1 and up to 5 years	350	202
In over 5 years	30	4

As at 31 December 2014, the above commitments of the subsidiaries included commitments totaling Baht 243 million under lease and related service agreements entered into with their related parties.

The subsidiaries entered into various consultancy services agreements relating to software development and installation services. As at 31 December 2014, the subsidiaries are obligated to pay a further Baht 10 million. In addition, the subsidiary has executed agreement committing 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 years. The agreements remain in effect until terminated by the subsidiary or either counterparty breaches conditions stipulated in the agreements.

In addition, another subsidiary has executed agreements committing to pay annual fee for permission to use computer programs at Baht 3.1 million per annum for five years and annual maintenance charge at Baht 2.9 million per annum, except for the first year will be payable in pro-rata basis calculated from the starting date.

39.3 Employee Joint Investment Program (EJIP) for employees

On 21 October 2013, 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 employee's basic salary. Subsidiary's contribution at 5 percent of the employees' basic salary.
Execution	Every month
Conditions for holding the securities	During the first to third year, employees cannot sell any shares. End of the third year, employees can sell 25% of accumulated shares. End of the fourth year, employees can sell 50% of accumulated shares. End of the fifth year, employees can sell all shares.

Upon resignation from the program, under any circumstances, employees could sell all of the shares immediately.

The Employee Joint Investment Program was approved by the Office of the Securities and Exchange Commission on 7 January 2014. During the year 2014, the subsidiary made proportionate contributions to program members and recognised these contributions as employee expenses.

39.4 Commitments from purchasing subsidiary

The Company entered into an agreement to purchase the shares of CIMB Securities International (Thailand) Public Company Limited ("CIMBI") from CIMB Securities International Pte. Ltd. and other shareholders in the group in January 2014. The Company has an obligation under the share purchase agreement to pay in the future a benefit that is equal to 50% of the benefit received by CIMBI for the return of its membership in the event of demutualization of the Stock Exchange of Thailand ("SET"). The method of calculating the benefit under different scenarios is stipulated in the agreement, including the payment period.

39.5 Litigation

As at 31 December 2014, the subsidiaries have contingent liabilities from sued for damage of totaling Baht 38 million. Final judgments have not yet been reached in respect of these cases. However, the management of the subsidiaries has exercised judgment to assess the outcome of the litigation and is confident that the subsidiaries 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 as follows:

- 1.1 Land and Houses Bank Public Company Limited
- 1.2 Land and Houses Securities Public Company Limited
- 1.3 Land and Houses Fund Management Company Limited
- 1.4 Land and Houses Advisory Company Limited

2. Any persons or companies who holds more than 10 percent of shares in the Company ("the major shareholders") are as follows:

2.1 Land and Houses Public Company Limited

2.2 Quality Houses Public Company Limited

2.3 Ms. Piengjai Harnpanich

3. Related companies

- 3.1 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:

- The Confidence Company Limited
- QH Management Company Limited
- QH International Company Limited
- LH Asset Company Limited
- L&H Property Company Limited
- Atlantic Real Estate Company Limited
- Casa Ville Company Limited
- Casa Ville (Rayong 2553) Company Limited
- Casa Ville (Petchburi 2553) Company Limited
- Casa Ville (Chonburi 2554) Company Limited
- Casa Ville (Prajubkirikhan 2554) Company Limited
- LH Real Estate Company Limited
- Pacific Real Estate Company Limited
- Property Host Company Limited
- Gusto Village Company Limited
- Q. House Precast Company Limited
- Land and Houses Northeast Company Limited
- L&H Hotel Management Company Limited
- L&H Retail Management Company Limited
- Centre Point Hospitality Company Limited
- Siamtanee Property Company Limited
- Siamtanee Real Estate Company Limited

- 3.2 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:

- Home Product Center Public Company Limited
- Asia Asset Advisory Company Limited
- Quality Construction Products Public Company Limited
- Land and Houses Property and Loan Fund - II

- Quality Houses Leasehold Property Fund
- Quality Houses Hotel and Residence Freehold and Leasehold Property Fund
- L&H Management Company Limited
- Mega Home Center Company Limited
- Market Village Company Limited

3.3 The companies which are related through the Company and the subsidiaries' management, and have transactions with the Company and its subsidiaries, consist of:

- Siam Retail Development Company Limited
- Thai Packaging & Printing Public Company Limited
- Pico (Thailand) Public Company Limited
- Banpu Public Company Limited
- DC Service Center Company Limited
- Buriram Sugar Public Company Limited

3.4 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:

- Industry Housing Company Limited
- Mayland Company Limited
- A.A. Property Company Limited
- Northern Real Estate Company Limited
- B.C. Real Estate Company Limited
- Prachachuen Real Estate Company Limited
- Surasaya Company Limited
- Attachat Company Limited
- Land and Houses Real Estate Company Limited
- Dahra Company Limited
- Pathumthani Real Estate Company Limited
- A&P Associate Company Limited
- Autumnland Company Limited
- Land and Houses Freehold and Leasehold Property Fund
- Mandarin Hotel Public Company Limited
- Kaewjaojom Company Limited

3.5 The companies which are controlled by the Company and subsidiaries' related persons, and have transactions with the Company and its subsidiaries, consist of:

- Pornpol Subcharearn Company Limited
- A.A. Property (Chiang Mai) Company Limited
- AP (Thailand) Public Company Limited

4. Directors and executives who are the Company's directors, president, vice president, first executive vice president, heads of department and assistant heads of department.
5. Related persons who are the directors of the subsidiaries, the directors of the major shareholders of the Company (shareholders as stated in No. 2 above) and persons with close relationship with related persons and directors and executives.

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		Separate financial statements		Pricing policy
	2014	2013	2014	2013	
Interest income					
The Company's subsidiary	-	-	6,873	7,103	The same rates that a subsidiary paid to general depositors
Related companies	120,786	53,618	-	-	As specified in prospectus
Directors and executives	390	306	-	-	The same rates that a subsidiary charged to general customers
Related persons	2,454	2,738	-	-	The same rates that a subsidiary charged to general customers
	<u>123,630</u>	<u>56,662</u>	<u>6,873</u>	<u>7,103</u>	
Fees and service income					
Related companies	37,562	38,038	-	-	At the percentage of net asset value of the fund
	<u>37,562</u>	<u>38,038</u>	<u>-</u>	<u>-</u>	

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	2014	2013	2014	2013	
Dividend income					
The Company's subsidiary	-	-	845,000	970,000	As announced by the subsidiary
Related companies	11,376	11,101	-	-	As announced by the fund
	<u>11,376</u>	<u>11,101</u>	<u>845,000</u>	<u>970,000</u>	
Office rental income					
The Company's subsidiary	-	-	1,220	1,200	As specified in the agreements
	<u>-</u>	<u>-</u>	<u>1,220</u>	<u>1,200</u>	
Interest expenses					
The major shareholders	35,409	22,942	-	-	The same rates that a subsidiary paid to general depositors
The Company's subsidiary	-	-	28,131	-	The same rates that a subsidiary charged to general customers and as specified in the agreements
Related companies	35,127	35,838	-	-	The same rates that a subsidiary paid to general depositors
Directors and executives	8,222	11,312	-	-	The same rates that a subsidiary paid to general depositors
Related persons	13,619	10,431	-	-	The same rates that a subsidiary paid to general depositors
	<u>92,377</u>	<u>80,523</u>	<u>28,131</u>	<u>-</u>	
Rental and service expenses					
The major shareholders	17,788	3,902	-	-	As specified in the agreements
Related companies	77,704	85,542	-	-	As specified in the agreements
	<u>95,492</u>	<u>89,444</u>	<u>-</u>	<u>-</u>	
Fees and service expenses					
The Company's subsidiary	-	-	76	80	The same rates that a subsidiary charged to general customers
	<u>-</u>	<u>-</u>	<u>76</u>	<u>80</u>	
Purchases of assets -					
Vehicle					
The major shareholders	2,900	-	-	-	At market value
	<u>2,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	

40.2 The outstanding balances as at financial position dates

As at 31 December 2014 and 2013, the outstanding balances of significant transactions between the Company, its subsidiaries and their related parties can be summarised as follows:

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		2014	2013
Investments - cost			
<u>Related companies/persons</u>			
Private sector debt securities - Banpu Public Company Limited		2,850,000	1,400,000
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
		<u>3,233,662</u>	<u>1,783,662</u>
Accrued interest receivables on investments			
<u>Related companies/persons</u>			
Banpu Public Company Limited		67,441	25,790
AP (Thailand) Public Company Limited		3,039	2,358
		<u>70,480</u>	<u>28,148</u>
Loans to customers			
<u>Related companies/persons</u>			
Directors and executives		15,513	11,401
Related persons		34,455	49,647
		<u>49,968</u>	<u>61,048</u>
Accrued interest receivables on loans to customers			
<u>Related companies/persons</u>			
Directors and executives		17	6
Related persons		42	96
		<u>59</u>	<u>102</u>
Other assets			
<u>The major shareholders</u>			
Quality Houses Public Company Limited		6,319	2,065
<u>Related companies/persons</u>			
Quality Houses Leasehold Property Fund		17,467	14,764
Other related companies		11,200	11,304
		<u>34,986</u>	<u>28,133</u>

(Unit: Thousand Baht)		
Consolidated financial statements		
	2014	2013
Deposits		
<u>The major shareholders</u>		
Land and Houses Public Company Limited	2,855,781	502,220
Quality Houses Public Company Limited	380,499	365,372
Ms. Piengjai Harnpanich	13,281	61,701
<u>Related companies/persons</u>		
The Confidence Company Limited	69,395	167,229
QH International Company Limited	54,770	42,013
LH Asset Company Limited	82,986	18,502
L&H Property Company Limited	97,675	39,845
Atlantic Real Estate Company Limited	5,352	46,408
Casa Ville Company Limited	169,081	287,833
Gusto Village Company Limited	196,597	199,553
Centre Point Hospitality Company Limited	30,207	34,719
Home Product Center Public Company Limited	1,929,232	67,021
Asia Asset Advisory Company Limited	33,432	37,406
Land and Houses Property and Loan Fund - II	75,252	73,235
Quality Houses Leasehold Property Fund	181,356	55,451
Thai Packing & Printing Public Company Limited	62,809	14,182
Pico (Thailand) Public Company Limited	341	140,337
Industry Housing Company Limited	102,400	58,235
Mayland Company Limited	73,688	96,474
Pathumthani Real Estate Company Limited	67,142	62,287
A&P Associate Company Limited	41,255	33,308
Land and Houses Freehold and Leasehold Property Fund	38,015	36,709
Kaewjaojom Company Limited	33,109	-
Other related companies	217,431	172,074
Directors and executives	304,740	890,611
Related persons	714,538	470,493
	<u>7,830,364</u>	<u>3,973,218</u>

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2014	2013
Liabilities payable on demand		
<u>The major shareholders</u>		
Land and Houses Public Company Limited	39,491	5,624
Quality Houses Public Company Limited	-	2,612
<u>Related companies/persons</u>		
Related companies	5,589	7,306
	45,080	15,542
Accrued interest payables		
<u>The major shareholders</u>		
Land and Houses Public Company Limited	6,781	62
Ms. Piengjai Harnpanich	79	156
<u>Related companies/persons</u>		
Related companies	5,394	3,150
Directors and executives	225	2,686
Related persons	2,340	2,561
	14,819	8,615
Other liabilities		
<u>The major shareholders</u>		
Quality Houses Public Company Limited	210	1,364
<u>Related companies/persons</u>		
Related companies	1,154	674
Directors and executives	-	4
	1,364	2,042
Commitments - Bank guarantee		
<u>Related companies/persons</u>		
Quality Houses Leasehold Property Fund	21,186	21,186
	21,186	21,186

		(Unit: Thousand Baht)	
		Separate financial statements	
		2014	2013
Interbank and money market items (assets)			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		1,024,099	1,132,949
		<u>1,024,099</u>	<u>1,132,949</u>
Interbank and money market items (liabilities)			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		500,000	-
		<u>500,000</u>	<u>-</u>
Accrued interest from interbank and money market items (liabilities)			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		48	-
		<u>48</u>	<u>-</u>
Other liabilities			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		300	300
		<u>300</u>	<u>300</u>

40.3 Movements of related party transactions

The movements of related party loans to customers, deposits, interbank and money market items (assets), and interbank and money market items (liabilities) for the year ended 31 December 2014 are as follows:

		(Unit: Thousand Baht)		
		Consolidated financial statements		
		For the year ended 31 December 2014		
	Beginning balance	Increase	Decrease	Ending balance
Loans to customers				
<u>Related companies/persons</u>				
Directors and executives	11,401	5,710	(1,598)	15,513
Related persons	49,647	55,522	(70,714)	34,455
	<u>61,048</u>	<u>61,232</u>	<u>(72,312)</u>	<u>49,968</u>

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the year ended 31 December 2014			
	Beginning balance	Increase	Decrease	Ending balance
Deposits				
<u>The major shareholders</u>				
Land and Houses Public Company Limited	502,220	79,247,898	(76,894,337)	2,855,781
Quality Houses Public Company Limited	365,372	75,437,448	(75,422,321)	380,499
Ms. Piengjai Harnpanich	61,701	44,414	(92,834)	13,281
<u>Related companies/persons</u>				
The Confidence Company Limited	167,229	6,259,741	(6,357,575)	69,395
QH International Company Limited	42,013	349,219	(336,462)	54,770
LH Asset Company Limited	18,502	960,706	(896,222)	82,986
L&H Property Company Limited	39,845	1,952,111	(1,894,281)	97,675
Atlantic Real Estate Company Limited	46,408	332,236	(373,292)	5,352
Casa Ville Company Limited	287,833	24,950,708	(25,069,460)	169,081
Gusto Village Company Limited	199,553	5,491,603	(5,494,559)	196,597
Centre Point Hospitality Company Limited	34,719	642,950	(647,462)	30,207
Home Product Center Public Company Limited	67,021	67,295,594	(65,433,383)	1,929,232
Asia Asset Advisory Company Limited	37,406	294,469	(298,443)	33,432
Land and Houses Property and Loan Fund - II	73,235	225,695	(223,678)	75,252
Quality Houses Leasehold Property Fund	55,451	984,176	(858,271)	181,356
Thai Packaging & Printing Public Company Limited	14,182	195,275	(146,648)	62,809
Pico (Thailand) Public Company Limited	140,337	1,012,474	(1,152,470)	341
Industry Housing Company Limited	58,235	118,797	(74,632)	102,400
Mayland Company Limited	96,474	2,195,175	(2,217,961)	73,688
Pathumthani Real Estate Company Limited	62,287	173,000	(168,145)	67,142
A&P Associate Company Limited	33,308	124,128	(116,181)	41,255
Land and Houses Freehold and Leasehold Property Fund	36,709	271,383	(270,077)	38,015
Kaewjaojom Company Limited	-	35,121	(2,012)	33,109
Other related companies	172,074	12,092,508	(12,047,151)	217,431
Directors and executives	890,611	5,121,378	(5,707,249)	304,740
Related persons	470,493	2,359,400	(2,115,355)	714,538
	<u>3,973,218</u>	<u>288,167,607</u>	<u>(284,310,461)</u>	<u>7,830,364</u>

(Unit: Thousand Baht)				
Separate financial statements				
For the year ended 31 December 2014				
	Beginning balance	Increase	Decrease	Ending balance
Interbank and money market items (assets,				
<u>The Company's subsidiary</u>				
Land and Houses Bank Public				
Company Limited	1,132,949	5,374,237	(5,483,087)	1,024,099
	<u>1,132,949</u>	<u>5,374,237</u>	<u>(5,483,087)</u>	<u>1,024,099</u>
Interbank and money market items				
(liabilities)				
<u>The Company's subsidiary</u>				
Land and Houses Bank Public				
Company Limited	-	1,000,000	(500,000)	500,000
	<u>-</u>	<u>1,000,000</u>	<u>(500,000)</u>	<u>500,000</u>

40.4 Directors and executives' compensation

During the years ended 31 December 2014 and 2013, compensation paid to directors and executives of the Company and its subsidiaries, recognised in determining profit or loss from operation, was classified as follows.

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Short-term employee benefits	92.43	73.04	8.37	7.86
Post-employment benefits	6.19	5.87	-	-

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 segments

The Company and its subsidiaries have four principal operating segments: investment holding business, banking, fund management business and other businesses (including securities business and advisory business) and they operate their businesses in Thailand. For management purposes of the banking business, the executive board of directors of the subsidiary 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 executive board of directors monitor the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. The Company 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 2014								
	Investment holding business	Banking business			Total	Fund management business	Other businesses	Eliminations	Total
		Lending		Other segments					
		Housing and retail	Other loans						
Interest income from external customers	7	1,534,091	4,442,768	1,477,887	7,454,746	2	323	-	7,455,078
Inter-segment interest income	6,873	-	26,260	-	26,260	203	20,253	(53,589)	-
Net interest income	(21,252)				3,382,454	205	20,521	-	3,381,928
Net fees and service income (loss)	(7,801)				155,679	70,767	(1,573)	(850)	216,222
Gain on trading and foreign exchange transactions	668				536	-	2	-	1,206
Gain on investments	3,209				485,591	1,135	16	1,468	491,419
Dividend income	866,888				100,535	8,393	870	(845,000)	131,686
Other operating income	1,220				23,043	144	1,048	(1,226)	24,229
Other operating expenses	(12,657)				(1,949,505)	(51,318)	(33,229)	1,664	(2,045,045)
Bad debts, doubtful accounts and impairment loss	-				(710,000)	-	-	-	(710,000)
Income tax	-				(285,196)	(4,943)	(119)	-	(290,258)
Profit for the year	830,275				1,203,137	24,383	(12,464)	(843,944)	1,201,387

(Unit: Thousand Baht)

For the year ended 31 December 2013

	Banking business							
	Investment	Lending				Fund		
	holding	Housing		Other		management		
	business	and retail	Other loans	segments	Total	business	Eliminations	Total
Interest income from external customers	33	1,551,681	3,642,586	1,323,016	6,517,283	71	-	6,517,387
Inter-segment interest income	7,103	-	-	-	-	487	(7,590)	-
Net interest income	5,572				2,791,794	558	-	2,797,924
Net fees and service income (loss)	(7,979)				198,454	59,873	(1,403)	248,945
Loss on trading transactions	(32,257)				-	-	1,457	(30,800)
Gain (loss) on investments	(1,645)				217,780	345	(6,093)	210,387
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	(11,792)				(1,636,483)	(41,972)	2,093	(1,688,154)
Bad debts, doubtful accounts and impairment loss	-				(526,000)	-	-	(526,000)
Income tax	-				(215,304)	(4,930)	13,269	(206,965)
Profit for the year	948,379				884,748	22,151	(961,877)	893,401

(Unit: Thousand Baht)

31 December 2014

	Banking business								
	Investment holding business	Lending		Other segments	Total	Fund management business	Other businesses	Eliminations	Total
		Housing and retail	Other loans						
Loans to customers/ interbank and money market items	-	31,766,860	95,850,680	-	127,617,540	-	113,655	(500,000)	127,231,195
Cash	4				2,503,960	4	5	-	2,503,973
Interbank and money market items - net	1,024,099				13,083,091	48,767	779,077	(1,817,851)	13,117,183
Investments - net	326,591				33,180,414	198,313	22,816	-	33,728,134
Investments in subsidiaries	14,035,991				257,289	-	6,802	(14,300,082)	-
Loans to customers and accrued interest receivables - net	-				114,184,040	-	44,141	(500,049)	113,728,132
Other assets	39,025				1,609,385	40,276	128,750	75,448	1,892,884
Total assets	15,425,710				164,818,179	287,360	981,591	(16,542,534)	164,970,306
Deposits	-				123,661,962	-	-	(1,030,060)	122,631,902
Interbank and money market items	500,000				23,956,609	-	-	(1,285,448)	23,171,161
Other liabilities	1,508				2,835,426	18,295	28,897	(3,238)	2,880,888
Total liabilities	501,508				150,453,997	18,295	28,897	(2,318,746)	148,683,951

(Unit: Thousand Baht)

	31 December 2013							
	Investment holding business	Banking business				Fund management business	Eliminations	Total
		Lending		Other segments	Total			
		Housing and retail	Other loans					
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	(1,161,245)	7,010,078
Investments - net	353,447				35,925,526	187,130	-	36,466,103
Investments in subsidiaries	12,499,999				257,289	-	(12,757,288)	-
Loans to customers and accrued interest receivables - net	-				102,421,766	-	-	102,421,766
Other assets	40,827				1,391,323	43,315	(999)	1,474,466
Total assets	14,035,217				148,716,779	266,249	(13,919,532)	149,098,713
Deposits	-				109,948,054	-	(1,142,577)	108,805,477
Interbank and money market items	-				23,530,564	-	(17,107)	23,513,457
Other liabilities	6,531				1,731,184	22,978	(2,118)	1,758,575
Total liabilities	6,531				135,209,802	22,978	(1,161,802)	134,077,509

The Company and its subsidiaries operate 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 2014 and 2013, 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, investments in subsidiaries, loans to customers, accounts receivable on sale of securities, deposits, liabilities payable on demand, debts issued and borrowings, accounts payable on purchase of securities, and securities business payable.

Risk management policies are mainly focus on the banking business, its subsidiary. The Bank policies are made for risk management and control at the appropriate levels. These policies are annually reviewed for reflecting of the risk from environment change, and the risk from internal and external factors as follows.

42.1 Credit risk

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

Credit risk is recognised as highly significant to financial institutions, especially which associated with credit transactions, which are the core transactions of the subsidiary, which engages in banking business, 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, avals or other actions with similar characteristics.

The subsidiary manages 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 factors that are relevant to a borrower and the borrower/counterparty's business, and external factors that may adversely impact the revenues and the operations of the borrower/counterparty. It also monitors changes in credit quality and historical payment trends, which help provide the picture of asset quality and credit risk. 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 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 tools 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 has developed a process of monitoring counterparties' credit risk, so that it is aware of the current size and level of risk associated with its borrowers. Financial reviews and customer visits are required

to be carried out at least annually, and the value and liquidity of collateral is appraised, the status of borrowers and their compliance with conditions are reported 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, which engages in banking business, 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, as at 31 December 2014, the Company and its subsidiaries have no commodity transaction. During the year 2014, the subsidiary has Thai Baht currency exchange services with both of buying and selling services. The subsidiary has determined foreign currency position at the end of day not more than amount permission by BoT, the currency risk is therefore at insignificant level.

Therefore market risk consists of only 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 value of financial instruments, or fluctuations in income or the value of financial assets and liabilities. Interest rate risk is a consequence of the structure and the nature of the items in assets, liabilities, and equity, and mismatches between the maturities and the repricing terms of assets and liabilities.

Most of the Company and its subsidiaries' assets consist of deposit at financial institutions, loans to customers and investments in debt securities, and their liabilities mainly consist of deposits and loans from financial institutions. These key items may be affected by interest rate fluctuations, and whenever such fluctuations occur the Company and its subsidiaries are exposed to the risk that is income, expense and/or economic value (equity value) may be affected, since the main risk related to transactions and balances of the subsidiary. The subsidiary therefore needs to manage interest rate risk in its banking books in order to mitigate the impact.

Interest rate risk in its banking books adversely affects the income or capital adequacy of the subsidiary as fluctuations in interest rates impact all rate-sensitive assets, liabilities and commitments. The cause is maturity mismatch and repricing 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 are as follows:

(1) Repricing Risk

This arises due to mismatches between the maturities of assets and liabilities, or when interest rate reset dates are not matched.

(2) Basis Risk

This arises because change of reference interest rates of assets and liabilities are not matched.

The subsidiary has developed interest rate risk measurement tools to evaluate interest rate risk in the banking books. The subsidiary sets 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 by simulating an interest rate crisis, using simulations provided by the BoT and/or appropriate simulations it has established itself, the results of the test are reported to the Risk Committee on quarterly basis.

As at 31 December 2014 and 2013, financial assets and liabilities, classified by types of interest rate, are as follows:

Descriptions	(Unit: Thousand Baht)			
	Consolidated financial statements			
	2014			
	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial Assets</u>				
Cash	-	-	2,503,973	2,503,973
Interbank and money market items	24,639	11,597,500	1,605,764	13,227,903
Investments	-	31,999,672	1,729,027	33,728,699
Loans to customers ⁽¹⁾	59,262,196	54,126,589	2,526,426	115,915,211
Accounts receivable on sale of securities	-	-	159,604	159,604
<u>Financial Liabilities</u>				
Deposits	52,984,422	69,510,369	137,111	122,631,902
Interbank and money market items	1,041,854	22,110,407	18,900	23,171,161
Liabilities payable on demand	-	-	109,952	109,952
Debts issued and borrowings	-	1,000,000	-	1,000,000
Securities business payable	-	-	14,352	14,352

- (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)

Consolidated financial statements				
2013				
Descriptions	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
<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
Accounts payable on purchase of securities	-	-	6,605	6,605

(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)

Separate financial statements				
2014				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial Assets</u>				
Cash	-	-	4	4
Interbank and money market items	1,024,099	-	-	1,024,099
Investments	-	-	326,591	326,591
Investments in subsidiaries	-	-	14,035,991	14,035,991
<u>Financial Liabilities</u>				
Interbank and money market items	-	500,000	-	500,000

(Unit: Thousand Baht)

Separate financial statements				
2013				
Descriptions	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>				
Accounts payable on purchase of securities	-	-	5,955	5,955

The remaining periods counting from 31 December 2014 and 2013 to the repricing dates or maturity dates (whichever are sooner) of financial instruments carrying interest at fixed rates are as follow:

(Unit: Thousand Baht)

Descriptions	Consolidated financial statements						
	2014						
	Remaining periods to repricing dates or maturity dates						
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
Financial Assets							
Interbank and money market items	2,888,000	4,650,000	4,020,000	39,500	-	11,597,500	2.55 - 5.00
Investments	-	338,394	480,796	12,318,125	18,862,357	31,999,672	2.80 - 5.79
Loans to customers	1,636,346	18,996,584	11,105,377	22,053,642	334,640	54,126,589	3.00 - 6.75
Financial Liabilities							
Deposits	3,898,287	27,825,483	35,206,968	2,579,631	-	69,510,369	1.60 - 3.50
Interbank and money market items	3,483,000	10,300,478	2,153,555	6,173,374	-	22,110,407	0.01 ⁽¹⁾ - 2.40
Debts issued and borrowings	-	-	1,000,000	-	-	1,000,000	2.75

(1) It is the interest rate charged on the balance of Baht 6,169 million obtained for financial assistance to debtors affected by the floods in 2011.

(Unit: Thousand Baht)

Descriptions	Consolidated financial statements						
	2013						
	Remaining periods to repricing dates or maturity dates						
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
Financial Assets							
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
Financial Liabilities							
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)

Separate financial statements							
2014							
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 rates (% p.a.)
Financial Liabilities							
Interbank and money market items	-	500,000	-	-	-	500,000	3.50

(Unit: Thousand Baht)

Separate financial statements							
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 rates (% p.a.)
Financial Assets							
Interbank and money market items	240,433	-	-	-	-	240,433	2.25

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 year, and the average interest rate for the years ended 31 December 2014 and 2013 can be summarised as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
2014			2013			
Average balances	Interest income/ expenses	Average rate (% per annum)	Average balances	Interest income/ expenses	Average rate (% per annum)	
Performing financial assets						
Interbank and money market items	6,595,021	298,849	4.53	3,028,952	137,910	4.55
Investments in debt securities	34,791,489	1,476,577	4.24	31,432,895	1,322,600	4.21
Loans to customers	105,892,458	5,679,652	5.36	94,000,454	5,056,877	5.38
Performing financial liabilities						
Deposits	114,542,540	3,711,376	3.24	94,600,159	3,229,636	3.41
Interbank and money market items	20,169,558	360,473	1.79	15,809,923	482,644	3.05
Debts issued and borrowings	40,179	1,301	3.24	183,958	7,183	3.90

(Unit: Thousand Baht)						
Separate financial statements						
2014			2013			
Average	Interest	Average	Average	Interest	Average	
balances	income/	rate	balances	income/	rate	
	expenses	(% per		expenses	(% per	
		annum)			annum)	
<u>Performing financial assets</u>						
Interbank and money market items	751,026	6,880	0.92	501,818	7,136	1.42
<u>Performing financial liabilities</u>						
Interbank and money market items	770,521	28,132	3.65	45,205	1,564	3.46

(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 their financial assets and/or procure sufficient funds to discharge their obligations in a timely manner, resulting in the Company and its subsidiaries incurring a financial loss.

The Company and its subsidiaries manage their liquidity risk by performing through liquidity gap analysis, especially for the Bank, a subsidiary. The Bank's analysis has two components, a Contractual Liquidity Gap report and a Behavior Liquidity Gap report, that analyse the net liquidity at each point in time and consider the cash flow adequacy over the next year. Moreover, the subsidiary assesses liquidity risk based on the accumulated outstanding net liquidity by maturity, adjusted to reflect depositor behaviour, in order to maintain liquidity risk at the appropriate levels stipulated by the subsidiary.

In addition, the subsidiary monitors its liquidity ratio and liquidity cushion to contractual liquidity gap: at call ratio, as well as setting trigger points for monitoring its liquidity risk levels, which enables 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 which covered the effect of liquidity management. The Risk Management Department were responsible for carrying out the study and reporting the results to Asset and Liability Committee, 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 2014 and 2013 are as follows:

(Unit: Thousand Baht)						
Consolidated financial statements						
Descriptions	2014					
	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
<u>Financial Assets</u>						
Cash	2,503,973	-	-	-	-	2,503,973
Interbank and money market items	4,518,403	4,650,000	4,020,000	39,500	-	13,227,903
Investments	-	338,394	480,796	31,180,482	1,729,027	33,728,699
Loans to customers ⁽¹⁾	8,514,335	19,271,289	14,633,216	73,382,716	113,655	115,915,211
Accounts receivable on sale of securities	-	159,604	-	-	-	159,604
<u>Financial Liabilities</u>						
Deposits	54,663,007	28,273,728	35,960,741	3,734,426	-	122,631,902
Interbank and money market items	4,543,754	10,300,478	2,153,555	6,173,374	-	23,171,161
Liabilities payable on demand	109,952	-	-	-	-	109,952
Debts issued and borrowings	-	-	1,000,000	-	-	1,000,000
Securities business payable	-	-	-	-	14,352	14,352

(1) Loans to customers mature at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)						
Consolidated financial statements						
Descriptions	2013					
	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
<u>Financial Assets</u>						
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 ⁽¹⁾	8,072,637	15,063,071	12,104,303	68,729,320	-	103,969,331
<u>Financial Liabilities</u>						
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
Accounts payable on purchase of securities	-	6,605	-	-	-	6,605

(1) Loans to customers mature at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)						
Separate financial statements						
2014						
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
Financial Assets						
Cash	4	-	-	-	-	4
Interbank and money market items	1,024,099	-	-	-	-	1,024,099
Investments	-	-	-	-	326,591	326,591
Investments in subsidiaries	-	-	-	-	14,035,991	14,035,991
Financial Liabilities						
Interbank and money market items	-	500,000	-	-	-	500,000

(Unit: Thousand Baht)						
Separate financial statements						
2013						
Descriptions	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
Investments in subsidiaries	-	-	-	-	12,499,999	12,499,999
Financial Liabilities						
Accounts payable on purchase of securities	-	5,955	-	-	-	5,955

Moreover, as at 31 December 2014 and 2013, 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						
	2014			2013		
	No more than 1 year	Over 1 year	Total	No more than 1 year	Over 1 year	Total
Avals to bills	183,883	62,830	246,713	548,375	-	548,375
Other guarantees	2,240,719 ⁽¹⁾	277,577	2,518,296	1,983,985 ⁽¹⁾	292,297	2,276,282
Undrawn bank overdrafts	4,523,311	-	4,523,311	3,585,243	-	3,585,243

(1) As at 31 December 2014 and 2013, these amount included contracts with no maturity date amounting to Baht 826 million and Baht 972 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 value 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 and accounts receivable on sale of securities, 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 is determined from the quoted market price. For investments in subsidiaries, the fair value is determined at the book value.

(b) Financial liabilities

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

As at 31 December 2014 and 2013, the book value and fair value of financial instruments of the Company and its subsidiaries are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements			
	2014		2013	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	2,503,973	2,503,973	1,726,300	1,726,300
Interbank and money market items - net	13,117,183	13,117,183	7,010,078	7,010,078
Investments - net	33,728,134	35,248,260	36,466,103	36,623,100
Loans to customers and accrued interest receivables - net	113,728,132	113,728,132	102,421,766	102,421,766
Accounts receivable on sale of securities	159,604	159,604	-	-
<u>Financial liabilities</u>				
Deposits	122,631,902	122,631,902	108,805,477	108,805,477
Interbank and money market items	23,171,161	23,171,161	23,513,457	23,513,457
Liabilities payable on demand	109,952	109,952	214,561	214,561
Debts issued and borrowings	1,000,000	1,000,000	3,198	3,198
Accounts payable on purchase of securities	-	-	6,605	6,605
Securities business payable	14,352	14,352	-	-

(Unit: Thousand Baht)				
	Separate financial statements			
	2014		2013	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	4	4	3	3
Interbank and money market items - net	1,024,099	1,024,099	1,140,941	1,140,941
Investments - net	326,591	326,591	353,447	353,447
Investments in subsidiaries	14,035,991	14,035,991	12,499,999	12,499,999
<u>Financial liabilities</u>				
Interbank and money market items	500,000	500,000	-	-
Accounts payable on purchase of securities	-	-	5,955	5,955

43. Significant events after the reporting period

43.1 Increase and decrease in share capital

On 23 February 2015, the Board of Director's meeting of the Company passed a resolution to propose to the Annual General Meeting of shareholders for the following:

1. Approved the decreasing in the Company's registered share capital the amount of Baht 852,880 by excluding of the non-offering registered shares of the registered capital of Baht 13,199,599,896 to Baht 13,198,747,016.
2. Approved the increasing in the Company's registered capital the amount of Baht 439,958,234 from the registered capital of Baht 13,198,747,016 to Baht 13,638,705,250 to support the stock dividend.

43.2 The dividend payments of the Company

On 23 February 2015, the Board of Director's Meeting of the Company passed resolutions to propose to the Annual General Meeting of shareholders to approve the dividend payments for the year from its operating results for the year ended 31 December 2014 by paying a stock dividend to shareholders at 1 dividend share for every 30 shares held, totaling not to exceed 439,958,234 shares with a par value of Baht 1 each, or totaled Baht 439,958,234, which is equivalent to a dividend payment of Baht 0.0333 per share. The Company also pays cash dividend payment of Baht 0.0037 per share, or not exceeding Baht 48.9 million. Totaling the dividend payment at Baht 0.037 per share.

43.3 The offering of subordinated debentures of the subsidiary

On 2 February 2015, the Extraordinary General Meeting of Shareholders passed resolutions to offer subordinated debentures that are to be counted as Tier 2 Capital, and to assign subsidiary's Board of Directors or person delegated by the Board of Directors to set term, duration and value of debenture offering. Subsequently, on 23 February 2015, a meeting of the subsidiary's Board of Director passed resolutions to approve the offering of subordinated debentures No. 1/2558 which are to be counted as Tier 2 Capital. The term of debentures is 10 years and the maximum value of debentures offering is Baht 4,000 million. The debentures offering has to be approved by the BoT and the Office of the Securities and Exchange Commission.

44. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 23 February 2015.

Share registrar	: Thailand Securities Depository Co., Ltd.
Address	: 62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110
Tel	: 0-2229-2800
Fax	: 0-2654-5427
Website	: www.tsd.co.th
Auditor	: EY 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, 33 rd 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 Advisor	: 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 Bangkae Branch	0-2454-9204-6
	Q House Asoke Branch	0-2204-2515-7
	The Mall Bangkapi Branch	0-2363-3489-91
	The Old Siam Branch	0-2223-9866-8
	HomePro Petchgasem Branch	0-2444-3045-7
	Maboonklong Center Branch	0-2686-3930,0-2415-3737,0-2415-3313
	Big C Rama 2 Branch	0-2415-3737,0-2415-3313,0-2415-5423, 0-2415-7236
	Home Pro Ekamai-Ramindra 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
	Khlongthorn 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
	Pratunam Branch	0-2208-0860-2,0-2656-3162
	Q House Sathorn Branch	0-2286-2646-7,0-2105-3994
	Seacon Square Branch	0-2138-6180-2,0-2721-9246
	Thanon Chan Branch	0-2212-8639-40,0-2212-8634,0-2673-0453

AREA	BRANCH	TELEPHONE
BANGKOK (CON.)	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
	Talat 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 Pinklao 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 Nakorn) Branch	0-2437-0038-40,0-2108-9040
	Banglamphu Branch	0-2282-4712-4,0-2629-4162
	The Paseo Town Branch	0-2111-3007-9
Boundary	Samutsakhon Branch	034-870737-9,034-870741,034-810877
	Big C Rattana Thibet 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
	Nakhonpathom 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
	Tesco Lotus Srinakarin Branch	0-2175-7712-4,02-105-3995

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 Branch	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 (Chiang Mai) Branch	053-014124-5,053-014282-3,053-014154, 053-014285,053-852027
	HomePro Chiangrai Branch	053-604430-1,052-029835
	Chiangrai Branch	053-717873-5
	HomePro Lampang Branch	054-811481-82
NORTH EAST	Khonkaen Branch	043-235244,043-235258,043-235260, 043-245364,043-245366,043-245415
	Udonthani Branch	042-230280-2,042-230284,042-23028
	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 Loei 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
	HomePro Khao Yai Branch	044-313324-5,044-328033
	HomePro Surin Branch	044-519902-3
	HomePro Nakhonratchasima (Huathalae) Branch	044-920530-31
	Central Udonthani Branch	042-136155-7,042-343341

AREA	BRANCH	TELEPHONE
EAST	HomePro Chonburi Branch	038-387924-6
	Sri 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
	Home Pro Prachinburi Branch	037-482338-9,037-629755
	Home Pro Chanthaburi Branch	039-418112-3,039-609815
	Mega Home Bowin Branch	038-119168-69
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
	HomePro Prachuap Khiri Khan Branch	032-652151-2
SOUTH	Phuket Branch	076-355305-9
	Tesco Lotus Phuket Branch	076-304113-5
	HomePro Phuket (Chalong) Branch	076-384618-9,076-681135
	HomePro Phuket (Thalang) Branch	076-390430-1
	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
	Krabi Branch	075-620292-3,075-620377,075-630027
	Tesco Lotus Samui Branch	077-430628-30,077-256091







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