



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

รายงานประจำปี
2558
2015
Annual Report



SUSTAINABLE GROWTH

LH BANK

LH Fund

LH Securities

LH Advisory



CONTENTS

2

Message from the Chairman

4

Company Profile

6

General Information

8	Financial Highlights	94	Business Sustainability Report	143	Internal Control and Risk Management
10	Board of Directors	101	Good Corporate Governance	146	Related Party Transactions
19	Nature of Business Operation	127	Fair Business Operation	150	The Audit Committee's Report
36	Securities and Shareholders Information	127	Anti-Corruption	151	The Nomination and Remuneration Committee's Report
39	Organization Chart	129	Respect of Human Rights	152	The Board of Directors' Responsibility for Financial Statement's Report
39	Management Structure	129	Fair Treatment of Labor	153	The Independent Auditor's Report
52	Risk Factors	133	Responsibility to the Consumers	154	Financial Statement and Notes to Financial Statements
63	The Executive Directors Committee's Report	135	Cooperation in the Development of Community and Society	253	Reference Information
64	Management Discussion and Analysis	139	Environmental Management	254	Branch Information
92	The Corporate Governance Committee's Report	141	Innovation and Dissemination of Innovative Corporate Social Responsibilities		
93	Message from the President				

MESSAGE FROM THE CHAIRMAN

Mr. Anant Asavabhokhin
Chairman



“In the year 2016,
to support the needs
of our valued customers
in a digital society,
Land and Houses
financial business group
has a great plan to
launch IT renovation”



Overall, Thailand's economy in 2015 slowed down continuously. The private consumption has still not showed a clear sign of recovery due to many influential factors, for example, the farm income remained low, the global commodity prices still did not recover, the high household debt pushed down the household spending. The private investments turned to contraction because the slowdown of economic trends and the confidence in private sector. The export sector drew back throughout the year since the decrease in external demands and infrastructure factors such as the shift of manufacturing base. However, at the end of the year, the government issued an economic stimulus measures such as investment promotion, the stimulation of Public expenditure's infrastructure and farmers administration. These led to the improving of economic conditions. Conversely, the impact of the obstacles mentioned above made the GDP in 2015 remained at a lower level than the forecast.

In the year 2015, the companies within LH financial group PLC expanded their business in various areas. The company performance showed a net profit of Baht 1,652 million, rising by 37.5% compared to the 2014. For the growth of Land and Houses Bank PLC, the bank's total asset were Baht 198,039 million or 20.2% growth from the year 2014, total loans were Baht 149,010 million or 16.8% growth from the year 2014, with a good quality of loan and NPL were 1.89% which considered lower than the average of the total banking system which were 2.55%.

In the year 2016, Land and Houses Bank PLC will develop and improve products and services for customers to satisfy a convenience and quickly services. The bank increased the number of branches from 117 branches in the year 2014 to 126 branches in the year 2015. In addition, the bank enhanced the information technology system as a part of the financial group's services and set a plan to reform its IT to support the digital society by providing the mobile application names "LH Bank M-Choice Application". Customers can use this application to manage the financial transactions quickly and conveniently such as checking balances, transferring money, product and service payment, verifying fund balance, searching for branches and ATM and it also can be used every day at anytime and anywhere.

Land and Houses Fund Management Co., Ltd., have had total assets under management of Baht 49,858 million and had a 1.23% market share, ranked 11th among 20 fund management companies.

Land and Houses Securities PLC, Land and Houses Bank PLC and the Stock Exchange of Thailand (SET) cooperated with each other to expand their marketing by operating the "Banker-to-Broker" program which was set to promote investment via the bank's branches to offer customers and investors for opening an investment account via the bank's branches located over the country conveniently.

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. Thai Institute of Directors (IOD) revealed the result of the Corporate Governance Report Evaluation of Thai Listed Companies for the year 2015, LH Financial Group PLC was rated with "Excellent" Level (5 stars). In addition, In the year 2015, the Thaipat Institute awarded to the LH Financial Group PLC as 1 of the top 100 listed companies that demonstrated the outstanding Environmental, Social and Governance (ESG) performance or the ESG100 lists.

Finally, on behalf of the company, I would like to thank all stakeholders, employees, 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



2009



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.

LH Financial Group Public Company Limited 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.



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.

2011

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.

2014

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	: 10 May 2011
Day in SET	
Head Office	: 1 Q.House Lumpini Building, 5 th Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registered Share	: 13,638,705,250 Baht
Capital	Divided into 13,638,705,250 ordinary shares
Paid-up Share	: 13,638,699,252 Baht
Capital	Divided into 13,638,699,252 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 Email : presidentoffice@lhbank.co.th

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

The Audit Committee	: Mr. Phairoj Hengsakul Chairman of the Audit Committee Telephone 081-990-7448 Email : phairojh@lhbank.co.th Mr. Adul Vinaiphat Member of the Audit Committee Telephone 081-834-0104 Email : adulv@lhbank.co.th Mr. Somsak Asavapokee Member of the Audit Committee Telephone 085-485-4269 Email : somsaka@lhbank.co.th
Auditors	: Miss Ratana Jala Certified Public Accountant (Thailand), No.3734 : Miss Somjai Khunapasut Certified Public Accountant (Thailand), No. 4499 : Miss Rachada Yongsawadvanich Certified Public Accountant (Thailand), No. 4951 : EY Office Limited 193/136-137, 33 rd 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 Business Group : LH Financial Group Public Company Limited

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 : 14,000,000,000 Baht

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

Fax : 0-2677-7223

Website : www.lhbank.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 Securities Public Company Limited

Head Office : 11 Q.House Sathon Building,
M,10 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 Advisory Company Limited

Head Office : 11 Q.House Sathon Building,
10 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

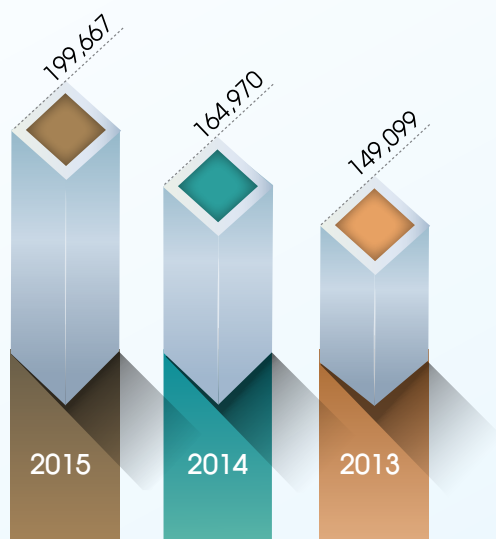
Fax : 0-2286-2681-2

FINANCIAL HIGHLIGHTS

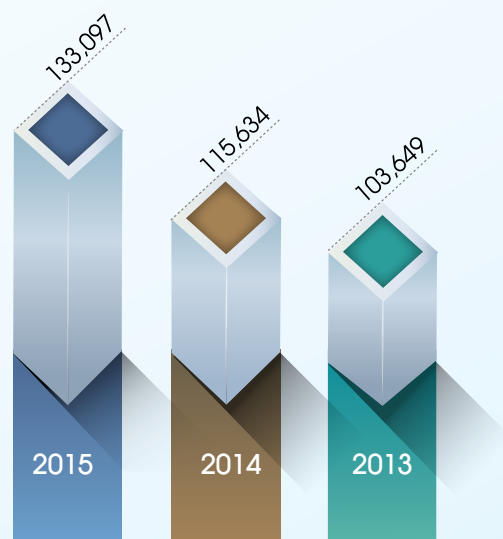
Items	Consolidated Financial Statements		
	2015	2014	2013
Statements of financial position : Million Baht			
Total assets	199,667	164,970	149,099
Loans to customers	133,097	115,634	103,649
Allowance for doubtful accounts	2,564	2,145	1,433
Non-performing loans (Gross NPLs)	2,815	2,519	1,980
Deposits	137,064	122,632	108,805
Debts issued and borrowings	21,664	1,000	3
Total liabilities	181,716	148,684	134,078
Total owners' equity	17,951	16,286	15,021
Registered share capital	13,639	13,200	13,375
Paid-up share capital	13,639	13,199	12,716
Statements of comprehensive income : Million Baht			
Interest income	8,494	7,455	6,517
Interest expenses	(4,128)	(4,073)	(3,719)
Net interest income	4,366	3,382	2,798
Non-interest income	1,177	865	516
Total operating income	5,543	4,247	3,314
Non-interest expenses	(2,400)	(2,045)	(1,688)
Bad debts and doubtful accounts	(1,089)	(710)	(526)
Profit before income tax expenses	2,054	1,492	1,100
Net profit	1,652	1,201	893
Comparing per share : Baht			
Basic earnings per share	0.1211	0.0892	0.0702
Dividend rate per share	0.033	0.0370 ^{/1}	0.0333
Book value per share	1.3162	1.2339	1.1813
Financial Ratio (%)			
Return on average assets (ROA)	0.91	0.77	0.66
Return on average shareholders' equity (ROE)	9.65	7.67	6.12
Non-interest income to total income	21.23	20.36	15.59
Non-interest expenses to total income	43.29	48.16	50.93
Dividend payout ratio	44.42	58.88	76.65

Note: ^{/1} In 2014, the company will pay stock dividend at the rate of 30 shares per 1 stock dividend and cash dividend of Baht 0.0037 per share.

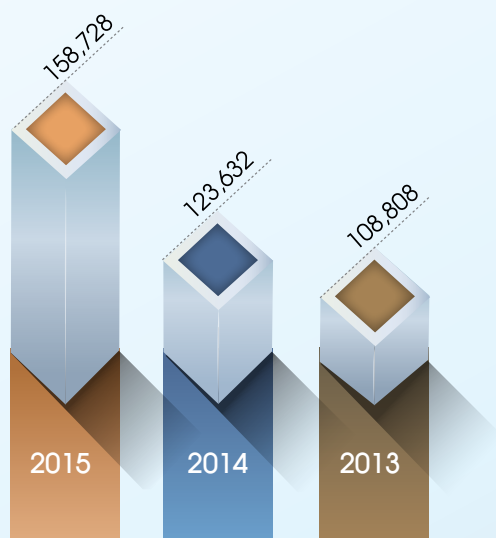
Total Assets (Million Baht)



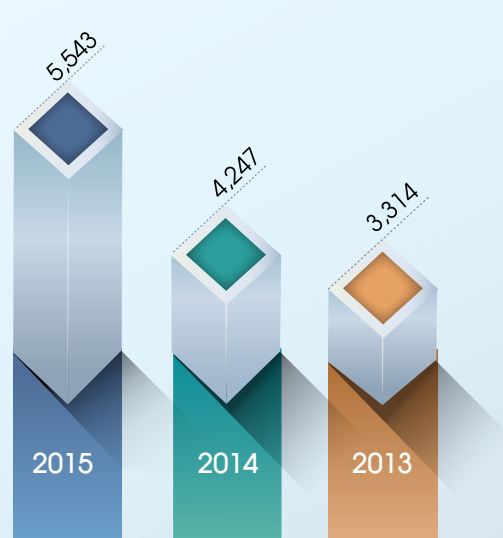
Loans to Customers (Million Baht)



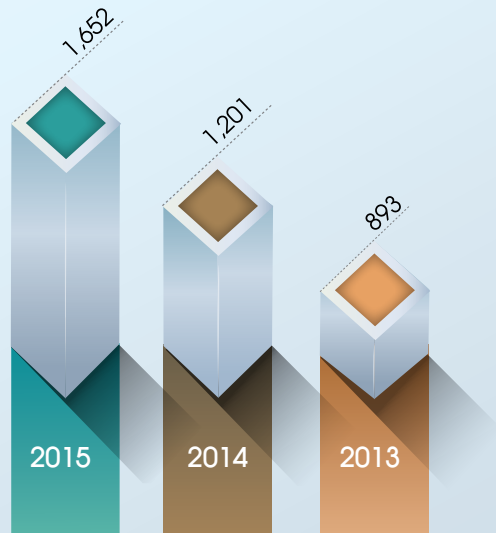
Deposits & Debts Issued and Borrowings (Million Baht)



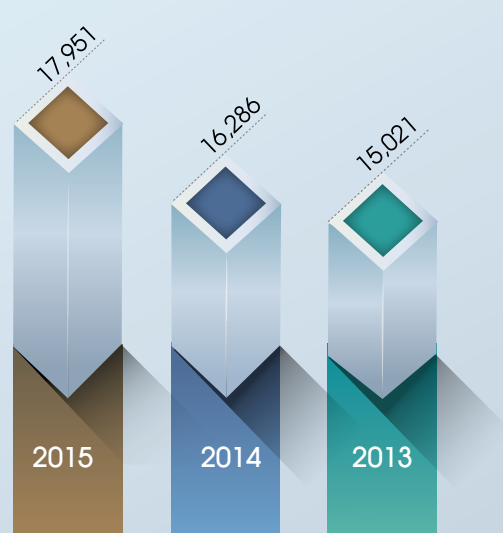
Total Operating Income (Million Baht)



Net Profit (Million Baht)



Total Owners' Equity (Million Baht)



BOARD OF DIRECTORS



Mr. Anant Asavabhokhin Chairman

Age: (Years) 65

Education:

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

Number of direct holding of shares: None

Number of indirect holding of shares: ⊙ 2015 hold by Land and Houses PLC = 4,634,761,967 shares : Shareholding 33.982%
⊙ 2014 hold by Land and Houses PLC = 4,485,253,517 shares : Shareholding 33.982%

Relationship with executives: None

Work experiences in the past 5 years:

⊙ Positions in Listed Companies

Period	Position	Organization/Company
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 - Apr. 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

Period	Position	Organization/Company
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



Mr. Rutt Phanijphand Chairman of Executive Director

Age: (Years) 68

Education:

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

Number of direct holding of shares: None

Number of indirect holding of shares: None

Relationship with executives: None

Work experiences in the past 5 years:

⊙ Positions in Listed Companies

Period	Position	Organization/Company
Apr. 2014 - Present	Member of the Audit Committee	Banpu PLC
Apr. 2009 - Present	Chairman of Executive Director	LH Financial Group PLC
Apr. 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

Period	Position	Organization/Company
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.



Mr. Phairoj Hengsakul

Independent Director

Chairman of the Audit committee

Member of the Corporate Governance Committee

Age: (years) 68

Education:

- ◉ Executive M.B.A., Thammasat University
- ◉ Barrister at Law
- ◉ LL.B., Thammasat University
- ◉ B.Acc., Thammasat University
- ◉ Bank Examiner Course, Federal Deposit Insurance Corporation, Washington DC., USA
- ◉ Senior Executive Program, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- ◉ Executive Program for Central Banker, Harvard University, BOT - Chiangmai
- ◉ Media and Public Relations, Course, Ogilvy (Thailand)
- ◉ Director Certification Program (DCP) 121/2009 : IOD
- ◉ Financial Institutions Governance Program (FGP) 1/2010 : IOD

Number of direct holding of shares: ◉ 2015 = 6,606,797 shares : Shareholding 0.048%
 ◉ 2014 = 6,393,675 shares : Shareholding 0.048%

Number of indirect holding of shares: None

Relationship with executives: None

Work experiences in the past 5 years:

◎ Positions in Listed Companies

Period	Position	Organization/Company
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

Period	Position	Organization/Company
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 - Southern Region Office - Project and Asset Management Department	Bank of Thailand



Mr. Adul Vinaiphat

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

Age: (Years) 69

Education:

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

Number of direct holding of shares: None

Number of indirect holding of shares: None

Relationship with executives: None

Work experiences in the past 5 years:

◉ Positions in Listed Companies

Period	Position	Organization/Company
May 2010 - Present Apr. 2009 - Present	Director and Chairman of the Executive Committee Independent Director, Chairman of the Corporate Governance Committee, Chairman of the Nomination and Remuneration Committee and Member of the Audit Committee	The Thai Packaging and Printing PLC LH Financial Group PLC
Aug. 2001 - Apr. 2015	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

Period	Position	Organization/Company
Oct. 2014 - Present	Independent Director and Chairman of the Audit Committee	Land and Houses Securities PLC
Apr. 2009 - Present 2007 - Present	Director and Chairman of the Executive Committee Director	Evergreen Plus Co., Ltd. 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	Director	The Thai Tapioca Development Institute Foundation (TTDI)
2002 - 2014	Executive Vice President	The Thai Tapioca Development Institute Foundation (TTDI)
2008 - Oct. 2013	Vice President	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



Mr. Somsak Assavapokee

Independent Director

Member of the Audit Committee

Member of the Corporate Governance Committee

Member of the Nomination and Remuneration Committee

Age: (Years) 63

Education:

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

Number of direct holding of shares: None

Number of indirect holding of shares: None

Relationship with executives: None

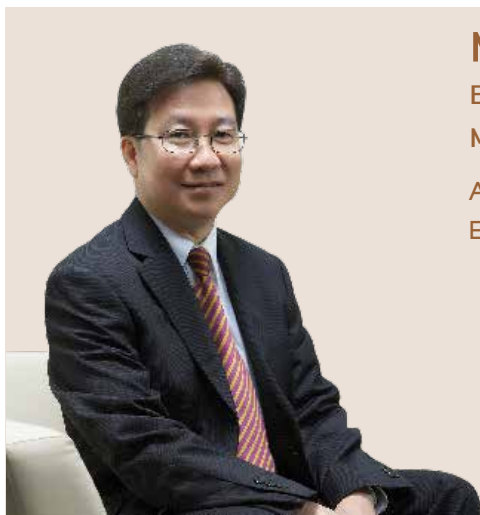
Work experiences in the past 5 years:

◉ Positions in Listed Companies

Period	Position	Organization/Company
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

Period	Position	Organization/Company
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



Mr. Naporn Sunthornchitcharoen

Executive Director

Member of the Nomination and Remuneration Committee

Age: (Years) 57

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:

◉ Positions in Listed Companies

Period	Position	Organization/Company
May 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

Period	Position	Organization/Company
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	Sriburin Medical Co., Ltd.



Mr. Khunawut Thumpomkul

Executive Director

Age: (Years) 58

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: ◉ 2015 hold by spouse = 2,700,066 shares : Shareholding 0.020%
 ◉ 2014 hold by spouse = 3,000,000 shares : Shareholding 0.023%

Relationship with executives: None


Work experiences in the past 5 years:

◉ Positions in Listed Companies

Period	Position	Organization/Company
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

Period	Position	Organization/Company
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



Mrs. Suwanna Bhuddhaprasart
Director

Age: (Years) 60

Education:

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

Number of direct holding of shares: None

Number of indirect holding of shares: None

Relationship with executives: None

Work experiences in the past 5 years:

◎ Positions in Listed Companies		
Period	Position	Organization/Company
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
May 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		
Period	Position	Organization/Company
Feb. 2013 - Present	Director	Property Host Co., Ltd.
Jan. 2013 - Present	Director	Casa Ville (Chonburi 2554) 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
Jan. 2013 - Feb. 2015	Director	Casa Ville (Prachuap Khiri Khan 2554) Co., Ltd.
Jan. 2013 - Feb. 2015	Director	Casa Ville (Petchburi 2553) Co., Ltd.
Jan. 2013 - Feb. 2015	Director	Casa Ville (Rayong 2553) Co., Ltd.
1992 - 2005	Director	Land and Houses Credit Foncier PLC



Mrs. Sasitorn Phongsathorn

Executive Director and President

Age: (Years) 58

Education:

- ◎ 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: ◎ 2015 = 1,216,592 shares : shareholding 0.009%
 ◎ 2014 = 747,524 shares : shareholding 0.006%

Number of indirect holding of shares: None

Relationship with executives: None

Work experiences in the past 5 years:

◎ Positions in Listed Companies

Period	Position	Organization/Company
Apr. 2009 - Present	Executive Director and President	LH Financial Group PLC
Nov. 2005 - Present	Independent Director, Member of the Audit Committee, Member of the Nomination Committee and Member of the 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

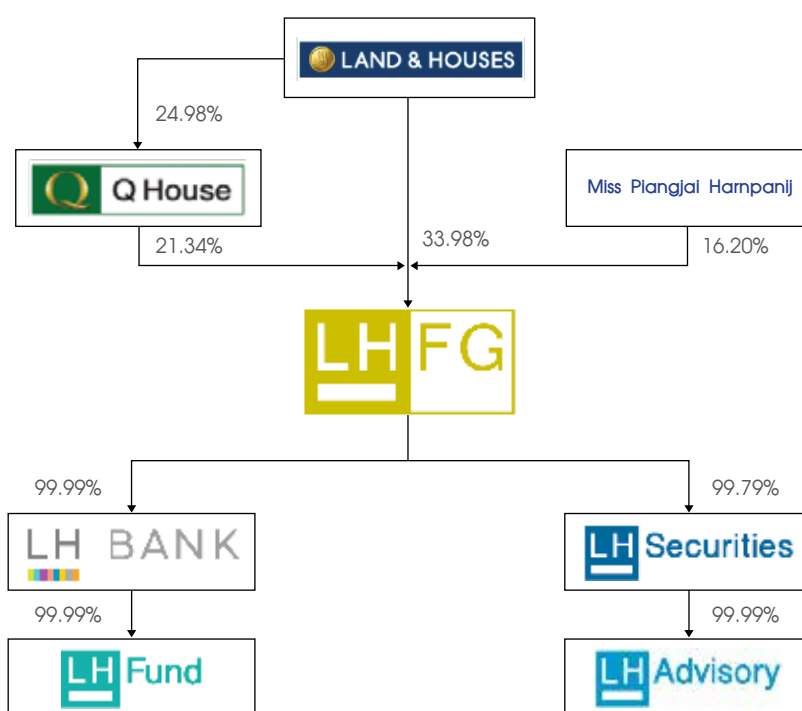
Period	Position	Organization/Company
Feb. 2014 - Present	Director	Land and Houses Management Co., Ltd.
Jan. 2014 - Present	Director	Land and Houses Advisory Co., Ltd.
Jan. 2014 - Present	Director	Land and Houses Securities PLC
Dec. 2014 - Present	Executive Director, President and Chairman of the Risk Management Committee	Land and Houses Bank PLC
Aug. 2012 - Aug. 2014	Director, Sub-Committee of Building Construction Committee 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.

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 is a listed company in the Stock Exchange of Thailand.



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

Miss Plangjai 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 is a listed company in the Stock Exchange of Thailand.



: Land and Houses Bank Public Company Limited.



: Land and Houses Fund Management Company Limited.



: 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
- Commercial Banking Business: Land and Houses Bank Public Company Limited
- Fund Management Business: Land and Houses Fund Management Public Company Limited
- Securities Business: Land and Houses Securities Public Company Limited
- Financial Advisory Business: Land and Houses Advisory Company Limited

2. Nature of Business Operation

2.1 Investment Business

LH Financial Group Public Company Limited

LH Financial Group Public Company Limited is a non-operating holding company, which holds shares in other companies. It currently holds 99.99% of total paid-up share capital of Land and Houses Bank Public Company Limited and holds 99.99% 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 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 the executives and the employees to operate business to achieve target.

The bank's board of directors approved the vision and the missions since the year 2012. The bank has taken the vision and the missions to determine the strategic plan for operating business to achieve the target and reviewed the vision and the missions every year.

In the year 2015, the bank's board of directors reviewed the vision and the missions for using as the guidelines to operate business.



- Core Values

Not only the development of knowledge is important but also behavior of working and coexistence are important for developing organization. Therefore, The Bank created the corporate value in order to appoint the same core value for employees to have the same understanding through communication, learning and working according to the PRO-Active so that employees can work and grow together with the bank sustainably.

PRO-Active is the core value of the bank in order to be the operation guideline which was shown through the working behavior, coexistence and treating the customers and stakeholders.



PRO – Professional : “Potential development, proactive creativity ready for change”

The bank supports employees to have the ability of professionalism by knowing about the description of their jobs and the working system, strictly following rule and regulations, being creative and flexible in order to change the working style to meet the needs of customers.



AC – Accountability: “Responsible for all aspects, adherence to truth and pursuit of success”

The Bank supports the employees to have a soul of corporate ownership and take responsibility to their work such as to finish on time, to be honest and keep on the commitments and heading to the achievement by following the bank’s vision and mission.



T – Teamwork : “Open up to each other, team work and working towards a common goal”

The bank supports the employees to propose their benefit opinions, hearing, accept their opinions and coordinate opinions for the team and the bank’s success.



I – Integrity : “Integrity, ethical and transparency”

The bank has promoted working with loyalty to the bank, their occupation and stakeholders. The employees can maintain as a role model at work

in all process and working with transparency, accountability and justice.



V – Visioning: “Thinking outside the box, visionary and adherence to the goal”

The bank encouraged to work methodically, determine a clear working goal both in short term and long term to be able to monitor and evaluate for development and the defect management. The bank adheres to the creativity principle and considers regard to its benefits and responsibility to stakeholders in the long term.



E – Excellence Service : “Service mind, honor and volunteering spirit”

The bank encourages all employees to have the values of excellence service by devoting their mind for making an impression services to both internal and external customers. All employees must have the spirit of volunteering for helping colleagues, department and the bank. In addition, the bank supports to the employees to be able to give a useful suggestions for the customers and focus on the product and service development by respecting to the important of customers.

- Products and Services

LH Financial Group Public Company Limited

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.

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, revenue tax payment service, foreign currency exchange 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, the 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 financial business 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 is on the process of acquiring for a certificate as a member of the Thailand Collective Action Coalition Against Corruption.

2.2 Commercial Bank Business

Land and Houses Bank Public Company Limited

Land and Houses Bank Public Company Limited officially operated business on December 19, 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 December 19, 2011.

Land and Houses Bank Public Company Limited is a subsidiary of LH Financial Group Public Company Limited and a core subsidiary company. The bank has established strategic and business plan for the next 3 years in accordance with the laid-down vision and mission, by considering business environments including economic situations, 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) and the bond is also affirmed at a level of "BBB" (Triple B Straight) for corporate credit ranking by Tris Rating Company Limited, with "Stable" credit ranking. In addition, the bank has been ranked three consecutive years continuously, 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 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 126 branches, as follows:

• Bangkok and Boundary	61 branches
• Central	9 branches
• North	7 branches
• North East	16 branches
• East	11 branches
• West	7 branches
• South	15 branches

Number of branches expanded in each year



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 and 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** is designed to certainly boost business liquidity, daily interest earnings and easy to make a deposit and withdrawal via ATM and cheques.

- **Fixed Deposit** and Fixed Deposit Receipt (FDR) are a fixed deposit to assure customer's future financial stability through our offer of multiple tenors together with attractive interest rates. The deposit shall be repaid upon maturity.

- **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.

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 customer'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 customer'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 purchasing for factory construction and residence purchasing 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 commercial in 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.
- Housing Loan Refinance 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 the convenience of modern living such as consumption loan and insurance loan for credit line coverage etc.

• **Education Loan** can be tailor-made to suit a variety of educational objectives from compulsory, fundamental levels to more advanced levels, from short-term courses to Doctorate courses in both local and international educational institutions.

- **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 126 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 2015, there are 190 Automatic Teller Machines, increasing by 12 machines from 2014. The bank's ATM can accept JCB and CUP cards to provide service for travelers.



- **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.



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

- **Online Retail Funds Transfer Service (Counter-ORFT)** is a service that customers can conduct transactions through the bank's counters for 126 branches across the country. The service provides convenience and fast transactions for customers to conduct a transfer to the transferee's account at other banks.

- LH Bank CDM service is a service that customers can make a deposit without ATM card and can also make fund transfers from their account within the bank other banks.



- **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 transfer large amounts items with sending single command
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 0-2359-0000 or at ATM, and you will get SMS to confirm the registration and start to get the alert for account movement instantly.



• **Revenue Tax Payment Service** provides convenience and offer available various channels to customers and the general public in tax payment via any channels such as the bank's counters at all branches across the country, LH Bank ATM and internet banking service (LH Bank Speedy).



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 life insurance and insurance against loss, which the customer can choose the insurance companies as follows:

- **Insurance Brokerage Services for:**

- Muang Thai Life Assurance Co., Ltd.

- Ocean Life Insurance Co., Ltd.

- AIA Co., Ltd.

- **Selling the Product of Insurance Against Loss for:**

- Samaggi Insurance PLC

- The Deves Insurance PLC

- Charan Insurance PLC

- Syn Mun Kong Insurance PLC

- **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

- 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 the emergency roadside and home assistance service.



- **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 the Bank's Counters 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, funds transfer, product and service payment.



- **Financial Products Services** The Bank sells various financial products such as cashier's checks and gift checks.

- **Goods and Services Payment Service** is provided to make a payment, such as, utility bills, credit card payments, life insurance premiums, other expenses and automatic transfer system. The bank is also being an agent of Counter Service and True Money, accepting payments for more than 500 items of goods and services.

- **Agent Service for Securities Companies** The bank introduces potential customers to Land and Houses Securities Public Company Limited, Finansia-Syrus Securities Public Company Limited and UOB Kayhian Securities (Thailand) Public Company Limited.

- **Agent Service for Private Funds Companies** The bank introduces potential customers to Merchant Partners Securities Public Company Limited.

- **Agent Service for Mutual Fund, Private Fund, and Investment Unit Broker** provided by Land and Houses Fund Management Company Limited.

- **Agent Service for Securities Brokerage** provided by Land and Houses Securities Public Company Limited.

- **Miscellaneous services** such as safe deposit box service.

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

The banks has expanded a loan service to new customer groups, expansion of deposit client base, increase of service channels for customer 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.

2.3 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 following are the business of the company at present;

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

• Securities Brokerage Service

Land and Houses Securities Public Company Limited is the number 5 member of The Stock Exchange of Thailand, providing securities brokerage service for individual, juristic person, and institutional clients. Types of account provided by the company are Cash Account, Cash Balance Account, and Credit Balance Account. The company offers experienced marketing officers to serve customers. The customers can send their orders via two channels, i.e. marketing officers or internet trading service through the PROMPT TRADE system that is more convenient for customers. They can keep up with investment news and stock prices as well as submit their orders anywhere anytime by tablet or smart phone.

The PROMPT TRADE system can support order submission. The company has developed this system from the eFin Trade+ system and Streaming system which are popular among investors, adding investment support tools and up-to-date investment news service from Aspen system.

The company has determined the policy for customer selection and the credit limit based on the following criteria:

1. **Individual** is considered from the financial status, occupation, age, source of income, knowledge in securities investment and ability to take risks.

2. **Juristic person** is considered from type of business, source of income, business performance, financial stability, liability, major shareholders, management team, investment objectives and ability to take risks.

To open an account, the company gets a good cooperation from its clients to provide their information for KYC and Suitability test to comply with the compliance with regulations.

• Derivatives Brokerage Service

The company has been granted a derivatives agent license by the Office of the Securities and Exchange Commission (SEC) to conduct futures brokerage business and has received approval to be a member of Thailand Futures Exchange Public Company Limited (TFEX) and Thailand Clearing House Company Limited (TCH). The company provides comprehensive services regarding Thailand's listed derivatives. In 2015, the company enjoyed strong growth of this business with a constant increase of new accounts. As a result, the company has received TFEX Top IC Awards by Company from the Stock Exchange of Thailand for 3 consecutive quarters.

• Mutual Fund Trading Service

This business focuses on asset management service as requested by clients. The company sets the investment framework based on each client's requirement in accordance with their risk tolerance on investment in mutual fund. The company offers many types of funds from various asset management companies for clients to invest. Clients will receive services and advices from our experienced staff in investment and tax planning. We provide our services in accordance with maximum benefits of customers. Consequently, we focus on conflict of interest and internal control to ensure no advantage or disadvantage in the company's investment and customer's investment. We offer 2 types of accounts;

1. Omnibus Account

Omnibus Account is the account that provides convenience in transaction for customers. We have a trading system linked with all asset management companies that we are their agents. Opening an account with us, customers can manage transactions for investment units of all relevant asset management companies. This minimizes trouble to prepare documents and helps clients better manage their portfolio.

2. Selling Agent Account

Selling Agent Account is recommended for LTF, RMF and property fund. With this type of account, clients must open an account with each of their selected asset management companies, which is time consuming and troublesome.

• Securities Underwriting Service

We provide security underwriting service for the issuers of securities including debt and equity instruments for general investors, public offering, and rights offering.

In 2015, the company was appointed as a co-underwriter for subordinated instrument to be

counted as tier 2 capital fund of Land and Houses Bank Public Company Limited worth Baht 4,000 million and provide operational service for rights offering of Asset Bright Public Company Limited and Takuni Group Public Company Limited.

Company Names	Project Details	Value (Million Baht)
Land and Houses Bank Public Company Limited	Co-underwriting for subordinated instrument to be counted as tier 2 capital fund	2,000.0
Asset Bright Public Company Limited	Rights offering	526.8
Takuni Group Public Company Limited	Rights offering	400.0

• Securities Borrowing and Lending Service

The company provides securities borrowing and lending service with the objective to allow customers to borrow securities for short selling through cash balance with the company. Now the Stock Exchange of Thailand allows short selling of only SET100 securities, permitted securities, and ETF investment units.

The company has a policy for securities borrowing and lending service (SBL) as principle, providing the service for retail customers and institutional customers and the securities available for SBL are high liquidity securities, large market capitalization with good foundation and in SET50.

Factors Influencing Opportunities or Constraints to Business Operations

Since the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand initiated a free negotiation approach for fee calculation, as well as freely open unlimited number of Securities Company Licenses. Therefore, it leads to higher competition amongst securities companies. In accordance with the financial liberalization and the global trading link, the securities companies have to face with high competitions with companies in the same business both at the regional and global level. At present, investors can invest in foreign stock markets conveniently, especially, the preparation to open the stock markets in AEC will lead the competitors to develop the similar or replacement products as the products of the Stock Exchange of Thailand for attracting investors.

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. The appropriate technology, that is, has been used in various dimensions, such as, operation, and service development to facilitate and meet the need of customers together with control expenses and develops competency, knowledge, and ability of personnel contacting with investors.

Operational targets

In 2016, the company will still focus on expanding customer base and retain current customers. Plans to strengthen the business include human resources development to increase both quantity and quality, branch expansion to increase coverage, new investment product offering, and promotions. Other initiatives are investment knowledge trainings for clients to increase opportunity for success

in investment, new information technology to provide convenience for customers, cooperating with Land and Houses Bank Public Company Limited to allow customers to open a securities and derivatives trading account online, etc. These will contribute to the company's sustainable growth.

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. It has signed a declaration of intent with Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) and prepare for certification by the CAC.

2.4 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 by law must be arranged to govern the officers to strictly comply with the relevant laws and regulations. The company offers the products and services 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 including report to net asset value of the fund regularly and arranges the meeting of unit holders annually.

- **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 (REIT)** 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 of December 31, 2015, Land and Houses Fund Management Company Limited had managed the mutual funds with a total in 51 funds,

increased by 7 funds or up 15.91% compared to the year 2014 and had a total net asset value of Baht 49,858.06 million, increased by Baht 8,879.44 million or up 21.67% compared to the year 2014.

The company held the market share at 1.23% which was ranked the 11th share among 20 companies.

Factors Influencing Opportunities or Constraints to Business Operations

In the year 2015, the recovery in both global and domestic economies were weak. Although the domestic investments in the first half of the year were motivated from the disentanglement of political problems and the encouragement of consumption and public investment, but in overall, investors are still cautious to invest enough which affected to the company's investment and a delay in offering a new fund. 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 the year 2015, the company will increase their market shares in the management of the fund which consists of private fund, provident fund and real estate investment trust. The company will request for an additional business licenses as follows; the trustee to invest in real property business and fund selling agent etc. including provides adding distribution fund channels and increases efficiency to working both in the company and fund sponsors to provide convenience for customers.

2.5 Financial advisory business

Land and Houses Advisory Company Limited

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.

3. Income Structure

3.1 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 2015, 2014 and 2013 can be categorized into 5 business types including investment holding, banking, fund management, securities and advisory with the details as follows;

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

Income structure, categorized by business type	Operated by	Shareholding Proportion of the company (%)	Consolidated Financial Statements					
			31 December 2015		31 December 2014		31 December 2013	
			Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
Interest Income								
Investment holding business	LHFG ^{/1}		0.03	-	0.01	-	0.03	-
Banking business	LH Bank ^{/2}	99.99	8,479.82	152.97	7,454.75	175.54	6,517.28	196.63
Fund management business	LH Fund ^{/3}	99.99	0.02	-	-	-	0.07	-
Securities business	LH Securities ^{/4}	99.79	14.02	0.25	0.32	0.01	-	-
Advisory business	LH Advisory ^{/5}	99.99	-	-	-	-	-	-
Total interest income			8,493.89	153.22	7,455.08	175.55	6,517.38	196.63
Total interest expenses			(4,127.46)	(74.45)	(4,073.15)	(95.91)	(3,719.46)	(112.22)
Net interest income			4,366.43	78.77	3,381.93	79.64	2,797.92	84.41
Fees and service income								
Banking business	LH Bank	99.99	268.32	4.84	198.72	4.68	220.00	6.64
Fund management business	LH Fund	99.99	131.94	2.38	94.34	2.22	79.13	2.39
Securities business	LH Securities	99.79	55.32	1.00	3.70	0.09	-	-
Advisory business	LH Advisory	99.99	-	-	-	-	-	-
Total fees and service income			455.58	8.22	296.76	6.99	299.13	9.02
Total fees and service expenses			(106.20)	(1.92)	(80.54)	(1.90)	(50.18)	(1.51)
Net fees and service income			349.38	6.30	216.22	5.09	248.95	7.51
Total other income			827.61	14.93	648.54	15.27	267.65	8.08
Total operating income			5,543.42	100.00	4,246.69	100.00	3,314.52	100.00

Remarks

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

3.2 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 2015, 2014 and 2013 can be categorized into 3 types of income including interest income, fees and service income, and other income with the details as follows;

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

Income Structure, Categorized by Revenue Type	Consolidated Financial Statements					
	31 December 2015		31 December 2014		31 December 2013	
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
Interest income						
Loans to customers	6,268.21	113.07	5,544.03	130.55	4,957.38	149.57
Investments in debt securities	1,470.96	26.54	1,476.58	34.77	1,322.60	39.90
Interbank and money market items	633.09	11.42	298.85	7.04	137.91	4.16
Hire Purchase	121.58	2.19	135.62	3.19	99.49	3.00
Others	0.05	-	-	-	-	-
Total interest income	8,493.89	153.22	7,455.08	175.55	6,517.38	196.63
Interest expenses						
Deposits	(2,776.29)	(50.08)	(3,169.65)	(74.64)	(2,809.57)	(84.77)
Debts issued and borrowings	(383.92)	(6.93)	(1.12)	(0.03)	(6.13)	(0.18)
Interbank and money market items	(274.42)	(4.95)	(314.65)	(7.41)	(417.59)	(12.60)
Contributions to the Deposit Protection Agency and Bank of Thailand	(691.93)	(12.48)	(587.73)	(13.84)	(486.17)	(14.67)
Others	(0.90)	(0.01)	-	-	-	-
Total interest expenses	(4,127.46)	(74.45)	(4,073.15)	(95.91)	(3,719.46)	(112.22)
Net interest income	4,366.43	78.77	3,381.93	79.64	2,797.92	84.41
Fees and service income						
Acceptances, avals and guarantees	43.50	0.79	40.58	0.96	42.01	1.27
Commission income	212.47	3.83	93.00	2.19	87.96	2.65
Others	199.61	3.60	163.18	3.84	169.16	5.10
Total fees and service income	455.58	8.22	296.76	6.99	299.13	9.02
Fees and service expenses						
Fees and charges	(50.71)	(0.91)	(41.69)	(0.98)	(27.72)	(0.84)
Others	(55.49)	(1.00)	(38.85)	(0.91)	(22.46)	(0.68)
Total fees and service expenses	(106.20)	(1.91)	(80.54)	(1.90)	(50.18)	(1.51)
Net fees and service income	349.38	6.30	216.22	5.09	248.95	7.51
Other income						
Gains on investments	673.39	12.15	491.42	11.57	210.39	6.35
Net gains (losses) on trading transactions and foreign exchange	2.17	0.04	1.21	0.03	(30.80)	(0.93)
Other operating income	152.05	2.74	155.91	3.67	88.06	2.66
Total other income	827.61	14.93	648.54	15.27	267.65	8.08
Net operating income	5,543.42	100.00	4,246.69	100.00	3,314.52	100.00

1. Net interest income

Interest income consists of loans to customers, investments in debt securities, interbank and money market items, hire purchase and others. In 2015, the company and its subsidiaries had total interest income of Baht 8,493.89 million increased of Baht 1,038.81 million or up 13.93% from year 2014 as a result from an increase in interest income on loans and interbank and money market items following the growth of loans of the 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 2015, the company and its subsidiaries had total interest expenses of Baht 4,127.46 million, an increase from year 2014 of Baht 54.31 million or up 1.33% resulted from an increase in interest expenses on debts issued and borrowing which the company and its subsidiaries had debts issued and borrowing increased of Baht 20,663.97 million or up 2,066.40% from year 2014.

Net interest income had amounted of Baht 4,366.43 million or 78.77% of total operating income, an increase of Baht 984.50 million and Baht 1,568.51 million in 2014 and 2013, 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, avals and guarantees, and fees from securities business and fund management business, which consist of brokerage fee, mutual fund management fee, registrar fee and selling agent fee from sales of financial products and services. In 2015, the company and its subsidiaries had total fees and service income of Baht 455.58 million, increase of Baht 158.82 million or up 53.52% from year 2014.

Total fees and service expenses had amounted of Baht 106.20 million, an increase of Baht 25.66 million or 31.86% from year 2014.

Net fees and service income had amounted of Baht 349.38 million or 6.30% of total operating income had amounted increase of Baht 133.16 million or 61.59% from year 2014.

3. Other incomes

Others income consists of gain on investments, gains (losses) on trading transactions, foreign exchange and other operating income. In 2015, the company and its subsidiaries had total others income of Baht 827.61 million, an increase of Baht 179.07 million or up 27.61% from year 2014 resulted from gains on investments of its subsidiaries increased of Baht 181.97 million.



SECURITIES AND SHAREHOLDERS INFORMATION

1. Securities Information

1.1 Ordinary Shares

As at 31 December 2015 the company has registered share capital and paid-up share capital as follows:

Registered share capital	:	13,638,705,250 Baht
Paid-up share capital	:	13,638,699,252 Baht

Divided into issued and paid-up shares capital 13,638,699,252 ordinary shares with the par value of 1 Baht.

1.2 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-

1.3 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 7 May, 2015 as follows:

No.	Names of Shareholders	Number of Shares	%
1.	Land & Houses Public Company Limited	4,485,253,517	33.982
2.	Quality Houses Public Company Limited	2,816,321,976	21.338
3.	Miss Piengjai Hanpanich	2,138,758,529	16.204
4.	Mr. Wanchai Panvichian	234,000,000	1.773
5.	Thai NVDR Company Limited	212,920,564	1.613
6.	Asavabhokhin Family Group	192,273,076	1.457
7.	Mr. Wiroj Engpaiboon	178,000,001	1.349
8.	Mr. Samrerng Manoonphol	104,000,120	0.788
9.	Mr. Wisit Janeakarasate	75,365,251	0.571
10.	Mr. Win Singpatanakul	70,976,160	0.538
Total Shareholdings of Top 10 Major Shareholders		10,507,869,194	79.613
Other Minority Shareholders		2,690,877,822	20.387
Total		13,198,747,016	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.

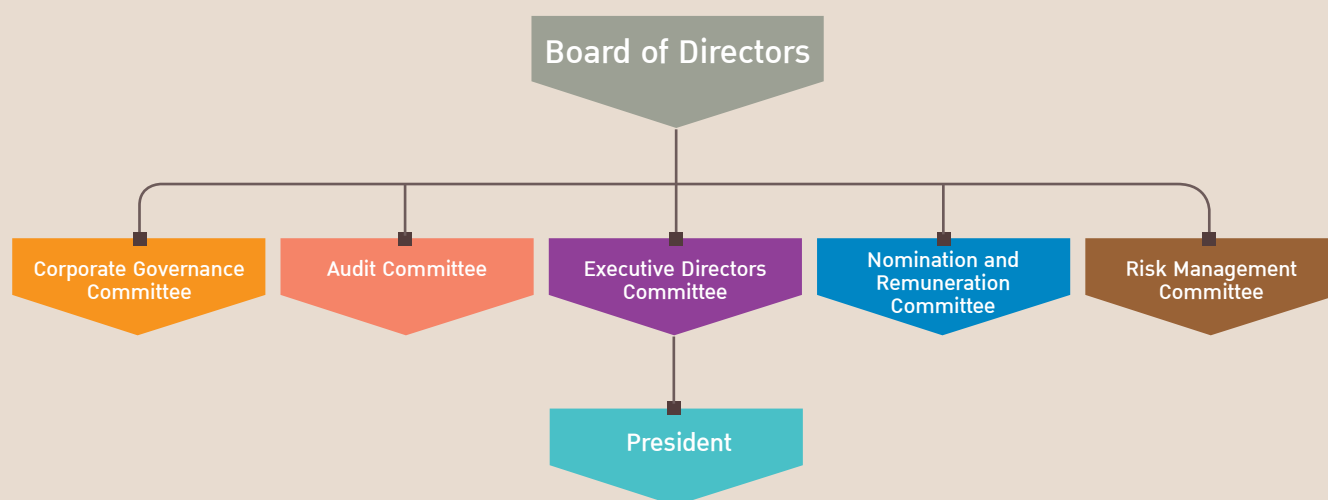
- None -

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 : 14,000,000,000 Baht
Par Value : 10 Baht
All Type of Shares and Issued Share Capital : Include Ordinary share 1,400,000,000 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 2015 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 1,399,999,900 shares with par value 10 Baht

The Company Name : Land and Houses Securities Public Company Limited
Head Office : 11 Q.House Sathon Building, M,10 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 and Issued Share Capital : 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 2015 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 1 Baht

ORGANIZATION CHART



MANAGEMENT STRUCTURE

LH Financial Group Public Company Limited is a non-operating holding company, which is a parent company of the financial business group, which currently holds 99.99% of total paid-up share capital of Land and Houses Bank Public Company Limited 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 5 sub-committees: the Executive Directors Committee, the Audit Committee, the Corporate Governance Committee, the Risk Management 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 2015, the Board of Directors consists of 9 directors as follows:

- | | |
|----------------------|---------------------|
| 1. Mr. Anant | Asavabhokhin |
| Chairman | |
| 2. Mr. Ruft | Phanlphand |
| Director | |
| 3. Mr. Phairoj | Hengsakul |
| Independent Director | |
| 4. Mr. Adul | Vinalphat |
| Independent Director | |
| 5. Mr. Somsak | Assavapokee |
| Independent Director | |
| 6. Mr. Khunnawut | Thumpomkul |
| Director | |
| 7. Mr. Naporn | Sunthornchitcharoen |
| Director | |
| 8. Mrs. Suwanna | Buddhaprasart |
| Director | |
| 9. Mrs. Sasitorn | Phongsathorn |
| Director | |
| Mr. Vichian | Amornpoonchai |
| Company Secretary | |

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.

In addition, in the year 2015 the approval of any matter by the company's board of directors must be approved and considered by not less than two-thirds of the directors.

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, 2015, the Executive Board consists of 4 directors as follows:

1. **Mr. Rutt Phanjiphand**
Chairman of Executive Director
2. **Mr. Naporn Sunthornchitcharoen**
Executive Director
3. **Mr. Khunnawut Thumpomkul**
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 2015, the Audit Committee consists of 3 directors as follows:

1. **Mr. Phairoj Hengsakul¹**
Chairman of the Audit Committee
2. **Mr. Adul Vinalphat**
Member of the Audit Committee
3. **Mr. Somsak Assavapokee¹**
Member of the Audit Committee
- Ms. Chutima Boonmee**
Secretary

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

Scope of Authority and Duties of the Audit Committee

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

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

4. Corporate Governance Committee

As at 31 December 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**
Member of the Corporate Governance Committee
- Ms. Chutima Boonmee**
Secretary

Scope of Authority and Duties of the Corporate Governance Committee

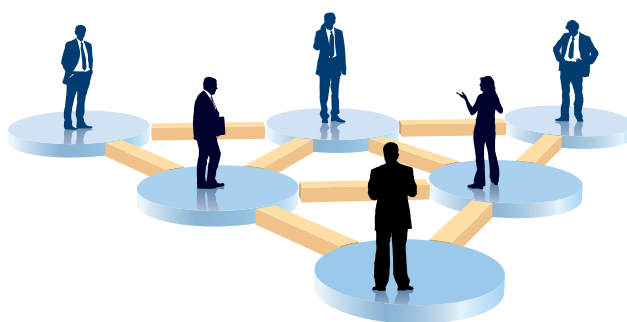
The Corporate Governance Committee has the following scope of authority as approved by the Board of Directors of the company as follows:

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

5. Risk Management Committee

As at 31 December 2015, the Risk Management Committee consists of 5 members as follow:

1. **President**
Land and Houses Bank Public Company Limited
Chairman of the Risk Management Committee



2. **Senior Executive Vice President**
Land and Houses Bank Public Company Limited
Member of the Risk Management Committee
 3. **Executive Vice President of Risk Management Group**
Land and Houses Bank Public Company Limited
Member of the Risk Management Committee
 4. **Chief Operation Officer**
Land and Houses Securities Public Company Limited
Member of the Risk Management Committee
 5. **Executive Vice President of Information and Technology Group**
Land and Houses Bank Public Company Limited
Member of the Risk Management Committee
- Senior Vice President of Risk Management Department**
Land and Houses Bank Public Company Limited
Secretary

Scope of Authority and Duties of the Risk Management Committee

The Risk Management Committee has the scope of authority as approved by the Board of Directors of the company as follows:

1. Determine a policy of the financial business group to be proposed to the Executive Directors Committee and the company's Board of Directors for consideration of overall risk management. The policy must cover risks in several important areas such as credit risk, market risk, liquidity risk, operational risk and other risks affecting the financial group's reputation.
2. Determine the strategy in line with the risk management policy so that it can be evaluated monitored and kept at appropriate levels.

3. Review the adequacy of the risk management policy and system including the effectiveness of the system and compliance with the policy.
4. Monitor, follow up, review and evaluate risk management and examine. The company within the financial business group to operate their business in conformity with the company risk management policy and the rule of the Bank of Thailand.
5. Report to all committees at least yearly or whenever there is any change regard to risk factors which will effect to the risk management significantly in the matter of affecting the risk status and any change that effect to the risk appetite ensure all committees have been recognized and aware of several factors may be significantly affecting the risk status of the financial business group.

6. Nomination and Remuneration Committee

As at 31 December 2015, the Nomination and Remuneration Committee consists of 3 directors as follows:

1. **Mr. Adul Vinalphat**
Chairman of the Nomination and Remuneration Committee
2. **Mr. Naporn Sunthornchitcharoen**
Member of the Nomination and Remuneration Committee
3. **Mr. Somsak Assavapokee**
Member of the Nomination and Remuneration Committee
Mr. Ruangsak Vitavaskarnvej
Secretary



Scope of Authority and Duties of the Nomination and Remuneration Committee

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

1. Determine criteria, qualification and procedures for nominating the company's directors and/or high-ranking executives from the position of the president and higher when the director or the executive retire by rotation, vacancy or addition.
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 the president and higher
3. Propose the performance evaluation process of the company's directors and the company's Board of Directors to be proposed to the company's Board of Directors for the guideline on evaluating the performance of the company's directors and the company's Board of Directors.
4. Consider the guideline on compensation and other forms of compensation including the budget for annual bonus payment process of the company's Board of Directors and sub-committees are appointed by the company's Board of Directors.
5. Consider the guideline on evaluating the performance of the president including the annual remuneration and the annual bonus for the performance based on his/her duties and responsibilities for the company.
6. Consider the implementation of the remuneration structure framework for annual salary increases, annual bonus payment or other forms of compensation as follows;
 - 6.1 Consider the implementation of the remuneration structure overview and framework for annual salary increases, annual bonus payment or other forms of compensation for high-ranking executives and the company's employees according to the proposal of the management team for appropriate, result of work as expected,

fair and compensation for employees to helping the company succeed.

- 6.2 Consider the budget for annual salary increases, annual bonus payment or other forms of compensation for the company's employees.
7. Consider the policy, the guideline and process of succession plan for ensure the continuity of administration and systematically for high-ranking executives holding the positions of vice president or higher.
8. Consider the policy framework and rule for the special employment.
9. Review and propose a solution of scope of duties and responsibilities of the Nomination and Remuneration Committee in accordance with the situation.
10. Disclose reports of the operations of the Nomination and Remuneration Committee in the company's Annual Report.
11. 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 good 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. 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 2015, 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 2015

Name	Number of meeting attendance					
	Board of Directors	Executive Director Committee	Audit Committee	Nomination and Remuneration Committee	Corporate Governance Committee	Risk Management Committee
Total meetings	12	24	12	3	3	3
1. Mr. Anant Asavabhokhin	12	-	-	-	-	-
2. Mr. Rutt Phanijphand	12	24	-	-	-	-
3. Mr. Phairoj Hengsakul	11	-	12	-	3	-
4. Mr. Adul Vinaiphat	12	-	12	3	3	-
5. Mr. Somsak Assavapokee	12	-	-	3	3	-
6. Mr. Khunnawut Thumpomkul	12	15	-	-	-	-
7. Mr. Naporn Sunthornchitcharoen	12	23	-	3	-	-
8. Mrs. Suwanna Buddhaprasart	12	-	-	-	-	-
9. Mrs. Sasitorn Phongsathorn	12	23	-	-	-	3
10. Mrs. Sutharntip Phisitbuntoon ¹	-	-	-	-	-	3
11. Mr. Rhung Kongphalung ²	-	-	-	-	-	3
12. Mr. Thanee Phalawong ³	-	-	-	-	-	3

Note : ¹ Refers to senior executive vice president of credit group

² Refers to chief operation officer Land and Houses Securities Public Company Limited

³ Refers to executive vice president of information and technology group

7. The Executive

As at 31 December 2015, 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}	Position in the subsidiary ^{/5}
1. Mrs. Sasitorn Phongsathorn	President	President	Director	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

^{/5} The Subsidiary refers to Land and Houses Fund Management 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.

8. 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.



9. 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 2015, on 24 April 2015, had approved the monthly remuneration and meeting allowances as follows:

Table: The Remuneration of Directors for the year 2015 and 2014

Position	Remuneration (per month)		Allowance (per time)									
			The Board of Directors		The Audit Committee		The Executive Directors Committee		The Nomination and Remuneration Committee		The Corporate Governance Committee	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Chairman	60,000	60,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Non-Executive Directors	40,000	40,000	25,000	25,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Executive Directors	40,000	40,000	-	-	-	-	-	-	-	-	-	-

The Remuneration of Directors

In 2015, LH Financial group Public Company Limited has paid the remuneration which consists of monthly remuneration and meeting allowances, for 9 directors in total to 9,445,000 Baht.

The Remuneration of Executives

- None -

• Other Remuneration Benefits

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

The Directors' Other Remuneration Benefits

- None -

The Executives' Other Remuneration Benefits

- None -

Table: The remuneration and other remuneration of directors for the year 2015 and 2014

Board Members	Date appointed as Director	2015			2014		
		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	22 April 2009	1,080,000	-None-	-None-	1,005,000	-None-	-None-
2. Mr. Rutt Phanijsaphand	22 April 2009	1,500,000	-None-	-None-	1,415,000	-None-	-None-
3. Mr. Phairoj Hengsakul	22 April 2009	1,115,000	-None-	-None-	1,110,000	-None-	-None-
4. Mr. Adul Vinaiphath	22 April 2009	1,110,000	-None-	-None-	1,130,000	-None-	-None-
5. Mr. Somsak Assavapokee	9 October 2014	1,060,000	-None-	-None-	187,000	-	-
6. Mr. Naporn Sunthornchitcharoen	3 May 2011	1,240,000	-None-	-None-	1,145,000	-None-	-None-
7. Mrs. Suwanna Buddhaprasart	3 May 2011	780,000	-None-	-None-	765,000	-None-	-None-
8. Mr. Khunnawut Thumpomkul	14 August 2013	1,080,000	-None-	-None-	1,130,000	-None-	-None-
9. Mrs. Sasitorn Phongsathorn	22 April 2009	480,000	-None-	-None-	480,000	-None-	-None-
Total		9,445,000			8,367,000		

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.



Table: Board of Directors' Shareholding Proportion in LH Financial Group Public Company Limited and its subsidiaries as at December 31, 2015 and December 31, 2014

Board of Director		Position	31 December 2015			31 December 2014		
			The company ¹	The subsidiary ²	The subsidiary ³	The company ¹	The subsidiary ²	The subsidiary ³
1. Mr. Anant	Asavabhokhin	Chairman	4,634,761,967 shares (33.982%) hold by Land and Houses Public Company Limited	-None-	-None-	4,485,253,517 shares (33.982%) hold by Land and Houses Public Company Limited	-None-	-None-
2. Mr. Rutt	Phanilphand	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	6,606,797 shares (0.048%)	-None-	-None-	6,393,675 shares (0.048%)	-None-	-None-
4. Mr. Adul	Vinaiphath	Independent Director, Chairman of the Nomination and Remuneration Committee, Chairman of the Corporate Governance Committee, and Member of the Audit Committee	-None-	-None-	-None-	-None-	-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. Naporn	Sunthornchitcharoen	Executive Director and Member of the Nomination and Remuneration Committee	-None-	-None-	-None-	-None-	-None-	-None-
7. Mr. Khunnawut	Thumpomkul	Executive Director	2,700,066 shares (0.020%) hold by spouse	-None-	-None-	3,000,000 shares (0.023%) hold by spouse	-None-	-None-
8. Mrs. Suwanna	Buddhaprasart	Director	-None-	-None-	-None-	-None-	-None-	-None-
9. Mrs. Sasitorn	Phongsathorn	Executive Director and President	1,216,592 shares (0.009%)	-None-	-None-	747,524 shares (0.006%)	-None-	-None-

Note: ¹ The company refers to LH Financial Group Public Company Limited

² The subsidiary refers to Land and Houses Bank Public Company Limited

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 the 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.

A type of business under the solo consolidation group can be categorized into 4 sectors according to the nature of business as follow;

1. Banking Business
 - Land and Houses Bank Public Company Limited
2. Fund Management Business
 - Land and Houses Fund Management Company Limited
3. Securities Business
 - Land and Houses Securities Public Company Limited
4. Financial Advisory Business
 - Land and Houses Advisory Company Limited

Risk Management in Perspective

The company realizes the importance of risk management and supervises risk management systematically and efficiently. The risk-management structure and policies have been defined clearly in writing with the main goal being the prevention and management of risks. Moreover, the guidelines have been set within the framework of the Bank of Thailand's supervision guidelines.

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 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 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 company's 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 of the financial business group is the minimum standard that the company and companies under the financial business group must prepare to respond to critical situations and to be applied in various circumstances that may cause damages to human resources, environment, or safety of workplaces, and to limit the impact that may arise to the businesses, products or services from the discontinuity of business operation caused by the critical situations. Moreover, this is to ensure that the company and companies under the financial business group are able to manage emergency effectively and to provide services to

clients uninterrupted. In addition, the company could manage to limit impact of the business, products and services due to the disruption of business operations

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, the good corporate governance policy and good internal control, as follows:

The 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.

The Executive Directors Committee has its duty to propose policies and strategic business plan to

the board of directors, examine the company's operation in keeping with the business plan, evaluate the company's performance to analyze strengths, weaknesses and solutions.

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

The Corporate Governance Committee has its duty to set a Corporate Governance Policy and Anti-Corruption Policy by examining the company's operation in keeping with the policy and being the company representative to communicate and operate activities regard to the corporate governance.

The Risk Management Committee The Board of Directors appointed the 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.

The Nomination and Remuneration Committee has its duty to select the company's directors and the top executives including propose guidelines to pay the compensation and other benefits to the board of directors member and others committee's member, consider the compensation structure, increase the top executives and employee's salary and consider the policy, guidelines and the process of succession plans for executive positions to continue the company's administration.

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;



- 2.1 Land and Houses Bank Public Company Limited
- 2.2 Land and Houses Securities Public Company Limited

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 2015, 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. In the past, although, the company made operating profits, it does not guarantee that its subsidiaries will continue to create profits for the company, as the company's depends mainly on the internal and external factors.

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 2015, 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

Security holders of the company must to comply with the provisions of the Financial Institutions Business Act B.E. 2551. which are as follows:

- **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).

- **Offer the Surplus Stock and Auctioning the Surplus Stock**

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 increases the capital fund reservation sufficient for support in normal and critical circumstances. Moreover, it aim to strengthen capital fund position and determine framework to manage liquidity risk of the banks.

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 2015, the total Capital to risk weighted asset ratio (BIS)'s of the financial group was 14.29%, Tier 1 was 10.61% and Tier 1 ratio of the Common Equity was 10.61% 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 21,651.23 million, which can be divided into tier 1 capital funds of Baht 16,068.74 million or 74.22% of total capital funds before deduction and tier 2 capital funds of Baht 5,582.49 million or 25.78% of total capital funds, which is sufficient to operate business and support growth under normal and critical circumstances.

1.4 Regulatory Changes Risk

The companies in the financial business group has the duties to follow the policy, the rules and the regulations in operations that determined by agencies, namely, the Bank of Thailand, the Securities and Exchange Commission, the Stock Exchange of Thailand, the Anti-Money Laundering Office and the related agencies.

1.5 Reputation Risk

Reputation Risk means risk from the operation of the companies in the group or their failure to comply unintentionally with the law and rules of agencies which could damage the reputation of the company and the financial group such as the negative image, public on media both in narrow and broad, complaint or litigation. This is due to in case that the mentioned problem happened in the company within the group, it may impact to others.

The company has determined a reputation risk management framework by assigning companies within the group to report the risk status or any changes that will damage the group's reputation for monitoring and managing the risks in timely.

2. The Risks from Subsidiaries

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

Risk Management in Perspective

The bank sets the framework and strategies in growing the business based on the efficient risk management along with creating the stable profits. 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.

Risk Management Policies

The main objective of risk management policies were to supervise and oversee the bank's transactions and to be the guidelines for all of risk management 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 board and others will supervise the bank's business units to operate the business conform with 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 policy is the guidelines to invest in securities and to conduct an appropriate liquidity management for serving the repayment of due liabilities and obligations. This includes the preservation on the level of revenues from the net interest following the bank's goal and the development of the risk management process and monitoring the market risk management in succession. 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, the using of outsources, setting business continuity plan, and reporting the incidents report occurred from the operations in accordance with the code of practice of Bank of Thailand and Basel Committee on Banking Supervision (BCBS).

4. Risk Assessment, Capital Adequacy and Stress Test Policies The policy is re guidelines for the bank to keep capitals adequately for serving the significant risks both in normal condition and in crisis. The policy focuses on the process of risk management and the assessment of capital adequacy systematically for maintaining the level of capitals to be sufficient for the present and the future.

5. Policy in Revealing the Capital Maintenance and Risk Management This is for being the guideline in revealing the capital maintenance and risk management, for example, capitals structure and capital adequacy as well as the process in risk management. Therefore, investors, shareholders, and stakeholders, receive the information which is correct, complete, and can be used in the analysis and decision making for the transaction with the bank. .

Risk Management Structure

A good organizational structure can help the bank to do the risk management to be consistent with the good corporate governance and good internal control as follows:

The 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.

The Executive Directors Committee has the duty and responsibility to propose policies and strategic business plan to the board of directors, examine the company's operation in keeping with the business plan, evaluate the company's performance to analyze strengths, weaknesses and solutions.

The 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.

The 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.

The Asset and 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.

The 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, the Information Technology Committee, the Credit Committee, the 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.

The 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 Directors Committee will regularly follow up on the implementation of each department, comparing it with the business plan regularly.

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) cover the bank's capital maintenance and liquidity risk management that control in quantity and quality and also stipulate the bank to raise its capital maintenance to handle any incident happened in normal or crisis situations sufficiently. This is to strengthen the capital fund as well.

According to the Basel III framework, the bank has to maintain a minimum ratio of total capital to risk-weighted assets 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 2015, the total Capital to risk weighted asset ratio (BIS)'s of the financial group was 14.01%, Tier 1 was 10.18% and Tier 1 ratio of the Common Equity was 10.18% which higher than the BOT's minimum capital ratios.

The bank's capital funds following the criteria of Basel III totaled Baht 20,936.11 million, which was Tier 1 capital fund and Common equity Tier 1 capital fund was Baht 15,202.82 million or calculated as 72.62% of total capital fund and Tier 2 capital fund was Baht 5,733.29 million or calculated as 27.38 of total capital fund which 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 due to the following external factors such as the change of economics, laws, rules and regulations and internal factors such as lack of regulatory control, lack of pursuit to the debtor complies with the terms of the agreement, loan process and reviewing of loan inefficient etc. And the transaction to be consistent with credit risk consists of loans and similar transactions, transactions related with obligation to delivery of assets or debts to the bank and transactions with debt securities.

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 appraisal and operation officers. Furthermore, in considering approving credit, the bank has set up independent units; namely, the Credit Risk Analysis office and Retail Credit Risk Analysis 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 credit officers to develop the efficiency of credit marketing to acquire the high-quality loan.

Credit Portfolio Management

The bank pays attention to the quality of its credit customers by their business types and concentration of credit. 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.

The bank gives priority to debts/ loans that began to have problems and NPLs, therefore, it provides the department that responsible to monitor loans/depts.

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. The bank stipulates the risk limitation and warning level in order to control for avoiding any concentration of credit significantly as well as reporting to the Risk Management Committee of the bank regularly.

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

Most of bank's credits are the credits with guarantee calculated as 63.18% of the credit fund. The guarantee in the type of real estate is calculated as 96.89% 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 appraisal policy was set to review the price of guarantee regularly followed in the period of time to classify the assets. In addition, the assets classification consists of 5 categories as follows; Pass, Special Mention Loans, Sub-Standard Debts, Doubtful Debts and Doubtful of Loss. The bank also, annually, reviews the property appraisal cost which gained from the repayment of loans or purchase at public auction. The period to reviews the property appraisal cost as mentioned is conform to the Bank of Thailand notification for reflecting the actual value of guarantee following the current condition.



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. 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 2015, the net investment was Baht 45,965.02 million (excluded the investment in the subsidiaries for Baht 257.29 million) divided into available for sale investment with the fair value of Baht 1,135.55 million and the held to maturity debt securities of Baht 44,824.21 million. Moreover, there was also general investment which was the equity instrument which was not in the domestic market demand for Baht 5.26 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. Different circumstances that may cause security prices to plunge sharply are simulated and stress tests are conducted to estimate the potential damages from the crisis and emergency risk.

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

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, development of tools and methods to measure risk continuous to be consistent with guidelines of the Bank of Thailand and the principle international standard of risk management.

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

Since the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand initiated a free negotiation approach for fee calculation, as well as freely open unlimited number of Securities Company Licenses. Therefore, it leads to higher competition

amongst securities companies. In accordance with the financial liberalization and the global trading link, the securities companies have to face with high competitions with companies in the same business both at the regional and global level. At present, investors can invest in foreign stock markets conveniently, especially, the preparation to open the stock markets in AEC will lead the competitors to develop the similar or replacement products as the products of the Stock Exchange of Thailand for attracting investors.

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. The appropriate technology, that is, has been used in various dimensions, such as, operation, and service development to facilitate and meet the need of customers together with control 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 the year 2015, the overview of securities showed the deceleration continuously. The main factor was investors' lack of confidence toward the global economic growth, therefore, they reduced their investment in risk assets. Moreover, investors also concerned about a tight financial condition of the USA. The IMF economic outlook on June 2015 forecasted that the ratio of global economic tend to be lower. Although, domestic factors had a clear sign which affected by the government stimulus measures to support an economic growth in the year 2016. However, the Thai economic had faced with the reduction of export and domestic demands that appear lower. All as



mentioned made Thai stock market's trading declined, thus, to reduce the risk incurred by the brokerage fee, the company had set a plan to launch products and services, such as, sale support and redemption of fund services and securities borrowing & lending services. In market conditions 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

After establishing the business in 2014, it was the commencement of business. The company mostly received main revenues from brokerage fees collected from the dispersal of individual customers, partly increase from who were major customers with high volume of purchasing and selling. As a result, there was risk of 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 the Banker-to-Broker project joined

with Land and House Bank PLC, which possesses a huge base of customers who were interested to invest in “shares saving plan’s product”. This made the company has customers with diffusion instead of relying on its major customers 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. Marketing officers pay important role toward customer’s decision making to open an account and trading, therefore, our officers were a key person of the company to expand its customer bases and to expand customer base. The company, therefore, recognizes the importance to recruit marketing personnel possessing knowledge and experience and built new generation of marketing officers, as well as sets several policies to retain such quality personnel to serve the company’s long-term growth. In addition, the company realizes the importance of employees, so the company gives priority to recruit, keep and develop our human resources by providing them the appropriate compensation and benefits as well as promotes the stable relationship with employees in the long-term.

5. Risk Incurred by Securities Selling Transactions

The 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. Apart from the reduction of subscription, this may effect in loss from accepting all remaining securities from selling into an investment account. In this connection, the company determines guideline to prevent such risk by analyzing and inspective business type, basic information, business performance, and the trends 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.

6. Risk Incurred by Doubtful Debts and Bad Debts

The 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 the appropriate budget for purchasing and selling based on the financial status of each customer. There is also close monitoring of the 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 getting paid on time.

The company 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 5 time of fund amount and there must be a control to prevent concentration of purchasing one of securities.

On 31 December 2015, the company’s loan for securities receivables had remaining balance at 371.71 million Baht whereas these receivables had guarantee amount more than debts. In this connection, in 2015 the company had no bad debt or allowance for doubtful accounts from securities business receivables.

7. Risk Incurred by Unable to Perform a Business Contingency

The incident in any crisis, namely, natural disasters, political Situations and rebellions may cause the company’s service contingency. For performing a business contingency during the mentioned crisis, the company had set a Business contingency Plan by practicing and testing annually to assure that the company is able to service customers continuously.

THE EXECUTIVE DIRECTORS COMMITTEE'S REPORT

The Executive Directors Committee of LH Financial Group Public Company Limited consists of 4 directors as follows;

1. Mr. Rutt	Phanijphand	Chairman of Executive Director
2. Mr. Naporn	Sunthornchitcharoen	Executive Directors
3. Mr. Khunawut	Thumpomkul	Executive Directors
4. Mrs. Sasitorn	Phongsathorn	Executive Directors and President

And Mr. Vichian Amornpoonchai is the secretary of the Executive Directors Committee.

The Executive Directors committee has performed duties under the scope of responsibilities assigned by the company's board of directors. In 2015, the company arranged the Executive Directors Committee meeting 24 times 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;

- Propose the strategies and directions of the company's operations in the year 2015 and the company's 3 years plan to the company's board of directors and operate conform with the approved policies.
- Delegate work and coordinate with the executives, monitor the operations to ensure they are in line with the strategies 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.
- Consider any issue/task prior to proposing to the company's board of directors.
- Evaluate the president's operations to proposing to the Nomination and Remuneration Committee.



(Mr. Rutt Phanijphand)

Chairman of Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

LH Financial Group Public Company Limited is a non-operating holding company which was established on 22 April 2009. The company is the parent company of Land and Houses 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 companies. The company's performances are, therefore, derived from the two mentioned companies.

2015 Economic Overview and Outlook in 2016

2015 Economic Overview

An overview of Thai economy in 2015 showed GDP growth of 2.8% mainly driven by increasing domestic expenditure especially government spending acceleration. Public investment significantly increased by 29.8% while private expenditure showed a sign of recovery with 2.1% growth by virtue of implementation of financial and economic stimulus packages by government, low oil prices, quantitative easing policy by Monetary Policy Committee (MPC) with the resolution to remain policy interest rate at 1.5% per year and low pressure from inflation which stimulated purchasing power. In addition, tourism sector continuously expanded at a high level in accordance with an increasing number of foreign tourists. In 2015, 29.8 million foreign tourists visited Thailand or increased by 20.44% from the previous year, partly compensating export sector shrinking by 5.78% and manufacturing sector and private investment slowdown and therefore supporting Thai economy expansion in 2015. These factors have supported the Thailand's overall economy expansion in the year 2015.

Commercial Banking Industry in 2015, an overview of commercial banking system has the operating profit increased from the previous year.

However, net profit decreased as economic conditions have not been fully recovered, lending was stricter and deposits decreased accordingly, and pressure from allowance for doubtful accounts due to lower loan quality. Net loans expanded by 4.34% in 2015, decreasing from 5.05% in the previous year. NPLs to total gross loans ratio increased to 2.55% from 2.15% in the previous year. Deposits grew by 2.81%, lower than 6.98% in the previous year. As a result, liquidity was tighter than 2014. Loan-to-deposit ratio including debt issued and borrowings was at 97.00%, increasing from 95.74% in 2014.

Economic Outlook for 2016

An overview of Thai economy in 2016 is expected to expand for 2.8-3.8% due to the continued growth factors of above-mentioned main drivers and more positive factors from private investment expected to recover from the previous year. However, economic recovery is quite weak because of reduced farm income from agricultural price drop plus droughts. In addition, export sector is expected to grow by 1.2% as a result of economic slowdown of trading partner countries especially China and ASEAN, export prices drop in line with oil prices and commodities, structural problems and competitiveness of Thai products and risk from fluctuations in capital flows and increased exchange rate.

Commercial banking industry is expected to perform better in accordance with expanded loans due to economic recovery from acceleration of infrastructure investment and other economic stimulus packages by government. However, large businesses are raising funds through debenture with lower cost including risk from non-performing loans has better trends and concerns on loans for SMEs affected by continued drop in export and weak domestic demand. In addition, agricultural households affected by agricultural price drop and droughts may lead to limited growth of commercial bank's profits.

Source : The Office of the National Economic and Social Development and the Bank of Thailand

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		2015	2014	2013
Profitability Ratio				
Gross profit margin	(%)	43.39	33.81	31.39
Net profit margin	(%)	29.80	28.29	26.95
Return on equity (ROE)	(%)	9.65	7.67	6.12
Yield on interest income	(%)	4.86	5.06	5.07
Yield on interest expense	(%)	2.56	3.00	3.35
Net interest margin	(%)	2.30	2.06	1.72
Return on investment	(%)	5.61	5.98	4.92
Efficiency Ratio				
Net interest income to assets ratio	(%)	2.39	2.15	2.06
Return on assets (ROA)	(%)	0.91	0.77	0.66
Total assets turnover	(time)	0.03	0.03	0.02
Financial Ratio				
Debt to equity ratio	(time)	10.12	9.13	8.93
Loans to borrowings ratio	(%)	83.90	93.64	95.26
Loans to deposits ratio	(%)	97.27	94.49	95.45
Deposits to total liabilities ratio	(%)	75.43	82.48	81.15
Dividend payout ratio	(%)	44.42	58.88	76.65
Total capital funds to risk assets ratio	(%)	14.01	12.41	13.38
Asset Quality Ratio				
Loan loss reserve ratio	(%)	1.92	1.85	1.38
Non-performing loan to total loans ratio	(%)	1.91	2.04	1.91
Accrued interest receivables to total loans ratio	(%)	0.17	0.21	0.20
Comparing per Share				
Book value per share	(Baht)	1.3162	1.2339	1.1813
Earnings per share	(Baht)	0.1211	0.0892	0.0702

Overall Performance

The analysis of operating results of the company and its subsidiaries performance are comparative performance of the year 2015 compared to the year 2014.

In 2015, the company and its subsidiaries had profit before income tax expenses in consolidated financial statement totalled Baht 2,054.16 million, increased by Baht 562.52 million or up 37.71% compared to the year 2014. After deducting income tax expenses totalled Baht 402.45 million, the company had profit for the year totalled Baht 1,651.71 million, increased by Baht 450.32 million or up 37.48% compared to the year 2014. An increase in net profit was mainly from the increase of net interest income 29.11% and net fees and service income 61.59%

following the growth of all loans and return on sales of financial products and services. The company and its subsidiaries had profit from operating before bad debts and doubtful accounts totalled Baht 3,143.77 million, increased by Baht 942.13 million or up 42.79% compared to the year 2014.

The profit from operating margin before bad debts and doubtful accounts to total revenues ratio in 2015 was 56.71%, up from 2014 which at 51.84% in 2014, mainly from an increase in net fees and service income following the growth of loans and return on products dealer and financial services.

Basic earning per share in 2015 was 0.1211 Baht per share, compared to the year 2014 at 0.0892 Baht per share. The return on equity ratio (ROE) in 2015 was 9.65% and the year 2014 was 7.67%.

Table: Operating Results

Operating results	Consolidated financial statements			Change (2015 compared to the year 2014) Increase (decrease)	
	2015	2014	2013		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,366.43	3,381.93	2,797.92	984.50	29.11
Net fees and service income	349.38	216.22	248.95	133.16	61.59
Total dividend income and other operating income	827.61	648.54	267.65	179.07	27.61
Total operating income	5,543.42	4,246.69	3,314.52	1,296.73	30.54
Other operating expenses	(2,399.65)	(2,045.05)	(1,688.15)	354.60	17.34
Profits from operating	3,143.77	2,201.64	1,626.37	942.13	42.79
Bad debts, doubtful accounts and impairment loss	(1,089.61)	(710.00)	(526.00)	379.61	53.47
Profits before income tax expenses	2,054.16	1,491.64	1,100.37	562.52	37.71
Income tax expenses	(402.45)	(290.25)	(206.97)	112.20	38.66
Profits for the year	1,651.71	1,201.39	893.40	450.32	37.48
Basic earning per share (EPS) (Baht)	0.1211	0.0892	0.0702		
Return on equity ratio (ROE) (%)	9.65	7.67	6.12		
Return on total assets ratio (ROA) (%)	0.91	0.77	0.66		

1.1 Structure of Operating Income

Structure of operating income of the company and its subsidiaries for the year 2015, 2014 and 2013 are as follows:

Operating Income

In 2015, the company and its subsidiaries had operating income totalled Baht 5,543.42 million,

increased by Baht 1,296.73 million or up 30.54% compared to the year 2014 due to an increase in net interest income, net fees and service income and gains on investments. In 2015, interest expenses was Baht 4,127.46 million, increased by Baht 54.31 million or up 1.33% compared to the year 2014 as the following :

Table: Operating Income

Operating Income	Consolidated financial statements			Change (2015 compared to the year 2014) Increase (decrease)	
	2015	2014	2013		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest income	8,493.89	7,455.08	6,517.38	1,038.81	13.93
Interest expenses	(4,127.46)	(4,073.15)	(3,719.46)	54.31	1.33
Net interest income	4,366.43	3,381.93	2,797.92	984.50	29.11
Fees and service income	455.58	296.76	299.13	158.82	53.52
Fees and service expenses	(106.20)	(80.54)	(50.18)	25.66	31.86
Net fees and service income	349.38	216.22	248.95	133.16	61.59
Net gains (losses) on trading and foreign exchange transactions	2.17	1.21	(30.80)	0.96	79.34
Gains on investments	673.39	491.42	210.39	181.97	37.03
Dividend income	126.15	131.68	80.86	(5.53)	(4.20)
Other operating income	25.90	24.23	7.20	1.67	6.89
Total other income	827.61	648.54	267.65	179.07	27.61
Total operating income	5,543.42	4,246.69	3,314.52	1,296.73	30.54

Net Interest Income

Net interest income was Baht 4,366.43 million, increased by Baht 984.50 million or up 29.11% compared to the year 2014 due to an increase of interest income from loans and interbank and money market items (assets).

Interest expenses were Baht 4,127.46 million, increased by Baht 54.31 million or up 1.33%, which was less than the increase of interest income that reflect good efficiency of cost management and return on total assets.

Net Non-Interest Income

Net non-interest income included net fees and service income, net gains (losses) on trading and foreign exchange transactions, gains on investments, dividend income and other operating income. Net non-interest income grew constantly from Baht 864.76 million in 2014 to Baht 1,176.99 million in 2015, increased by Baht 312.23 million.

- Net Fees and Service Income

Net fees and service income was Baht 349.38 million, increased by Baht 133.16 million or up 61.59% compared to the year 2014, resulted from the promotion to increase the number of depositors and stimulation LH Bank ATM card to withdraw money from LH BANK ATM for free of charge. The increase of commission fee, mutual fund management fee

and selling agent fee from sales of financial products and services i.e. insurance service and back end / front end services.

- Other Income

Other income was Baht 827.61 million, increased by Baht 179.07 million or up 27.61% compared to the year 2014, mainly from the increase of gains on investments.

Other Operating Expenses

In 2015, other operating expenses were Baht 2,399.65 million, increased by Baht 354.60 million or up 17.34% compared to the year 2014. It was mainly from an increase in employees' expenses of the subsidiaries that provide for business expansion and premises and equipment expenses due to expand branches of the subsidiary.

Table: Other Operating Expenses

Other operating expenses	Consolidated financial statements			Change (2015 compared to the year 2014) Increase (decrease)	
	2015	2014	2013		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employees' expenses	1,161.42	960.97	767.73	200.45	20.86
Directors' remuneration	23.76	11.42	9.53	12.34	108.06
Premises and equipment expenses	704.60	629.29	512.91	75.31	11.97
Tax and duties	218.42	193.51	172.31	24.91	12.87
Advertising and promotion expenses	96.16	83.89	81.69	12.27	14.63
Amortization and Intangible assets	69.17	58.75	57.17	10.42	17.74
Other expenses	126.12	107.22	86.81	18.90	17.63
Total other operating expenses	2,399.65	2,045.05	1,688.15	354.60	17.34
Total other operating expenses to total operating income ratio (%)	43.29	48.16	50.93		

- Employees' Expenses

Employees' expenses was Baht 1,161.42 million, increased by Baht 200.45 million or up 20.86% compared to the year 2014, resulting from an increase in salary, annual bonus and the number of employees for business expansion.

As of 31 December 2015, Land and Houses financial business group had 1,787 employees, increased by 178 employees or up 11.06% compared to the year 2014, consists of Land and Houses Bank

Public Company Limited had 1,653 employees, increased by 129 employees compared to the year 2014 mainly due to an increase in the number of branches. Land and Houses Securities Public Company Limited had 88 employees, increased by 40 employees compared to the year 2015 and Land and Houses Fund Management Company Limited had 46 employees, increased by 11 employees compared to the year 2014.

Land and Houses Financial Business Group	The number of employees (person)		
	31 December 2015	31 December 2014	31 December 2013
LH Financial Group Public Company Limited	-	-	-
Land and Houses Bank Public Company Limited	1,653	1,524	1,369
Land and Houses Securities Public Company Limited	88	48	-
Land and Houses Fund Management Company Limited	46	35	31
Land and Houses Advisory Company Limited	-	2	-
Total	1,787	1,609	1,400

- Premises and Equipment Expenses

Premises and equipment expenses was Baht 704.60 million, increased by Baht 75.31 million or up 11.97% compared to the year 2014, as a result of branch expansion of subsidiaries and ATM expenses.

- Other Expenses

Other expenses was Baht 126.12 million, increased by Baht 18.90 million or up 17.63% compared to the year 2014.

1.2 Asset Management Efficiency

An Analysis of Financial Positions

An analysis of financial positions of the company and its subsidiaries were a comparison of financial positions as of 31 December 2015 and 31 December 2014.



Table: Total Assets

Total assets	Consolidated financial statements			Change (2015 compared to the year 2014) Increase (decrease)	
	31 December 2015	31 December 2014	31 December 2013	Amount (Million Baht)	Ratio (%)
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)		
Assets					
Cash	2,242.59	2,503.97	1,726.30	(261.38)	(10.44)
Interbank and money market items - net	17,676.43	13,117.18	7,010.08	4,559.25	34.76
Investments - net	47,202.96	33,728.13	36,466.10	13,474.83	39.95
Loans to customers and accrued interest receivables					
Loans to customers	133,276.80	115,915.21	103,969.33	17,361.59	14.98
Accrued interest receivables	224.48	239.81	206.15	(15.33)	(6.39)
Total loans to customers and accrued interest receivables	133,501.28	116,155.02	104,175.48	17,346.26	14.93
Less: Deferred revenue	(179.45)	(281.52)	(320.24)	(102.07)	(36.26)
Allowance for doubtful accounts	(2,555.27)	(2,137.82)	(1,422.29)	417.45	19.53
Revaluation allowance for debts restructuring	(8.74)	(7.55)	(11.18)	1.19	15.76
Loans to customers and accrued interest receivables - net	130,757.82	113,728.13	102,421.77	17,029.69	14.97
Properties foreclosed	99.34	52.81	-	46.53	88.11
Premises and equipment - net	499.00	543.77	494.28	(44.77)	(8.23)
Intangible assets - net	297.29	291.45	209.05	5.84	2.00
Deferred tax assets	197.54	145.19	127.45	52.35	36.06
Accrued interest receivables on investments	305.40	345.39	356.86	(39.99)	(11.58)
Other assets - net	388.40	514.28	286.82	(125.88)	(24.48)
Total assets	199,666.77	164,970.30	149,098.71	34,696.47	21.03

Total Assets

As at 31 December 2015, total assets were Baht 199,666.77 million, increased by Baht 34,696.47 million or up 21.03% compared to the year 2014. Core assets consist of loans to customer and accrued interest receivables - net 65.49% of total assets, followed by investments - net 23.64% of total assets.

Investments - Net

As at 31 December 2015, investments in securities which had book value was Baht 47,202.96 million, increased by Baht 13,474.83 million or up 39.95% compared to the year 2014, mainly increase from invested in held-to-maturity debt securities.

Table: Investment Classified by Type of Investment at Book Value

Investments - net	Consolidated financial statements			Change (2015 compared to the year 2014) Increase (decrease)	
	31 December 2015	31 December 2014	31 December 2013	Amount (million Baht)	Ratio (%)
	Amount (million Baht)	Amount (million Baht)	Amount (million Baht)		
Trading investments					
Domestic marketable equity securities	12.25	-	26.40	12.25	n/a
Total trading investments	12.25	-	26.40	12.25	n/a
Available- for -Sale Investments					
Government and state enterprise securities	-	-	2,311.98	-	-
Private sector debt securities	-	-	326.07	-	-
Domestic marketable equity securities	2,352.96	1,715.37	1,988.67	637.59	37.17
Total available-for-sale investments	2,352.96	1,715.37	4,626.72	637.59	37.17
Held-to-maturity investments					
Government and state enterprise securities	22,073.90	15,386.44	16,798.86	6,687.46	43.46
Private sector debt securities	17,399.35	15,262.82	13,989.32	2,136.53	14.00
Other debt securities	5,350.96	1,350.41	1,020.00	4,000.55	296.25
Total held-to-maturity investments	44,824.21	31,999.67	31,808.18	12,824.54	40.08
General investments - cost					
Domestic non-marketable equity securities	13.57	13.66	5.37	(0.09)	(0.66)
Less: Allowance for impairment	(0.03)	(0.57)	(0.57)	(0.54)	(94.74)
General investments - net	13.54	13.09	4.80	0.45	3.44
Investments - net	47,202.96	33,728.13	36,466.10	13,474.83	39.95

Total liabilities

As of 31 December 2015, total liabilities were Baht 181,715.92 million, increased by Baht 33,031.97 million or up 22.22% compared to

the year 2014, mainly from deposits and debts issued and borrowings 75.43% and 11.92% of total liabilities, respectively.

Table: Liabilities Classified by Type of Liabilities

Liabilities classified by type of liabilities	Consolidated financial statement			Change (2015 compared to the year 2014) Increase (decrease)	
	31 December 2015	31 December 2014	31 December 2013		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	137,064.32	122,631.90	108,805.48	14,432.42	11.77
Interbank and money market items	20,638.56	23,171.16	23,513.46	(2,532.60)	(10.93)
Liabilities payable on demand	176.52	109.95	214.56	66.57	60.55
Debts issued and borrowings	21,663.97	1,000.00	3.20	20,663.97	2,066.40
Others	2,172.55	1,770.94	1,540.81	401.61	22.68
Total liabilities	181,715.92	148,683.95	134,077.51	33,031.97	22.22

Owners' equity

As of 31 December 2015, owners' equity was Baht 17,950.85 million, increased by Baht 1,664.50 million or up 10.22% compared to the year 2014. Mainly from net profits from operating in 2015 totalled Baht 1,651.71 million.

1.3 Capital adequacy

Sources and Uses of Fund

As of 31 December 2015, capital structure according to the consolidated financial statements comprised liabilities totalled Baht 181,715.92 million and owners' equity totalled Baht 17,950.85 million, or was 10.12 times of debt to equity ratio. Sources of fund composition in terms of liabilities included deposits 68.65% of sources of fund, interbank and money market items 10.34% debts issued and borrowings 10.85% and others 1.17%, while owners' equity 8.99%.

Relations of Sources and Uses of Fund

As of 31 December 2015, loans to customers (before deducting deferred revenue) totalled Baht 133,276.80 million. Loans to deposits ratio was 97.27%. The bank invested remaining liquidity in liquid assets such as interbank and money market items and investments in securities.

Significant sources and uses of fund could be classified by contract maturity date. Deposits less than 1 year totalled Baht 129,078.24 million, or 94.17% of total deposits. Loans less than 1 year totalled Baht 49,125.24 million, or 36.86% of total loans. Deposits more than 1 year totalled Baht 7,986.08 million, or 5.83% of total deposits. Loans more than 1 year totalled Baht 83,781.44 million, or 62.86% of total loans.

Table: Sources and Uses of Fund

Periods	Deposits				Loans			
	31 December 2015		31 December 2014		31 December 2015		31 December 2014	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	129,078.24	94.17	118,897.47	96.95	49,125.24	36.86	42,418.84	36.59
More than 1 year	7,986.08	5.83	3,734.43	3.05	83,781.44	62.86	73,382.72	63.31
No maturity	-	-	-	-	370.12	0.28	113.65	0.10
Total	137,064.32	100.00	122,631.90	100.00	133,276.80	100.00	115,915.21	100.00

1.4 Change of Cash Flow

The cash of the company and its subsidiaries as at 31 December 2015 was Baht 2,242.59 million, decreased by Baht 261.38 million compared to the year 2014. Net cash provided by and used in activities as the following.

- Net cash provided by operating activities was Baht 7,209.78 million, which was from the profits from operation before changes in operating assets and liabilities totalled Baht 947.56 million and mainly change of assets and liabilities were loans to customers increased by Baht 17,837.39 million, interbank and money market items (assets) increased

by Baht 4,597.70 million, deposits increased by Baht 14,432.42 million and short-term debts issued and borrowings increased by Baht 16,814.77 million.

- Net cash used in investing activities was Baht 11,271.53 million, mainly from invested in held-to-maturity investments totalled Baht 23,385.04 million, while cash received from held-to-maturity investments totalled Baht 11,144.15 million.
- Net cash provided by financing activities was Baht 3,800.36 million, which was from long-term debts issued and borrowings totalled Baht 3,849.20 million.

1.5 Adequacy of Liquidity

Items	31 December 2015	31 December 2014
Total assets	199,666.77	164,970.30
Deposits	137,064.32	122,631.90
Loans to customers (net deferred revenue)	133,097.35	115,633.69
Liquidity assets	53,156.00	39,415.92
Loans/deposits (%)	97.11	94.29
Liquidity assets/total assets (%)	26.62	23.89
Liquidity assets/deposits (%)	38.78	32.14

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

1.6 Factors Influencing Future Operating Results

Key factors likely influencing future operating results is expected weak recovery of Thai economy due to slow recovery of global economy, money and capital market fluctuation, weak domestic demand, and agricultural households affected by agricultural price drop and droughts. Consequently, demand for loans and loan quality are affected, bank's interest received is expected to be lower, and allowance for doubtful accounts is expected to be increased due to high level of NPLs.

2. Commercial Banking Business

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

Overview of Commercial Banking Industry and Competition in 2015 and Outlook in 2016

Overview of Commercial Banking Industry and Competition in 2015

In 2015, overview of commercial banking industry slightly expanded and grew in the last quarter of the year. Loan growth of commercial banking industry expanded by 5.7% or up 4.8% compared to last year. Commercial banking system faced high level of NPLs especially from large enterprise, SME, and retail loan customers, resulting in lower net profits due to higher allowance for doubtful accounts. As a result, the banking system focused on strict lending criteria, efficient risk management instead of loan competition and became more cautious on loan growth.

In funding and deposits, to maintain bank's liquidity, banks competed in launching deposit products, subordinated debentures issuance and sales of debentures overseas were increased and mutual fund (for commercial banks with fund management company or asset management company) was likely to grow continually.



Profitability of commercial banking industry was still good despite decreasing net profits compared to the previous year. It was because in 2015 commercial banking system had to increase allowance for doubtful accounts to more than 50% as NPLs increased continuously, especially large enterprise loan customers in industrial, commercial and construction sectors as well as consumer loan customers. This led to net profits of commercial banking system in 2015 decreased by 10.2% compared to 2014. Nevertheless, operating profits before allowance for doubtful accounts still grew by 7.2% from 2014 as a result of efficient operating cost management and continuously increased income from net interest income, non-interest income, and fee income.

Given world economic slowdown, Thai economy experienced slow recovery from improved private consumption and investment, resulting in decent growth of commercial banking system in assets, loans, and deposits. Total loans of commercial banking system increased by 5.7% and the average past 2 years loan growth of 5.3%. Deposits grew by only 2.7%, decreasing from 6.5% in the previous year.

In the year 2015, the bank had the credit growth at 15.1%, deposit growth rate at 11.8% (according to consolidated financial statements) and market share of assets increased continuously to 1.22% from 1.06% in 2014.

Data of the Land and Houses Bank PLC Compared to Commercial Banking Industry
As of 31 December 2015

(Unit : Million Baht)

	2015	2014	2013	Growth Rate (per year)		Growth Rate (per year) Average of past 2 years
				2015	2014	
Commercial Banking System						
Assets	16,405,821	15,532,002	14,820,170	5.6%	4.8%	5.2%
Loans	11,235,273	10,629,190	10,140,574	5.7%	4.8%	5.3%
Deposits	11,266,011	10,967,775	10,296,285	2.7%	6.5%	4.6%
Land and Houses BANK PLC						
Assets	199,667	164,970	149,099	21.0%	10.6%	-
Loans	133,097	115,634	103,649	15.1%	11.6%	-
Deposits	137,064	122,632	108,805	11.8%	12.7%	-
LH BANK's Market Share						
Assets (%)	1.22	1.06	1.01	-	-	-
Loans (%)	1.18	1.09	1.02	-	-	-
Deposits (%)	1.22	1.12	1.06	-	-	-

Source Data from the Stock Exchange of Thailand, 15 Commercial Banks registered in Thailand

Outlook of Commercial Banking Industry and Competition in 2016

Office of the National Economic and Social Development Board or NESCB's report on reduction of expected GDP growth in 2016 to 2.8%-3.8% or 3.3% on average (as of February 2016) from 3.0%-4.0% reflects slow economic recovery. In addition, high level of non-performing loans or NPLs in the previous year will still be considered by commercial banks when it comes to loan approval in 2016. However, reports on expected growth of loans from many commercial banks show that loans will grow by 4.0-5.0%.

Commercial banking system focuses on controlling Cost-to-Income ratio. In 2015, many banks closed branches or postponed new branch opening to partly reduce operating costs. This action was also in accordance with the development of digital banking, which has played a more important role because it allows anywhere and anytime transactions, which is more convenient and faster than visiting the branch.

Analysis of Banking Industry Influencing the Bank's Performance

For the key strategy in 2016, the bank maintains its focus on market share expansion through expansion in loan amount and deposit. For loans, the bank will still focus on quality large enterprise loans to prevent NPLs. For deposits, the bank will focus on retail customers to reduce risks from outflow of money and maintain liquidity. Regarding profitability, similar to commercial banking system, the bank will generate more incomes from all sources including interest received income and non-interest income especially fee income that the bank increased its growth target and control operating costs efficiently. The other important strategy is to accelerate technology development to fully implement digital banking or mobile banking.

Commercial banking system will face competition in financial product development to expand customer base, especially retail customers, to cope up with the reduction of deposit protection limit from up to 25 million baht to up to 1 million baht,

effective 11 August 2016, and to be in line with Liquidity Coverage Ratio (LCR) criteria by the Bank of Thailand to maintain stability of commercial banking system's inflow-outflow of money.

Overall Performance

The analysis of operating results of Land and Houses Bank Public Company Limited and its subsidiary performance are comparative performance of the year 2015 compared to the year 2014.

In 2015, the bank and its subsidiary had profit for the year totalled Baht 1,660.73 million, increased by Baht 431.63 million or up 35.12% compared to the year 2014. An increase in profit for the year was mainly from the increase of net interest income up 28.43% following the growth of all loans and net fees and service income up 41.63%.

Other operating expenses increased by Baht 282.89 million or up 14.15% compared to

the year 2014 due to the expansion of the branches which caused higher employees' expenses and premises and equipment expenses.

An allowance for doubtful accounts increased by Baht 379.61 million or up 53.47% compared to the year 2014, following the growth of loans and supporting to uncertainty of domestic economy.

The profits from operating before bad debts and doubtful accounts to total revenues ratio in 2015 was 58.00%, up from in 2014 which was at 52.71%, mainly from an increase in operating income and other operating expenses in the same direction. The increase of operating income was higher than other operating expenses at 14.38%.

Basic earning per share in 2015 was 1.26 Baht per share, compared to the previous year at 0.97 Baht per share. The return on equity ratio (ROE) for the year 2015 was 10.91% and the return on total assets ratio (ROA) for the year 2015 was 0.92%.

Table: Operating Results

Operating results	Consolidated financial statement			Change (2015 compared to the year 2014) Increase (decrease)	
	2015	2014	2013		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,344.31	3,382.66	2,792.35	961.65	28.43
Net fees and service income	319.52	225.60	256.92	93.92	41.63
Total net gains on trading and foreign exchange transactions, gains on investments, dividend income and other operating income	771.71	620.84	276.26	150.87	24.30
Total operating income	5,435.54	4,229.10	3,325.53	1,206.44	28.53
Other operating expenses	(2,282.75)	(1,999.86)	(1,677.54)	282.89	14.15
Profits from operating	3,152.79	2,229.24	1,647.99	923.55	41.43
Bad debts, doubtful accounts and impairment loss	(1,089.61)	(710.00)	(526.00)	379.61	53.47
Profits before income taxes expenses	2,063.18	1,519.24	1,121.99	543.94	35.80
Income tax expenses	(402.45)	(290.14)	(206.97)	112.31	38.71
Profits for the year	1,660.73	1,229.10	915.02	431.63	35.12
Earning per share (EPS) (Baht)	1.26	0.97	0.73		
Return on equity ratio (ROE) (%)	10.91	8.82	6.69		
Return on total assets ratio (ROA) (%)	0.92	0.78	0.68		

2.1 Structure of Operating Income

Structure of operating income of Land and Houses Bank Public Company Limited and its subsidiary are as follows:

Operating Income

In 2015, the bank and its subsidiary had operating income totalled Baht 5,435.54 million,

increased by Baht 1,206.44 million or up 28.53% compared to the year 2014 due to an increase in interest income from loans following the growth of loans as in the table below.

Table: Operating Income

Operating Income	Consolidated financial statements			Change (2015 compared to the year 2014) Increase (decrease)	
	2015	2014	2013		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest Income					
Loan to customers	6,259.57	5,570.29	4,957.38	689.28	12.37
Investments in debt securities	1,470.79	1,476.58	1,322.60	(5.79)	(0.39)
Interbank and money market items	633.26	298.52	137.88	334.74	112.13
Hire purchase	121.58	135.62	99.50	(14.04)	(10.35)
Total interest income	8,485.20	7,481.01	6,517.36	1,004.19	13.42
Interest expenses	(4,140.89)	(4,098.35)	(3,725.01)	42.54	1.04
Net interest income	4,344.31	3,382.66	2,792.35	961.65	28.43
Fees and service income	405.01	293.16	299.21	111.85	38.15
Fees and service expenses	(85.49)	(67.56)	(42.29)	17.93	26.54
Net fees and service income	319.52	225.60	256.92	93.92	41.63
Gains on investments	664.05	488.19	213.47	175.86	36.02
Dividend income	89.34	108.93	55.59	(19.59)	(17.98)
Other operating income	18.32	23.72	7.20	(5.40)	(22.77)
Total other operating income	771.71	620.84	276.26	150.87	24.30
Total operating income	5,435.54	4,229.10	3,325.53	1,206.44	28.53

Net Interest Income

In 2015, the Bank and its subsidiary had net interest income totalled Baht 4,344.31 million, increased by Baht 961.65 million or up 28.43% compared to the year 2014 due to an increase in interest income from loans and interbank and money market items following the growth of loans.

Interest expenses was Baht 4,140.89 million, increased by Baht 42.54 million or up 1.04%, which was less than the increase of interest income that reflect good efficiency of cost management and return on total assets.

Net Non-Interest Income

Net non-interest income included net fees and service income, gains on investments, dividend income and other operating income. In 2015, the bank and its subsidiary had net non-interest income totalled Baht 1,091.23 million, increased by Baht 244.79 million, or up 28.92% compared to the year 2014 as the following details.

- Net Fees and Service Income

The bank and its subsidiary had net fees and service income totalled Baht 319.52 million, increased by Baht 93.92 million or up 41.63% compared to the year 2014, resulted from the promotion to increase the number of depositors and stimulation LH Bank ATM card to withdraw money from LH BANK ATM for free of charge, mutual fund management fee and selling agent fee from sales of financial products and services i.e. insurance service and back end / front end service.

- Other Income

The bank and its subsidiary had other income totalled Baht 771.71 million, increased by Baht 150.87 million or up 24.30% compared to

the year 2014, due to an increase in gains on investments.

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

The bank recorded bad debts and doubtful accounts based on the rules and regulations of the Bank of Thailand and evaluations for the status of debtors based on its experiences.

In 2015, net interest income after deducting bad debts, doubtful accounts and impairment loss was Baht 3,254.70 million, increased by Baht 582.04 million or up 21.78% compared to the year 2014.

Bad Debts, Doubtful Accounts and Impairment Loss

In 2015, the bank had bad debts and doubtful accounts and impairment loss was Baht 1,089.61 million, increased by Baht 379.61 million or up 53.47% compared to the year 2014, following loan growth and supporting to uncertainty of domestic economy. Loan loss reserves based on the guideline of the BoT was 180.42% in 2015 and 157.35% in 2014.

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 (2015 compared to the year 2014) Increase (decrease)	
	2015	2014	2013		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,344.31	3,382.66	2,792.35	961.65	28.43
Bad debts, doubtful accounts and impairment loss	1,089.61	710.00	526.00	379.61	53.47
Net interest income after deducting bad debts, doubtful accounts and impairment loss	3,254.70	2,672.66	2,266.35	582.04	21.78
Loan loss reserves (%)	180.42	157.35	126.74		

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 2015, the bank and its subsidiary had other operating expenses totalled Baht 2,282.75 million, increased by Baht 282.89 million or up 14.15% compared to the year 2014.

It was mainly from an increase in employees' expenses and premises and equipment expenses due to expand branches increased by 9 branches in 2014 to be 126 branches at the end of 2015. The operating expenses to total operating income ratio in 2015 was 42.00%, decreased from 2014 which was 47.29%, as the following.

Table: Other Operating Expenses

Other operating expenses	Consolidated financial statements			Change (2015 compared to the year 2014) Increase (decrease)	
	2015	2014	2013	Amount	%
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employees' expenses	1,105.99	944.45	767.74	161.54	17.10
Directors' remuneration	14.32	2.38	1.65	11.94	501.68
Premises and equipment expenses	679.65	619.39	513.97	60.26	9.73
Tax and duties	217.18	192.26	172.19	24.92	12.96
Advertising and promotion expenses	94.14	81.51	80.73	12.63	15.50
Amortisation and Intangible assets	61.05	57.77	57.17	3.28	5.68
Other expenses	110.42	102.10	84.09	8.32	8.15
Total other operating expenses	2,282.75	1,999.86	1,677.54	282.89	14.15
Total operating expenses to total operating income ratio (%)	42.00	47.29	50.44		

2.2 Asset Management Efficiency

An Analysis of Financial Positions

An analysis of financial positions of the bank and its subsidiary were a comparison of financial positions as of 31 December 2015 and 2014



Table: Total Assets

Total assets	Consolidated financial statements			Change (2015 compared to the year 2014) Increase (decrease)	
	2015	2014	2013		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Assets					
Cash	2,242.56	2,503.96	1,726.29	(261.40)	(10.44)
Interbank and money market items - net	17,761.61	13,092.52	7,002.09	4,669.09	35.66
Investments - net	46,203.90	33,378.73	36,112.66	12,825.17	38.42
Loans to customers and accrued interest receivables					
Loans to customers	132,906.68	116,301.56	103,969.33	16,605.12	14.28
Accrued interest receivables	222.89	239.68	206.15	(16.79)	(7.01)
Total loans to customers and accrued interest receivables	133,129.57	116,541.24	104,175.48	16,588.33	14.23
Less: Deferred revenue	(179.45)	(281.52)	(320.24)	(102.07)	(36.26)
Allowance for doubtful accounts	(2,555.27)	(2,068.13)	(1,422.29)	487.14	23.55
Revaluation allowance for debts restructuring	(8.74)	(7.55)	(11.18)	1.19	15.76
Loans to customers and accrued interest receivables - net	130,386.11	114,184.04	102,421.77	16,202.07	14.19
Properties foreclosed	99.34	52.81	-	46.53	88.11
Premises and equipment - net	416.70	466.52	456.64	(49.82)	(10.68)
Intangible assets - net	192.68	188.61	209.05	4.07	2.16
Deferred tax assets	194.90	142.55	127.45	52.35	36.72
Accrued interest receivables on investments	305.40	345.39	356.86	(39.99)	(11.58)
Other assets - net	287.60	452.90	283.93	(165.30)	(36.50)
Total assets	198,090.80	164,808.03	148,696.74	33,282.77	20.19

Total Assets

Core assets of the bank and its subsidiary included loans to customer and accrued interest receivables - net 65.82% of total assets, followed by investment - net 23.32% of total assets. As at 31 December 2015, total assets was Baht 198,090.80 million, increased by Baht 33,282.77 million or up 20.19% compared to the year 2014, which was mainly from an increase in loans to customers and accrued interest receivables - net and investments - net.

Loans

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

As of 31 December 2015, the bank had loans net of deferred revenue (including interbank and money market items) totalled Baht 149,010.02 million, increased by Baht 21,392.48 million or up 16.76% compared to the year 2014. Mainly from Big Corporate & Corporate loans 60.43%, followed by Retail loans 21.35% of total loans. When they were classified by type of loans, mainly from public utilities and services loans and housing loans at 23.10% and 20.01% of total loans, respectively.

Table: Loans Classified by Business Sector (Included interbank and money market items)

Loans classified by business sector	Consolidated financial statements						Change (2015 compared to the year 2014) Increase (decrease)	
	2015		2014		2013			
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	Ratio (%)
Big Corporate & Corporate loans	90,053.21	60.43	69,774.26	54.67	52,233.84	48.15	20,278.95	29.06
SMEs & SSME loans	27,143.71	18.22	25,486.31	19.97	22,112.60	20.38	1,657.40	6.50
Retail loans	31,813.10	21.35	32,356.97	25.36	34,141.10	31.47	(543.87)	(1.68)
Loans net of deferred revenue	149,010.02	100.00	127,617.54	100.00	108,487.54	100.00	21,392.48	16.76
Add : accrued interest receivables	236.52		244.93		208.81		(8.41)	(3.43)
Total loans and accrued interest receivables net of deferred revenue	149,246.54		127,862.47		108,696.35		21,384.07	16.72

Table: Loans Classified by Type of Loans (Included interbank and money market items)

Loans classified by type of loans	Consolidated financial statements						Change (2015 compared to the year 2014) Increase (decrease)	
	2015		2014		2013			
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	Ratio (%)
Housing loans	29,812.73	20.01	30,472.25	23.88	32,273.40	29.75	(659.52)	(2.16)
Manufacturing and commerce	27,390.76	18.38	22,909.61	17.95	19,827.16	18.28	4,481.15	19.56
Public utilities and services	34,424.60	23.10	27,283.53	21.38	26,248.89	24.19	7,141.07	26.17
Real estate and construction	18,847.74	12.65	15,230.61	11.93	12,068.50	11.12	3,617.13	23.75
Agricultural and mining	386.13	0.26	420.88	0.33	517.03	0.48	(34.75)	(8.26)
Financial intermediation	21,938.64	14.72	19,001.13	14.89	10,620.63	9.79	2,937.51	15.46
Saving cooperative	14,093.29	9.46	10,028.50	7.86	4,338.44	4.00	4,064.79	40.53
Others	2,116.13	1.42	2,271.03	1.78	2,593.49	2.39	(154.90)	(6.82)
Total loans net of deferred revenue	149,010.02	100.00	127,617.54	100.00	108,487.54	100.00	21,392.48	16.76

Quality of Assets

As of 31 December 2015, classified assets included interbank and money market items and accrued interest receivables, investments,

loans and accrued interest receivables and other assets. Assets categorized in compliance with the regulations of the Bank of Thailand as follow:

Table: Assets Classified by Type of Asset

Assets classified by type of asset	Consolidated financial statements			Change (2015 compared to the year 2014) Increase (decrease)	
	2015	2014	2013		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interbank and money market and accrued interest receivables					
- Pass	16,296.41	11,602.75	4,841.10	4,693.66	40.45
Investments					
- Doubtful of loss	50.66	36.03	117.38	14.63	40.61
Loans and accrued interest receivables					
- Pass	129,150.53	111,826.75	100,187.65	17,323.78	15.49
- Special - mention	984.94	1,983.91	1,687.45	(998.97)	(50.35)
- Sub - standard	347.08	507.50	414.89	(160.42)	(31.61)
- Doubtful	1,471.27	570.55	550.54	900.72	157.87
- Doubtful of loss	996.30	1,371.01	1,014.71	(374.71)	(27.33)
Other assets					
- Doubtful of loss	34.97	26.11	25.90	8.86	33.93
Total	149,332.16	127,924.61	108,839.62	21,407.55	16.73

Allowance for Doubtful Accounts

As of 31 December 2015, allowance for doubtful accounts was Baht 2,555.27 million, increased by Baht 487.14 million or up 23.55% compared to the year 2014, following the growth of loans and

supporting to uncertainty of domestic economy. Allowance for doubtful accounts to total loans ratio was 1.93%, up from 2014 which was at 1.78%, LLR/NPL increased from 84.75% to 91.10%.

Table: Allowance for Doubtful Accounts Classified by Debtor Classification
(excluded interbank and money market items)

Loans to customers and accrued interest receivables and allowance for doubtful accounts classified by debtor classification	Consolidated financial statements								Change (2015 compared to the year 2014) Increase (decrease)	
	2015				2014					
	Loans to customers and accrued interest receivables		Allowance for doubtful accounts		Loans to customers and accrued interest receivables		Allowance for doubtful accounts			
	Amount (million Baht)	Ratio (%)	Amount (million Baht)	Ratio (%)	Amount (million Baht)	Ratio (%)	Amount (million Baht)	Ratio (%)	Amount (million Baht)	Ratio (%)
Pass	129,150.53	97.14	498.05	19.49	111,826.75	96.19	411.84	19.91	86.21	20.93
Special - mention	984.94	0.74	2.85	0.11	1,983.90	1.71	2.50	0.12	0.35	14.00
Sub - standard	347.08	0.26	108.24	4.24	507.50	0.44	87.31	4.22	20.93	23.97
Doubtful	1,471.27	1.11	367.30	14.37	570.55	0.49	140.54	6.80	226.76	161.35
Doubtful of loss	996.30	0.75	347.82	13.61	1,371.01	1.17	617.65	29.87	(269.83)	(43.69)
Total	132,950.12	100.00	1,324.26	51.82	116,259.71	100.00	1,259.84	60.92	64.42	5.11
Additional provision for specific debtors			508.60	19.91			380.00	18.37	128.60	33.84
General provision			722.41	28.27			428.29	20.71	294.12	68.67
Total	132,950.12	100.00	2,555.27	100.00	116,259.71	100.00	2,068.13	100.00	487.14	23.55
LLR/NPL (%)				91.10				84.75		

As of 31 December 2015, the bank had loans classified by overdue debtors as follows:

Table: Loans to Customers Classified by Periods to Maturity

Loans to customers	Consolidated financial statements			Change (2015 compared to the year 2014) Increase (decrease)	
	2015	2014	2013		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
At call	10,379.04 ^{/1}	8,514.33 ^{/1}	8,072.64 ^{/1}	1,864.71	21.90
Less than 3 months	21,378.84	19,771.29	15,063.07	1,607.55	8.13
3 – 12 months	17,367.36	14,633.22	12,104.30	2,734.14	18.68
More than 1 year	83,781.44	73,382.72	68,729.32	10,398.72	14.17
Total	132,906.68	116,301.56	103,969.33	16,605.12	14.28

Note ^{/1} Loans to customers maturing at call include defaulted loans and non-performing loans.

Revaluation Allowance for Debts Restructuring

The bank recorded revaluation allowance for debts restructuring totalled Baht 8.74 million, increased by Baht 1.19 million or up 15.76% compared to the year 2014.

Non-Performing Loans

As of 31 December 2015, non-performing loans (gross) was Baht 2,814.65 million, increased by Baht 365.59 million or up 14.93% compared to the year 2014. Non-performing loans to total loans ratio 1.89%, down from to 2014 which was at 1.92%.

Non-performing loans (net) were Baht 1,832.22 million, or 1.24% of total loans after deducting allowance for doubtful accounts of non-performing loans.

Total Liabilities

As of 31 December 2015, the bank and its subsidiary had total liabilities were Baht 182,032.31 million, increased by Baht 31,599.91 million or up 21.01% compared to the year 2014, which was mainly from an increase in debts issued and borrowings and deposits.

Table: Liabilities Classified by Type of Liabilities

Liabilities classified by type of liabilities	Consolidated financial statements			Change (2015 compared to the year 2014) Increase (decrease)	
	2015	2014	2013		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	137,300.10	123,661.96	109,936.87	13,638.14	11.03
Interbank and money market items	20,641.07	23,917.27	23,513.46	(3,276.20)	(13.70)
Liabilities payable on demand	176.52	109.95	214.56	66.57	60.55
Debts issued and borrowings	21,814.06	1,000.00	3.20	20,814.06	2,081.41
Others	2,100.56	1,743.22	1,536.14	357.34	20.50
Total liabilities	182,032.31	150,432.40	135,204.23	31,599.91	21.01

Deposits

As of 31 December 2015, the bank had deposits totalled Baht 137,300.10 million, increased

by Baht 13,638.14 million or up 11.03% compared to the year 2014, mainly from time deposits.

Table: Deposits Classified by Type of Deposits

Deposits classified by type of deposits	Consolidated financial statements			Change (2015 compared to the year 2014) Increase (decrease)	
	2015	2014	2013		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Demand deposits	5,678.02	5,034.06	3,869.66	643.96	12.79
Savings deposits	51,887.27	50,659.00	27,660.88	1,228.27	2.42
Time deposits	41,212.83	30,684.68	35,409.88	10,528.15	34.31
Fixed deposit receipt	38,521.98	37,284.22	42,996.45	1,237.76	3.32
Total deposits	137,300.10	123,661.96	109,936.87	13,638.14	11.03

Owners' Equity

As of 31 December 2015, the bank and its subsidiary had owners' equity totalled Baht 16,058.49 million, increased by Baht 1,682.86 million or up 11.71% compared to the year 2014.

2.3 Capital Adequacy

Sources and Uses of Fund

As of 31 December 2015, capital structure according to the consolidated financial statements consist of liabilities totalled Baht 182,032.31 million and owners' equity totalled Baht 16,058.49 million, or was 11.34 times of debt to equity ratio. Sources of fund composition in terms of liabilities included deposits 69.31% of sources of fund, interbank and money market items 10.42%, debts issued and

borrowings 11.01%, liabilities payable on demand and others 1.15%, while owners' equity 8.11%.

Relations of Sources and Uses of Fund

As of 31 December 2015, loans to customers (before deducting deferred revenue) totalled Baht 132,906.68 million. Loans to deposits ratio of the bank was 96.83%. The bank invested remaining liquidity in liquid assets such as interbank and money market items, investments and loans.

Significant sources and uses of fund as of 31 December 2015 could be classified by contract maturity date. Deposits less than 1 year totalled Baht 129,314.01 million, or 94.18% of total deposits. Loans less than 1 year totalled Baht 49,125.23 million, or 36.96%. Deposits more than 1 year totalled Baht 7,986.09 million, or 5.82%. Loans more than 1 year totalled Baht 83,781.44 million, or 63.04%.

Table: Sources and Uses of Fund

Periods	Deposits				Loans			
	2015		2014		2015		2014	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	129,314.01	94.18	119,927.53	96.98	49,125.24	36.96	42,918.84	36.90
More than 1 year	7,986.09	5.82	3,734.43	3.02	83,781.44	63.04	73,382.72	63.10
Total	137,300.10	100.00	123,661.96	100.00	132,906.68	100.00	116,301.56	100.00

2.4 Change of Cash Flow

The cash of the bank and its subsidiary as of 31 December 2015 was Baht 2,242.56 million, decreased by Baht 261.40 million compared to the year 2014. Net cash provided by and used in activities as the following.

- Net cash provided by operating activities was Baht 6,440.38 million, which was from the profits from operation before changes in operating assets and liabilities totalled Baht 990.40 million and mainly change of assets and liabilities were loans to customers increased by Baht 17,337.39 million, interbank and money market items (assets) increased by Baht 4,707.55 million, short-term debts issued and borrowings increased by Baht 16,814.06 million and deposits increased by Baht 13,638.13 million.
- Net cash used in investing activities was Baht 10,701.70 million, mainly from invested in held-to-maturity investments totalled Baht 23,385.04 million while cash received from held-to-maturity investments totalled Baht 11,144.13 million.
- Net cash provided by financing activities was Baht 3,999.91 million, which was from long-term debts issued and borrowings totalled Baht 4,000.00 million, cash received from issuance of additional ordinary totalled Baht 1,000.00 million and cash dividends paid totalled Baht 1,000.09 million.

2.5 Adequacy of Liquidity

Items	31 December 2015	31 December 2014
Total assets	198,090.80	164,808.03
Deposits	137,300.10	123,661.96
Loan to customers (net deferred revenue)	132,727.23	116,020.04
Liquidity assets	52,242.09	39,041.85
Loan to customers/Deposits (%)	96.67	93.82
Liquidity assets/Total assets (%)	26.37	23.69
Liquidity assets/Deposits (%)	38.05	31.57

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

2.6 Liquidity Assets Ratio

The bank maintained the liquidity assets ratio on average at not lower than 6.00% of some types of deposits and borrowings according to the criteria of the Bank of Thailand. As of 31 December 2015, the bank had the cash on hands, cash at the cash center, cash at Bank of Thailand and investments without commitments totalled Baht 47,877.59 million.

2.7 Capital Adequacy and the Ratio of Capital Fund to Risk Assets

As of 31 December 2015, the bank had the ratio of total capital fund to risk assets at 14.01%, higher than the 8.50% minimum rate required by the Bank of Thailand and increasing from BIS when compared with 31 December 2014 at 12.41%.

The ratio of Tier 1 - capital fund to risk assets was 10.18%, higher than the 6.00% minimum rate required by the Bank of Thailand.

Table: Capital Fund to Risk Assets Ratio

Capital Fund to Risk Assets Ratio	31 December 2015		31 December 2014		31 December 2013	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Common equity Tier 1 capital fund						
The bank	15,202.82	10.18	13,895.82	11.32	13,206.94	12.69
Minimum rates required by law		4.50		4.50		4.50
The Difference		5.68		6.82		8.19
Tier 1 capital funds						
The bank	15,202.82	10.18	13,895.82	11.32	13,206.94	12.69
Minimum rates required by law		6.00		6.00		6.00
The Difference		4.18		5.32		6.69
Total capital funds						
The bank	20,936.11	14.01	15,231.93	12.41	13,921.53	13.38
Minimum rates required by law		8.50		8.50		8.50
The Difference		5.51		3.91		4.88

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

The key factors which may affect future operation, namely, Thai economic outlook recovery is quite weak due to slow growth of global economy, fluctuations in currency market and capital market and weak domestic demand including agricultural households affected by agricultural price drop and droughts. These may result in loan demand and quality loan and affected to interest income of commercial banking system decreased including high level of NPLs problem and must conduct to set more doubtful.

3. Securities Business

The performance of Land and Houses Securities Public Company Limited and its subsidiaries had the performance as follows;

Securities Business Conditions and Competition Overview in 2015 and Outlook in 2016

Securities Business Conditions and Competition Overview in 2015

Thai stock market overview in 2015 fell by 14% from 1,497.67 points at the end of 2014 to 1,288.02 points at the end of 2015. The market index increased to 1,600 points in early 2015 and then decreased continually. The main reasons were low investor confidence in global economic growth so investors preferred investing in lower-risk assets. In addition, investors were concerned about US financial condition, FED's interest rate increase, and China's economic slowdown. Although domestic factors seemed more positive due to the government's more proactive and tangible policy to boost economic growth in 2016, Thai economy was still affected by



a decrease in exports and domestic demand. These led to constant selling pressure on Thai shares by foreign investors since mid-2015. Foreign net-selling of Thai share reached Baht 1.5 hundred billion. The selling pressure and Thai stock market slowdown resulted in low market volume. Trading value in 2015 was Baht 10.0 trillion, decreased by Baht 10.2 trillion or decreased by 1.92% from the year 2014.

Liberation of commission fees led to fierce competition in securities business. Many new securities companies established with pricing strategy resulted in lower average commission fees rate. This incident also led to marketing officer transfer. Each securities company has shifted to pure internet trading and added more products and services to increase revenue base and avoid competition in brokerage business. Quality of securities analysis has been improved and technology systems have been developed to increase competitiveness. Analysis reports were presented to serve clients who focus more on internet trading.

Business Conditions Outlook and Securities Business Competition in 2016

The year 2016 is the fourth year of liberation of commission fees. Fierce competition in securities business will continue. More intense pricing competition is expected, leading to even lower average commission rate.

In 2016, policy divergence between the US, Europe, and other large economies will become more obvious. Federal Reserve (FED) will end QE program and start normalization of interest rates

while ECB will extend QE program until March 2017. Bank of Japan (BOJ) will continue to expand its balance sheet by Yen 80 trillion per year. European Central Bank and Emerging Markets (EM), especially China and India, are likely to extend easy monetary policy this year. Due to policy divergence, the company expects that volatility will continue to affect investment in 2016. However, 2016 market is still attractive because the growth of index is expected to be in accordance with net profit growth of listed companies which is expected to be positive.

Analysis of Securities Business Conditions Effects on the Company's Operations

1. Fierce competition in securities business is expected. As a result, the company will cope with the competition by accelerating the expansion of customer base and adding more products and services to increase revenue base to reduce impacts from competition in brokerage business. In addition, quality of securities analysis will be improved and technology system will be developed to enhance competitiveness and respond to customer needs in internet trading. In addition, operating costs will be controlled to an appropriate level.

2. The change of operating business structure, currently, the revenue structure of securities business has been expanded despite the fact that main revenue still comes from brokerage service. It is obvious that business structure has been expanded to wealth management business and focused on business investment.

Table: Revenue of Securities Industry

(Unit : THB Million)	2013	2014	% Change
Brokerage - Securities	32,749	28,381	-13.3%
Brokerage - Derivatives	2,290	1,721	-24.8%
Underwriting	1,626	1,327	-18.4%
Financial Advisory	546	734	34.3%
Gains on Trading - Securities	-442	920	308.1%
Gains on Trading - Derivatives	4,546	2,398	-47.2%
Interest and Dividend	3,144	3,171	0.9%
Others	5,628	5,978	6.2%
Total Revenue	50,087	44,631	-10.89%

Source : SEC

3. Securities trading technology system development, currently, the company has provided the automated trading system or called the "Algorithm Trading". The system is expected to enhance growth of financial business. Investment in internet trading system will still be the main factor of this business.

Performance Overview

Performance analysis of Land and Houses Securities Public Company Limited and its subsidiaries is the comparison between performance analysis as of 2015 and as of 2014.

In 2015, the company had a net loss of Baht 19.83 million, increasing by Baht 5.67 million or up 39.99% compared to 2014. Increased net loss was the result of higher operating expenses.

Operating expenses were 108.10 million baht, increasing by Baht 72.96 million or up 207.59% compared to 2014 due to an increase in employees and premises and equipment expenses.

In 2015, the company amortized the total of Baht 69.69 million of allowance for doubtful accounts.

Operating profit margin before doubtful accounts to consolidated revenue in 2015 was 12.57%, decreasing from 41.02% in 2014 due to higher operating expenses.

Basic loss per share in 2015 was Baht 0.03 per share, increasing from Baht 0.02 per share in 2014.

Total Revenue Structure

The total revenue structure of Land and Houses Securities Public Company Limited and its subsidiaries is as follows:

- **Total Income**

The income included income from brokerage fees from securities business, brokerage fees from derivatives business, fees and services income, gain (loss) on securities trading, interest and dividend, interest on margin loan, and other incomes i.e. share transfer fees. The company's main source of income was from securities brokerage and

derivatives brokerage. In 2015, income from brokerage fees was 57% of consolidated income. Brokerage fees from retail customers accounted for 96% and institutional customers accounted for 4% of the company's trading volume respectively.

Total income was Baht 93.89 million, increasing by Baht 67.68 million or up 258.27% from 2014 because the company started securities trading service in late September 2014.

- **Income from Brokerage Fees**

Income from brokerage fees from securities business and derivatives business was Baht 53.78 million, an increase of Baht 50.46 million or up 1,517.35% from 2014 because the company started securities trading service in late September 2014.

- **Other Income apart from Brokerage Fees**

Other income apart from brokerage fees included fees and services income, gain (loss) on securities trading, interest and dividend, interest on margin loan, and other incomes, valued Baht 1.53, 7.09, 16.47, 13.74 and 1.28 million respectively.

Total Expenses Structure

Total expenses structure of Land and Houses Securities Public Company Limited and its subsidiaries is as follows:

- **Expenses**

Total expenses were Baht 113.72 million, an increase of Baht 73.47 million or up 182.52% from 2014 due to an increase in employees and premises and equipment expenses.

- **Bad Debt and Doubtful Accounts**

The company classified Securities business receivables and Derivatives business receivables in accordance with the notification of the Securities and Exchange Commission regarding accounting on the substandard receivables of securities companies.

Substandard receivables as of 31 December 2014 were Baht 69.69 million. In 2015, the company amortized the total amount of allowance for doubtful accounts.

Analysis of Financial Status

Analysis of financial status of Land and Houses Securities Public Company Limited and its subsidiaries is the comparison between financial status as of 31 December 2015 and as of 31 December 2014

• Total Assets

As of 31 December 2015, the company's had the total assets of Baht 1,064.20 million. Most of the assets were investments, accounting for 47.06% of total assets or increased by Baht 89.41 million or up 9.17% from the end of 2014.

• Net Securities Business Receivables and Derivatives Business Receivables

Net securities business receivables and derivatives business receivables (plus accrued interest receivables) valued Baht 407.78 million, an increase of Baht 347.31 million or up 574.31% from the end of 2014. Net securities business receivables and derivatives business receivables included:

Securities business receivables of cash accounts valued Baht 36.07 million, accounting for 8.84% of securities business receivables and accrued interest receivables – net.

Securities business receivables of credit balance account valued Baht 371.71 million, accounting for 91.16% of securities business receivables and accrued interest receivables – net.

• Net Investments In Securities

Net investments in securities valued Baht 500.79 million, an increase of Baht 477.97 million or up 2,094.97% from 2014. Investments in securities consists of investments in trading securities worth Baht 12.25 million, investments in available for sales securities worth Baht 480.25 million and general investments worth Baht 8.29 million.

• Investments in Subsidiary Companies

Investments in subsidiary company, i.e. a 99.99% owned Land and Houses Advisory Co., Ltd.

• Receivables from Clearing House

Receivables from clearing house were Baht 25.89 million.

• Equipment

Net equipment valued Baht 44.92 million, an increase of Baht 5.19 million or up 13.07% from the end of 2014 because the company purchased more office equipments, furniture, and computer equipments.

• Other Assets

As of 31 December 2015, other assets valued Baht 41.77 million, an increase of Baht 3.36 million or up 8.76% from the end of 2014 because of an increase in prepaid expenses

• Total Liabilities

As of 31 December 2015, consolidated liabilities were Baht 161.18 million, an increase of Baht 130.59 million or up 426.80% from the end of 2014. Most liabilities were from borrowings from financial institutions and securities and derivatives business payables, accounting for 55.52% and 32.28% of total liabilities respectively.

• Borrowings from financial institutions

Borrowings from financial institutions equaled Baht 89.50 million.

• Securities and derivatives business payables

Securities and derivatives business payables equaled Baht 52.04 million.

• Equity

As of 31 December 2015, equity valued Baht 903.02 million, a decrease of Baht 41.17 million or up 4.36% from 2014.

Capital Strength

• Liquidity

In 2015, the company and its subsidiaries had net cash from operating activities Baht of 351.51 million. The main reasons were from an increase of securities and derivatives business receivables and a reduction of securities and derivatives business payables.

Net cash from investment activities valued Baht 502.18 million, including cash inflow from sale of available for sales securities of Baht 386.12 million, cash outflow for trading securities of Baht 866.28



million, cash outflow for rental building improvement and equipment of Baht 16.07 million and cash outflow for intangible asset of Baht 5.96 million.

Cash from financing activities valued Baht 89.50 million from cash inflow from borrowings from financial institutions Baht of 309.20 million and cash outflow for repayment of borrowings from financial institutions of Baht 219.70 million.

Liquidity considering, the company is able to maintain NCR at more than 7%, which is the minimum rate according to SEC's NCR criteria. It reflected that the company had sufficient liquidity to run business. In 2015, net capital level was between 374.05% – 4,426.49%. This ratio may be changed due to various factors including securities trading volume, guarantee of securities underwriting.

• Sources of Funds

As of 31 December 2015, the company and its subsidiaries had fund from equity of Baht 903.02 million. Debt to equity ratio as of 31 December 2014 and as of 31 December 2015 equaled 0.03 and 0.18 respectively. Most of the debts were borrowings from financial institutions, securities and derivatives business payables that changed in accordance

with securities trading volume during the last three working days of each accounting period.

Factors that May Affect Performance in the Future

Main factors that may affect performance in the future include competition in securities business. Liberalization of commission fees and securities business licenses led to fierce competition in securities business including price competition, as seen from a continuous decrease of average commission fees, and marketing office transfer to maintain market share. This resulted in higher risks from reliance on human resources because the nature of securities business requires experienced and skilled staff.

THE CORPORATE GOVERNANCE COMMITTEE'S REPORT



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. During the year 2015, the company arranged the meeting 3 times and reported the result of the meeting to the Board of Directors. The summary is 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.
- Review the Corporate Social Responsibility (CSR) policy to sustain the business growth.
- 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.

We, LH Financial Group Public Company Limited 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.

A handwritten signature in black ink, appearing to be 'Adul Vinaiphat'.

(Mr. Adul Vinaiphat)

Chairman of the Corporate Governance Committee

MESSAGE FROM THE PRESIDENT



LH Financial Group Public Company Limited has the determination in operating a business in conformity with the Good Corporate Governance together with the ethics and business etiquette for responding to the satisfaction of all stakeholders continuously. All together bring about the ranking as 1 of the top 100 companies for listed companies outstanding performance in terms of environmental, social and governance (ESG) by Thaipat Institute.

By bringing the knowledge, proficiency and skill of banking and financial sector from Land and Houses Bank PLC, the company subsidiary, the company together with both of the government and the private sector has promoted the knowledge of financial discipline for providing such benefits to the community and the whole society to realize about saving.

The social responsibility is an important part of the company's operation, especially, the Good corporate Governance in all areas of business operation. The operation contexts shall conform to the company standard, honesty, transparency and accountability. These include other social responsibilities, namely, the Anti-Corruption, human rights, community development and environmental protection in addition to leading the company to sustainable growth through the following Vision and Mission.

Vision

"We aim at being a bank with high quality growth."

Mission

1. To be a solid and sustainable financial institution
2. To provide a professional service and gear for digital banking
3. To operate under good corporate governance for the benefit of stakeholders and society
4. To sustain and value of human resources development

We, LH Financial Group Public Company Limited is very pleased to participate in encouraging and reinforcing the sustainable development and would like to thank shareholders, business partners, stakeholders and employees that have provided a good continuous support to the company. Additionally, we will maintain the intention and insist on the social responsibility for the sustainable growth.

A handwritten signature in black ink, appearing to read 'Sasitorn Phongsathorn'.

(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 logo of CSR
for sustainable development of
LH Financial Group Public Company Limited

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.

The company operates the social responsibility in the CSR-in-process and CSR-after-process by encouraging the executives and all levels of employees to participate and voluntary for implanting the conscious mind 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.



The company intends to operate the business with the good corporate governance policy together with the corporate social responsibility which is a part of the company's operation. Especially, a good corporate governance in all process of operation, in operation is required to have the standard, integrity, transparency and accountability. As a result, the company has been selected as one of the top 100 listed companies that prominent in sustainable business practices (environmental, social and governance: ESG 100) in environmental, social and good governance from ThaiPat Institute.

The company aims for operating under the principles of law, integrity and ethical following the good corporate governance guidelines and ethnics and moralities in practice. Therefore, the directors, the executives and the employees are required to work under the cited principle. The company has provided to participate the activities in Thailand's Private Sector Collective Action Coalition Against Corruption project in addition, the company has determined the anti-corruption policy, practice guidelines for the directors, the executives and the employees and on October 16, 2014, the company has been awarded the certification from Thailand's Private Sector Collective Action Coalition Against Corruption by Institute of Directors.

The company was rated by Anti-Corruption Progress Indicator as Level 4 (Certified) from ThaiPat Institute in collaboration with the Office of the Securities and Exchange Commission in the year 2015.

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.

Guidelines for the Operation in Social Responsibility

The company's board of directors pays attention to social responsibility operation in the CSR-in-process and CSR-after-process by encouraging all levels of employees to participate in the helping mind in the working awareness of social responsibility. The employees must adhere to the Code of Conduct, instill a sense of social responsibility in operation. The chairman of the Executive of director and the president acts as the representatives for driving the organization to sustainable development, the Corporate Governance Committee has responsible for social responsibilities operation, gives opinions and monitoring in social responsibilities operation plan and report to the company's board of directors. While the president has duties for encouraging and supporting in operation following the company's board of directors guidelines.

The company's board of directors has determined the social responsibility for sustainable development following the Corporate Social Responsibility Institute guideline of the Securities and Exchange Commission and the Exchange of Thailand for the directors,

the executives and all levels of employees adhere as guidelines in operation and review annually.

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.

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 company's 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 dissemination of innovative corporate social responsibilities

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)

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, both of the internal and external stakeholders and arranges to important issues and affect to social responsibility for sustainable development in business operation as follows;

Analysis of Stakeholders' Requirements

The company pays attention to the rights of all group of stakeholders by providing the process and procedure to analyze the requirements of both internal and external stakeholders. This process operates through different activities and many communication channels.

The company also determines the frequency of operation clearly, such as, arranging the meeting, surveying the employees relationship toward the company. In addition, the company will use these information/data determine the practice guidelines consistent with Guideline Practice of a good corporate governance policy and social responsibilities for sustainable development in business. In addition, the company operates with fairness and appropriate in the Identify and selection of stakeholder process would to consider from the important of all groups of stakeholders and affected of business operation for stakeholders.

Guideline Practice to Stakeholders

The company has determined the guideline practice to stakeholders in writing in the Code of Business Conduct and the Code of Employee Conduct. The company pays attention to the rights of all group of stakeholders for understanding stakeholders, their wants and needs and response to all groups of stakeholders correctly, including encourage and support participation of all stakeholders. The company stakeholders consists of 2 groups as follows;

1. Internal stakeholders, namely, the directors and the employees
2. External stakeholders, namely, shareholders, customers, community, social and environmental, partners, competitors and creditors



Analysis of Stakeholders' Requirements

Stakeholders	Requirements Analysis	Policy-compliant Practices	Implementation
1. Shareholders	<ul style="list-style-type: none"> - Appropriate compensation on their investment in the company's stock. - Good business performance under appropriate risk. - Work with transparency, fairness, and accountability. 	<ul style="list-style-type: none"> - 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. - Provide information in-person for 2 times. - Investors meeting for 9 times. - Present information through all channels with correctness, equality, and transparency. - Receive suggestions and petitions through channels provided by the banks.
2. The company's board of directors	<ul style="list-style-type: none"> - Working with a good corporate governance for sustainable growth of the organization. - Treat all stakeholders on the basis of fairness. - Evaluation of the performance for improvement. 	<ul style="list-style-type: none"> - 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. - Orientation program for new directors. - Self assessment for the company's board of directors, Self assessment for individual of good corporate governance for improvement.
3. Employees	<ul style="list-style-type: none"> - Appropriate remuneration and benefits. - Stability and progress in their work. - Continuous knowledge and skills development. - Happy and safety in working. 	<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. - Do not dismiss or terminate any employment which is solely based on the Management's decision or based on discrimination. 	<ul style="list-style-type: none"> - Arrange welcome activity for new employees. - Orientation program for new Employees. - Encourage to PRO-ACTIVE value for employees. - Develop employees' potential by arranging capacity building learning for all levels of employees via the company's communication channels. - Executives and important positions succession develop plan. - Activities for communicate and build stronger teams. - Survey market rate of compensation on regular basis every year for improve accordance with proper industrial or living standard.

Analysis of Stakeholders' Requirements

Stakeholders	Requirements Analysis	Policy-compliant Practices	Implementation
3. Employees (Con.)		<ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> - Provide channels to receive complaint, 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. - Establish the Environment, Health and Safety Committee for driving the policy and the plan for Occupational Safety, Health and Environment of the workplace. - Support and promote career opportunity for people with disability to live in the society with pride.
4. Customers	<ul style="list-style-type: none"> - Satisfaction towards wide, full, and quality range of financial products, as well as excellent services. - Promptness in hearing and responding to customers' requirements. - Customer confidentiality. 	<ul style="list-style-type: none"> - Focus on presenting products which can satisfy customers' requirements, develop employees' competency to be able to offer customers with well-integrated products and services meeting all of their requirements, as well as determine customer confidentiality as one of the company's code of conducts which must be strictly complied and communicated to employees on regular basis. 	<ul style="list-style-type: none"> - Understand customers by meeting with customers through relations building activities. - Organize activities/information on products. - Receive suggestion or petition. - Initiate and create products and services satisfying consumers' requirements.

Analysis of Stakeholders' Requirements

Stakeholders	Requirements Analysis	Policy-compliant Practices	Implementation
4. Customers (Con.)			<ul style="list-style-type: none"> - Promote complete products and services information based on reality to support customers' decision making and to publish through various channels easily accessible by consumers. - Do not perform any action causing any ambiguity or distorting information on products and services. - Manage to complaints and opinions.
5. Community, environmental and social	<ul style="list-style-type: none"> - Support communities activities. - Encouragement and development in knowledge. - Encouragement and supporting to governance department policies. - Preserve environment. 	<ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> - Review community and social requirements. - Allow communities to participate in activities. - Provide support for cultural activities suitable for local culture, tradition, and religion. - Provide appropriate emergency plan to serve for loss and damages against environment. - Green Office project to reduce electricity and paper use, as well as change to use environmental-friendly office supplies. - Development to learning of youth for support lecturer in financial literacy for young people via the project "Be happy by saving and using wisely". - Participate with the project "Soft-Loan Program for SMEs" by Ministry of Finance. - The project "Give Books and Learning Materials to the Department of Corrections".

Analysis of Stakeholders' Requirements

Stakeholders	Requirements Analysis	Policy-compliant Practices	Implementation
5. Community, environmental and social (Con.)		<ul style="list-style-type: none"> - 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. 	
6. Partners	<ul style="list-style-type: none"> - Perform business with transparency. - Facility and Process Sharing: Forward to customers in Land and Houses financial business group. - Information Sharing: Information exchange for business performance. - Network Extension: Extend bank networks with partners. 	<ul style="list-style-type: none"> - Comply with trade conditions and agreements. - Creating partnerships with potential customers. 	<ul style="list-style-type: none"> - Meet with partners. - Create marketing together with Land and Houses financial business group and the group's partners. - Create partnerships with customers to recommend other customers to receive the bank's services. - Receive suggestion or complaint.
7. Competitors	<ul style="list-style-type: none"> - Perform business with transparency. 	<ul style="list-style-type: none"> - Operate following the good competition rules and do not use any dishonest method. 	<ul style="list-style-type: none"> - Determine mutual fair competition conditions.
8. Creditors	<ul style="list-style-type: none"> - Pay interest and payback as determined. - Continuously communications. 	<ul style="list-style-type: none"> - Operate following the agreement or conditions in the agreement and their duties. 	<ul style="list-style-type: none"> - Arrange activities for encourage relationship and knowledge. - Receive suggestion or complaint.

Determine the Important Issues Comply with Social Responsibilities for Sustainable Development In Business

The company has prepared the sustainable business development report. The report would considered from issues, opinions, suggestions and expect in the operating which receive from the analysis of stakeholders demand comply with Social Responsibilities for Sustainable Development in Business policy guideline and the operation of the company to stakeholders.

Quality Inspection of Report

The sustainable business development report was proposed with accuracy, completeness and to comply with the Social Responsibilities for Sustainable Development in Business guidelines.

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; the Executive Director Committee, the Audit Committee, the Nomination and Remuneration Committee, the Corporate Governance Committee, and the Risk Management Committee. Each sub-committee will supervise the company's operation following the vision, the mission, and the 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 company's board of directors, the executives, and all employees consider as the guideline on the operation following 4 principles as follows;

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

The company determined to achieve continuous operation in good corporate governance with the appropriate environment, the organization structure and the necessity of organization. Therefore, the company received the "Excellent" recognition level from

Corporate Governance Report of Thai Listed Companies 2015 project by Thai Institute of Directors. In addition, the company has proposed the result to Corporate Governance Committee for considering the recommendations and for improving good corporate governance of the company even further.

Moreover, the company awares of the rights and equality of all shareholders and intent to let the shareholders participating in corporate management and provides checking and balancing procedures mechanism of good administration which are the heart of the good corporate governance of the company. As a result, the company received "Excellent" rating evaluation of Annual General Meeting of Shareholders 2015 by the Thai Investors Association, the Thai Listed Companies Association and the Securities and Exchange Commission.

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 company's 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 company has reviewed the good corporate governance policy which is approved from the meeting of the company's board of directors on December 14th, 2015. The good corporate governance policy consists of the principles and guidelines in relation with the good corporate governance for the company's board of directors, the executives, and all employees to use as the guidelines for the operation. It is classified into 5 categories as follows;

- Category 1 Rights of Shareholders
- Category 2 Equitable Treatment of Shareholders
- Category 3 Role of Stakeholders
- Category 4 Disclosure and Transparency
- Category 5 Responsibilities of the Board

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

The company pays attention to the disclosure of information in consideration with all groups of stakeholders as well as the press conference and the analyst meeting for explaining the company's operational performance and answering the questions on the principle of business operation. The disclosure of information 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 the Thai Investors Association and the Thai Institute of Directors.

1.2 Sub-committee

The management structure of LH Financial Group Public Company Limited consists of the company's board of directors. The company's board of directors nominates 5 Sub- Committees; the Executive Directors Committee, the Audit Committee, the Corporate Governance Committee, the Nomination and Remuneration Committee, and the Risk Management 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 Directors

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 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 company's 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 the president. 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 company's 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 company's 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 the bank 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 the bank.

For the corporate governance on the operation of the financial business group consists of Land and Houses Bank Public Company Limited, Land and Houses Securities Public Company Limited, Land and Houses Fund Management Company Limited and Land and Houses Advisory Company Limited. The company governs the companies of the financial business groups to have the regulations in making the related party transaction, performance reporting, business administration with the principles of good corporate governance and having the data storage and recording the account with the Financial Reporting Standards

The Board of Directors, the executives, and employees of the financial business group conform to the relevant laws, 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.

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 Appointment and Remuneration of Auditors

The Audit Committee considers the qualifications and performance of external auditors for recommendation to the company's board of directors for their annual appointment, and the proposed audit fees for further consideration and approval by the General Meeting of Shareholders. The list of external auditors to be proposed as the bank's auditors must also be endorsed by the Bank of Thailand.

The remuneration of the auditors in the year 2015 compared to the year 2014 of the company and the sub-committee.

1. The auditor's remuneration of LH Financial Group Public Company Limited

The company paid for the remuneration of the auditor and other inspection expenses to EY Office Limited which is the company's auditor as follows;

1.1 Table representing the remuneration of auditor in 2015 and 2014

Details of Fee	2015	2014	Change Addition (Reduction)	
	Amount (Baht)	Amount (Baht)	Amount (Baht)	Ratio (%)
1. Review Fee				
• The First Quarter as at 31 st March	120,000	120,000	-	-
• The Third Quarter as at 30 th September	120,000	120,000	-	-
2. Audit Fee				
• For the 6-month periods ended 30 th June	255,000	255,000	-	-
• For the year ended 31 th December	255,000	255,000	-	-
Total	750,000	750,000	-	-

1.2 Other service fees

-None-

2. Remuneration of the subsidiaries' auditor

2.1 Land and Houses Bank Public Company Limited

The bank paid for the audit fee and other inspection expenses to EY Office Limited which is the bank's auditor as follows:

2.1.1 Table representing the remuneration of auditor In 2015 and 2014

Details of Fee	2015	2014	Change Addition (Reduction)	
	Amount (Baht)	Amount (Baht)	Amount (Baht)	Ratio (%)
1. Review Fee				
• The First Quarter as at 31st March	600,000	600,000	-	-
• The Third Quarter as at 30th September	600,000	600,000	-	-
2. Audit Fee				
• For the 6-month periods ended 30th June	1,375,000	1,375,000	-	-
• For the year ended 31st December	1,375,000	1,375,000	-	-
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^{/1}	4,390,000	4,390,000	-	-

Note ^{/1} Refer to the fee excluding the employees benefit reviewing fee reviewed by the actuarial expert which the fee will be charged from the bank according the actual expenses at 200,000 baht.

2.1.2 Other service fees

-None-

2.2 Land and Houses Securities Public Company Limited

The company paid for the audit fee and other inspection expenses for EY Office Limited which is the bank's auditor as follows:

2.2.1 Table representing the remuneration of auditor In 2015 and 2014

Details of Fee	2015	2014	Change Addition (Reduction)	
	Amount (Baht)	Amount (Baht)	Amount (Baht)	Ratio (%)
1. Review Fee for financial statement				
• The First Quarter as at 31st March	30,000	- ^{/1}	30,000	100.00
• The Third Quarter as at 30th September	30,000	40,000 ^{/1}	(10,000)	(25.00)
2. Audit Fee for financial statement				
• For the 6-month periods ended 30th June	165,000	80,000	85,000	106.25
• For the year ended 31th December	165,000	270,000	(105,000)	(38.89)
Total	390,000	390,000	-	-

Note ^{/1} Refer to the fee calculated on the information that the company will begin the business operations in the third quarter of the year 2014

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 basic shareholders' rights, the company committed to ensure their equitable treatment for all shareholders. The shareholders' basic legal rights include buying, selling or transferring shares; receiving their rightful portion of company profits, rights to receive the dividend, rights to appoint a proxy to attend the meeting and vote, rights to attend and vote for the election of appointment, resignation or removing the board of directors in the shareholders' meetings appointing the external auditor and determining audit fees, rights of proposing an opinion and question in the shareholders' meeting and rights to obtain relevant and adequate information in time via easy communication channels.
- The company's board of directors have given importance to the rights of all groups of stakeholders, whether they

are internal stakeholders such as the directors, the executives and employees of the company or external stakeholders such as all groups of stakeholders 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 given importance to disclose the company's information and news which is accurate, complete, timely and transparent. The information and news has been disclosed on the company's website which is www.lhfg.co.th for all stakeholders in order to perceive the information. The website covered both in Thai and English versions and can be easily accessed and shows the information about Financial Statement Report, 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.
- The company publishes the resolution of the company's meeting of board of directors No. 2/2558 on February 23, 2015. The resolution of the meeting was to determine the 2015 Annual General Meeting of Shareholders on April 24, 2015.

The agenda of the 2015 Annual General Meeting of Shareholders on April 24, 2015 published both in Thai and English via the SET Community Portal on February 23, 2015. And disclosed both in Thai and English documents for the 2015 Annual General Meeting of Shareholders via the SET Community Portal and the company's website on March 17, 2015

2. Shareholder's Meeting

- Before the Annual General Meeting of Shareholders, to encourage and support all shareholders and institutional shareholders place importance to attend the meeting, the company delivers an invitation letter in paper to the shareholders together with the annual report in CD-ROM as required by law. The invitation letter specifies the date, time, place of the meeting, documents for meeting, regulations for the shareholders' meetings, proxy form according to the regulation of the Ministry of Commerce and map of the meeting venue. The proxies can use the proxy form attached to this Notice of Meeting for specifying the opinion of vote. The agenda is specified clearly in propose such as for approval or for acknowledgement. Moreover, the agenda includes clearly with fact, reason and opinion of the company's board of directors and sub-committees for the shareholders to consider and make a decision. The Notice of Meeting has disclosed on the company's website www.lhfg.co.th 30 days prior to the shareholder's meeting for giving the shareholders enough time of considering. The company promulgates in the daily Thai newspaper for three consecutive days at least 3 days prior to the meeting and also delivers the Notice of Meeting and documents for meeting in English for benefit to foreign shareholders and publishes on the company's website together with the Notice of Meeting and documents for meeting in Thai languages.
- 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 company's 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 the summarized report of the shareholders' meeting result.
- On the date of shareholders' meeting, shareholders can register 2 hours before the meeting start. The company provides convenience for shareholders and proxies prior to the meeting such as preparing place and staffs in order to

run the registration smooth and fast. The company implements the computer system 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 the summarized report of the shareholders' meeting result.

- The company provides staffs for monitoring and counting the votes at the meeting.

- **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.
- 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 the 2015 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. In addition, the shareholders can download other types of proxy forms and voting forms from the company's website both in Thai and English.

- In the 2015 Annual General Meeting of Shareholders, all 9 directors and the top executives of the company of the financial business group attended the 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.

- **Shareholders' Opportunity for Query and Comment**

- Before the date was set for the shareholders' 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 shareholders' meeting, the Chairman of the Audit Committee shall allocates appropriate time and encourage equal opportunity for shareholders to express their opinions and raise their queries at the meeting as per the agenda.
- The company shall endeavors to arrange for all directors, the 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.

- **Conduct of the Meeting and Voting**

- Before the meeting starts the Chairman opens the meeting and welcomes the shareholders. The chairman will inform about number and proportion of shareholders or proxies attended the meeting and will clarify the rules of voting rights of each agenda, voting process and vote counting.
- 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 encourages the shareholders to have the opportunity in expressing their comments and suggestions. The directors and related executives are responsible for explaining and answering the queries of shareholders.
 - The 2015 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.
- The Voting Process
 - The company uses the voting cards for voting in each agenda, especially the agenda of appointment of directors that the vote 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 agenda of appointment of directors that the voting shall be one by one vote for the purpose of transparency and equitable treatment of the shareholders in the voting process, the company shall utilize voting forms for all agenda. After the vote count is completed, voting results of each agenda will be announces to the meeting, by specifying the vote results as "Approved", "Disapproved", "Abstained" and "Voided Ballot".
- After the Shareholders' Meeting
 - The company published the resolution of the 2015 shareholders' meeting and result of the votes in each agenda both in Thai and English versions within the meeting date of 24th April, 2015, through the Stock Exchange of Thailand in the duration specified by the Stock Exchange of Thailand. This was published on the company's website www.lhfg.co.th.
 - The company created the minutes of shareholders' meeting both in Thai and English versions by recording the minutes of the meeting in its entirety, contain the important information such as name list of the attending directors and absent directors, the resolution of the meeting, result of votes in each agenda divided by "Approved", "Disapproved", "Abstained" and "Voided Ballot", the issues of queries and answers and opinion of the meeting.
 - The company provided video recordings of the shareholders' meeting and published on the company's website.
 - The company submitted the copy of the 2015 minutes of shareholders' meeting to the Stock Exchange of Thailand and Department of Business Development, Ministry of Commerce 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 7th May, 2015 and inform the news via the SET Community Portal.

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 documents 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. The Notice of the Meeting including explanation and supporting document for agenda
 2. CD-Rom version of the annual report
 3. The profile of directors who retires by rotation and is proposed for re-election by shareholder for another term
 4. Guidelines for registration, identification documents required to attend the meeting and proxies eligible to register, vote and the vote counting at the meeting
 5. Articles of Association of the company, only for those related to shareholders' meeting
 6. Proxy forms
 7. The profile of independent directors to be a proxy to attend the meeting on behalf of shareholder

8. Definition of independent directors
9. Map of the venue of the shareholders' meeting
10. Requesting form for the annual report in printed

In addition, the company shall publish the Notice of the shareholder meeting in a 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.

The company published the resolution of the company's board of directors no. 2/2558 on February 23, 2015 which the resolution has determined for arrangement of the 2015 Annual General Meeting on April 24, 2015. The company disclosed agenda of the Annual General Meeting of shareholders both in Thai and English via the Stock Exchange of Thailand information dissemination channel since February 23, 2015 and disclosed documents of the Annual General Meeting of shareholders in both Thai and English through the Stock Exchange of Thailand's information dissemination channel and the company's website since March 17, 2015.

- 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 of institutional, foreign or Thai, fairly and equally. All shareholders receive important and accurate information at the same time fairly and to protect the basic rights of shareholders.

- The company 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 company's 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 company's 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 2015 Annual General Meeting of Shareholders, the company invited shareholders to propose agenda and qualified candidates as director for



the period of 3 months, from September 16, 2014 to December 31, 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 on January 28, 2015 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. The company has determined protection of internal information usage policy in written. The written policy is the rule for protection of the company's confidential information and for equality of acknowledged information and protecting the usage of internal information for benefits of the directors, the executives, the employees including their spouses and any minor children. For the good corporate governance, the company specifies the policy on the protection of internal information usage as follows:

1. The directors, the executives and the 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. The directors, the executives and the 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. The Interests of Directors

- The company has determined that the directors, the top executives 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, the directors and the executives 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.

5. Conflicts of Interest Prevention

- The company's board of directors realizes to establish trust and build credibility in business operation and benefits of shareholders including protecting them from damages and affect the reputation and the image of the company. The company has determined the conflicts of interest prevention policy for the operational guidelines as follows;

The Principle of the Conflicts of Interest Prevention

1. The transaction of the company will have to avoid conflict of interests which has a reason and independent of good ethical framework for benefits of the company, shareholders and all stakeholder groups.
2. In conducting transaction of related party the company requires that all transactions be under terms and conditions similar to those applied to other persons in the normal course of business at a similar level of risk including disclosures required by the policy, regulations and related laws.

Operation Guidelines for Conflicts of Interest Prevention

The company pays attention to conflicts of interest prevention. The guidelines are as follows;

1. To determine the measures to prevent unlawful information use.
 2. To determine the operational regulations to prevent any action that may cause conflicts of interest.
 3. To determine the measures of following, controlling and monitoring the operation in order to comply with the measures.
- The company has disclosed details of every related or connected transaction that may cause conflicts of interest according to the Office of the Securities and Exchange Commission and Capital Market Supervisory Board's criteria, in the Annual Reporting Form (56-1 Reporting Form), as well as in the company's annual report. This also includes disclosures of information on connected transactions to the Stock Exchange of Thailand according to the Stock Exchange of Thailand's regulations and the Office of the Securities and Exchange Commission including disclosures of related transactions are shown in the Notes to the Financial Statements.

In the year 2015, the company has no transaction required to notify the information to the Stock Exchange of Thailand.

- At the meeting of the company's board of directors or shareholders' meeting, the company has determined the company's board of directors, the 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 has disclosed the information of the company to the shareholders, 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.
- **The Code of Conduct and Ethics**
The company has determined the Code of Conduct and Ethics in written 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, the 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.	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.
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.	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 and act in accordance with abiding laws and regulations.
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.	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.
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.	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 company's 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.
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.	2.1 Management Duties <ul style="list-style-type: none"> • 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
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	



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 employees and the executives of all levels of the company. The employees and the 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 society. As a consequence, in order to win trust and credibility among the customers, shareholders and regulators, all employees and all 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. 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 company has created conscience among the executives and employees at all levels 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.

- **Notification of information and complaints**

The company provides various channels allowing the stakeholders to express their opinions, complaints or other significant information 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 company's board of directors later.

- **The Complaint via Independent Directors**

The company has channels for shareholders, investors, customers, and public can complaint via independent directors of the company which consists of 3 members.

Mr. Phairoj Hengsakul

Chairman of the Audit committee

Email: phairojh@lhbanks.co.th

Tel. 081-990-7448

Mr. Adul Vinaiphath

Member of the Audit Committee

Email: adulv@lhbanks.co.th

Tel. 081-834-0104

Mr. Somsak Assavapokee

Member of the Audit Committee

Email: somsaka@lhbanks.co.th

Tel. 085-485-4269

Via the company's website

www.lhfg.co.th

The company's email address

presidentoffice@lhbanks.co.th

- **Whistleblower Protection Policy**

The company has determined the whistleblower protection policy to ensure that the whistleblower will not gain the suffering, damage or unfairness after notify to the company. The policy is to protect the right of the complainant and informants. The company shall conceal the information of the whistleblower, informants and keep information secret. The company has limited of recognition only to those who are responsible for. In addition, if the company has found data misuse or data without proper disclosure which breaches of the company rules, the company will consider to take disciplinary action.

- **The Social Responsibility Policy for Business Sustainable Development**

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 operations 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 company's 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 dissemination of innovative corporate social responsibilities

- **The Policy in Preventing the Dishonest Seeking of Benefits**

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 directors and the 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

Disclosure of Important Information in both financial and non-financial of the company must be complete, timely, transparent, easy access to information, equal and credible.

1. Disclosure on the Financial and Non-Financial Information

- The company has disclosed the important information of the company to the shareholders, investors and general public with transparency, accuracy, completeness, adequacy, timeliness and verifiability, according to all applicable laws and regulations via the channels as follows;
 1. The company's website (www.lhfg.co.th) information available in 2 languages: Thai and English
 2. IR/PR news of the company
 3. Analyst meetings
 4. Press conferences
 5. Disclosure channel of The Stock Exchange of Thailand such as the company's financial statements, the Management Discussion and Analysis (MD&A), the annual report, the annual report form (Form 56-1), Notification of the company's board of directors' or shareholders meeting resolutions and other matters
 6. The Office of the Securities and Exchange Commission's website such as the report of changes in securities holding of the executives (Form 59-2), the information of the directors and the executives, the financial statement, the annual report and the annual report form (Form 56-1) etc.
 7. Notice and meeting documents sent by mail to shareholders
 8. Publish on newspaper
- The Board of Directors of the company places emphasis on the quality of financial statements and adequately disclosed important information. The disclosures

were in line with regulations of the Bank of Thailand, the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission and the Financial Reporting Standards. The financial statements were reviewed/audited by certified public accountants and were endorsed by the Audit Committee and the company's board of directors before disclosure and the company also disclosed its report of the responsibilities for financial reports in the annual report.

In addition, the company has disclosed unreviewed/unaudited quarterly financial statements, Capital Requirement Disclosure (Pillar 3 Report) of the financial business group and Management Discussion and Analysis (MD&A) for investors to acknowledge information and the changing of financial position and operation result which could be benefits for the shareholders, investors and the general public.

- The company published the 2014 annual report within 120 days from the end of the fiscal year through the SET website on March 20, 2015.
- The company published the minutes of the 2015 Annual General Meeting of Shareholders through the company's website on May 7, 2015 and informed the minutes through the SET Community Portal.

The company has channels of information and contact 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

Email : presidentoffice@lhbank.co.th

Website : www.lhfg.co.th

- The remuneration for annual audit fee, the Audit Committee and the company's board of directors has approved. The company's board of directors proposed to the shareholders' meeting for approval and disclosed in the Annual Registration Statement Form (Form 56-1) and the annual report.
- The company's board of directors has appointed the Nomination and

Remuneration Committee to perform the duty of nominating and determining the remuneration of the directors and 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 company's 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.
- 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.
- Certification of financial report accuracy, the board of directors assigned 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 company has disclosed the Executive Directors Committee's report, the Audit Committee's report, the Corporate Governance Committee's report, the Nomination and Remuneration Committee's report and the Auditors' report shall be included in the annual report and the Annual Registration Statement Form (Form 56-1). The company arranges for the disclosure of the names and responsibilities of the company's board of directors and the sub-committees, the number of meetings,

each director's meeting attendance record, their remuneration, profile of the directors, the executives and the corporate information in the annual report and the company's website.

- The company has notification of meeting details and documents of the shareholder meeting in both Thai and English versions and notifies the meeting details to investors prior to the meeting date through the Stock Exchange of Thailand's information dissemination channel and the company's website to allow shareholders adequate time to study meeting materials. In addition, the company shall publish Notice of the shareholder meeting in a daily newspaper for 3 consecutive days at least 3 days prior to the date of the meeting and being proposed for acknowledgement, for approval, or for consideration, as the case may be, and include the opinions of the board of directors in said matters.
- The company shall give notification of the shareholders' meeting resolutions to all investors through the information dissemination channel of the Stock Exchange of Thailand within the same day of the meeting or at least on hour before the opening of the Stock Exchange of Thailand on the next working day. In addition, the company shall also prepare the minutes of the meeting in which all relevant information. The company shall disseminate the above minutes on its website and submit in to the Stock Exchange of Thailand within 14 days from the date of the meeting.

The 2015 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 7, 2015 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 the bank's 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 the top executives. In the year 2015, the company has provided investor relation activities as follows;

1. To arrange 2 times of the analyst meetings with approximately 20-30 analysts attended the meeting.
2. To arrange 2 times of giving the information in type one-on-one meeting.
3. To arrange 9 times of the investor meetings.
4. To arrange 2 times of the press conferences with approximately 30-40 mass media per time.
5. Several times of information transmission to mass media and interview of the top executives.



Category 5 Responsibilities of the Company's Board of Directors

The company's 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 the shareholders.

1. Structure, Composition and Characteristics of the Company's Board of Directors

- The company's board of directors is composed of 9 members who have the appropriate knowledge, ability and experience that support the company. The director selection has been passed in accordance with the resolutions of the annual general shareholders' meeting, conform with regulations as inquire by laws and the company's Articles of Association which appropriate with the company's business. In addition, the company has determined the appropriate and sufficient number of the company's board of directors structure consistent with the Bank of Thailand and Notification of the Capital Markets Supervisory Board. The company's board of directors currently consists of 9 directors as follows:
 1. The executive directors of 1 members
 2. The non-executive directors of 5 members
 3. The independent directors of 3 members

The company's board of directors was selected on the considering of knowledge, experience, expertise, integrity, ability to give independent analytical inquiries, understanding in business of the financial business group and not against a person because of that person's gender.

- The company's board of directors has determined the qualification of the company's independent directors in accordance with the good corporate governance practices and requirements stricter than the Notification of the Capital Markets Supervisory Board and the Bank of Thailand. The company's board of directors consists of the independent directors at least 3 persons or at least one third of the total members of the board, whichever number is higher. The independent directors must not be the employee and not receive the salary from the company and independent from the company's major shareholders and able to oversee the minor shareholders' interests.

Qualification Details of independent directors has disclosed in Management Structure Section regarding Qualifications of Independent Directors

- The Board of Directors has approved a semi-annually reviewed annual plan and budget, including corporate business strategies, and also undertakes supervision of management's administration to ensure compliance with the established strategies and plan taking in account the best interests of the company, and follow up the administration on a monthly basis to ensure effective implementation of the strategies as per the set goals and plan.
- The company's board of directors requires that individual directors may hold directorship in no more than 5 other listed companies and no more than 3 business categories to ensure their adequately dedicated time in performing company duties, which requirement is stated in Chapter 5 of the Good Corporate Governance Policy regarding Board Responsibilities, with information about their directorship disclosed in a Section of the Annual Report regarding the Board of Directors.

Details about directorship in other companies are disclosed in Board of Directors Section regarding Hold the Position in Listed Companies in the Stock Exchange of Thailand and Hold the position in Non Listed Companies in the Stock Exchange of Thailand

- The company's board of directors has determined the term of position of the directors in accordance with the Public Limited Companies Act and the Articles of Association. In the Annual General Meeting of Shareholders, the directors must retire one-third of the directors. If the number of the directors is not divisible by three, the one nearest to one-third shall be used. Directors hold the position for the longest term shall retire first. If an agreement cannot be reached, retirement shall be determined by draw lot. Retired directors may be re-elected.
- 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 company's board of directors has delegated its authority effectively and transparently by the company's board of directors has setting the sub-committees to help study details and filter the work, relieving the company's board of directors of the workload and allowing it to spend more time considering issues with more clarity. The sub-committees consists of 5 committees as follows;

1. The Executive Directors Committee
2. The Audit Committee
3. The Corporate Governance Committee
4. The Nomination and Remuneration Committee
5. The Risk Management Committee

Moreover, the Chairman of the Audit Committee, the Corporate Governance Committee and the Nomination and Remuneration Committee are the

independent directors for transparency and independence in performing their duties.

The sub-committees have clearly defined job roles and responsibilities.

3. The Company Secretary

- The company's 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 laws. The company's 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)	: 54
Education	: - 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 (%)	: 0.003
Relationship with executives	: - None -
Work experiences in the past 5 years :	

• Positions in Listed Companies

Period	Position	Organization/Company
May 2009 - Present	Company Secretary	LH Financial Group PLC
Dec. 1998 - Dec. 2005	Vice President Internal Audit Department	The Book Club Finance PLC

• Positions in Non-Listed Companies

Period	Position	Organization/Company
Mar.2014 - Present	Company Secretary	Land and Houses Securities PLC
Jan.2014 - Present	Director and Company Secretary	Land and Houses Advisory Co., Ltd.
Nov. 2010 - Present	Vice President Office of the President and Company Secretary	Land and Houses Bank PLC
Aug. 2006 - Oct. 2010	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

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 the directors and the executives.
 - 2.1 The directors and the executives have a duty to report on the interest. (namely the Directors and Management are responsible for reporting its interest and relevance to the company.)
 - 2.2 The company secretary submit the copy of report to the chairman of the company and the chairman of the Audit Committee 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 the board of directors meeting and other committees meeting regularly by scheduling in advance 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. The chairman, The Chairman of the Executive Directors Committee and the president has determined the agendas and has considered matters in the agenda for the meetings via the company secretary. The agendas will be determined in advance clearly and there will be the important agenda such as considering the quarterly financial statement, the company's

performance and the business financial group's performance. Moreover, In the company's board of directors meeting, the company secretary will be submitted the Notice and documents of the meeting 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 written and covered completely important matters in a timely manner, kept systematically of the minutes approved by the company's board of directors and documents of the meeting as well as the company's board of directors can be checked and ease search of reference.

- At the meeting of the company's board of directors, the chairman allocates adequate time for all directors to discuss the important issues. On certain agenda items, the top executives is invited to join them to provide further details since he/she is directly responsible for the issues under discussion
- At the meeting of the company's board of directors, the quorum shall consist of more than one-half of the total membership according to the Articles of Association. The decision by the meeting shall be by the majority of votes. In case of a tie, the chairman of the meeting shall an additional vote as casting vote.
- At the meeting of the company's board of directors, any director having a conflict of interest in any matter shall not join the consideration of and not be entitled to vote for it. The conflict of interest is recorded along with the resolution for such matter in minutes of meeting.
- The directors can ask for the suggestion from the independent consultants or professionals in case of necessity at the company's expense.
- The non-executive directors can arrange the meeting among them without participated by the president for issues or problems discussion about handle the attention to provide development for benefits of the management team and the resolutions and opinions 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. The self-evaluation is of the following details:

- Self Assessment for the board of directors and the sub-committees
- Self Assessment of the company's directors and the sub-directors on an individual basis
- Self Assessment of implementation according to the principles of good corporate governance by the Corporate Governance Committee and the company's board of directors

5.1 Self Assessment for the board of directors and the sub-committees

Self Assessment divided into 6 areas as follows;

1. The board of directors' structure and quality
2. Role, 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 management team
6. The self-improvement of the directors and the development of the executives

To ensure year-to-year comparison, scoring can be marked in different methods but standardized. Here is the sample of scoring system from 0 to 4.

- 0 = Strongly disagree or never conducted
- 1 = Disagree or seldom conducted
- 2 = Fair or moderately conducted
- 3 = Agree or well conducted
- 4 = Strongly agree or excellently conducted

Evaluation Method and Results, at the meeting of the company's board of directors and the individual sub-committees, the directors thereof jointly conducted an evaluation by giving score in each assessment item.



In a 2015 whole team self-evaluation, most assessment items were given the score of 4.

5.2 Self Assessment of individual directors

The Assessment divided into 3 areas as follows;

1. Structure and qualification of the directors
2. The board of directors meeting
3. Role, function and responsibilities of the board of directors

To ensure year-to-year comparison, scoring can be marked in different methods but standardized. Here is the sample of scoring system from 0 to 4.

- 0 = Strongly disagree or never conducted
- 1 = Disagree or seldom conducted
- 2 = Fair or moderately conducted
- 3 = Agree or well conducted
- 4 = Strongly agree or excellently conducted

Evaluation Method and Results, the company secretary sent the self assessment of the individual members of committees in which they hold an office, for their self-evaluation. The completed forms were then returned to the company secretary for compilation and notification to the company's board of directors. Overall, in the year 2015 result of the evaluate the self assessment of the individual members of committees, most assessment items were given the score of 4.

5.3 Self Assessment of Implementation according to the principles of good corporate governance

The company's board of directors of the company has provided the self assessment of

implementation according to the principles of good corporate governance for the company's board of directors and the management 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 company's 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.

The Assessment divided into 4 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

No score levels are specified in the evaluation form; only check boxes are provided for ticking off whether a particular practice had been followed or not:

- Put a check mark (✓) in a Yes field for a practice that had been followed
- Put a check mark (✓) in a No field for a practice that hadn't been followed or completed

6. The Criteria of the President's Annual Performance Assessment

The company's board of directors delegated the Nomination and Remuneration Committee to consider a performance evaluation guideline for the president and determine compensation and bonus for annual performance taking in account his duties and responsibilities towards the company.

In the evaluation of annual performance of the president, the Executive Directors Committee, represented by the Chairman of the Executive Directors Committee, based on the evaluation guideline provided by Nomination and Remuneration Committee, came up with certain KPIs consistent with the vision, the missions and long-term goals of the company factoring in duties and responsibilities, target achievements, and then circumstances and conditions of business. The evaluation form consists of 2 major parts consists of the financial and the non-financial KPIs.

The chairman of executive director conducted an annual evaluation on the president and proposed the results of the evaluation to the Nomination and

Remuneration Committee for consideration and determination of compensation and bonus. Once completed, the president evaluation results were proposed to the meeting of the bank's board of directors for consideration and approval.

7. Remuneration of the Directors and the Executives

- The board of directors of the company has appointed the Nomination and Remuneration Committee, chaired by the independent directors, 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.
- Directors' remuneration is fixed by the shareholders' meeting in pecuniary and other forms considered and proposed by the Nomination and Remuneration Committee. Remuneration consideration was taken on the basis of general practices of the industry taking in account work experience, knowledge and competencies, duties and responsibilities, including directors' contributions made towards the company, in comparison to SET listed companies in similar industries and businesses and to a listed companies average according to a survey report on remuneration rates for directors of listed companies by the Thai Institute of Directors. The rates of remuneration for the directors approved by the 2015 Annual General Meeting held on April 24, 2015 and remuneration amounts and other compensation for the directors in 2015 are disclosed in the annual report.

The rates of compensation for the directors approved by the shareholders' meeting and remuneration amounts and other compensation for the directors are disclosed in Management Structure, Section 9: Remuneration of the Directors and the Executives.

8. Development of the Directors, the Executives and the Employees

- The Company pays attention to increase efficiency in the company's board of directors performance by having the policy to encourage its directors, executives, employees, and secretary work, performance supervision, internal control, and corporate governance support staff to attend outside and in-house

seminars as a regularly promoted development and enhancement of their skills, knowledge and competencies to accommodate both short- and long-term business growth, such as training courses held by the Institute of Directors, Office of the Securities and Exchange Commission, Stock Exchange of Thailand, and Thai Listed Companies Association, etc. In the year 2015, the directors attended the training seminars as follows;

Name of Directors	Training Seminars Program
1. Mr. Anant Asavabhokhin Chairman	<ul style="list-style-type: none"> - Thailand's Economic Direction Seminar by Mr. Apisak Tantivorawong, Minister of Finance Arranged by : Land and Houses Bank Public Company Limited Date : October 1, 2015 Venue : Mandarin Grand Ballroom, 1 Floor, Mandarin Hotel
2. Mr. Rutt Phanijphand Chairman of Executive Director	<ul style="list-style-type: none"> - Thailand's Economic Direction Seminar by Mr. Apisak Tantivorawong, Minister of Finance Arranged by : Land and Houses Bank Public Company Limited Date : October 1, 2015 Venue : Mandarin Grand Ballroom, 1 Floor, Mandarin Hotel
3. Mr. Phairoj Hengsakul Independent Director Chairman of the Audit Committee Member of the Corporate Governance Committee	<ul style="list-style-type: none"> - Thailand's New Economic Context Seminar Arranged by : the Bank of Thailand Date : September 17-18, 2015 Venue : Bangkok Convention Room, Centara Grand at Central World - Thailand's Economic Direction Seminar by Mr. Apisak Tantivorawong, Minister of Finance Arranged by : Land and Houses Bank Public Company Limited Date : October 1, 2015 Venue : Mandarin Grand Ballroom, 1 Floor, Mandarin Hotel
4. Mr. Adul Vinaiphat Independent Director Chairman of the Remuneration and Nomination Committee Chairman of the Corporate Governance Committee Member of the Audit Committee	<ul style="list-style-type: none"> - Diversity Issues for Audit Directors Seminar Arranged by : EY Office Limited Date : November 24, 2015 Venue : Crystal Hall Room, Plaza Athenee Bangkok - Thailand's Economic Direction Seminar by Mr. Apisak Tantivorawong, Minister of Finance Arranged by : Land and Houses Bank Public Company Limited Date : October 1, 2015 Venue : Mandarin Grand Ballroom, 1 Floor, Mandarin Hotel

Name of Directors	Training Seminars Program
5. Mr. Somsak Assavapokee Independent Director Member of the Audit Committee Member of the Corporate Governance Committee Member of the Nomination and Remuneration Committee	<ul style="list-style-type: none"> - Diversity Issues for Audit Directors Seminar Arranged by : EY Office Limited Date : November 24, 2015 Venue : Crystal Hall Room, Plaza Athenee Bangkok
6. Mr. Khunawut Thumpomkul Executive Director	<ul style="list-style-type: none"> - Thailand's Economic Direction Seminar by Mr. Apisak Tantivorawong, Minister of Finance Arranged by : Land and Houses Bank Public Company Limited Date : October 1, 2015 Venue : Mandarin Grand Ballroom, 1 Floor, Mandarin Hotel
7. Mr. Naporn Sunthornchitcharoen Executive Director Member of the Nomination and Remuneration Committee	<ul style="list-style-type: none"> - Thailand's Economic Direction Seminar by Mr. Apisak Tantivorawong, Minister of Finance Arranged by : Land and Houses Bank Public Company Limited Date : October 1, 2015 Venue : Mandarin Grand Ballroom, 1 Floor, Mandarin Hotel
8. Mrs. Suwanna Bhuddhaprasart Director	<ul style="list-style-type: none"> - Thailand's Economic Direction Seminar by Mr. Apisak Tantivorawong, Minister of Finance Arranged by : Land and Houses Bank Public Company Limited Date : October 1, 2015 Venue : Mandarin Grand Ballroom, 1 Floor, Mandarin Hotel
9. Mrs. Sasitorn Phongsathorn Executive Director President	<ul style="list-style-type: none"> - TBA's Five-Year Plan Special Workshop Arranged by : Thai Bankers' Association Date : May 19, 2015 Venue : Astor III Room, 14 Floor, The St. Regis Bangkok Hotel - Financial Institution Development Plan Meeting Phase 3 (2015-2019) Meeting Arranged by : Thai Bankers' Association and the Bank of Thailand Date : May 20, 2015 Venue : Grand Hall Room, Bangkok Club, Sathorn City Tower - TBA's Payment Roadmap Plan CEO Special Workshop Arranged by : Thai Bankers' Association Date : August 7, 2015 Venue : Sukhothai Hotel - Knowledge of the Electronic Law Meeting Arranged by : Thai Bankers' Association and Electronic Transactions Development Agency (Public Organization) Date : August 19, 2015 Venue : Grand Hall Room, Bangkok Club, Sathorn City Tower - Thailand's Economic Direction Seminar by Mr. Apisak Tantivorawong, Minister of Finance Arranged by : Land and Houses Bank Public Company Limited Date : October 1, 2015 Venue : Mandarin Grand Ballroom, 1 Floor, Mandarin Hotel



9. Orientation Program for New Directors

- The company holds orientation meeting for new directors. In these meetings, the Chairman of Executive Director, the president and the top 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 and other information of the company.

10. Developing Plan for Replacement of Executives and Key Positions

- On the purpose of preparing the company for the importance position in the future. The company has developed successors by provided programs for top executives, provided the successors to attend the Executive Directors Committee and the Executive Committee meeting and assigned as the company's representative for many operation. Such the develop plan, 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 Management Development Program Workshop for developing the executives in the future plan. The program has learned in 4 dimensions, namely, Visionary Leadership, Leadership Role & Situational Leadership, Change Leadership and Management & Developing People.

11. Internal Control and Internal Audit

- The company's board of directors has provided and pays attention to internal control and internal audit consists of 5 configurations as follows; the organization's control environment, risk assessment, technology operation control activities and data communications and monitoring and evaluation system to ensure that the company has the internal control system that is adequate for business operation under the good supervision and the good internal control.

12. Risk Management

- The company's board of directors pays attention to risk management across the organization. The process of risk management is comprised of such major steps as risk identification, risk assessment, risk monitoring and controls, and risk reporting, with adequacy of the risk management and risk management effectiveness regularly considered and reviewed.

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.



The company has determined the procurement method and other outsource service method for receiving quality products and services at the appropriate price by specifying. The methods in 3 ways as follows: agree on prices method, check prices method and bidding method, which method will be used depends on financial amounts of the operation in each time. In addition, the company has determined the criteria for selecting suppliers and service providers by considering their stabilities product and/or service quality, services and prices for fairness and equity.

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, code of conduct and business ethics practices for directors, executives and 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. 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.

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:

1. 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 code of conduct and business ethics practices for directors, executives and employees.
2. Prohibiting to give or take any bribe and prohibiting to assign other person to give or take any bribe on behalf of oneself.

3. Donation for charity and contribution must be transparent and in accordance with the law and morality.
4. 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 company's board of directors before starting the operation.
5. 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.
6. Provide the channel in receiving the information, suggestion, or claims through the independent directors or the company's website Email : presidentoffice@lhbank.co.th

The company signed 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, operational control plan and audit 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 government agencies in auctions and purchasing the raw materials, 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 the project.
- We are willing to be audited and certified by the committee of Thailand's Private Sector Collective Action Coalition Against every 3 years.

The company obtained the certificate of membership from Thailand's Private Sector Collective Action Coalition Against in the seminar on the Thailand's 5th National Conference on Collective Action Against Corruption "Tackling Corruption through Public – Private Collaboration" by Thai Institute of Directors Association held on October 16, 2014.

The company's directors have established this Anti-Corruption Policy as an operational guideline. Additionally, the policy will be annually revised and disseminated on the company's website as well as on the intranet system within the bank.

The company provides participation in anti-corruption activities such as the activities in the National Anti-corruption Day 2015 under the theme "Active Citizen Against Corruption" on September 6, 2015 at the Centara Grand at Central World, Bangkok which is activities for strengthening all social sectors to participate in changing social values of rejecting 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 pays attention to all level of employees 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 has determined 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 the employees as follows;

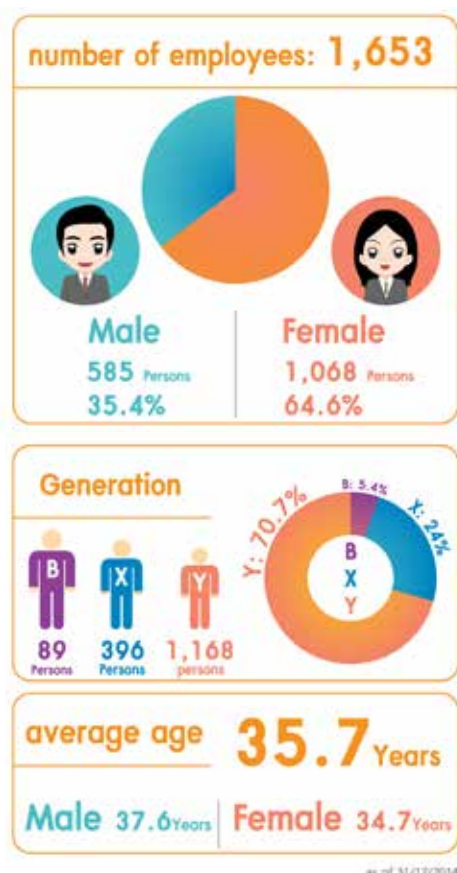
- To arrange of vacation leaves and holidays in accordance with the requirements of the law or more than the requirements of the law for some holidays, for employees to manage the balancing of working life and private life plan.
- To determine the criteria for investigation and disciplinary action clearly 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 has focused on human resource management to determine the mission of the bank to develop and support the human resource management system

Employee data in 2015



from the point of view of knowledge and benefit of the employees. The bank established the Human Resources Development Committee in 2009 in order to manage and develop the human resources effectively, efficiently and consistent with the bank's strategic.

For sustainable growth, the bank focused on takes care of the employees in various ways. The bank believes that the development of skills, competences, motivation, positive work environment, good occupational health and good welfare benefits will help the employees to perform their duties with full potential which will have an effect on clients and stakeholders.

The number of employees of the bank as of 31 December 2015 was 1,653 persons.

Equality and Diversity

The bank aimed to treat employees fairly which consists of operating in accordance with the labor law and human rights without discrimination by race, skin color, sex, religion, political views, revocation of citizenship, social background and any other discrimination related to any parties concerned both internal and external.

The bank does not illegal labor and child labor by applying to all level of employees from the executives to operational employees. Moreover, the bank offers work opportunities for people with disabilities.

Employees Selection Criteria

To recruit employees apart from considering knowledge, competences and other required criteria, the bank realizes to recruit the employee who hold the same views and values as the bank does. All candidates have to do the behavioral test which developed from PRO-Active values and adopt the test results as one part of recruiting employees.

Welcome Newcomer Activity

All new employees have to join the "Welcome Newcomer activity" which aim to build a sense of well-being, the bank's core values knowledge and everyday life in the bank such as introduce a newcomer to colleagues recommend a canteen near the office for the new employees could have a good understanding and awareness that will help to adapt to the working life in the bank.

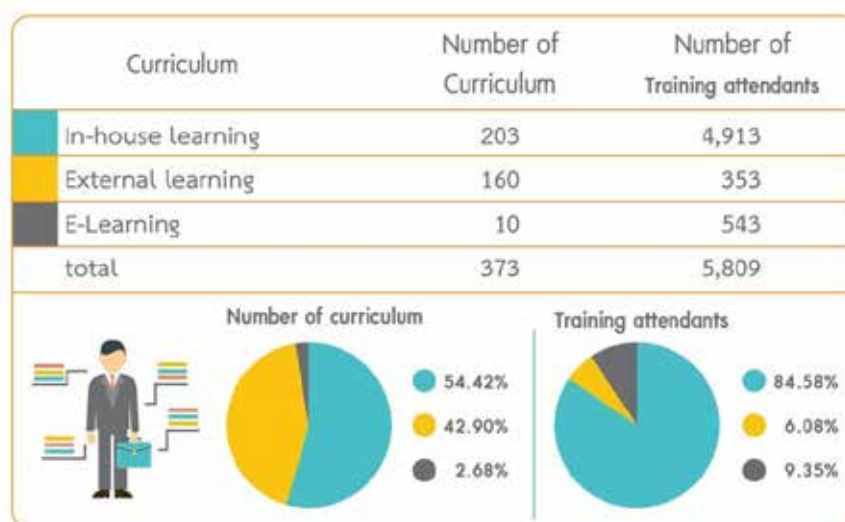
Activities to Support Organization's Core Values in Orientation Program

The bank has arranged the activity together with the orientation program to promote its core values by providing learning activities that new employees have to practice activities through the role play or "Action Learning".

Potential Employees Development

The bank pays special attention to development and training of personnel at all following levels; executives level, management level, middle management level, supervisor level and officer level by supporting the development of knowledge, abilities and skills to match job functions and opening opportunities for the employees to develop their potential abilities in full including self-development and various training courses. In addition, the principles of human resource development played a significant role in considering the career path of the employees.

Information about Employees Learning Activities Training data



Sustainable Growth by Building Personal Skills

The bank has promoted and developed employees to aware of the PRO-Active value which is the core value by using the model scheme to create the perception attitude through various communication channels, activities, practicing believe and individual mindsets, creating group habit norms and the corporate values. The bank has supported the value on a continuous basis both for new employees and current employees.

Creating Awareness - Knowledge through Communication Channels

The bank emphasizes on employee potential development through multiple internal communication channels for convenient access to information and building communications on a continuous basis. To create the awareness therefore, the bank use the guidelines of content and communication channels management to achieve its goal for building the awareness of knowledge and attitude shared value via various communication channels such as;

- LH BANK People Intranet System
- LH BANK People Voice
- LH BANK People TV
- E-mail and other activities

Digital Handbook

The bank has prepared the employees handbook in digital handbook consists of the vision, the mission, the organization's core values, service standards and business ethics.

Digital Learning

The bank has developed training channels and courses to give the employees an opportunity to learn in Digital Learning System, which includes the following courses: All about LH BANK, We are LH BANK, Risk Management, Compliance, 5S, Product & Service, IT Security, IT Helpdesk, Internal Control, Investment Advisor etc.

The course "We are LH BANK", the topics of which are the PRO-Active value and business ethics, is compulsory for all employees and a guideline for their working behavior. In addition, they have to learn information from the orientation and pass the Pre-test and Post-test within the probation period as a criteria for being full-time employees.



Employees Survey Commitment

The bank has conducted the employee attitude survey or "LH BANK Employee Survey" and used its results to improve various issues concerning the employees. The survey consists of 2 parts. The first part is the factor in driving employee commitment to the bank and the second part is recognizing the organization's core values behavior. The number of employees that have taken part in the survey totaled 1,302 persons or 80.76% of the total number of the bank's employees and the summary of the survey are as follows:

- Awareness of the organization's core values 76.4%
 - Recognitions of the organization's core values 75.1%
 - Understanding of the organization's core values 75.8%
 - Performance the corporate values behavior 80.2%
- which is in compliance with the bank goal of 75%

Good Quality of Life

In order to support the employee's good quality of life, the bank offered the appropriate compensation and benefits including takes care of good environment and work safety for making the employees happy at work.



Good Health

In order to support good health, the bank arranged various activities for the employees as follows;

- Annual health check-up and influenza vaccination,
- Medical room open every day during working hours,
- Chair yoga to overcome office syndrome activity which is the course arranged for the employees to learn how to do yoga exercises.

Emotionally Healthy

The bank arranged various activities aimed at building the sense of well-being and supporting emotionally healthy:

- Welcome Newcomers activity, helps to greet the new employees and build a sense of well-being.
- How Are You questionnaire for employees on probation, aimed at understanding of their feelings and collecting opinion on the job, working environment and the organization.
- Engagement Survey aimed at surveying the employees' commitment to the bank. On the basis of the survey's results the bank makes a development plan for enhancing the employees' commitment to the bank.
- Zone Visit activity aimed to "share & care" that take care of the life of the employees in branches and support their needs.

Good Remuneration and Benefits

Good remuneration and benefits package is the important factor of good working spirit. The bank has built a fair and reasonable system of remuneration and benefits, so that employees could have the good quality of life. The benefits include:

- Staff's uniform
- Provident fund
- Medical service, dentist service and medical check-up
- Group life and health insurance
- Housing and car loans

Good Environment and Work Safety

The bank pays special attention to the working environment and safety for the employees. The bank has established the Safety Healthy Environment committee (SHE) in order to promote the policy, the safety plan and occupational health and safety in working as follows;

- Communication of knowledge and understanding of occupational safety through various communication channels
- Annual fire drill
- Establishing the SHE Hotline that receives reports on unsafe conditions and coordinates with the divisions concerned in order to provide immediate help,
- CARE Project, the activity to support health.



1. จัดระเบียบสิ่งของสำนักงาน
แบบแยกหมวดหมู่ จัดเก็บเอกสารสำคัญ โดยเก็บรักษาสิ่งที่เป็นสื่อเสียง หรือสิ่งที่เป็นไฟล์ได้ง่ายไว้เป็นสัดส่วน

2. ตรวจสอบบำรุงเครื่องใช้ไฟฟ้า
ปลั๊ก ทรานซ์ฟอร์เมอร์ และเครื่องใช้ไฟฟ้า ควรตรวจสอบ ให้อยู่ในสภาพสมบูรณ์ และปลอดภัย



3. อย่าเสกเสกติดไฟกับสิ่งระงับ
อย่าเสกเสกติดไฟ อุปกรณ์ต่อพ่วงทั้งไวไฟ หรือเสกเสกกับสิ่งระงับไวไฟ หรือเสกเสกกับสิ่งระงับไวไฟ และร่วมเดินตรวจสอบเครื่องใช้ไฟฟ้า ปลั๊กไฟ ก่อนออกจากสำนักงาน

4. เลือกใช้อุปกรณ์ที่ได้มาตรฐาน
ไม่ซื้อ ไม่ใช้อุปกรณ์เครื่องใช้ไฟฟ้าที่ไม่ได้มาตรฐาน อาทิ ทีวี แบตเตอรี่ ไร้สายที่ปลอม Power Bank, เปิดคนทั้งได้ไม่ได้มาตรฐาน สิ่งเหล่านี้เป็นอันตราย และเป็นสาเหตุของอัคคีภัย



5. อุปกรณ์ดับเพลิง
พนักงานทุกคนควรรู้วิธีใช้อุปกรณ์ดับเพลิง ตรวจสอบอุปกรณ์ดับเพลิงว่าสามารถใช้งานได้ และควรฝึกซ้อมเป็นประจำ

หากเกิดเหตุอัคคีภัย โทร. 199 กับ
อย่าใช้ลิฟต์ ขณะเกิดเหตุอัคคีภัย



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 a wider area than other types of business. Land and House Bank Public Company Limited has the determination in regulating the standard of operation of the bank to be efficient along with the social responsibility, especially for the responsibility of 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 decisions through various channels and can be easily accessed. The information will be provided for the customers to clearly understand products and services.

Fundamental Rights of Consumers

The bank announces the fundamental rights of consumers in order to make them aware about the rights

deserved to receive from using the service of the bank via the bank's website.

Rights of Consumers	Products	Personnel or Processes
1. Right in receiving correct information	<ul style="list-style-type: none"> The consumers must receive clearly explained 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 easy to be understood words following the form required by the 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 the 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 intention or negligence causing damage to the consumers.

Fair Treatment of Consumers

The bank continually operates the social responsibility in CSR-in-Process by implementing the code of practice following the policy of social responsibility to create the business innovation until it becomes the process occurring in the procedure of work and product development as well as the standard of services for the main objective in reducing the impact possibly occurring to the stakeholders during the procedure of work. This includes creating the awareness of social responsibility among the board of directors, executives, and all levels of employees to create a 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 the 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 Direct Mail directly sent to the customers
- On-Line media which is via ATM Screen, LCD, Website, Facebook, Youtube, radio, television including SMS Alert service for inform the movement of customer accounts

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 0-2359-0000
- 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 as follows:

1. Education
2. Society and Environment
3. Art and Culture

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.



The bank donates books to the Department of Corrections for prisoners to develop themselves and their knowledge

2. Society and Environment

The bank promotes the project to continually give support in society and environment. The Bank supports the projects and activities with associations and foundations by getting donation via LH Bank ATM and the bank counter all the branches. In addition, the bank has invited the executives, employees and customers to participate in donating money to help victims including the bank supports anti-corruption activities to encourage Thai society to resist all kinds of corruptions.

• Society



The Bank welcomes the donation via ATM of the bank for supporting public organizations such as Thammasat Chulalongkornrajavidyalaya Hospital and the Foundation for Employment Promotion for the Blind

The bank has joined the project “Soft-Loan Program for SMEs” to support and increase Thai SMEs’ capability and competitiveness.

According to the Ministry of Finance has the policy to help SMEs in an attempt to enable them to be able to have an access to low interest rate loans for SMEs granted through commercial banks. The bank has joined the project to expand credit loans with low interest rate to entrepreneurs of small businesses and enterprises (SMEs). The average interest rate is 4% per year for a loan period of 7 years which the project has been very well received and widely participated by SMEs entrepreneurs.



On the special occasion of our 10th year anniversary, the bank arranged the special seminar titled “Future Directions of the Thai Economy” for our customers and benefactors. We are honored to have the Minister of Finance (Mr. Apisak Tantiwirawong) as our keynote speaker at the event.



• Environment

The bank has signed a “Revolving Fund” agreement with the Ministry of Energy for the conservation of energy with the aim to lower the overall quantity of the long-term energy import and ensure highest efficiency of energy use. This supporting the project the bank focuses on sustainability criteria.



- Activities of Helping Mind for Social Development



The 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 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 of the Thai Bankers' Association and National Center for Youth Development under Royal Patronage of HRH Princess Sirindhorn (NCYD) in organizing the 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.

The Bank as one of the total fifteen members of the CSR Club of the Thai Bankers' Association and the National Center for Youth Development under Royal Patronage of HRH Princess Sirindhorn (NCYD) joined with The Stock Exchange of Thailand, Financial Consumer Protection Center, The Bank of Thailand, The Office of the National Anti-Corruption Commission and the Network of New Generation Developers of the Western Region to create and implement the project "Saving for Change" during its pilot phase (2014-2015). The results of the operations and the achievements of the project are as follows.

1. Developing the lecturers for the bank members of the CSR Club of the Thai Bankers' Association to have the required skills and understandings in order to provide financial knowledge and develop financial literacy for the youth.



The 49 lecturers from 15 commercial banks received trainings on public speaking techniques from expert educators of the Stock Exchange of Thailand in order to help them to become better information providers who have the skills and abilities to successfully educate and develop financial literacy of the youth. In addition, the attendees also cooperated on the development of the curriculum "4 Principles to Know and Grow Your Wealth" to be used in educating college and university students participating in the program.

2. Create university student leaders to knowledge basic of the personal financial plan as well as magnifying the outcome to community levels.

The project has created 245 leaders who are equipped with basic knowledge on developing their own personal financial plan. The leaders can apply the knowledge obtained through the program attended in their real life as well as extend the results to their communities on the following issues.

Know the Goals	<ul style="list-style-type: none"> • Have concrete plans for important things such as on education, ways to increase personal income, taking care of their parents, raising good and happy family, job stability, and on having enough income to live comfortably. • Set life goals and plan out personal financial plans in clear and specific details • Know how to prioritize their specific goals
Know about Expenses	<ul style="list-style-type: none"> • Know and understand the values of money and plan for spend money to ensure the ability to provide for themselves in the time of needs/emergencies • Reduce unnecessary expenses and not use spend more each month than you can earn to avoid debt • Record revenues and expenses
Know about Savings	<ul style="list-style-type: none"> • Plan out their savings before spendings. Know how to divide their income into different parts and proportions • Know how to save for future investments • Know how to save for use in cases of emergency
Deep Knowledge Investments	<ul style="list-style-type: none"> • Have concrete investment plans that derived mainly from carefully researching investment materials • Choose investment types appropriate for their personal risk tolerance levels

Apart from the knowledge obtained for their personal use, the leaders also organized activities to educate and develop the financial literacy for their communities through 15 activities-divided into specific groups according to the issues and the general content discussed, as follows.

Know the Goals	3 Activities
Know about Expenses	2 Activities
Know about Savings	6 Activities
Disaster Preparedness	
Financial Literacy	3 Activities
Allocating Responsibility for Known Liabilities	1 Activities

3. Developing the standard curriculum to be used by financial institutions to educate and develop financial literacy for the youth.

The final outcome of this program also included the curriculum development of the “4 Principles to Know and Grow Your Wealth” which was improved from the program “Planning Your Personal Finance” of TSI Thailand Securities Institute of The Stock Exchange of Thailand to be more appropriate with the current target groups.

4. Other benefits resulted from the project

- **Benefits for the Thai Bankers Association and the CSR Club of the Thai Bankers’ Association**

- “Be happy by saving and using wisely” is the project with the collaboration from the 15 commercial banks and the members of the Thai Bankers Association which aims to provide and develop the financial knowledge of the general public in accordance with their mission entrusted by the Ministry of Finance since 2013 onwards. The project was concluded after all objectives had become fully realized in July 2015.

- The project undertaken has played a crucial role in improving the general public attitudes towards commercial banks. In the past, many people felt that commercial banks are not easily accessible and that business profits are the only things commercial banks really care about. With this project, however, the popular opinions have changed for the better in recent years. More and more people think that commercial banks are becoming more easily accessible, more customer-friendly, more caring and receiving as well as ready and eager to provide knowledge to people and are genuine in trying to solve the financial problems within the society.

- **Benefits for Academic Institutions**

- Academic institutions participating in the project had a chance to create and develop learning innovations for use within their institutions.

This is because the project was a tripartite collaboration with related government agencies, both economic and social sectors cooperating on the project.

- Academic institutions contributed to the development of their students who can now pass on the financial knowledge and set examples in learning and having self-discipline in regard to their personal finance.

- **Benefits for the Communities Involved.**

The leaders has participated in related activities which enabled them to extend their knowledge obtained through the project to wider audience such as primary school students, high school students, university students as well as the general public through a total of 15 projects with a total number of 6,276 participants which can be divided into the following 4 groups.

University students	4,020 students	(64.1%)
Members of the club	940 members	(15%)
Family members	768 persons	(12.2%)
Neighbors	548 persons	(8.7%)

The success as mentioned, in the year 2016 the bank in collaboration with the CSR Club of the Thai Bankers Association and other associates shall continue on with the second phase of the project “Be happy by saving and using wisely” to further magnify and maintain the good results of the project.

3. Art and Culture

The bank attended the traditional activities with people living in the areas located near 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 bank’s branches.



The bank supported Children’s Day Activity at the Library for Learning, Lumpini Park and at the N.S.S. Electric Supply Co.,Ltd.



The bank participated in the Chinese New Year festival activities in China Town, Yaowarat by offering the auspicious oranges to the bank’s customers

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

1. Use energy saving device
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

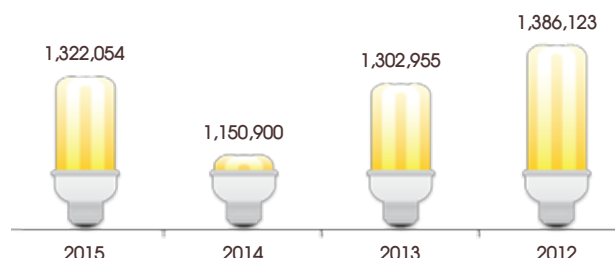
The bank is continuously trying to do a good energy management including electricity and tap water in order to achieve efficient use and sustainability of the corporate. Some of the improvements include the following:

- 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 used the energy saving devices and the LED tube light, watt bulb with a suitable space, the suitable size of cable, in addition to decorate the office with soft color and use natural light as much as possible. The Bank also has used water-saving tap. All mentioned things lead to the reducing of the bank's electricity and tap water usage.

Electricity Usage

Electricity usage of 2015 totaled 1,322,054 units (kWh) compared to 2014 due to an increase in electricity usage totaled 1,150,900 units (kWh) or increasing by 14.87%. The electricity usage in 2015 increased from using meeting rooms and multi-purpose spaces for seminars and activities.

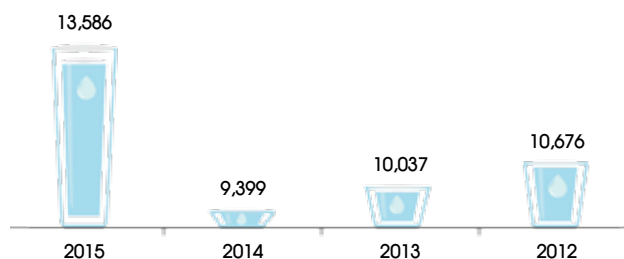
Electricity Usage (Units)



Tap Water Usage

The tap water usage in 2015 totaled 13,586 units, increasing by 9,399 cubic meters of tap water or increasing by 44.54% compared to 2014. The tap water usage in 2015 increased from using meeting rooms and multi-purpose spaces for seminars and activities.

Tap Water Usage (Cubic Meters)



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.

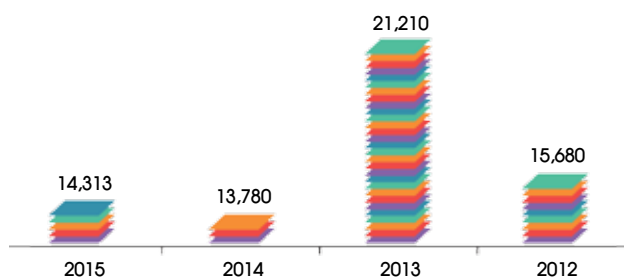
Pool Printer Management Project

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 amount of paper used in the year 2015 was 14,313 reams and increased by 3.87% compared to the year 2014 which was 13,780 reams. The paper usage has increased along with the bank growth due to the preparation of related document processes.

Paper Usage (Reams)



Measurement of Intensity of light in workplace

The bank pays attention to the dangers of light that may impact to the employees. In case of insufficient illumination, it will cause negative symptoms to the eyes and may cause simple accidents like failing to catch an object or touching the dangerous part of the tools by mistake including affects the mental health, slow performance and lower motivation to work.

Since 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 and measuring light intensity every 3 years.

Measurement and data collection

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

The bank has applied the 5S activity which consists of sort, set in order, shine, standardize and sustain. 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, it contributes to a quality and efficient work which the 5S activity gained well cooperation from the employees and the bank has a continuous implementation of the activity.

5S Activity Results

1. Result of Sort
 - Cutting down the waste of resources
 - Having spare space for other purposes
 - Have a more spacious workplace, easy to work, resulting in a better mood of the employees
2. Result of Sett in order
 - Settling the common and troublesome searches

- Increased work efficiency
 - Creating good image for the Bank
3. Result 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. Result of Standardize
- Neat and tidy workplace
 - Employees in a good mood and willing to work better
5. Result of Sustain
- All employees have a good habit and attitude toward work
 - Customers receive quality and fast service

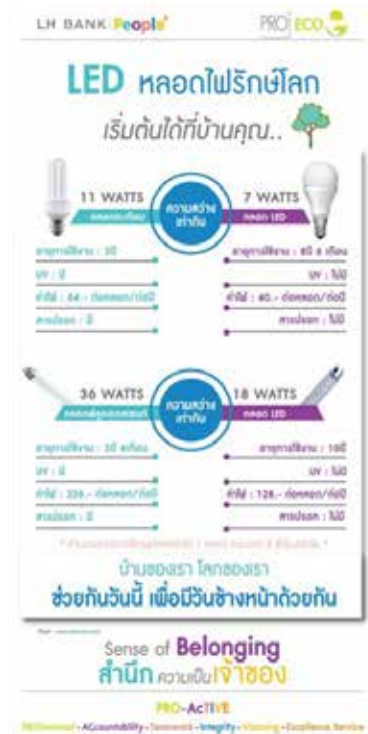
LH BANK ATM Stops Global Warming

The 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 machines. As of 31 December 2015, LH Bank has totally 190 ATM machines 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 Campaign and Responsibilities in the Environment

The Bank focuses on creating environmental awareness to participate in saving energy and conserving the environment through internal communication channel the following; the intranet, LH BANK People and Pro Eco column. In the year 2015 has revised the data for employees can to real practice both of their home and workplace.



9. Innovation and Dissemination of Innovative Corporate Social Responsibilities

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 on mobile phone.



ATM Chip Card Service and Debit Chip Card Service are new type of ATM cards. ATM Chip Card can be used to enhance security of ATM service by using chip card to record customer's data. And the Debit Card provides more convenience for financial transactions 24 hours a day and ensures the security of financial transactions. The services provide the customers to do the following transactions; withdrawal, money transfer, product and service payment and loan payment etc. In addition, the bank provides SMS alert service to inform the transactions via customer's mobile phones.

Debit Card Service Partnered with Union Pay International is the card which provided to enhance the convenience for financial transactions. The debit card can be used in overseas via ATM machines and Union Pay International shop members covered many countries around the world under the UnionPay logo



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

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 and Land and Houses Securities 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 of the 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 of the external auditor by 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 company'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 2015 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 company's 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, managing compliance operations and reviewing of operations to comply with an international standard. In addition, the unit has to report the result of supervising and verification to the audit committee and the company's 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 and corruption audit works

Profile of the head of internal control department

Name	Miss Chutima Boonmee
Position	Executive Vice President of Control Group
Age (Years)	63
Education	<ul style="list-style-type: none"> - Master of Public Administration (M.PA.) National Institute of Development Administration (NIDA) - Master of Education : Srinakharinwirot University
Training	<ul style="list-style-type: none"> - 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 1/2013 and 2015 arranged by the Thai Bankers Association - 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-
Family relationship with executives	-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 - Jan. 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, top executives, the audit committee and the company's 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 business related interest group. The company has established risk management policy of financial group the policy has been approved and is annually reviewed by the company's 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 of the same risk level.

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 shall be determined according the normal trade terms, the regular market prices, and the same procedure as applied to general customers.

Operational and Measures for Approving Related Party Transactions

The company strict compliance with the Stock Exchange of Thailand regulations, the Notification of

the Securities and Exchange Commission and the Notification of the Capital Market Supervisory Board regarding connected transactions and transactions that might involve a conflict of interest. Hence, the directors or the 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 the directors or the executives in the minutes.

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 company's board of directors.

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 and when the Audit Committee approved the opinions in related party transaction and must be propose to the company's board of directors for approval as unanimous vote. In any case, the company will always disclose such transactions in its audited financial statements.

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 relating to the Securities and Exchange Commission, 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.

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 2015, 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 2015, the company and its subsidiaries had significant business transactions with its related parties. 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 and were disclosed in Note 41 to the financial statements of the company and its subsidiaries. The details are as follows:

The outstanding balances as at 31 December 2015

As at 31 December 2015, the outstanding balances of significant transactions between the company, 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	Debts issued and borrowings	Accrued interest payables	Other liabilities	Commitments - Bank guarantee
1. The company's directly and indirectly subsidiaries are Land and Houses Bank Public Company Limited, Land and Houses Securities Public Company Limited, Land and Houses Fund Management 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")	-	-	-	-	8.43	4,713.30	-	5.16	0.25	-
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	-	-	-	-	1.57	2,661.58	-	1.34	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	-	-	-	22.08	2,255.92	-	1.52	0.96	21.19

(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	Debts issued and borrowings	Accrued interest payables	Other liabilities	Commitments - Bank guarantee
5. The companies which are related to the company's and the subsidiaries' directors and have transactions with the company and its subsidiaries	2,065.00	31.20	1,015.01	0.17	8.50	91.64	-	0.15	2.09	51.80
6. The companies which are related to the major shareholders of the company (shareholders as stated in No. 2 above), and have transactions with the company and its subsidiaries	91.46	-	-	-	0.77	614.36	-	1.69	-	-
7. The companies which are controlled by the company's and subsidiaries' related persons, and have transactions with the company and its subsidiaries	-	-	-	-	-	0.14	-	-	-	-
8. Directors and executives	-	-	10.43	0.01	-	482.50	20.00	0.24	-	-
9. Related persons	-	-	51.51	0.04	-	823.85	7.50	2.35	-	-
Total	2,223.66	31.20	1,076.95	0.22	41.35	11,643.29	27.50	12.45	3.33	72.99

Notes: ^{/1} The nature of the relationships are described in the Note 41 to the financial statements "Related party transactions"

(Unit: Million Baht)

Relationship ^{/1}	Separate 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	Accounts payable on purchase of securities	Other liabilities	Commitments - Bank guarantee
1. The company's directly and indirectly subsidiaries are Land and Houses Bank Public Company Limited, Land and Houses Securities Public Company Limited, Land and Houses Fund Management Company Limited and Land and Houses Advisory Company Limited	230.20	150.80	0.87	-	-	-	-	4.01	0.30	-
Total	230.20	150.80	0.87	-	-	-	-	4.01	0.30	-

Notes: ^{/1} The nature of the relationships are described in the Note 41 to the financial statements "Related party transactions"

Transactions during the year 2015

During the year 2015, 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 their related parties as follows:

(Unit: Million baht)

Relationship ^{/1}	Consolidated financial statements		
	Type of transactions	Value of transactions	Pricing policy
1. The company's directly and indirectly subsidiaries are Land and Houses Bank Public Company Limited, Land and Houses Securities Public Company Limited, Land and Houses Fund Management Company Limited and Land and Houses Advisory Company Limited	-None-	-None-	-None-
2. Any persons or companies who hold more than 10 percent of shares in the company ("the major shareholders")	Interest expenses	33.36	- The same rates that a subsidiary paid to general depositors
	Other operating expenses	36.20	- As specified in the agreements
3. The subsidiaries of the major shareholders of the company (shareholders as stated in No. 2 above), who have transactions with the company and its subsidiaries	Interest expenses	10.78	- The same rates that a subsidiary paid to general depositors
	Other operating expenses	0.57	- 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	28.85	- At the percentage of net asset value of fund under the subsidiary's management
	Dividend income	4.97	- As announced by the fund
	Interest expenses	25.30	- The same rates that a subsidiary paid to general depositors
	Other operating expenses	84.62	- As specified in the agreements
5. The companies which are related to the company's and the subsidiaries' directors and have transactions with the company and its subsidiaries	Interest income	145.54	- The same rates that a subsidiary charged to general customers and as specified in prospectus
	Interest expenses	1.73	- The same rates that a subsidiary paid to general depositors
	Other operating expenses	12.94	- As specified in the agreements
6. The companies which are related to 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	8.96	- At the percentage of net asset value of the fund under the subsidiary's management
	Dividend income	6.41	- As announced by the fund
	Interest expenses	9.78	- 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	0.25	- As specified in prospectus
	Interest expenses	0.01	- The same rates that a subsidiary paid to general depositors
8. Directors and executives	Interest Income	0.45	- The same rates that a subsidiary charged to general customers
	Interest expenses	7.76	- The same rates that a subsidiary paid to general depositors and as specified in prospectus
9. Related persons	Interest Income	1.64	- The same rates that a subsidiary charged to general customers
	Interest expenses	13.16	- The same rates that a subsidiary paid to general depositors and as specified in prospectus

Notes: ^{/1} The nature of the relationships are described in the Note 41 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	8.57	- The same rates that a subsidiary paid to general depositors and as specified in prospectus
	Dividend income	1,000.09	- As announced by the subsidiary
	Other operating income	1.32	- As specified in the agreements
	Interest expenses	5.08	- The same rates that a subsidiary charged to general customers
	Other operating expenses	0.03	- The same rates as charged to general customers
	Fees and service expenses	0.02	- The same rates that a subsidiary charged to general customers

Notes: ^{/1} The nature of the relationships are described in the Note 41 to the financial statements "Related party transactions"

THE 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 2015, the company arranged the Audit Committee meeting 12 times 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 financial reporting 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 2015, the company's auditor was EY Office Limited that was an auditor of 2015 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

THE NOMINATION AND REMUNERATION COMMITTEE'S REPORT

The Nomination and Remuneration Committee, appointed by the company's Board of Directors 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 2015, the Nomination and Remuneration Committee held the meeting three times and all members of the committee attended the meeting. In addition, the committee had reviewed role and additional duties, namely, to recommend the performance evaluation of the company director and the Board of Directors, to consider the overview and framework of the remuneration structure, the annual salary adjustment and the annual bonus including considering other employee benefits and executive compensation, to consider the procedure of succession planning process, and to consider the procedure framework and rule of the employment for the special condition to recruit the suitably qualified candidates.

In the year 2015, 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

THE 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 financial reporting standards, 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 financial reporting 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, 2015.



(Mr. Anant Asavabhokhin)
Chairman



(Mrs. Sasitorn Phongsathorn)
President

THE INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LH Financial Group Public Company Limited

I have audited the accompanying consolidated financial statements of LH Financial Group Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of comprehensive income, changes in owners' 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 2015, their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951
EY Office Limited
Bangkok: 25 February 2016



FINANCIAL STATEMENT AND NOTES TO FINANCIAL STATEMENTS

LH Financial Group Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2015 and 2014

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
Note		2015	2014	2015	2014
Assets					
Cash		2,242,589	2,503,973	8	4
Interbank and money market items - net	6	17,676,429	13,117,183	230,202	1,024,099
Investments - net	7	47,202,958	33,728,134	649,066	326,591
Investments in subsidiaries	8	-	-	15,035,991	14,035,991
Loans to customers and accrued interest receivables	9				
Loans to customers		133,276,799	115,915,211	-	-
Accrued interest receivables		224,480	239,810	-	-
Total loans to customers and accrued interest receivables		133,501,279	116,155,021	-	-
Less : Deferred revenue		(179,447)	(281,516)	-	-
Allowance for doubtful accounts	10	(2,555,273)	(2,137,826)	-	-
Revaluation allowance for debts restructuring	11	(8,740)	(7,547)	-	-
Loans to customers and accrued interest receivables - net		130,757,819	113,728,132	-	-
Investment properties	13	-	-	37,382	37,514
Properties foreclosed	14	99,340	52,809	-	-
Premises and equipment - net	15	499,000	543,764	-	-
Intangible assets - net	16	297,294	291,450	-	-
Deferred tax assets	17.1	197,540	145,192	-	-
Accrued interest receivables on investments		305,398	345,393	868	-
Accounts receivable on sales of securities		-	159,604	-	-
Other assets - net	18	388,406	354,672	1,533	1,511
Total assets		199,666,773	164,970,306	15,955,050	15,425,710

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 2015 and 2014

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
Note		2015	2014	2015	2014
Liabilities and owners' equity					
Deposits	20	137,064,320	122,631,902	-	-
Interbank and money market items	21	20,638,556	23,171,161	-	500,000
Liabilities payable on demand		176,517	109,952	-	-
Derivative liabilities	22	5,395	-	-	-
Debts issued and borrowings - net	23	21,663,968	1,000,000	-	-
Interest payables		818,440	727,565	-	48
Accrued expenses		420,637	339,172	928	803
Provisions for liabilities	24	87,293	73,981	-	-
Tax payable		288,831	256,541	114	84
Revenue received in advance		275,308	158,034	-	-
Accounts payable on purchase/sale of securities	25	18,816	10,673	4,013	-
Other liabilities	26	257,837	204,970	745	573
Total liabilities		181,715,918	148,683,951	5,800	501,508
Owners' equity					
Share capital	27				
Registered					
13,638,705,250 ordinary shares of Baht 1 each					
(2014: 13,199,599,896 ordinary shares of Baht 1 each)		13,638,705	13,199,600	13,638,705	13,199,600
Issued and paid-up					
13,638,699,252 ordinary shares of Baht 1 each					
(2014: 13,198,747,016 ordinary shares of Baht 1 each)		13,638,699	13,198,747	13,638,699	13,198,747
Share premium		642,556	642,556	642,556	642,556
Other component of equity					
Revaluation surplus (deficit) on available-for-sale investments					
- net of income taxes	7.3	(18,749)	(78,921)	10,249	(50,505)
Retained earnings					
Appropriated - statutory reserve		528,700	396,400	180,900	130,200
Unappropriated		3,159,648	2,127,572	1,476,846	1,003,204
Equity attributable to the Company's shareholders		17,950,854	16,286,354	15,949,250	14,924,202
Non-controlling interests		1	1	-	-
Total owners' equity		17,950,855	16,286,355	15,949,250	14,924,202
Total liabilities and owners' equity		199,666,773	164,970,306	15,955,050	15,425,710

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

LH Financial Group Public Company Limited and its subsidiaries

Statements of comprehensive income

For the years ended 31 December 2015 and 2014

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2015	2014	2015	2014
Profit or loss:					
Interest income	31	8,493,893	7,455,078	8,607	6,880
Interest expenses	32	(4,127,464)	(4,073,150)	(5,082)	(28,132)
Net interest income (loss)		4,366,429	3,381,928	3,525	(21,252)
Fees and service income	33	455,583	296,757	-	-
Fees and service expenses	33	(106,203)	(80,535)	(7,843)	(7,801)
Net fees and service income (loss)		349,380	216,222	(7,843)	(7,801)
Net gains on trading and foreign exchange transactions		2,172	1,206	-	668
Gains on investments	34	673,392	491,419	2,522	3,209
Dividend income		126,153	131,686	1,026,437	866,888
Other operating income		25,896	24,229	1,320	1,220
Total operating income		5,543,422	4,246,690	1,025,961	842,932
Other operating expenses					
Employees' expenses		1,161,418	960,970	-	-
Directors' remuneration	35	23,759	11,416	9,445	9,036
Premises and equipment expenses		704,601	629,286	132	132
Tax and duties		218,416	193,512	366	148
Advertising and promotional expenses		96,155	83,887	1,085	1,339
Amortisation on intangible assets		69,174	58,755	-	-
Other expenses		126,123	107,219	1,799	2,002
Total other operating expenses		2,399,646	2,045,045	12,827	12,657
Bad debts, doubtful accounts and impairment loss	36	1,089,614	710,000	-	-
Profits before income tax expenses		2,054,162	1,491,645	1,013,134	830,275
Income tax expenses	17.2	(402,449)	(290,258)	-	-
Profits for the years		1,651,713	1,201,387	1,013,134	830,275
Other comprehensive income (loss):	37				
Items to be recognised in profit or loss in subsequent periods:					
Gains on revaluation of available-for-sale investments					
- net of income taxes		60,172	5,100	60,754	6,577
Total items to be recognised in profit or loss in subsequent periods		60,172	5,100	60,754	6,577
Items not to be recognised in profit or loss in subsequent periods:					
Actuarial gains - net of income taxes		1,455	-	-	-
Total items not to be recognised in profit or loss in subsequent periods		1,455	-	-	-
Other comprehensive income for the years		61,627	5,100	60,754	6,577
Total comprehensive income for the years		1,713,340	1,206,487	1,073,888	836,852

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

LH Financial Group Public Company Limited and its subsidiaries

Statements of comprehensive income (continued)

For the years ended 31 December 2015 and 2014

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

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2015	2014	2015	2014
Profits for the years attributable to:					
The Company's shareholders		1,651,713	1,201,387	1,013,134	830,275
Non-controlling interests		-	-	-	-
		<u>1,651,713</u>	<u>1,201,387</u>		
Total comprehensive income for the years attributable to:					
The Company's shareholders		1,713,340	1,206,487	1,073,888	836,852
Non-controlling interests		-	-	-	-
		<u>1,713,340</u>	<u>1,206,487</u>		
Earnings per share of the Company's shareholders:	38				
Basic earnings per share (Baht per share)					
Profits for the years attributable to					
the Company's shareholders		<u>0.1211</u>	<u>0.0892</u>	<u>0.0743</u>	<u>0.0617</u>
Diluted earnings per share (Baht per share)					
Profits for the years attributable to					
the Company's shareholders			<u>0.0892</u>		<u>0.0616</u>

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

LH Financial Group Public Company Limited and its subsidiaries

Statements of changes in owners' equity

For the years ended 31 December 2015 and 2014

(Unit: Thousand Baht)

Consolidated financial statements									
Note	Equity attributable to the Company's shareholders								
	Issued and paid-up share capital	Other component			Retained earnings			Total equity attributable to the Company's shareholders	Non-controlling interests
		Share premium	on available-for-sale investments - net of income taxes	Revaluation deficit	Appropriated - statutory reserve	Unappropriated	the Company's shareholders		
Balance as at 1 January 2014	12,715,551	643,519	(84,021)		294,600	1,451,554	15,021,203	1	15,021,204
Issuance of additional ordinary shares as a result of warrant exercises	59,202	-	-	-	-	-	59,202	-	59,202
27.2 Issuance of additional ordinary shares	423,994	(963)	-	-	-	-	423,031	-	423,031
29 Cash dividends paid	-	-	-	-	-	(423,569)	(423,569)	-	(423,569)
28 Appropriated to statutory reserve	-	-	-	-	101,800	(101,800)	-	-	-
Profit for the year	-	-	-	-	-	1,201,387	1,201,387	-	1,201,387
Other comprehensive income for the year	-	-	5,100		-	-	5,100	-	5,100
Total comprehensive income for the year	-	-	5,100		-	-	5,100	-	5,100
Balance as at 31 December 2014	13,198,747	642,556	(78,921)		396,400	2,127,572	16,286,354	1	16,286,355
Balance as at 1 January 2015	13,198,747	642,556	(78,921)		396,400	2,127,572	16,286,354	1	16,286,355
27.2 Stock dividends issued	439,952	-	-	-	-	(439,952)	-	-	-
29 Cash dividends paid	-	-	-	-	-	(48,840)	(48,840)	-	(48,840)
28 Appropriated to statutory reserve	-	-	-	-	132,300	(132,300)	-	-	-
Profit for the year	-	-	-	-	-	1,651,713	1,651,713	-	1,651,713
Other comprehensive income for the year	-	-	60,172		-	1,455	61,627	-	61,627
Total comprehensive income for the year	-	-	60,172		-	1,455	61,627	-	61,627
Balance as at 31 December 2015	13,638,699	642,556	(18,749)		528,700	3,159,648	17,950,854	1	17,950,855

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

Separate financial statements						
	Other component					
	Issued and paid-up share capital	Share premium	of equity - Revaluation surplus (deficit) on available-for-sale investments - net of income taxes	Retained earnings		Total
Note				Appropriated - statutory reserve	Unappropriated	
Balance as at 1 January 2014	12,715,551	643,519	(57,082)	88,600	638,098	14,028,686
Issuance of additional ordinary shares as a result of warrant exercises	59,202	-	-	-	-	59,202
27.2 Issuance of additional ordinary shares	423,994	(963)	-	-	-	423,031
29 Cash dividends paid	-	-	-	-	(423,569)	(423,569)
28 Appropriated to statutory reserve	-	-	-	41,600	(41,600)	-
Profit for the year	-	-	-	-	830,275	830,275
Other comprehensive income for the year	-	-	6,577	-	-	6,577
Total comprehensive income for the year	-	-	6,577	-	830,275	836,852
Balance as at 31 December 2014	13,198,747	642,556	(50,505)	130,200	1,003,204	14,924,202
Balance as at 1 January 2015	13,198,747	642,556	(50,505)	130,200	1,003,204	14,924,202
27.2 Stock dividends issued	439,952	-	-	-	(439,952)	-
29 Cash dividends paid	-	-	-	-	(48,840)	(48,840)
28 Appropriated to statutory reserve	-	-	-	50,700	(50,700)	-
Profit for the year	-	-	-	-	1,013,134	1,013,134
Other comprehensive income for the year	-	-	60,754	-	-	60,754
Total comprehensive income for the year	-	-	60,754	-	1,013,134	1,073,888
Balance as at 31 December 2015	13,638,699	642,556	10,249	180,900	1,476,846	15,949,250

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

Statements of cash flows

For the years ended 31 December 2015 and 2014

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Cash flows from operating activities				
Profits before income tax expenses	2,054,162	1,491,645	1,013,134	830,275
Adjustments to reconcile profits before income tax expenses				
to net cash provided by (paid from) operating activities				
Depreciation and amortisation	235,953	204,446	492	277
Bad debts, doubtful accounts and impairment loss	1,089,614	710,000	-	-
Reverse doubtful of loss from recovery	(5,205)	-	-	-
Provisions for employee benefits	15,858	14,588	-	-
Losses on disposal/write-off of premises and equipment	1,664	5,795	-	-
Losses (gains) on trading and foreign exchange transactions	1,960	(670)	-	(668)
Gains on sales of investments	(673,392)	(491,419)	(2,522)	(3,209)
Amortisation of discount on revaluation of				
notes receivable to be interest income	-	(12)	-	-
Net interest (income) expenses	(4,366,429)	(3,381,928)	(3,525)	21,252
Dividend income	(126,153)	(131,686)	(1,026,437)	(866,888)
Cash received on interest income	7,137,122	5,998,641	3,757	8,441
Cash paid on interest expenses	(3,982,105)	(4,079,401)	(5,130)	(28,084)
Cash paid on income taxes	(435,491)	(207,246)	(360)	(145)
Profits (losses) from operation before changes				
in operating assets and liabilities	947,558	132,753	(20,591)	(38,749)
(Increase) decrease in operating assets				
Interbank and money market items	(4,597,704)	(6,172,098)	793,897	115,281
Trading investments	(14,210)	27,070	-	27,070
Loans to customers	(17,837,393)	(11,032,153)	-	-
Securities business receivables	(320,956)	(43,961)	-	-
Properties foreclosed	48,000	(11,552)	-	-
Other assets	107,732	(36,893)	(22)	(28)
Increase (decrease) in operating liabilities				
Deposits	14,432,418	13,826,425	-	-
Interbank and money market items	(2,532,605)	(342,296)	(500,000)	500,000
Liabilities payable on demand	66,565	(104,609)	-	-
Short-term debts issued and borrowings	16,814,768	996,802	-	-
Accrued expenses	26,982	(7,369)	125	536
Provisions for liabilities	(688)	(2,715)	-	-
Accounts payable on purchase/sale of securities	8,143	(7,019)	-	-
Other liabilities	61,171	93,840	202	348
Net cash provided by (used in) operating activities	7,209,781	(2,683,775)	273,611	604,458

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

Statements of cash flows (continued)

For the years ended 31 December 2015 and 2014

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2015	2014	2015	2014
Cash flows from investing activities				
Proceeds from sales of available-for-sale investments	1,758,780	2,494,752	40,342	70,836
Proceeds from held-to-maturity investments	11,144,154	13,747,221	5,022	-
Cash received on interest income on investments	1,577,088	1,538,885	3,982	-
Cash received on dividend income on investments	126,153	134,300	1,026,437	868,586
Invested in available-for-sale investments	(2,296,996)	(1,787,472)	(144,750)	(66,551)
Invested in held-to-maturity investments	(23,385,041)	(11,454,403)	(155,800)	-
Invested in subsidiaries	-	(995,647)	(1,000,000)	(1,535,992)
Proceeds from disposals of equipment	376	1,706	-	-
Cash paid for purchases of leasehold improvements and equipment	(126,725)	(214,989)	-	-
Cash paid for purchases of intangible assets	(69,314)	(61,569)	-	-
Net cash provided by (used in) investing activities	(11,271,525)	3,402,784	(224,767)	(663,121)
Cash flows from financing activities				
Long-term debts issued and borrowings	3,849,200	-	-	-
Cash dividends paid	(48,840)	(423,569)	(48,840)	(423,569)
Proceeds from issuance of additional ordinary shares	-	423,031	-	423,031
Proceeds from warrant exercises	-	59,202	-	59,202
Net cash provided by (used in) financing activities	3,800,360	58,664	(48,840)	58,664
Net increase (decrease) in cash and cash equivalents	(261,384)	777,673	4	1
Cash and cash equivalents as at 1 January	2,503,973	1,726,300	4	3
Cash and cash equivalents as at 31 December	2,242,589	2,503,973	8	4

Supplemental cash flows information

Non-cash related items

Purchases of assets on credit	7,264	4,559	-	-
Transfers of properties foreclosed from debtors to settle debts	94,531	41,257	-	-
Bad debts written-off	370,383	-	-	-
Stock dividend issuance	439,952	-	439,952	-

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

1. Corporate information

LH Financial Group Public Company Limited (“the Company”) was incorporated as a public limited company under Thai laws and has been engaging in investment holding business in Thailand with an intention to be a financial holding company. The Company is listed on the Stock Exchange of Thailand and its registered office is located at No. 1, on 5th floor of Q-House Lumpini Building, South Sathorn Road, Thungmahamek Sub-district, Sathorn District, Bangkok.

As at 31 December 2015, 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 33.98%, 21.34%, and 16.20%, respectively (31 December 2014: 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 34.12%, 21.43%, and 16.55%, respectively).

2. Basis for preparation of financial statements

2.1 Basis for preparation of financial statements

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. 21/2558 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 4 December 2015.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 4 to the financial statements regarding a summary of significant accounting policies.

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

2.2 Basis of consolidation

- (a) These consolidated financial statements included the financial statements of LH Financial Group Public Company Limited 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	
		2015	2014	2015	2014	2015	2014
		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	99.01	99.45	97.28	98.38
Land and Houses Securities Public Company Limited	Securities business	99.80	99.80	0.52	0.13	0.97	0.07
<u>Subsidiaries indirectly held by the Company via other subsidiaries</u>							
Land and Houses Fund Management Company Limited	Fund management business	99.99	99.99	0.16	0.15	1.45	1.24
Land and Houses Advisory Company Limited	Financial advisory business (operation is temporarily ceased)	99.99	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 ("the securities company") or 99.79 percent of issued and paid-up share capital from CIMB Securities International Pte. Ltd. and other shareholders in the group for a total of Baht 1,035.95 million. The share purchase agreement was 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 and the Company made payments on the share purchase on 22 January 2014 and 24 January 2014. Subsequently on 17 April 2014, the Company registered for the change of such securities company's name to "Land and Houses Securities Public Company Limited".

The securities company has held 99.99% of the shares of CIMB Advisory (Thailand) Company Limited, which has become a subsidiary of the group and was subsequently registered for the change of its name to "Land and Houses Advisory Company Limited" on 28 February 2014.

Under the share purchase, the Company estimated the fair value of each item of assets and liabilities of the securities company. The difference of Baht 80 million between the cost of purchase and the fair value of assets and liabilities are recognised as a part of intangible assets in the consolidated financial statements.

- (b) The Company is deemed to have a control over an investee or a subsidiary if it has rights, or is exposed, to variable returns from its involvement with the entity it has invested and it has the ability to direct the activities that affect the amount of its returns.
- (c) Subsidiaries have been fully consolidated from the date on which the Company has obtained control until the date when such control ceases.
- (d) The financial statements of subsidiaries are prepared for the same reporting period and use the same significant accounting policies as those of the Company.
- (e) 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 owners' equity of the subsidiaries.
- (f) 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 owners' equity in the consolidated statements of financial position.

2.3 The separate financial statements

The Company prepares the separate financial statements, which present investments in subsidiaries under the cost method.

3. New and revised financial reporting standards

3.1 Financial reporting standard that became effective in the current year

The Company and its subsidiaries have adopted the new and revised (revised 2014) financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2015 onwards. 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, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements. However, some of these standards involve changes to key principles, which are summarised below:

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognises actuarial gains and losses immediately in other comprehensive income (loss) while the former standard allowed the entity to elect to recognise such gains and losses immediately in profit or loss or other comprehensive income (loss) or to recognise them gradually in profit or loss.

This revised standard does not have any impact on these financial statements as the Company and its subsidiaries have always recognised such actuarial gains and losses immediately in other comprehensive income (loss).

TFRS 10 Consolidated Financial Statements

This standard 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.

This standard includes changes to principles from those of the former standard. However, these changes to principles do not have any impact on these 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 does not have any significant impact on these financial statements.

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.

This standard does not have any significant impact on these financial statements.

3.2 Financial reporting standard that will become effective in the future

The Federation of Accounting Professions issued a number of the revised (revised 2015) and new financial reporting standards and accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2016 onwards. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards. The Company's and its subsidiaries' management believe that the revised and new financial reporting standards and accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied.

4. Summary of significant accounting policies

4.1 Revenue recognition

(a) Interest and discount on loans

Banking business

The subsidiary, which operates 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.

Securities business

Interest is recognised as interest accrues over the lending periods, but where there is uncertainty as to the collectability of principal and interest, the subsidiary ceases accrual.

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

- (1) General debtors that have the value of the underlying collateral lower than the debt balance.
- (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 debtors whose 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's letter No. Kor Thor. 5/2544 dated 15 February 2001.

(b) Fees and service income

Fees and service are recognised as revenue on an accrual basis, taking into account the stage of completion. Management and registrar fees are recognised as revenues on an accrual basis, calculated based on percentages of the net asset value of the funds under the subsidiary's management or at rates stipulated in agreements.

(c) Brokerage fee income

Brokerage fees on securities and derivatives businesses are recognised as revenues on the transaction dates.

(d) Gains (losses) on investments

Gains (losses) on investments are recognised as revenues or expenses on the transaction dates.

(e) Interest and dividends

Interest is recognised as revenues on an accrual basis based on the effective interest rates. Dividends are recognised as revenues when the right to receive the dividends is established.

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 as expenses evenly throughout the term of the notes.

(b) Commission and direct expenses charged on hire purchase

Commission and direct expenses incurred at the inception of a hire purchase contract i.e. commission expenses, are to be gradually amortised, using the effective interest rate method, to be presented net of interest income on hire purchase.

(c) Fees and service expenses and other expenses

Fees and service expenses and other expenses are recognised as expenses on an accrual basis.

4.3 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 periods, the subsidiary excludes these amounts from its both assets and liabilities and presents only those belong to the subsidiary.

4.4 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.

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

The subsidiary, which operates 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 price and the sale considerations are recognised as interest income or expenses, as the case maybe, over the transaction periods.

4.6 Investments

Trading investments are stated at fair value. Changes in the fair value of these investments are recognised in profit or loss.

Available-for-sale investments are stated at fair value. Changes in the fair value of these investments are recognised in other comprehensive income (loss), and will be subsequently recognised in profit or loss when the investments are sold.

Held-to-maturity investments 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 interest income.

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

The fair value of marketable equity securities is based on the last bid price of the last working day of the reporting periods on the Stock Exchange of Thailand. The fair value of debt securities is based on the yield rates quoted by the Thai Bond Market Association. The fair value of investment units that are not listed securities are determined based on their net asset value per unit at the end of the reporting periods.

Loss on impairment (if any) of investments is recognised in profit or loss.

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

The Company and its subsidiaries record purchases and sales of investments on the transaction date. On disposal of an investment, the difference between net disposal proceeds and the cost of an investment is recognised in profit or loss. The Company and its subsidiaries use the weighted average method for computation of the cost of an investment when it is sold.

4.7 Investments in subsidiaries

Investments in subsidiaries, presented in the separate financial statements, are stated at cost net of allowance for impairment (if any).

4.8 Loans to customers

Banking business

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 balances of loans to customers.

Hire purchase receivables are stated at the outstanding balances under the agreements less the balances of deferred revenue, which are presented net of deferred initial direct costs.

Securities business

Securities and derivatives business receivables comprise the net securities business receivables and derivatives business receivables plus accrued interest receivables and deduct allowance for doubtful accounts.

Securities business receivables comprise the net balances of credit balance receivables on which the securities purchased are placed as collateral, guarantee deposit receivables, which comprise cash placed as guarantee to 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, but exclude cash account securities business receivables.

4.9 Allowance for doubtful accounts

Banking business

The subsidiary provides allowance for doubtful accounts in accordance with the BoT's guidelines, using the minimum rates stipulated by the BoT, based on loan classification as follows:

For loans classified as "pass" (including restructured loans) and "special-mention", the minimum rates stipulated by the BoT are 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 minimum rate stipulated by the BoT is 100% of the excess of the loan balances over the present value of expected future cash flows from debt collection or from collateral disposal. The discount rates and expected durations required to dispose collateral used in determining the present value are in accordance with criteria stipulated by the BoT.

Moreover, the subsidiary sets up, in addition to aforementioned minimum rates, an additional allowance for doubtful accounts to reflect the amounts that are not expected to be collectible from debtors, based on evaluation of the probability of default and loss given default. The evaluation also takes into consideration debtors' collection history, default experience and the value of the underlying collateral.

Allowance for doubtful accounts additionally set up (reversed) is charged to expense for each year.

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

Securities business

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 are not fully covered by collateral and/or those which may not be fully recovered. Such debt classifications and allowance 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 laws.
 - (2) Debts which the subsidiary has contracted to forgive.
- (b) Doubtful debts are defined as the uncollateralised portion of the debts, which meet the following criteria:
 - (1) General debtors, problemed financial institutions and other debtors that have fair value of the underlying collateral lower than that the debt balances.
 - (2) Installment loans with repayments scheduled less frequently than 3 months for each installment, on which the principal or interest is overdue longer than 3 months.
 - (3) Installment loans with repayments scheduled no less frequently 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 debt balances, which meet the criteria in (b).

Bad debts will be written off when identified. Allowance for doubtful accounts will be set aside no less than 100 percent of debt balances 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. 5/2544 dated 15 February 2001 of the Office of the Securities and Exchange Commission.

In case that the subsidiary receives payment from debtors whose debt balances are used to be written off as bad debts, the subsidiary recognises the recovered amount as revenue in the year it is recovered.

4.10 Troubled debt restructuring and loss from debt restructuring

The subsidiary, which operates banking business, records troubled debt restructuring transactions with reference to criteria stipulated by the 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 debts restructuring and is recognised as expenses in profit or loss on the debt restructuring date (only if the determined revaluation allowance for debts 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 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 accrued interest receivables, the subsidiary recognises the reduced amounts immediately as expenses.

4.11 Receivable/payable to Clearing House

Receivable/payable to Clearing House comprises the net balance receivable/payable to Thailand Clearing House in respect of securities and derivative settlement and also includes amounts pledged with Thailand Clearing House as securities for derivatives trading activities.

4.12 Investment properties

Investment properties are initially recorded at cost, including subsequent transaction costs. 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 an estimated useful life of 20 years. Depreciation of the investment properties is recognised as expenses in profit or loss.

On disposal of investment properties, the difference between the net disposal proceeds of investment properties and the carrying value is recognised in profit or loss when they are sold.

4.13 Properties foreclosed

Properties foreclosed are stated at the lower of cost or net realisable value. The cost is the carrying value of debt balance of the debtor on the date the subsidiary is entitled to such properties foreclosed to settle debt. Net realisable value is determined with reference to the latest appraisal value less estimated selling expenses.

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

4.14 Premises and equipment and depreciation

Land is stated at cost less allowance for impairment (if any). Buildings 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.

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

Depreciation is recognised in profit or loss.

No depreciation is provided on land and assets in progress.

An item of land, buildings 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 and amortisation

Intangible assets are measured at cost upon initial recognition and subsequently measured at cost less any accumulated amortisation and allowance for impairment (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 at the end of year. The amortisation expense and impairment loss are charged to expenses in profit or loss.

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

Intangible assets with an indefinite useful life are intangible assets as a result of the business purchase, which are presented in consolidated financial statements, are not amortised, but are tested for impairment annually either individually or at the cash generating unit level.

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 impairment loss in profit or loss 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.

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 businesses with third parties, such as the net payable balances of cash accounts' customers.

4.18 Provisions for liabilities

Provisions for liabilities 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.

4.19 Employee benefits

(a) Short-term employment benefits

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

(b) Post-employment benefits

Defined contribution plan

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

Defined benefit plan

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

The subsidiaries' obligations under the defined benefit plan are determined by a professionally qualified independent actuary, using the Projected Unit Credit Method, or by their management, using the actuarial discounted cash flow techniques.

Actuarial gains or losses arising from the defined benefit plan are recognised in other comprehensive income (loss) and directly charged to retained earnings.

4.20 Derivatives

The subsidiary, which operates banking business, enters into derivative transactions for its banking book whereby the subsidiary records them as off-balance items, which are presented on an accrual basis. The foreign exchange components of those derivatives are recognised based on exchange rates ruling at the end of the reporting periods in the same manner as the hedged items. Unrealised gains or losses on exchange rate are recognised in profit or loss whereas the interest components of those derivatives are recognised on an accrual basis, in the same manner as the hedged assets and liabilities, as a part of interest income or expense over the term of the contracts.

4.21 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which are also the Company's and its subsidiaries' functional currency. Items of each entity included in the consolidated financial statements of each entity are measured using the functional currency of that entity.

Transactions in foreign currencies are translated into Thai Baht at the reference rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and commitment outstanding on the financial reporting date have been translated into Baht at the rates ruling at the end of the reporting periods.

Gains or losses on exchange are recognised as revenues or expenses in profit or loss and are presented as a part of net gains (losses) on trading and foreign exchange transactions.

4.22 Income taxes

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

(a) Current income taxes

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

(b) Deferred income taxes

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

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

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

4.23 Long-term leases

Leases that do not transfer substantially all the risks and rewards of ownership to the subsidiaries, as being the leasees, are classified as operating leases. Operating leases are recognised as expenses in profit or loss on the straight line basis over the lease periods.

4.24 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except when there is no active market of an identical assets or liabilities or when a quoted market price is not available. The Company and its subsidiaries measure fair value using a valuation technique that is appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of inputs to be used in fair value measurement as follows:

- | | |
|---------|-----------------------------------------------------------------------------------------------|
| Level 1 | Use of quoted market prices in an observable active market for such assets or liabilities |
| Level 2 | Use of other observable inputs for such assets or liabilities, whether directly or indirectly |
| Level 3 | Use of unobservable inputs such as estimations of future cash flows |

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting periods that are measured at fair value on a recurring basis.

4.25 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 significantly influenced by them, whether directly or indirectly.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgments and estimates are as follows:

5.1 Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statements of financial position or disclosed in note to financial statements that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, using valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these variables could affect the fair value reported in the statements of financial position and disclosed in their disclosure notes of the fair value hierarchy.

5.2 Allowance for impairment on investments

The Company and its subsidiaries consider setting up an allowance for impairment on investments whenever there is an indication of impairment. The management is required to use judgment in loss estimation of each item, based on analysis of current status.

5.3 Allowance for doubtful accounts

Allowances for doubtful accounts on loans of banking business and margin loans to credit balance customers of securities and derivatives businesses are intended to adjust the value of loans to customers for probable credit loss. The management follows the BoT's and the SEC's guidelines regarding setting up allowance for doubtful accounts, including the use of judgment to estimate losses expected to be incurred on loans and/or accrued interest receivables, taking into consideration an analysis of status of each individual debtor and group of debtors, probability of default, loss given default, debtors collection history, values of collateral, and economic conditions.

5.4 Premises and equipment and depreciation

In determining depreciation of buildings and equipment, the management is required to make estimate of the useful lives and residual value of buildings and equipment and to review estimated useful lives and residual value when circumstances change.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and records impairment loss when it is determined that their recoverable amounts are lower than their carrying values. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

5.5 Intangible assets

The initial recognition and measurement of intangible assets, including 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.

5.6 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.

5.7 Provisions for employee benefits

Provisions for employee benefits are determined using actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary incremental rate, staff turnover rate and mortality rate, based on their best knowledge of current events and arrangement.

5.8 Litigation

The subsidiaries have contingent liabilities as a result of claim litigation. The management has used judgment to assess the outcome of the litigation cases to recognise the estimated loss at the end of reporting periods.

5.9 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, based on their best knowledge of current events and arrangements.

5.10 Assessment of investment funds as structured entities

In determining whether the funds, in which the subsidiary provides asset management services to, are structured entities, the management is required to use judgement, taking in to consideration the voting rights and other similar rights afforded to other parties in these funds, including the rights to remove the subsidiary as a fund manager, liquidate the funds, or redeem holdings in the funds and has concluded as to whether these rights are the dominant factor in deciding who controls the funds.

6. Interbank and money market items (assets)

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2015			31 December 2014		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand	1,525,088	-	1,525,088	1,407,790	-	1,407,790
Commercial banks	107,234	1,600,000	1,707,234	222,613	-	222,613
Other financial institutions	6,163,285	8,430,000	14,593,285	2,168,000	9,429,500	11,597,500
Total domestic items	7,795,607	10,030,000	17,825,607	3,798,403	9,429,500	13,227,903
Add: Accrued interest receivables	4,726	8,924	13,650	768	4,487	5,255
Less: Allowance for doubtful accounts	(62,528)	(100,300)	(162,828)	(21,680)	(94,295)	(115,975)
Total interbank and money market items - net	7,737,805	9,938,624	17,676,429	3,777,491	9,339,692	13,117,183

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2015			31 December 2014		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	230,202	-	230,202	1,024,099	-	1,024,099
Total interbank and money market items - net	230,202	-	230,202	1,024,099	-	1,024,099

7. Investments

7.1 Classified by investment classification

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 December		31 December	
	2015	2014	2015	2014
<u>Trading investments - fair value</u>				
Domestic listed securities - stocks	12,251	-	-	-
Total trading investments	12,251	-	-	-
<u>Available-for-sale investments - fair value</u>				
Domestic listed securities				
- Stocks	179,735	-	-	-
- Investment units	1,965,731	1,638,636	418,101	326,591
Investment units	207,491	76,737	80,165	-
Total available-for-sale investments	2,352,957	1,715,373	498,266	326,591

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		31 December		31 December	
		2015	2014	2015	2014
<u>Held-to-maturity investments - cost/</u>					
<u>amortised cost</u>					
Government and state enterprise securities		22,073,899	15,386,439	-	-
Private sector debt securities		17,399,344	15,262,823	150,800	-
Other debt securities		5,350,963	1,350,410	-	-
Total held-to-maturity investments		44,824,206	31,999,672	150,800	-
<u>General investments - cost</u>					
Domestic non-marketable equity securities					
- stocks		13,569	13,654	-	-
Less: Allowance for impairment		(25)	(565)	-	-
General investments - net		13,544	13,089	-	-
Investments - net		47,202,958	33,728,134	649,066	326,591

7.2 Classified by remaining periods to maturity of the debt securities

		(Unit: Thousand Baht)							
		Consolidated financial statements							
		31 December 2015				31 December 2014			
		Due within				Due within			
		Within 1 year	1 - 5 years	Over 5 years	Total	Within 1 year	1 - 5 years	Over 5 years	Total
Held-to-maturity investments									
Government and state									
enterprise securities		2,953,454	6,687,055	12,433,390	22,073,899	143,493	8,100,608	7,142,338	15,386,439
Private sector debt securities		760,157	4,644,187	11,995,000	17,399,344	675,697	3,547,126	11,040,000	15,262,823
Other debt securities		-	2,196,128	3,154,835	5,350,963	-	670,391	680,019	1,350,410
Total held-to-maturity									
investments		3,713,611	13,527,370	27,583,225	44,824,206	819,190	12,318,125	18,862,357	31,999,672
Total investments in debt									
securities		3,713,611	13,527,370	27,583,225	44,824,206	819,190	12,318,125	18,862,357	31,999,672

(Unit: Thousand Baht)

	Separate financial statements							
	31 December 2015				31 December 2014			
	Due within				Due within			
	Within 1 year	1 - 5 years	Over 5 years	Total	Within 1 year	1 - 5 years	Over 5 years	Total
Held-to-maturity investments								
Private sector debt securities	-	-	150,800	150,800	-	-	-	-
Total held-to-maturity investments	-	-	150,800	150,800	-	-	-	-
Total investments in debt securities	-	-	150,800	150,800	-	-	-	-

7.3 Revaluation surplus (deficit) on available-for-sale investments

As at 31 December 2015 and 2014, revaluation surplus (deficit) on available-for-sale investments consisted of:

	Consolidated		Separate	
	financial statements		financial statements	
	31 December		31 December	
	2015	2014	2015	2014
Revaluation surplus on the reclassified investments				
Debt securities	3,959	9,467	-	-
Total	3,959	9,467	-	-
Revaluation deficit on the reclassified investments				
Debt securities	(8,093)	(9,214)	-	-
Total	(8,093)	(9,214)	-	-
Revaluation surplus on investments				
Equity securities	74,854	16,168	12,238	-
Total	74,854	16,168	12,238	-
Revaluation deficit on investments				
Equity securities	(92,106)	(104,807)	(1,989)	(50,505)
Total	(92,106)	(104,807)	(1,989)	(50,505)
Total revaluation surplus (deficit) on available-for-sale investments	(21,386)	(88,386)	10,249	(50,505)
Add: Income taxes	2,637	9,465	-	-
Revaluation surplus (deficit) on available-for-sale investments - net of income taxes	(18,749)	(78,921)	10,249	(50,505)

For the years end 31 December 2015 and 2014, the changes in revaluation surplus (deficit) on investments are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2015	2014	2015	2014
Balances at beginning of the years	(78,921)	(84,021)	(50,505)	(57,082)
Unrealised gains on revaluation of investments during the years	65,836	7,456	53,320	6,577
Gains from reclassification of investments - net	-	20,951	-	-
(Gains) losses transferred to be recognised in profit or loss	1,164	(23,187)	7,434	-
Total gains on revaluation of available-for-sale investments	67,000	5,220	60,754	6,577
Less: Income taxes	(6,828)	(120)	-	-
Gains on revaluation of available-for-sale investments - net of income taxes	60,172	5,100	60,754	6,577
Balances at end of the years	(18,749)	(78,921)	10,249	(50,505)

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

	(Unit: Thousand Baht)							
	Consolidated financial statements							
	31 December 2015				31 December 2014			
	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

8. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received for the years ended	
	31 December		31 December		31 December		31 December	
	2015	2014	2015	2014	2015	2014	2015	2014
			(Percent)	(Percent)				
<u>Subsidiaries directly held by the Company</u>								
Land and Houses Bank Public Company Limited	14,000,000	13,000,000	99.99	99.99	13,999,999	12,999,999	1,000,090	845,000
Land and Houses Securities Public Company Limited	637,215	637,215	99.80	99.80	1,035,992	1,035,992	-	-
					<u>15,035,991</u>	<u>14,035,991</u>	<u>1,000,090</u>	<u>845,000</u>
<u>Subsidiaries indirectly held by the Company via other subsidiaries</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	20,000	99.99	99.99	6,802 ⁽¹⁾	6,802 ⁽¹⁾	-	-

⁽¹⁾ As these subsidiaries are held by the Company's subsidiaries, those amounts are carrying values presented in the separate financial statements of those subsidiaries.

On 19 October 2015, the Board of Director's Meeting No. 10/2558 of the subsidiary passed a resolution approving the allotment of additional 100 million ordinary shares to LH Financial Group Public Company Limited, with a par value of Baht 10 per share, totaling Baht 1,000 million. The Company already paid for such additional shares to the subsidiary in full.

9. Loans to customers and accrued interest receivables

9.1 Classified by loan types

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December	
	2015	2014
Overdrafts	4,824,858	4,400,744
Loans	98,991,433	87,678,312
Bills	27,160,819	21,146,041
Hire purchase	1,929,567	2,576,459
Securities and derivatives business receivables	370,122	113,655
Total loans to customers	133,276,799	115,915,211
Less: Deferred revenue	(179,447)	(281,516)
Loans to customers net of deferred revenue	133,097,352	115,633,695
Add: Accrued interest receivables	224,480	239,810
Total loans to customers and accrued interest receivables	133,321,832	115,873,505
Less: Allowance for doubtful accounts	(2,555,273)	(2,137,826)
Revaluation allowance for debts restructuring	(8,740)	(7,547)
Loans to customers and accrued interest receivables - net	130,757,819	113,728,132

9.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2015			31 December 2014		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	133,097,352	-	133,097,352	115,633,695	-	115,633,695
	133,097,352	-	133,097,352	115,633,695	-	115,633,695

9.3 Classified by business types and loan classification

(Unit: Thousand Baht)

Consolidated financial statements					
31 December 2015					
	Pass	Special- mention	Sub- standard	Doubtful of loss	Total
Agricultural and mining	386,132	-	-	-	386,132
Manufacturing and commerce	26,743,365	100,393	92,607	89,561	27,390,760
Real estate and construction	17,647,624	185,462	6,890	870,121	18,847,740
Public utilities and services	33,697,857	243,855	68,786	286,219	34,424,596
Housing loans	28,686,648	410,235	169,936	207,401	29,812,733
Financial intermediation	19,749,144	-	-	-	19,749,144
Others	2,397,868	34,118	8,864	17,964	2,486,247
Loans to customers net of deferred revenue	<u>129,308,638</u>	<u>974,063</u>	<u>347,083</u>	<u>1,471,266</u>	<u>133,097,352</u>

(Unit: Thousand Baht)

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

9.4 Classified by loan classification

(a) Banking business

As at 31 December 2015 and 2014, the subsidiary, which operates banking business, has classified loans and relevant allowance for doubtful accounts in accordance with the BoT's notifications as follows:

(Unit: Thousand Baht)

Consolidated financial statements				
31 December 2015				
	Loans to customers and accrued interest receivables	Net amount used for setting allowance for doubtful accounts ⁽¹⁾	Minimum rates	Allowance for doubtful accounts
			(Percent)	
Provision at BoT's minimum required rates				
Pass	129,150,528	49,804,924	1	498,049
Special-mention	984,939	142,554	2	2,851
Sub-standard	347,083	108,239	100	108,239
Doubtful	1,471,266	367,301	100	367,301
Doubtful of loss	996,302	347,820	100	347,820
Total	<u>132,950,118</u>	<u>50,770,838</u>		1,324,260
Additional provision for specific debtors				508,603
General provision				<u>722,410</u>
Total				<u>2,555,273</u>

⁽¹⁾ For loans classified as pass and special-mention, net amount used for setting allowance for doubtful accounts 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.

(Unit: Thousand Baht)

Consolidated financial statements				
31 December 2014				
	Loans to customers and accrued interest receivables	Net amount used for setting allowance for doubtful accounts ⁽¹⁾	Minimum rates (Percent)	Allowance for doubtful accounts
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	115,759,669	41,654,662		1,254,841
Additional provision for specific debtors				380,000
General provision				433,290
Total				2,068,131

⁽¹⁾ For loans classified as pass and special-mention, net amount used for setting allowance for doubtful accounts 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.

(b) Securities business

As at 31 December 2015 and 2014, the subsidiary, which operates 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, dated 15 February 2001, as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
31 December 2015			31 December 2014			
	Loans to customers and accrued interest receivables	Debt balances after allowance for doubtful accounts		Loans to customers and accrued interest receivables	Debt balances after allowance for doubtful accounts	
		Allowance for doubtful accounts			Allowance for doubtful accounts	
Pass	371,714	-	371,714	44,140	-	44,140
Sub-standard	-	-	-	-	-	-
Doubtful of loss	-	-	-	69,695	69,695	-
Total	371,714	-	371,714	113,835	69,695	44,140

In addition, as at 31 December 2015 and 2014, that subsidiary also had outstanding receivables due from cash account customers totaling Baht 32 million and Baht 16 million, respectively. These receivables are presented as a 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 (banking business)

As at 31 December 2015 and 2014, the subsidiary, which operates banking business, has the following non-performing loans:

	Consolidated financial statements	
	31 December	
	2015	2014
Non-performing loans (Thousand Baht)	2,814,651	2,449,061
Percentage of non-performing loans to total loans ⁽¹⁾	1.89%	1.92%

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

Non-performing loans calculated based on the notification of the BoT. Those include 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 upgrading to pass or special-mention under the BoT’s criteria.

9.6 Non-accrued loans to customers

As at 31 December 2015 and 2014, the subsidiaries have the following loans to customers on which interest income recognition has been ceased on an accrual basis:

	Consolidated financial statements	
	31 December	
	2015	2014
Non-accrued loans (Thousand Baht)		
Banking business	2,853,721	2,525,798
Securities business	-	69,695
Total	2,853,721	2,595,493
Percentage of non-accrued loans to total loans ⁽¹⁾	1.91%	2.04%

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

9.7 Loans to customers that have repayment problems or defaulted payments

As at 31 December 2015 and 2014, the subsidiaries have loans to customers and accrued interest receivables due from companies and persons, which have repayment problems or defaulted payments, against which allowance for doubtful accounts, has been made as follows:

(Unit: Thousand Baht)

Consolidated financial statements			
31 December 2015			
Number of debtors	Debt balances	Collateral value	Allowance for doubtful accounts/Revaluation allowance
Companies and persons that have repayment problems or defaulted payments	459	3,799,590	2,822,801
			826,696

(Unit: Thousand Baht)

Consolidated financial statements			
31 December 2014			
Number of debtors	Debt balances	Collateral value	Allowance for doubtful accounts/Revaluation allowance
Companies and persons that have repayment problems or defaulted payments	725	4,502,663	3,445,549
			923,487

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 2015 and 2014, the subsidiary had completed restructuring of troubled debts, which was summarised as follows:

(Unit: Thousand Baht)

Consolidated financial statements			
31 December 2015			
Debt balances (principal and accrued interest receivables)			
Number of debtors	Before restructuring	After restructuring	Losses on debt restructuring ⁽¹⁾
Modification of terms of payments	82	1,128,339	9,429
Total restructured debts	82	1,128,339	9,429

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

(Unit: Thousand Baht)

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

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

For the years ended 31 December 2015 and 2014, the debts restructured as referred to above can be classified by terms of repayment under the restructuring agreements as follows:

(Unit: Thousand Baht)

Term of repayment under restructuring agreements	Consolidated financial statements			
	31 December 2015		31 December 2014	
	Number of debtors	Debt balances after restructuring	Number of debtors	Debt balances after restructuring
Less than 5 years	6	124,886	8	425,910
5 - 10 years	27	401,117	31	483,867
10 - 15 years	10	439,511	7	333,245
More than 15 years	39	162,825	41	143,409
Total	82	1,128,339	87	1,386,431

Supplemental information for the years ended 31 December 2015 and 2014, relating to the restructured debts, are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2015	2014
Interest income recognised in profit or loss	162,529	165,515
Cash settlement by debtors	747,374	418,313
Losses on debt restructuring	9,429	620

As at 31 December 2015 and 2014, the subsidiaries had restructured debtors with outstanding debt balances as follows:

(Unit: Thousand Baht)

	Total debts		Restructured debts	
	Debt balances		Debt balances	
	Number of debtors	(principal and interest)	Number of debtors	(principal and interest)
31 December 2015	12,510	133,321,832	342	3,258,765
31 December 2014	12,195	115,873,505	425	3,252,507

As at 31 December 2015 and 2014, the subsidiaries had no outstanding commitments to provide additional loan facilities after restructuring.

9.9 Hire purchase receivables

As at 31 December 2015 and 2014, the subsidiary had hire purchase receivables, on 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			
	31 December 2015			
	Amounts due under the contracts			
	Less than		More than	
	1 year	1 - 5 years	5 years	Total
Aggregate initial investments under				
the hire purchase agreements	796,365	1,104,003	29,199	1,929,567
Less: Deferred revenue	(89,072)	(83,615)	(691)	(173,378)
Present value of minimum lease payments	707,293	1,020,388	28,508	1,756,189
Less: Allowance for doubtful accounts				(65,933)
Hire purchase receivables - net				1,690,256

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2014			
	Amounts due under the contracts			
	Less than		More than	
	1 year	1 - 5 years	5 years	Total
Aggregate initial investments under				
the hire purchase agreements	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 accounts				(15,989)
Hire purchase receivables - net				2,288,656

10. Allowance for doubtful accounts

(Unit: Thousand Baht)

Consolidated financial statements								
For the year ended 31 December 2015								
	Provision at BoT's minimum required rates					Additional provision	General provision	Total
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss	for specific debtors		
Balances - beginning of the year	406,844	2,495	87,312	140,544	687,341	380,000	433,290	2,137,826
Increase during the year	91,567	6,364	30,187	301,047	114,503	128,603	351,736	1,024,007
Reverse doubtful of loss from recovery	-	-	-	-	(5,205)	-	-	(5,205)
Bad debts written off	-	-	-	(20,265)	(348,648)	-	-	(368,913)
Decrease as a result of disposals	(362)	(6,008)	(9,260)	(54,025)	(100,171)	-	(61,423)	(231,249)
Transferred to revaluation allowance for debts restructuring	-	-	-	-	-	-	(1,193)	(1,193)
Balances - end of the year	498,049	2,851	108,239	367,301	347,820	508,603	722,410	2,555,273

(Unit: Thousand Baht)

Consolidated financial statements								
For the year ended 31 December 2014								
	Provision at BoT's minimum required rates					Additional provision	General provision	Total
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss	for specific debtors		
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 accounts of the subsidiary purchased during the year	-	-	-	-	69,695	-	-	69,695
Transferred from revaluation allowance for debts 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

11. Revaluation allowance for debts restructuring

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2015	2014
Balances - beginning of the years	7,547	11,184
Increase during the years	9,429	620
Decrease during the years	(9,676)	(4,257)
Adjust transaction during the years	1,440	-
Balances - end of the years	8,740	7,547

12. Disposals of non-performing loans

In 2015, the subsidiary, which operates banking business, entered into the sale and purchase agreements, as a seller, to sell non-performing loans in 2 batches as follows:

(Unit: Million Baht)

Batch	Month sold	Outstanding balance	
		(including relevant other assets)	Selling price
1	June 2015	314	194
2	December 2015	299	180
		613	374

The subsidiary already received full payments under such non-performing loans sale and purchase agreements. Under the agreements, the buyer can cancel the transfer of any particular asset by no later than June 2016 (for the first batch) and December 2016 (for the second batch) in the event that the rights over the debt and the collateral of the sold assets cannot be transferred to the buyer because the documentation with respect to the debt and collateral is absent or incomplete, the collateral is evicted, or the courts do not permit the buyer to assume the rights of litigant from the Bank. Should the transfer of any assets be cancelled, the buyer is to receive the money back equivalent to the purchase price as settled on the settlement date while the subsidiary is to receive any income generated on such assets, after deducting any costs, during the period of cancellation. However, up to the authorisation date of these financial statements, the buyer has yet to cancel any assets sold.

13. Investment properties

The carrying values of investment properties as at 31 December 2015 and 2014 are presented below.

(Unit: Thousand Baht)

	Separated financial statements		
	Land	Office building for rent	Total
Cost			
1 January 2014	35,358	2,642	38,000
31 December 2014	35,358	2,642	38,000
31 December 2015	35,358	2,642	38,000
Accumulated depreciation			
1 January 2014	-	354	354
Depreciation charged for the year	-	132	132
31 December 2014	-	486	486
Depreciation charged for the year	-	132	132
31 December 2015	-	618	618
Net book value			
31 December 2014	35,358	2,156	37,514
31 December 2015	35,358	2,024	37,382
Depreciation for the years			
2014			132
2015			132
Fair value			
31 December 2014	36,641	3,189	
31 December 2015	36,641	3,049	

The fair value is appraised by an independent valuer using the market approach for land and office building for rent.

Land and office building are let to its subsidiary and they are therefore presented under the caption of "Premises and equipment" in the consolidated financial statements.

14. Properties foreclosed

(Unit: Thousand Baht)

Consolidated financial statements				
For the year ended 31 December 2015				
	1 January			31 December
	2015	Increase	Disposal	2015
Properties foreclosed - Immovable assets				
Appraised by external appraisers:				
Cost	11,268	10,205	-	21,473
Allowance for impairment	-	-	-	-
Net book value	11,268	10,205	-	21,473
Appraised by internal appraisers:				
Cost	41,541	46,605	(10,279)	77,867
Allowance for impairment	-	-	-	-
Net book value	41,541	46,605	(10,279)	77,867
Properties foreclosed	52,809	56,810	(10,279)	99,340

(Unit: Thousand Baht)

Consolidated financial statements				
For the year ended 31 December 2014				
	1 January			31 December
	2014	Increase	Disposal	2014
Properties foreclosed - Immovable assets				
Appraised by external appraisers:				
Cost	-	11,268	-	11,268
Allowance for impairment	-	-	-	-
Net book value	-	11,268	-	11,268
Appraised by internal appraisers:				
Cost	-	49,264	(7,723)	41,541
Allowance for impairment	-	-	-	-
Net book value	-	49,264	(7,723)	41,541
Properties foreclosed	-	60,532	(7,723)	52,809

As at 31 December 2015 and 2014, the subsidiary's properties foreclosed were not obligated under the agreements to sell to the former debtors at fixed prices and within the specified periods and were not subject to the first refusal rights granted to the former debtors.

15. Premises and equipment

(Unit: Thousand Baht)

Consolidated financial statements								
	Land	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicles	Assets in progress	Total
Cost								
1 January 2014	75,947	12,853	331,179	115,634	431,105	9,343	-	976,061
Additions	-	-	72,418	21,715	89,597	5,706	13,161	202,597
Written-offs/disposals	-	-	(20,295)	(4,180)	(1,744)	(6)	-	(26,225)
Transferred in (out)	-	-	5,826	22	249	3,000	(9,097)	-
31 December 2014	75,947	12,853	389,128	133,191	519,207	18,043	4,064	1,152,433
Additions	-	-	24,585	12,015	83,148	-	7,476	127,224
Written-offs/disposals	-	-	(4,830)	(868)	(12,554)	-	-	(18,252)
Transferred in (out)	-	-	9,617	609	(412)	1,726	(11,540)	-
31 December 2015	75,947	12,853	418,500	144,947	589,389	19,769	-	1,261,405
Accumulated depreciation								
1 January 2014	-	809	158,294	63,582	253,966	5,128	-	481,779
Accumulated depreciation on written-offs/disposals	-	-	(13,671)	(3,581)	(1,470)	-	-	(18,722)
Depreciation charged for the year	-	643	59,007	18,441	65,650	1,871	-	145,612
31 December 2014	-	1,452	203,630	78,442	318,146	6,999	-	608,669
Accumulated depreciation on written-offs/disposals	-	-	(3,000)	(715)	(12,453)	-	-	(16,168)
Depreciation charged for the year	-	643	65,720	20,281	79,962	3,298	-	169,904
Transferred in (out)	-	-	91	-	(91)	-	-	-
31 December 2015	-	2,095	266,441	98,008	385,564	10,297	-	762,405
Net book value								
31 December 2014	75,947	11,401	185,498	54,749	201,061	11,044	4,064	543,764
31 December 2015	75,947	10,758	152,059	46,939	203,825	9,472	-	499,000
Depreciation for the years								
2014								145,612
2015								169,904

As at 31 December 2015 and 2014, the subsidiaries have certain items of leasehold improvements, equipment and vehicles, which have been fully depreciated but are still in use. The original costs before deducting accumulated depreciation of those assets totalled Baht 318 million and Baht 275 million, respectively.

16. Intangible assets

(Unit: Thousand Baht)

	Consolidated financial statements				
	Computer softwares	Deferred membership and license fee	Intangible assets from the business purchase	Computer softwares under development	Total
Cost					
1 January 2014	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
Additions	44,599	6,420	-	20,500	71,519
Transferred in (out)	8,361	-	-	(8,361)	-
31 December 2015	530,373	34,693	80,041	47,897	693,004
Accumulated amortisation					
1 January 2014	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
Amortisation charged for the year	62,340	3,335	-	-	65,675
31 December 2015	381,593	14,117	-	-	395,710
Net book value					
31 December 2014	158,160	17,491	80,041	35,758	291,450
31 December 2015	148,780	20,576	80,041	47,897	297,294
Amortisation for the years					
2014					58,683
2015					65,675
Remaining amortisation periods					
(years)	0 - 5	2, 5 and 9	-	-	

As at 31 December 2015 and 2014, the subsidiaries have certain items of computer softwares, which have been fully amortised but are still in use. The original costs before deducting accumulated amortisation of those assets totalled to Baht 208 million and Baht 180 million, respectively.

17. Deferred tax assets and income taxes

17.1 Deferred tax assets

The components of deferred tax assets include deferred income taxes arose from the following transactions:

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December		Changes in deferred income taxes for the years ended	
	31 December		31 December	
	2015	2014	2015	2014
Deferred tax assets arose from:				
Allowance for doubtful accounts				
- general provision	144,482	85,658	58,824	22,033
Allowance for doubtful accounts				
- other assets	6,304	5,693	611	42
Allowance for impairment on investments	2,640	2,640	-	-
Non-accrued interest income	10,481	6,469	4,012	867
Assets written off	2,271	5,148	(2,877)	(4,365)
Bad debts written off	11,505	11,671	(166)	(581)
Provisions for employee benefits	16,020	13,549	2,470	2,261
Discount on revaluation of notes receivable	-	-	-	(2)
Vacation leave accruals	1,200	2,524	-	-
Unused tax losses	-	2,375	(2,375)	(5,152)
Unrealised losses on revaluation of available-for-sale investments	2,637	9,465	(6,828)	(120)
Deferred tax assets	<u>197,540</u>	<u>145,192</u>	<u>53,671</u>	<u>14,983</u>
Changes in deferred income taxes:				
Recognised in profit or loss			60,887	15,103
Recognised in other comprehensive income (loss)			(7,216)	(120)
Total			<u>53,671</u>	<u>14,983</u>

As at 31 December 2015 and 2014, the Company and certain subsidiaries have not recognised deferred income taxes on tax-deductible temporary differences and unused tax losses totaling Baht 153 million and Baht 158 million, respectively (the Company only: Baht 88 million and Baht 130 million, respectively) as deferred tax assets since they believe it is unlikely that their future taxable profits may not be sufficient to allow utilisation of such deferred tax assets before the unused tax losses gradually expire as from the year 2016 to 2020.

17.2 Income taxes

Income tax expenses reported in profit or loss for the years ended 31 December 2015 and 2014 are as follows:

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		For the years ended 31 December	
		2015	2014
Current income taxes:			
Corporate income taxes for the years		(463,336)	(305,361)
Deferred income taxes:			
Relating to origination and reversal of temporary differences		60,887	15,103
Income tax expenses reported in profit or loss		(402,449)	(290,258)

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2015 and 2014 multiplied by the applicable tax rate are as follows:

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		For the years ended		For the years ended	
		31 December		31 December	
		2015	2014	2015	2014
Accounting profits before income tax expenses		2,054,162	1,491,645	1,013,134	830,275
Applicable tax rate		20%	20%	20%	20%
Income taxes calculated based on					
accounting profits		(410,832)	(298,329)	(202,627)	(166,055)
Tax effects of:					
Tax-exempted revenues		12,299	13,783	203,477	172,014
Expenses with additional privilege for more					
tax-deductible		2,397	2,747	-	193
Non tax-deductible expenses		(2,611)	(1,138)	(72)	(29)
Tax losses for the years, for which deferred					
income taxes are not recognised		(4,334)	(9,122)	(778)	(6,123)
Reversal of unused deferred tax assets		-	(119)	-	-
Others		632	1,920	-	-
Income tax expenses reported in profit or loss		(402,449)	(290,258)	-	-

The amounts of income tax recognised in other comprehensive income (loss) for the years ended 31 December 2015 and 2014 are summarised below:

(Unit: Thousand Baht)		
	Consolidated financial statements	
	For the years ended 31 December	
	2015	2014
Deferred tax relating to:		
Gains on revaluation of available-for-sale investments	(6,828)	(120)
Actuarial gains	(388)	-
Income tax reported in other comprehensive income (loss)	(7,216)	(120)

18. Other assets

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	31 December		31 December	
	2015	2014	2015	2014
Deposits and guarantees	75,309	69,441	1	1
Receivables on disposals of properties				
foreclosed through auctions	61,328	54,693	-	-
Deferred expenses	55,206	94,025	-	-
Suspense accounts - debtors	45,364	27,918	-	-
Accrued income	33,328	16,839	-	-
Securities business receivables - cash account	32,054	16,334	-	-
Prepaid expenses	31,545	26,868	1,532	1,510
Contributions to the Compensation Fund for				
clearing and securities delivery system	27,133	25,259	-	-
Receivable from Clearing House	25,886	7,775	-	-
Token money	15,029	14,381	-	-
Withholding income tax awaiting refund	7,502	6,039	-	-
Security deposits	5,049	5,091	-	-
Account receivable - Revenue Department	1,328	6,312	-	-
Others	7,725	10,216	-	-
Total	423,786	381,191	1,533	1,511
Less: Allowance for doubtful accounts/				
impairment	(35,380)	(26,519)	-	-
Other assets - net	388,406	354,672	1,533	1,511

19. Quality of assets

As at 31 December 2015 and 2014, the subsidiary, which operates banking business, had assets categorised in compliance with the regulations of the BoT as follows:

(Unit: Thousand Baht)

Consolidated financial statements					
31 December 2015					
	Interbank and money market items and accrued interest receivables	Investments	Loans and accrued interest receivables	Other assets	Total
<u>Classification of assets</u>					
Pass	16,206,911	-	129,150,528	-	145,357,439
Special-mention	-	-	984,939	-	984,939
Sub-standard	-	-	347,083	-	347,083
Doubtful	-	-	1,471,266	-	1,471,266
Doubtful of loss	-	50,665	996,302	34,970	1,081,937
Total	16,206,911	50,665	132,950,118	34,970	149,242,664

(Unit: Thousand Baht)

Consolidated financial statements					
31 December 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

20. Deposits

20.1 Classified by type of deposits

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December	
	2015	2014
Demand deposits	5,678,018	5,034,067
Savings deposits	51,651,496	49,628,940
Time deposits	41,212,825	30,684,678
Fixed deposit receipt	38,521,981	37,284,217
Total deposits	137,064,320	122,631,902

20.2 Classified by currency and residency of depositors

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2015			31 December 2014		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	137,064,320	-	137,064,320	122,631,902	-	122,631,902
Total	137,064,320	-	137,064,320	122,631,902	-	122,631,902

21. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2015			31 December 2014		
	At call	Term	Total	At call	Term	Total
Domestic:						
Bank of Thailand	-	5,322,595	5,322,595	-	6,169,344	6,169,344
Commercial banks	8,952	1,001,000	1,009,952	9	3,001,000	3,001,009
Specialised financial institutions	-	7,696,982	7,696,982	-	3,570,050	3,570,050
Other financial institutions	2,059,484	4,549,543	6,609,027	4,543,745	5,887,013	10,430,758
Total interbank and money market items	2,068,436	18,570,120	20,638,556	4,543,754	18,627,407	23,171,161

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2015			31 December 2014		
	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

22. Derivative liabilities

As at 31 December 2015, the carrying value and the notional amount of derivatives for banking book of the subsidiary were classified by type of risk as follows:

(Unit: Thousand Baht)

Types of risk	Consolidated financial statements		
	31 December 2015		
	Carrying value		Notional
	Assets	Liabilities	Amount*
Foreign exchange rate and interest rate			
Derivatives for banking	-	5,395	1,154,835
Total	-	5,395	1,154,835

* Disclosed only in case that the subsidiary has an obligation to pay

Derivatives for banking book are obligations under contracts, which are not held for trading, and are measured on an accrual basis. Gains (losses) on exchange at the end of the reporting periods are presented under derivative assets/derivative liabilities. Accrued interest receivables/payables under the contracts are recorded as accrued interest receivables on investments/interest payables, as the case maybe.

23. Debts issued and borrowings

(Unit: Thousand Baht)

	Consolidated financial statements									
	31 December 2015					31 December 2014				
	Interest rate per annum	Matured in year	Domestic	Overseas	Total	Interest rate per annum	Matured in year	Domestic	Overseas	Total
Bills of exchange	1.40%-1.90%	2016	17,820,500	-	17,820,500	2.75%	2015	1,000,000	-	1,000,000
Subordinated debentures ⁽¹⁾	5.125%	2025	3,849,200	-	3,849,200			-	-	-
Total			21,669,700	-	21,669,700			1,000,000	-	1,000,000
Less: Deferred expenses			(5,732)	-	(5,732)			-	-	-
Debts issued and borrowings - net			21,663,968	-	21,663,968			1,000,000	-	1,000,000

⁽¹⁾ Counted as a part of Tier 2 capital, which is determined under the conditions as specified in the BoT's Notification.

23.1 Subordinated debentures

On 21 May 2015, the subsidiary issued 4 million units with a par value of Baht 1,000 each, totaling Baht 4,000 million of the subordinated debentures No.1/2558, to be counted as Tier 2 Capital. The subordinated debentures have a term of 10-year period, which matures in 2025 and carry interest at a fixed rate of 5.125% per annum, payable quarterly in February, May, August and November of every year. The subsidiary can early redeem the subordinated debentures after 5 years from the issuing date or under certain conditions.

24. Provisions for liabilities

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the year ended 31 December 2015			
	Provisions for employee benefits	Provision for decommissioning cost	Provision for other liabilities	Total
As at 1 January 2015	68,312	5,669	-	73,981
Increase during the year	14,015	-	120	14,135
Decrease during the year	-	(15)	-	(15)
Decrease as a result of payment	(808)	-	-	(808)
As at 31 December 2015	<u>81,519</u>	<u>5,654</u>	<u>120</u>	<u>87,293</u>

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the year ended 31 December 2014			
	Provisions for employee benefits	Provision for decommissioning cost	Provision for other liabilities	Total
As at 1 January 2014	56,439	-	-	56,439
Increase during the year	14,588	5,669	-	20,257
Decrease as a result of payment	(2,715)	-	-	(2,715)
As at 31 December 2014	<u>68,312</u>	<u>5,669</u>	<u>-</u>	<u>73,981</u>

24.1 Provisions for employee benefits

Movements of provisions for employee benefits, which are compensations to employee when retired, are as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2015	2014
Balances - beginning of the years	68,312	56,439
Current service costs	13,926	12,336
Interest costs	1,932	2,252
Actuarial (gains) losses arose from:		
Demographic assumption changes	(9,266)	-
Financial assumption changes	5,293	-
Other changes	2,130	-
Benefits paid during the years	(808)	(2,715)
Balances - end of the years	81,519	68,312

Employee benefit expenses recognised in profit or loss are as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2015	2014
Current service costs	13,926	12,336
Interest costs	1,932	2,252
Total employee benefit expenses	15,858	14,588

As at 31 December 2015, the subsidiaries expect to pay approximately Baht 1.7 million on long-term employee benefit within 1 year.

As at 31 December 2015 and 2014, the subsidiaries' weighted average durations of long-term employee benefit payments were estimated to be 9-10 years and 10 years, respectively.

The principal assumptions used in actuarial valuation as at the revaluation dates are summarised below.

	Consolidated financial statements	
	2015	2014
	(% per annum)	(% per annum)
Future salary incremental rates	4 - 5.5	4 - 5
Turnover rates	0 - 30	0 - 25
Discount rates	2.51 and 3	3.8, 4.02 and 5

The impacts from changes in significant assumptions on the defined benefit obligation (provisions for employee benefits) as at 31 December 2015 are summarised below.

(Unit: Thousand Baht)		
Significant assumptions	Consolidated financial statements	
	Increase (decrease)	
	in provisions for employee benefits	
	Increase in assumption	Decrease in assumption
	0.5%	0.5%
Future salary incremental rate	4,350	(4,073)
Discount rate	(3,789)	4,081

25. Accounts payable on purchase/sale of securities

(Unit: Thousand Baht)			
	Consolidated		Separate
	financial statements		financial statements
	31 December		31 December
	2015	2014	2015
			2014
Accounts payable on purchase of securities	-	-	4,013
Subscriptions of investment units received in advance	18,186	10,673	-
Total accounts payable on purchase/sale of securities	18,186	10,673	4,013

26. Other liabilities

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	31 December		31 December	
	2015	2014	2015	2014
Suspense accounts - creditors	177,035	165,160	445	267
Securities business payable	51,983	14,352	-	-
Payable to Clearing House	7,688	9,996	-	-
Accounts payable for acquisition of equipment and intangible assets	7,418	3,373	-	-
Deposits received	6,602	6,693	300	300
Account payable - Revenue Department	5,663	381	-	-
Others	1,448	5,015	-	6
Total	257,837	204,970	745	573

27. Share capital

27.1 Increase/decrease in registered share capital

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

- (1) Approved a right offering of new 423,993,555 shares at a par value of Baht 1 each, totaling Baht 423,993,555, to the existing shareholders, proportionately to their shareholding at a ratio of 1 new share to every 30 existing shares for a price of Baht 1 per share.
- (2) Approved a decrease in the Company's registered share capital from Baht 13,375,273,610 to Baht 12,775,273,610, by cancelling the 600,000,000 unissued shares with a par value of Baht 1 each a result of cancelation of Warrant#3.
- (3) 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 share capital and the conversion of Warrant#1 and Warrant#2 from the adjustments of rights.

On 24 April 2015, the Annual General Meeting of the Company's shareholders passed the following resolutions:

- (1) Approved a decrease in the Company's registered share capital from Baht 13,199,599,896 to Baht 13,198,747,016, by cancelling the unissued 852,880 shares with a par value of Baht 1 each.

- (2) Approved an increase in the Company's registered share capital from Baht 13,198,747,016 to Baht 13,638,705,250 by issuing new 439,958,234 ordinary shares with a par value of Baht 1 each to support stock dividends payment.

27.2 Reconciliations of share capital

On 6 June 2014, the Company received payment of the additional 423,993,555 shares at a par value of Baht 1 each or Baht 423,993,555 to existing shareholders and incurred financial advisory fee amounting to Baht 963,000 (presented net of share premium). The Company already 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.

	Consolidated and separate financial statements			
	For the years ended 31 December			
	2015		2014	
	Number of shares	Baht	Number of shares	Baht
<u>Registered share capital</u>				
Ordinary share capital at beginning of the years	13,199,599,896	13,199,599,896	13,375,273,610	13,375,273,610
Add: Increase in the registered share capital during the years	439,958,234	439,958,234	424,326,286	424,326,286
Less: Decrease in the registered share capital during the years	(852,880)	(852,880)	(600,000,000)	(600,000,000)
Ordinary share capital at end of the year	<u>13,638,705,250</u>	<u>13,638,705,250</u>	<u>13,199,599,896</u>	<u>13,199,599,896</u>
<u>Issued and paid-up share capital</u>				
Ordinary share capital at beginning of the years	13,198,747,016	13,198,747,016	12,715,550,962	12,715,550,962
Add: Issuance of ordinary shares as a result of warrant exercises				
- exercise ratio: 1:1.0437	-	-	4,255,684	4,255,684
- exercise ratio: 1:1.0500	-	-	54,946,815	54,946,815
Issuance of additional ordinary shares	-	-	423,993,555	423,993,555
Issuance of stock dividends (Note 29)	439,952,236	439,952,236	-	-
Ordinary share capital at end of the years	<u>13,638,699,252</u>	<u>13,638,699,252</u>	<u>13,198,747,016</u>	<u>13,198,747,016</u>

28. 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 profits 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.

29. Dividends paid

On 21 April 2014, the Annual General Meeting of the Company's shareholders passed a resolution 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 already paid cash dividends on 14 May 2014.

On 24 April 2015, the Annual General Meeting of the Company's shareholders passed a resolution approving dividend payments from the operating results for the year ended 31 December 2014. Dividend payments were to be made by issuance of 439,952,236 shares with a par value of Baht 1 each to the shareholders at a ratio of 1 dividend share to every 30 shares held, or equivalent to a dividend payment of Baht 0.0333 per share and in cash of Baht 0.0037 per share, or equivalent to Baht 48.8 million. The Company already paid cash dividends and issued stock dividends shares on 21 May 2015.

30. 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 2015 and 2014, capital funds of the subsidiary, which operates banking business, consisted of the following:

(Unit: Thousand Baht)

	31 December	
	2015	2014
<u>Common Equity Tier 1 capital fund</u>		
Issued and fully paid up share capital	14,000,000	13,000,000
Statutory reserve	347,800	266,200
Retained earnings after appropriation	1,112,242	814,305
Revaluation surplus (deficit) on available-for-sale investments in equity securities	5,991	(14,461)
Less: Deferred tax assets	(190,708)	(133,436)
Less: Intangible assets	(72,508)	(36,788)
Total Common Equity Tier 1 capital fund	15,202,817	13,895,820
Total Tier 1 capital fund	15,202,817	13,895,820
<u>Tier 2 capital fund</u>		
Subordinated debentures	4,000,000	-
Reserve for assets classified as pass and general reserve	1,733,288	1,336,109
Total Tier 2 capital fund	5,733,288	1,336,109
Total capital funds	20,936,105	15,231,929

(Unit: Percentage)

	31 December 2015		31 December 2014	
	LH Bank	Minimum rates required by law	LH Bank	Minimum rates required by law
The ratio of Common Equity Tier 1 capital fund to risk assets	10.18	4.50	11.32	4.50
The ratio of Tier 1 capital fund to risk assets	10.18	6.00	11.32	6.00
The ratio of total capital fund to risk assets	14.01	8.50	12.41	8.50

The details of capital adequacy and capital risk exposure information for the group calculated under Basel III. As at 31 December 2015 and 2014, capital funds of the group consisted of the following:

(Unit: Thousand Baht)		
31 December		
	2015	2014
<u>Common Equity Tier 1 capital fund</u>		
Issued and fully paid up share capital	13,638,699	13,198,747
Share premium	642,556	642,556
Statutory reserve	528,700	396,400
Retained earnings after appropriation	1,638,684	1,027,984
Retained earnings of other comprehensive income (loss)	(15,441)	(79,123)
Capital deduction items on CET1	(364,458)	(203,482)
Total Common Equity Tier 1 capital fund	16,068,740	14,983,082
Total Tier 1 capital fund	16,068,740	14,983,082
<u>Tier 2 capital fund</u>		
Subordinated debentures	3,849,200	-
Reserve for assets classified as pass and general reserve	1,733,288	1,336,109
Total Tier 2 capital fund	5,582,488	1,336,109
Total capital funds	21,651,228	16,319,191

(Unit: Percentage)				
31 December 2015			31 December 2014	
	Minimum rates required		Minimum rates required	
	Group	by law	Group	by law
The ratio of Common Equity Tier 1 capital fund to risk assets	10.61	4.50	12.16	4.50
The ratio of Tier 1 capital fund to risk assets	10.61	6.00	12.16	6.00
The ratio of total capital fund to risk assets	14.29	8.50	13.24	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 as of 31 December 2014 through the Company’s website at www.lhfg.co.th on 30 April 2015 and the Company will disclose capital adequacy and capital risk exposure information as of 31 December 2015 within April 2016.

31. Interest income

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2015	2014	2015	2014
Interbank and money market items	633,094	298,849	3,757	6,880
Investments in debt securities	1,470,957	1,476,577	4,850	-
Loans to customers	6,268,213	5,544,033	-	-
Hire purchase	121,582	135,619	-	-
Others	47	-	-	-
Total interest income	<u>8,493,893</u>	<u>7,455,078</u>	<u>8,607</u>	<u>6,880</u>

32. Interest expenses

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2015	2014	2015	2014
Deposits	2,776,291	3,169,650	-	-
Interbank and money market items	274,417	314,647	5,082	28,132
Contributions to the Deposit Protection Agency and the Bank of Thailand	691,926	587,732	-	-
Debts issued				
- Subordinated debentures	121,824	-	-	-
Borrowings	262,101	1,121	-	-
Others	905	-	-	-
Total interest expenses	<u>4,127,464</u>	<u>4,073,150</u>	<u>5,082</u>	<u>28,132</u>

33. Fees and service income

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2015	2014	2015	2014
Fees and service income				
Acceptances, avals and guarantees	43,503	40,577	-	-
Commission income	212,473	92,998	-	-
Others	199,607	163,182	-	-
Total fees and service income	455,583	296,757	-	-
Fees and service expenses				
Fees and charges	50,716	41,691	-	-
Others	55,487	38,844	7,843	7,801
Total fees and service expenses	106,203	80,535	7,843	7,801
Net fees and service income (loss)	349,380	216,222	(7,843)	(7,801)

34. Gains on investments

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2015	2014	2015	2014
Gains on sales of investments:				
Available-for-sale investments	25,210	46,179	2,500	3,209
Held-to-maturity investments	647,726	445,240	22	-
General investments	456	-	-	-
Total gains on investments	673,392	491,419	2,522	3,209

During the year ended 31 December 2015, the Company sold held-to-maturity investments, for a price of Baht 5 million, which approximated to their amortised cost on the disposal date.

During the years ended 31 December 2015 and 2014, the subsidiary sold held-to-maturity investments with amortised costs of Baht 9,679 million and Baht 11,544 million, respectively, by approvals resolved by the meetings of Board of Directors of the subsidiary and incurred net realised gains on sales of Baht 648 million and Baht 445 million, respectively.

35. 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.

36. Bad debts, doubtful accounts and impairment loss

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2015	2014
Bad debts and doubtful accounts (reversal)		
Loans to customers ⁽¹⁾	1,024,007	642,196
Interbank and money market items	46,853	67,591
Other assets	18,754	213
Total bad debts, doubtful accounts and impairment loss	1,089,614	710,000

⁽¹⁾ Net of losses on debt restructuring

37. Components of other comprehensive income (loss)

Components of other comprehensive income (loss) for the years ended 31 December 2015 and 2014 consisted of the following:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2015	2014	2015	2014
(a) Items to be recognised in profit or loss in subsequent periods:				
Gains on revaluation of available-for-sale investments				
Unrealised gains on revaluation of investments during the years	65,836	7,456	53,320	6,577
Gains from reclassification of investments - net	-	20,951	-	-
(Gains) losses transferred to be recognised in profit or loss due to				
- Sales of available-for-sale investments	5,551	45,926	7,434	-
- Sales of available-for-sale investments, reclassified from other types	(3,231)	(64,646)	-	-
- Amortisation of revaluation surplus on the reclassified investments	(1,156)	(4,467)	-	-
Gains on revaluation of available-for-sale investments	67,000	5,220	60,754	6,577
Less: Income taxes	(6,828)	(120)	-	-
Gains on revaluation of available-for-sale investments - net of income taxes	60,172	5,100	60,754	6,577
(b) Items not to be recognised in profit or loss in subsequent periods:				
Actuarial gains	1,843	-	-	-
Less: Income taxes	(388)	-	-	-
Actuarial gains - net of income taxes	1,455	-	-	-
Other comprehensive income for the years	61,627	5,100	60,754	6,577

38. Earnings per share

Basic earnings per share is calculated by dividing profits for the years attributable to the Company's shareholders (excluding other comprehensive income (loss)) by the weighted average number of ordinary shares in issue during the years, which are additionally adjusted by the number of stock dividends, as described in Note 29 to the financial statements, as if stock dividends had been issued at the beginning of the earliest period reported.

Diluted earnings per share is calculated by dividing profits for the years attributable to the Company's shareholders (excluding other comprehensive income (loss)) by the sum of (a) the weighted average number of ordinary shares in issue during the years, which are additionally adjusted by the number of stock dividends, as described in Note 29 to the financial statements, as if stock dividends had been issued at the beginning of the earliest period reported, and (b) 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 years 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					
Profits for the years		Weighted average number of ordinary shares		Earnings per share	
2015	2014	2015	2014	2015	2014
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share					
Profits for the years attributable to the Company's shareholders					
1,651,713	1,201,387	13,638,699	13,466,655	0.1211	0.0892
Effect of dilutive potential ordinary shares					
Warrants		-	8,198		
Diluted earnings per share					
Profits for the years attributable to the Company's shareholders assuming the conversion of warrants to ordinary shares					
	1,201,387		13,474,853		0.0892

	Separate financial statements					
	Weighted average number of ordinary shares				Earnings	
	Profits for the years		shares		per share	
	2015	2014	2015	2014	2015	2014
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Profits for the years attributable to the Company's shareholders	<u>1,013,134</u>	830,275	<u>13,638,699</u>	13,466,655	<u>0.0743</u>	<u>0.0617</u>
Effect of dilutive potential ordinary shares						
Warrants		<u>-</u>		<u>8,198</u>		
Diluted earnings per share						
Profits for the years attributable to the Company's shareholders assuming the conversion of warrants to ordinary shares		<u>830,275</u>		<u>13,474,853</u>		<u>0.0616</u>

39. 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 years ended 31 December 2015 and 2014, the subsidiaries contributed Baht 32.1 million and Baht 26.7 million, respectively, to the provident funds.

40. Commitments and contingent liabilities

40.1 Commitments

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2015			31 December 2014		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	119,458	-	119,458	246,713	-	246,713
Guarantee - others	4,334,089	-	4,334,089	2,518,296	-	2,518,296
Undrawn bank overdrafts	5,009,803	-	5,009,803	4,493,311	-	4,493,311
Other commitments	15,201,722	-	15,201,722	10,734,671	-	10,734,671
Total	<u>24,665,072</u>	<u>-</u>	<u>24,665,072</u>	<u>17,992,991</u>	<u>-</u>	<u>17,992,991</u>

40.2 Commitments under long-term lease agreements

- (a) As at 31 December 2015 and 2014, the subsidiaries entered into a number of long-term lease and service agreements for office building, equipment and motor vehicles. 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	
	31 December	
	2015	2014
Payable within:		
Up to 1 year	332	297
Over 1 and up to 5 years	353	341
Over 5 years	16	30

As at 31 December 2015 and 2014, the above commitments of the subsidiaries included commitments totaling Baht 212 million and Baht 245 million, respectively, under the lease and service agreements entered into with their related parties.

- (b) Three subsidiaries entered into various consultancy service agreements relating to software development and installation services. As at 31 December 2015 and 2014, the subsidiaries are obligated to pay further Baht 27 million and Baht 10 million, respectively. In addition, a subsidiary has committed under the agreement for permission to use computer programs to pay an annual maintenance fee at Baht 1.6 million for the year 2016 onwards. The agreements remain in effect until terminated by the subsidiary or either party breaches conditions stipulated in the agreements.
- (c) As at 31 December 2015, another subsidiary is obligated under the agreement for permission to use computer program, entered into in 2014, to pay an annual service fee at Baht 3.1 million per annum for five years and an annual maintenance charge at Baht 2.9 million per annum, whereby the first year's payment is payable on a pro-rata basis, calculated from the starting date.

40.3 Service commitments

As at 31 December 2015 and 2014, the subsidiary is required to pay license fees to the Office of the Securities and Exchange Commission with regard to the operation of businesses as follows:

- Management fee at the rates as specified and calculated based on the average month-end net asset value (NAV) of the fund.
- Registrar fee charged at a rate of 1 percent of registrar fee income.

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

40.4 Obligation under the Employee Joint Investment Program (EJIP)

On 21 October 2013, the Board of Director's Meeting No. 11/2556 of the subsidiary passed a resolution approving the Employee Joint Investment Program (EJIP or Program) for its 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 onwards, who have passed probation periods 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	Within the first three years, employees cannot sell any shares. After 3 years, employees can sell 25% of accumulated shares. After 4 years, employees can sell 50% of accumulated shares. After 5 years, employees can sell all shares. Upon resignation from the Program in any circumstances, employees can sell all of the shares immediately.

The Program was approved by the Office of the Securities and Exchange Commission on 7 January 2014 and the subsidiary has to contribute to the Program members and recognises these contributions as employee expenses. During the years ended 31 December 2015 and 2014, the subsidiary contributed Baht 7.4 million and Baht 6.7 million, respectively.

40.5 Commitments as a result of the acquisition of a subsidiary

In January 2014, the Company entered into an agreement to purchase the shares of CIMB Securities International (Thailand) Public Company Limited (“CIMBI”), which was later registered the change of its name to “Land and Houses Securities Public Company Limited”, from CIMB Securities International Pte. Ltd. and other shareholders in the group of CIMB. The Company has an obligation under the agreement to pay in the future a benefit that is equal to 50% of the benefit received by such subsidiary for the return of its membership in the event of demutualisation of the Stock Exchange of Thailand (“SET”). The method of calculating the benefit under different scenarios, including the payment period is stipulated in the agreement.

40.6 Litigation

As at 31 December 2015 and 2014, the subsidiaries have contingent liabilities in respect of several litigation cases claiming for compensations totaling Baht 36 million and Baht 38 million, respectively. Final judgments have not yet been reached in respect of these cases. The management of the subsidiaries has exercised judgment to assess the outcome of the cases and is confident that they will not incur any significant loss and do therefore not record any contingent liabilities.

41. Related party transactions

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

Relationship with related parties can be summarised as follows:

1. The Company's directly and indirectly 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 hold 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 Hampanich

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
- Q.H. Management Company Limited
- Q.H. 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
- LH Mall and Hotel 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 to the Company's and the subsidiaries' directors, 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
- Burirum Sugar Public Company Limited
- Burirum Sugar Factory Company Limited
- Onirin Company Limited
- Big C Supercenter Public Company Limited

3.4 The companies which are related to 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

3.5 The companies which are controlled by the Company's 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.

41.1 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 their related parties.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	For the years ended 31 December		For the years ended 31 December		
	2015	2014	2015	2014	Pricing policy
Interest income					
The Company's subsidiary	-	-	8,573	6,873	The same rates that a subsidiary paid to general depositors and as specified in prospectus
Related companies	145,792	120,786	-	-	The same rates that a subsidiary charged to general customers and as specified in prospectus
Directors and executives	452	390	-	-	The same rates that a subsidiary charged to general customers
Related persons	1,640	2,454	-	-	The same rates that a subsidiary charged to general customers
	<u>147,884</u>	<u>123,630</u>	<u>8,573</u>	<u>6,873</u>	
Fees and service income					
Related companies	37,809	37,562	-	-	At the percentage of net asset value of the fund under the subsidiary's management
	<u>37,809</u>	<u>37,562</u>	<u>-</u>	<u>-</u>	
Dividend income					
The Company's subsidiary	-	-	1,000,090	845,000	As announced by the subsidiary
Related companies	11,376	11,376	-	-	As announced by the fund
	<u>11,376</u>	<u>11,376</u>	<u>1,000,090</u>	<u>845,000</u>	
Other operating income					
The Company's subsidiary	-	-	1,320	1,220	As specified in the agreements
	<u>-</u>	<u>-</u>	<u>1,320</u>	<u>1,220</u>	

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	For the years ended 31 December		For the years ended 31 December		
	2015	2014	2015	2014	Pricing policy
Interest expenses					
The Company's subsidiaries	-	-	5,082	28,131	The same rates that a subsidiary charged to general customers and as specified in the agreements
The major shareholders	33,359	35,409	-	-	The same rates that a subsidiary paid to general depositors
Related companies	47,599	35,127	-	-	The same rates that a subsidiary paid to general depositors
Directors and executives	7,760	8,222	-	-	The same rates that a subsidiary paid to general depositors and as specified in prospectus
Related persons	13,156	13,619	-	-	The same rates that a subsidiary paid to general depositors and as specified in prospectus
	<u>101,874</u>	<u>92,377</u>	<u>5,082</u>	<u>28,131</u>	
Other operating expenses					
The major shareholder	36,198	17,788	-	-	As specified in the agreements
Related companies	98,126	77,704	25	29	As specified in the agreements and the same rates as charged to general customers
	<u>134,324</u>	<u>95,492</u>	<u>25</u>	<u>29</u>	
Fees and service expenses					
The Company's subsidiary	-	-	20	76	The same rates that a subsidiary charged to general customers
	<u>-</u>	<u>-</u>	<u>20</u>	<u>76</u>	
Purchases of assets - Vehicle					
The major shareholder	-	2,900	-	-	At market value
	<u>-</u>	<u>2,900</u>	<u>-</u>	<u>-</u>	

41.2 The outstanding balances as at the dates of statements of financial position

As at 31 December 2015 and 2014, 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	
	31 December	
	2015	2014
Investments - cost		
<u>Related companies/persons</u>		
Private sector debt securities - Banpu Public Company Limited	2,065,000	2,850,000
Private sector debt securities - AP (Thailand) Public Company Limited	-	225,000
Equity securities - Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	67,200	67,200
Equity securities - Land and Houses Freehold and Leasehold Property Fund	91,462	91,462
	<u>2,223,662</u>	<u>3,233,662</u>
Accrued interest receivables on investments		
<u>Related companies/persons</u>		
Banpu Public Company Limited	31,201	67,441
AP (Thailand) Public Company Limited	-	3,039
	<u>31,201</u>	<u>70,480</u>
Loans to customers		
<u>Related companies/persons</u>		
Buriram Sugar Factory Company Limited	1,015,008	-
Directors and executives	10,436	15,513
Related persons	51,507	34,455
	<u>1,076,951</u>	<u>49,968</u>
Accrued interest receivables on loans to customers		
<u>Related companies/persons</u>		
Buriram Sugar Factory Company Limited	171	-
Directors and executives	6	17
Related persons	38	42
	<u>215</u>	<u>59</u>
Other assets		
<u>The major shareholder</u>		
Quality Houses Public Company Limited	8,432	6,319
<u>Related companies/persons</u>		
Quality Houses Leasehold Property Fund	15,924	17,467
Other related companies	16,993	11,200
	<u>41,349</u>	<u>34,986</u>

(Unit: Thousand Baht)

Consolidated financial statements		
31 December		
	2015	2014
Deposits		
<u>The major shareholders</u>		
Land and Houses Public Company Limited	3,770,343	2,855,781
Quality Houses Public Company Limited	938,234	380,499
Ms. Piengjai Harnpanich	4,719	13,281
<u>Related companies/persons</u>		
The Confidence Company Limited	227,267	69,395
Q.H. International Company Limited	65,808	54,770
LH Asset Company Limited	36,330	82,986
L&H Property Company Limited	1,146,975	97,675
Casa Ville Company Limited	527,362	169,081
Casa Ville (Chonburi 2554) Company Limited	33,934	18,599
Gusto Village Company Limited	301,605	196,597
L&H Hotel Management Company Limited	51,651	11,580
Centre Point Hospitality Company Limited	25,967	30,207
Siamtanee Real Estate Company Limited	97,186	10,327
Home Product Center Public Company Limited	1,887,379	1,929,232
Asia Asset Advisory Company Limited	69,489	33,432
Land and Houses Property and Loan Fund - II	-	75,252
Quality Houses Leasehold Property Fund	241,039	181,356
Mega Home Center Company Limited	54,814	25,525
Thai Packaging & Printing Public Company Limited	87,809	62,809
Industry Housing Company Limited	368,102	102,400
Mayland Company Limited	44,432	73,688
Pathumthani Real Estate Company Limited	68,175	67,142
A&P Associate Company Limited	68,958	41,255
Land and Houses Freehold and Leasehold Property Fund	16,713	38,015
Kaewjaojom Company Limited	-	33,109
Other related companies	202,646	157,093
Directors and executives	482,502	304,740
Related persons	823,850	714,538
	11,643,289	7,830,364
Debts issued and borrowings		
<u>Related companies/persons</u>		
Directors and executives	20,000	-
Related persons	7,500	-
	27,500	-

(Unit: Thousand Baht)

Consolidated financial statements

31 December

	2015	2014
Accrued interest payables		
<u>The major shareholders</u>		
Land and Houses Public Company Limited	5,096	6,781
Quality Houses Public Company Limited	30	-
Ms. Piengjai Harnpanich	31	79
<u>Related companies/persons</u>		
Related companies	4,696	5,394
Directors and executives	243	225
Related persons	2,352	2,340
	<u>12,448</u>	<u>14,819</u>
Other liabilities		
<u>The major shareholder</u>		
Quality Houses Public Company Limited	252	210
<u>Related companies/persons</u>		
Related companies	3,078	1,154
	<u>3,330</u>	<u>1,364</u>
Commitments - Bank guarantee		
<u>Related companies/persons</u>		
Quality Houses Leasehold Property Fund	21,186	21,186
Burirum Sugar Factory Company Limited	51,800	-
	<u>72,986</u>	<u>21,186</u>

(Unit: Thousand Baht)

Separate financial statements

31 December

	2015	2014
Interbank and money market items (assets)		
<u>The Company's subsidiary</u>		
Land and Houses Bank Public Company Limited	230,202	1,024,099
	<u>230,202</u>	<u>1,024,099</u>

(Unit: Thousand Baht)

Separate financial statements		
31 December		
	2015	2014
Investments - cost		
<u>The Company's subsidiary</u>		
Land and Houses Bank Public Company Limited	150,800	-
	150,800	-
Accrued interest receivables on investments		
<u>The Company's subsidiary</u>		
Land and Houses Bank Public Company Limited	868	-
	868	-
Interbank and money market items (liabilities)		
<u>The Company's subsidiary</u>		
Land and Houses Bank Public Company Limited	-	500,000
	-	500,000
Accrued interest expenses on interbank and money market items (liabilities)		
<u>The Company's subsidiary</u>		
Land and Houses Bank Public Company Limited	-	48
	-	48
Accounts payable on purchase of securities		
<u>The Company's subsidiary</u>		
Land and Houses Securities Public Company Limited	4,013	-
	4,013	-
Other liabilities		
<u>The Company's subsidiary</u>		
Land and Houses Bank Public Company Limited	300	300
	300	300

41.3 Movements of related party balances

The movements of related party loans to customers, deposits, interbank and money market items (assets), interbank and money market items (liabilities), and debts issued and borrowings for the year ended 31 December 2015 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the year ended 31 December 2015			
	Beginning balance	Increase	Decrease	Ending balance
Loans to customers				
<u>Related companies/persons</u>				
Banpu Public Company Limited	-	1,200,000	(1,200,000)	-
Burirum Sugar Factory Company Limited	-	3,246,168	(2,231,160)	1,015,008
Directors and executives	15,513	91	(5,168)	10,436
Related persons	34,455	38,133	(21,081)	51,507
	49,968	4,484,392	(3,457,409)	1,076,951
Deposits				
<u>The major shareholders</u>				
Land and Houses Public Company Limited	2,855,781	112,371,161	(111,456,599)	3,770,343
Quality Houses Public Company Limited	380,499	66,323,605	(65,765,870)	938,234
Ms. Piengjai Harnpanich	13,281	27,900	(36,462)	4,719
<u>Related companies/persons</u>				
The Confidence Company Limited	69,395	4,793,756	(4,635,884)	227,267
Q.H. International Company Limited	54,770	233,187	(222,149)	65,808
LH Asset Company Limited	82,986	422,256	(468,912)	36,330
L&H Property Company Limited	97,675	1,852,846	(803,546)	1,146,975
Casa Ville Company Limited	169,081	20,468,463	(20,110,182)	527,362
Casa Ville (Chonburi 2554) Company Limited	18,599	2,535,116	(2,519,781)	33,934
Gusto Village Company Limited	196,597	6,020,086	(5,915,078)	301,605
L&H Hotel Management Company Limited	11,580	1,018,451	(978,380)	51,651
Centre Point Hospitality Company Limited	30,207	871,078	(875,318)	25,967
Siamtanee Real Estate Company Limited	10,327	197,552	(110,693)	97,186
Home Product Center Public Company Limited	1,929,232	108,701,811	(108,743,664)	1,887,379
Asia Asset Advisory Company Limited	33,432	384,884	(348,827)	69,489
Land and Houses Property and Loan Fund - II	75,252	168	(75,420)	-
Quality Houses Leasehold Property Fund	181,356	1,784,232	(1,724,549)	241,039
Mega Home Center Company Limited	25,525	7,211,783	(7,182,494)	54,814
Thai Packaging & Printing Public Company Limited	62,809	489,492	(464,492)	87,809
Industry Housing Company Limited	102,400	292,159	(26,457)	368,102
Mayland Company Limited	73,688	2,176,980	(2,206,236)	44,432
Pathumthani Real Estate Company Limited	67,142	140,364	(139,331)	68,175
A&P Associate Company Limited	41,255	151,302	(123,599)	68,958
Land and Houses Freehold and Leasehold Property Fund	38,015	185,575	(206,877)	16,713
Kaewjaojom Company Limited	33,109	406	(33,515)	-

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the year ended 31 December 2015			
	Beginning balance	Increase	Decrease	Ending balance
Deposits (continued)				
Related companies/persons				
Other related companies	157,093	6,452,914	(6,407,361)	202,646
Directors and executives	304,740	6,785,024	(6,607,262)	482,502
Related persons	714,538	2,242,577	(2,133,265)	823,850
	<u>7,830,364</u>	<u>354,135,128</u>	<u>(350,322,203)</u>	<u>11,643,289</u>
Debts issued and borrowings				
Related companies/persons				
Directors and executives	-	20,000	-	20,000
Related persons	-	7,500	-	7,500
	<u>-</u>	<u>27,500</u>	<u>-</u>	<u>27,500</u>

(Unit: Thousand Baht)

Separate financial statements				
For the year ended 31 December 2015				
	Beginning balance	Increase	Decrease	Ending balance
Interbank and money market items (assets)				
The Company's subsidiary				
Land and Houses Bank Public Company Limited	1,024,099	1,214,411	(2,008,308)	230,202
	1,024,099	1,214,411	(2,008,308)	230,202
Interbank and money market items (liabilities)				
The Company's subsidiary				
Land and Houses Bank Public Company Limited	500,000	-	(500,000)	-
	500,000	-	(500,000)	-

41.4 Directors' and executives' compensation

During the years ended 31 December 2015 and 2014, compensation incurred on directors and executives of the Company and its subsidiaries, which were recognised in profit or loss, were classified as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2015	2014	2015	2014
Short-term employee benefits	130	92	9	8
Post-employment benefits	7	6	-	-
Total	137	98	9	8

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.

42. Interest in investment funds which are structured entities

The subsidiary providing fund management services to a number of investment funds, which meet the definition of structured entities. The subsidiary holds interests in these structured entities through the receipt of management fees from these funds.

As at 31 December 2015, based on the latest available financial reports of the funds under the subsidiary's management, which meet the definition of structured entities, the total net asset values of those funds are approximately Baht 23,403 million.

The subsidiaries' interest in those funds are shown below.

(Unit: Million Baht)

31 December 2015

Fees and service income receivables	8
Deposits at banks	377

(Unit: Million Baht)

For the year ended
31 December 2015

Fees and service income - mutual fund management	85
Fees and service income - commission income on securities trading	1
Interest expenses	3

The maximum risk exposure of the subsidiaries are equal to the interest as shown above.

43. Operating segments

The Company and its subsidiaries have four principal operating segments: investment holding business, banking business, 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 monitors 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 2015								
	Investment holding business	Banking business				Fund management business	Other businesses	Eliminations	Total
		Lending		Other segments	Total				
		Housing and retail	Other loans						
Interest income from external customers	34	1,486,208	5,518,702	1,474,906	8,479,816	21	14,022	-	8,493,893
Inter-segment interest income	8,573	-	5,359	-	5,359	233	5,718	(19,883)	-
Net interest income	3,525				4,344,057	254	18,547	46	4,366,429
Net fees and service income (loss)	(7,843)				228,280	93,436	41,399	(5,892)	349,380
Net gains on trading and foreign exchange transactions	-				1,903	-	269	-	2,172
Gains (losses) on investments	2,522				659,739	(2,330)	6,820	6,641	673,392
Dividend income	1,026,437				78,082	11,253	10,471	(1,000,090)	126,153
Other operating income	1,320				16,031	387	9,478	(1,320)	25,896
Other operating expenses	(12,827)				(2,210,590)	(73,115)	(108,333)	5,219	(2,399,646)
Bad debts, doubtful accounts and impairment loss	-				(1,089,614)	-	-	-	(1,089,614)
Income tax expenses	-				(397,232)	(5,217)	-	-	(402,449)
Profit (loss) for the year	1,013,134				1,630,656	24,668	(21,349)	(995,396)	1,651,713

(Unit: Thousand Baht)

For the year ended 31 December 2014

		Banking business							
	Investment	Lending				Fund			
	holding	Housing	Other	Other		managemen	Other		
	business	and retail	loans	segments	Total	t business	businesses	Eliminations	Total
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 (loss)	(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
Net gains on trading and foreign exchange transactions	668				536	-	2	-	1,206
Gains 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 expenses	-				(285,196)	(4,943)	(119)	-	(290,258)
Profit (loss) for the year	830,275				1,203,137	24,383	(12,464)	(843,944)	1,201,387

(Unit: Thousand Baht)

As at 31 December 2015

	Investment holding business	Banking business				Fund management business	Other businesses	Eliminations	Total
		Lending		Other segments	Total				
		Housing and retail	Other loans						
Loans to customers/ interbank and money market items	-	31,246,682	117,763,333	-	149,010,015	-	370,122	(89,500)	149,290,637
Cash	8				2,242,561	-	20	-	2,242,589
Interbank and money market items - net	230,202				17,742,126	44,278	12,415	(352,592)	17,676,429
Investments - net	649,066				45,965,016	238,887	500,789	(150,800)	47,202,958
Investments in subsidiaries	15,035,991				257,289	-	6,802	(15,300,082)	-
Loans to customers and accrued interest receivables - net	-				130,386,105	-	371,714	-	130,757,819
Other assets	39,783				1,445,732	54,342	179,249	67,872	1,786,978
Total assets	15,955,050				198,038,829	337,507	1,070,989	(15,735,602)	199,666,773
Deposits	-				137,300,095	-	-	(235,775)	137,064,320
Interbank and money market items	-				20,665,872	-	89,500	(116,816)	20,638,556
Debts issued and borrowings	-				21,814,064	-	-	(150,096)	21,663,968
Other liabilities	5,800				2,245,888	33,074	71,490	(7,178)	2,349,074
Total liabilities	5,800				182,025,919	33,074	160,990	(509,865)	181,715,918

(Unit: Thousand Baht)

For the year ended 31 December 2014

	Banking business							
	Investment holding business	Lending		Other segments	Total	Fund management business	Other businesses	Eliminations
		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)
Cash	4				2,503,960	4	5	-
Interbank and money market items - net	1,024,099				13,083,091	48,767	779,077	(1,817,851)
Investments - net	326,591				33,180,414	198,313	22,816	-
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)
Other assets	39,025				1,609,385	40,276	128,750	75,448
Total assets	15,425,710				164,818,179	287,360	981,591	(16,542,534)
Deposits	-				123,661,962	-	-	(1,030,060)
Interbank and money market items	500,000				23,956,609	-	-	(1,285,448)
Debts issued and borrowings	-				1,000,000	-	-	-
Other liabilities	1,508				1,835,426	18,295	28,897	(3,238)
Total liabilities	501,508				150,453,997	18,295	28,897	(2,318,746)

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 ended 31 December 2015 and 2014, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of the consolidated revenues.

44. 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's 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, loans to customers, accounts receivable on sales of securities, deposits, liabilities payable on demand, derivative liabilities, debts issued and borrowings, accounts payable on purchases of securities, and securities business payable.

Risk management policies mainly focus on the banking business of its subsidiary whereby the subsidiary manages and control risk to be within an acceptable level. These policies are annually reviewed for reflecting of the risk from environmental change, and the risk from internal and external factors as follows.

44.1 Credit risk

Credit risk is the chance or probability that debtors or counterparties will not be able to meet their obligations including from chance in credit risk of counterparties is downgraded 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 of the subsidiary.

Credit risk is recognised as highly significant to financial institutions, especially those associated with credit transactions, which are the core transactions of the subsidiary, which operates banking business, both in terms of loans and commitments. 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 types of guarantee with similar characteristics.

The subsidiary manages credit risk by imposing on credit granting in order to control, detect and reduce the risk of credit transactions. Criteria of credit granting must be considered from various conditions such as target market, business type, loan type, transaction type, loan limit to each debtor to reduce the risks of concentration of credit, collateral to decrease credit risk and person or corporate that the subsidiary doesn't support. Moreover, the subsidiary has key risk management measurements, 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 operates 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.

The management of the subsidiary, which operates securities business, manages the risk by adopting appropriate credit control policies and procedures. The maximum exposure to credit risk is limited to the carrying amount of securities and derivatives business receivables as stated in the statements of financial position of the subsidiary.

44.2 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. The subsidiary, which operates banking business, operates 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 the BoT. The Company's and its subsidiaries' market risk consists of interest rate risk, foreign exchange 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 held-to-maturity debt securities, and its liabilities mainly consist of deposits from individuals. 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 its income, expenses and/or economics value (equity value) may be affected. 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 statements 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.

(3) Option Risk

The subsidiary has option risk in financial contract both debtor and creditor that counterparties have right to change payment plans or redemption from the original plan when the market rate is changed. Rights holders will exercise when it is in an unfavorable position as the original payment plan. So it makes cost of interest, return or net interest income including assets and liabilities' structure in statements of financial position changed for the worse.

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 2015 and 2014, financial assets and liabilities, classified by types of interest rate, are as follows:

(Unit: Thousand Baht)

Descriptions	Consolidated financial statements			
	31 December 2015			
	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	2,242,589	2,242,589
Interbank and money market items	3,003	16,193,285	1,629,319	17,825,607
Investments	1,154,835	43,669,371	2,378,777	47,202,983
Loans to customers ⁽¹⁾	73,576,006	56,881,006	2,819,787	133,276,799
<u>Financial liabilities</u>				
Deposits	55,944,791	80,934,805	184,724	137,064,320
Interbank and money market items	1,247,785	19,365,120	25,651	20,638,556
Liabilities payable on demand	-	-	176,517	176,517
Derivative liabilities	-	-	5,395	5,395
Debts issued and borrowings	-	21,669,700	-	21,669,700
Securities business payable	-	-	51,983	51,983

(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				
31 December 2014				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
Financial assets				
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 sales of securities	-	-	159,604	159,604
Financial liabilities				
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)

Separate financial statements				
31 December 2015				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
Financial assets				
Cash	-	-	8	8
Interbank and money market items	230,202	-	-	230,202
Investments	-	150,800	498,266	649,066
Financial liabilities				
Accounts payable on purchase of securities	-	-	4,013	4,013

(Unit: Thousand Baht)

Separate financial statements				
31 December 2014				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
Financial assets				
Cash	-	-	4	4
Interbank and money market items	1,024,099	-	-	1,024,099
Investments	-	-	326,591	326,591
Financial liabilities				
Interbank and money market items	-	500,000	-	500,000

The remaining periods counting from 31 December 2015 and 2014 to the repricing dates or maturity dates (whichever are sooner) of financial instruments carrying interest at fixed rates are as follow:

(Unit: Thousand Baht)

	Consolidated financial statements						
	31 December 2015						
	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.)
<u>Financial assets</u>							
Interbank and money market items	6,163,285	8,990,000	1,040,000	-	-	16,193,285	1.40 - 5.00
Investments	-	420,035	3,293,576	13,527,370	26,428,390	43,669,371	2.80 - 5.79
Loans to customers	2,328,774	21,404,036	8,402,696	23,491,231	1,254,269	56,881,006	3.00 - 6.38
<u>Financial liabilities</u>							
Deposits	4,149,880	25,859,098	44,190,802	6,735,025	-	80,934,805	1.00 - 3.00
Interbank and money market items	795,000	8,168,909	4,004,556	5,323,672	1,072,983	19,365,120	0.01 ⁽¹⁾ , 0.1 ⁽²⁾ , 0.75 - 2.75
Debts issued and borrowings	-	10,606,500	7,214,000	-	3,849,200	21,669,700	1.80 - 5.125

⁽¹⁾ It is the interest rate of 0.01% charged on the balance of Baht 5,323 million obtained for financial assistance to debtors affected by the floods in 2011.

⁽²⁾ It is the interest rate of 0.1% charged on the balance of Baht 3,197 million obtained for financial assistance to SMEs' debtors that lack of liquidity.

(Unit: Thousand Baht)

	Consolidated financial statements						
	31 December 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.)
<u>Financial assets</u>							
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
<u>Financial liabilities</u>							
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)

Separate financial statements							
31 December 2015							
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							
Investments	-	-	-	-	150,800	150,800	5.125

(Unit: Thousand Baht)

Separate financial statements							
31 December 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

In addition, the average balances of the financial assets and liabilities of the subsidiary, which operates banking business, 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 2015 and 2014 are as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
	For the year ended 31 December 2015			For the year ended 31 December 2014		
	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	14,303,814	633,237	4.43	6,578,909	298,516	4.54
Investments in debt securities	36,352,785	1,470,786	4.05	34,791,489	1,476,577	4.24
Loans to customers	124,042,290	6,381,152	5.14	106,603,342	5,705,913	5.35
Performing financial liabilities						
Deposits	125,310,725	3,368,921	2.69	115,297,344	3,718,242	3.22
Interbank and money market items	21,521,201	327,155	1.52	21,141,182	379,009	1.79
Debts issued and borrowings	14,618,114	445,042	3.04	40,179	1,301	3.24

(b) Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates may result in changes in the value of financial instruments, and fluctuations in revenues or the values of financial assets and liabilities.

Since the subsidiary has foreign exchange transactions, it may be exposed to foreign exchange risk. However, the subsidiary has a policy to mitigate this foreign exchange rate exposure through management of its net exchange position and operation in accordance with a risk management policy which has been approved by its Board of Directors and is in strict accordance with BoT guidelines.

The status of the subsidiary's foreign currency balances, which operates banking business, as at 31 December 2015 and 2014 are as follows:

	(Unit: Thousand Baht)				
	Consolidated financial statements				
	31 December 2015				
	USD	EUR	JPY	CNY	Others
Foreign currency in the statements of financial position					
Cash	138	86	174	3	35
Investments	1,154,835	-	-	-	-
Total assets	<u>1,154,973</u>	<u>86</u>	<u>174</u>	<u>3</u>	<u>35</u>

	(Unit: Thousand Baht)				
	Consolidated financial statements				
	31 December 2014				
	USD	EUR	JPY	CNY	Others
Foreign currency in the statements of financial position					
Cash	167	173	84	-	181
Total assets	<u>167</u>	<u>173</u>	<u>84</u>	<u>-</u>	<u>181</u>

In addition, the subsidiary has commitments in respect of cross currency and interest rate swap contracts hold for banking book, which are to settle in foreign currencies as follows:

	(Unit: Thousand Baht)				
	Consolidated financial statements				
	31 December 2015				
	USD	EUR	JPY	CNY	Others
Cross currency and interest rate swap contracts					
- Sold	1,154,835	-	-	-	-

(c) 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.

44.3 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 net liquidity status report or liquidity gap analysis. The subsidiary's, which operates banking business, analysis has two components, which are a Contractual Liquidity Gap report and a Behavior Liquidity Gap report, that analyse the net liquidity status 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 also monitors its liquidity risk relating to regulation of maintaining liquid assets for supporting crisis situation (Liquidity Coverage Ratio: LCR), which determines assumptions for total cash inflows and outflows to reflect withdrawal behavior of each counterparty and transaction type both on/off balance sheet items, which are affected by different cash flow indicators. The assumptions should also reflect the business group structure that the group's commercial banks may need to help their liquidity in a severe and continuous cash outflow crisis. Therefore, the subsidiary sets risk limits for monitoring its liquidity risk levels, which enable the subsidiary to maintain appropriate amounts of liquid assets and efficiently cope with fluctuations in cash inflows and outflows.

The subsidiary conducted a study of the effect on liquidity of various factors, such as early deposit withdrawal and deposit rollover, by creating simulations incorporating normal scenarios and stress scenarios which covered the effect of liquidity management of the subsidiary. 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 2015 and 2014 are as follows:

(Unit: Thousand Baht)

Descriptions	Consolidated financial statements					
	31 December 2015					
	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
<u>Financial assets</u>						
Cash	2,242,589	-	-	-	-	2,242,589
Interbank and money market items	7,795,607	8,990,000	1,040,000	-	-	17,825,607
Investments	-	420,035	3,293,576	41,110,595	2,378,777	47,202,983
Loans to customers ⁽¹⁾	10,379,034	21,378,839	17,367,361	83,781,443	370,122	133,276,799
<u>Financial liabilities</u>						
Deposits	57,329,514	26,423,161	45,325,560	7,986,085	-	137,064,320
Interbank and money market items	2,068,436	8,168,909	4,004,556	6,396,655	-	20,638,556
Liabilities payable on demand	176,517	-	-	-	-	176,517
Derivative liabilities	-	-	-	5,395	-	5,395
Debts issued and borrowings	-	10,606,500	7,214,000	3,849,200	-	21,669,700
Securities business payable	-	-	-	-	51,983	51,983

⁽¹⁾ Loans to customers maturing at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)

Descriptions	Consolidated financial statements					
	31 December 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 sales 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 maturing at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)

Separate financial statements						
31 December 2015						
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
Financial assets						
Cash	8	-	-	-	-	8
Interbank and money market items	230,202	-	-	-	-	230,202
Investments	-	-	-	150,800	498,266	649,066
Financial liabilities						
Accounts payable on purchase of securities	-	4,013	-	-	-	4,013

(Unit: Thousand Baht)

Separate financial statements						
31 December 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
Financial liabilities						
Interbank and money market items	-	500,000	-	-	-	500,000

Moreover, as at 31 December 2015 and 2014, the subsidiary, which operates banking business, had the following commitments from avals to bills, guarantee, undrawn bank overdrafts and other commitments as summarised by the periods to maturity, counting from the financial position dates, of the contracts:

(Unit: Thousand Baht)

Consolidated financial statements						
31 December 2015			31 December 2014			
No more than 1 year	Over 1 year	Total	No more than 1 year	Over 1 year	Total	
Avals to bills	119,458	-	119,458	183,883	62,830	246,713
Guarantee - other	3,420,098 ⁽¹⁾	913,991	4,334,089	2,240,719 ⁽¹⁾	277,577	2,518,296
Undrawn bank overdrafts	5,009,803	-	5,009,803	4,493,311	-	4,493,311
Other commitments	-	15,201,722	15,201,722	-	10,734,671	10,734,671

⁽¹⁾ As at 31 December 2015 and 2014, these amount included contracts with no maturity date amounting to Baht 1,092 million and Baht 826 million, respectively.

45. Fair value of financial instruments

The Company and its subsidiaries use the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

45.1 Fair value hierarchy

In applying the valuation techniques, the Company and its subsidiaries endeavor to use relevant observable inputs as much as possible. TFRS 13 Fair Value Measurement establishes a fair value hierarchy categorising such inputs into three levels as follows:

Level 1 Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 Use of unobservable inputs such as estimations of future cash flows

45.2 Assets and liabilities measured at fair value

As at 31 December 2015 and 2014, the Company and its subsidiaries had assets that were measured at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	Consolidated financial statements						
	31 December 2015					31 December 2014	
	Carrying	Fair value				Carrying	Fair
	value	Level 1	Level 2	Level 3	Total	value	value
<u>Assets measured at fair value</u>							
Trading investments							
Domestic marketable							
equity securities	12,251	12,251	-	-	12,251	-	-
Total trading investments	12,251	12,251	-	-	12,251	-	-
Available-for-sale investments							
Domestic marketable							
equity securities	2,145,466	2,145,466	-	-	2,145,466	1,638,636	1,638,636
Investment units	207,491	-	207,491	-	207,491	76,737	76,737
Total available-for-sale							
investments	2,352,957	2,145,466	207,491	-	2,352,957	1,715,373	1,715,373

(Unit: Thousand Baht)

	Separate financial statements						
	31 December 2015					31 December 2014	
	Carrying value	Fair value				Carrying value	Fair value
		Level 1	Level 2	Level 3	Total		
<u>Assets measured at fair value</u>							
Available-for-sale investments							
Domestic marketable equity securities	418,101	418,101	-	-	418,101	326,591	326,591
Investment units	80,165	-	80,165	-	80,165	-	-
Total available-for-sale investments	<u>498,266</u>	<u>418,101</u>	<u>80,165</u>	<u>-</u>	<u>498,266</u>	<u>326,591</u>	<u>326,591</u>

During the current year, there was no transfer within the fair value hierarchy.

45.3 Financial assets and liabilities for which fair values are disclosed

As at 31 December 2015 and 2014, the Company and its subsidiaries had financial assets and liabilities that were measured at cost, and for which fair values are disclosed using different levels of inputs as follows:

(Unit: Thousand Baht)

	Consolidated financial statements						
	31 December 2015					31 December 2014	
	Carrying value	Fair value				Carrying value	Fair value
		Level 1	Level 2	Level 3	Total		
<u>Financial assets for which fair values are disclosed</u>							
Cash	2,242,589	2,242,589	-	-	2,242,589	2,503,973	2,503,973
Interbank and money market items - net	17,662,779	1,632,322	-	16,038,199	17,670,521	13,111,928	13,123,556
Investments - net	44,837,750	-	46,508,254	13,544	46,521,798	32,012,761	33,532,887
Loans to customers - net	130,533,339	-	370,122	129,846,785	130,216,907	113,488,322	112,925,958
Accounts receivable on sales of securities	-	-	-	-	-	159,604	159,604
<u>Financial liabilities for which fair values are disclosed</u>							
Deposits	137,064,320	56,129,515	81,011,959	-	137,141,474	122,631,902	122,697,473
Interbank and money market items	20,638,556	1,273,436	19,372,544	-	20,645,980	23,171,161	23,172,217
Liabilities payable on demand	176,517	176,517	-	-	176,517	109,952	109,952
Derivative liabilities	5,395	-	-	22,117	22,117	-	-
Debts issued and borrowings	21,669,700	-	21,698,034	-	21,698,034	1,000,000	1,001,256
Securities business payable	51,983	-	51,983	-	51,983	14,352	14,352

(Unit: Thousand Baht)

	Separate financial statements						
	31 December 2015					31 December 2014	
	Carrying	Fair value				Carrying	Fair
	value	Level 1	Level 2	Level 3	Total	value	value
<u>Financial assets for which fair values are disclosed</u>							
Cash	8	8	-	-	8	4	4
Interbank and money market items - net	230,202	230,202	-	-	230,202	1,024,099	1,024,099
Investments - net	150,800	-	151,821	-	151,821	-	-
<u>Financial liabilities for which fair values are disclosed</u>							
Interbank and money market items	-	-	-	-	-	500,000	500,000
Accounts payable on purchase of securities	4,013	-	4,013	-	4,013	-	-

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value level 2 and level 3 of financial instruments are as follow:

- (a) The fair values of financial assets and liabilities, which have short-term maturity periods or bear interest at rates close to market interest rates (i.e. cash, accounts receivable on sales of securities, liabilities payable on demand, accounts payable on purchase of securities and securities business payable), approximate their carrying values.
- (b) The fair values of investments in debt securities are determined based on the yield rates quoted by the Thai Bond Market Association.
- (c) The fair values of investment units, which are not listed on the Stock Exchange of Thailand, are determined using the net asset value per unit announced by fund managers.
- (d) The fair values of non-marketable equity securities are determined based on generally accepted pricing models.

- (e) The fair values of loans to customers and interbank and money market items (assets) that bear floating interest rates are assumed to approximate their carrying values, net of allowance for doubtful accounts and revaluation allowance for debts restructuring. The fair values of loans to customers and interbank and money market items (assets) that bear fixed interest rates are the present value of the expected future cash flows, discounted by the interest rates the subsidiary offer on similar loans. The fair values of non-performing loans are the present value of the expected future cash flows from the disposal of the loan collaterals, discounted by the rates and durations as referred in the BoT's guidelines regarding provision.
- (f) The fair values of deposits and interbank and money market items (liabilities) that are payable on demand or bear floating interest rates are assumed to approximate their carrying values. The fair values of deposits and interbank and money market items (liabilities) that bear fixed interest rates are determined by discounting the expected future cash flows at the subsidiary's announced interest rates for deposits of similar characteristics.
- (g) The fair values of derivative liabilities are determined using fair values obtained from its counterparties, who are banks.
- (h) The fair values of debts issued and borrowings that are subordinated debentures are determined using yield rates quoted by Thai Bond Market Association. The fair values of debts issued and borrowings that bear fixed interest rates are determined by discounting the expected future cash flows by market interest rates on borrowings of similar conditions.

46. Reclassification

The subsidiary reclassified certain items in statement of financial position as at 31 December 2014 for more appropriate classification. However, such reclassifications had no effect to previously reported profit for the year or owners' equity. The reclassifications are as follows:

	(Unit: Thousand Baht)	
	Consolidate financial statements	
	As at 31 December 2014	
	As reclassified	As previously reported
Statements of financial position		
Provision for liabilities	73,981	68,312
Other liabilities	204,970	210,639
	278,951	278,951

47. Event after the reporting period

47.1 Dividend payments

On 25 February 2016, the Board of Director's Meeting of the Company passed resolutions to propose to the Annual General Meeting of shareholders for approval of dividend payments from its operating results for the year ended 31 December 2015 by paying a cash dividends of Baht 0.033 per share, or not exceeding Baht 450.08 million.

47.2 Financial business group restructure

The Company plans to restructure its financial business group during the first quarter of 2016 for the purpose of enhancement of efficient management of the group's business. As a result, the Company will purchase 2,999,995 shares of Land and Houses Fund Management Company Limited or 99.99 percent of the issued and paid-up share capital for a price equivalent to the book value of net assets of such company as at the month-end date before the purchase transaction is taken place from Land and Houses Bank Public Company Limited. The share purchase and the financial business group restructure have already been approved by the Bank of Thailand on 18 January 2016 and are being considered for approval by the Office of the Securities and Exchange Commission.

48. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2016.

REFERENCE INFORMATION

Share registrar : Thailand Securities Depository Co., Ltd.
Address : 93, Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand
Tel : 0-2009-9000
Fax : 0-2009-9991
SET Contact Center : 0-2009-9999
Website : www.set.or.th/tsd

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 Rachada Yongsawadvanich
Certified Public Accountant (Thailand), registration No. 4951
Address : 193/136-137, 33rd Floor, Lake Rajada Office Complex,
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, 11th 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 AND BOUNDARY	LUMPINI OFFICE	0-2359-0000 # 4801-4, 0-2677-7111
	Q House Asoke Branch	0-2204-2515-7
	Q House Sathorn Branch	0-2286-2646-7, 0-2105-3994
	Thonglo Branch	0-2392-6053-5
	Park Lane (Ekkamai) Branch	0-2381-6573-5, 0-2714-4182
	Terminal 21 Branch	0-2254-0045-7, 0-2108-0674
	Wave Place (Phloen Chit) Branch	0-2254-4150-3, 0-2655-7128
	Silom Branch	0-2235-8372-4
	Bangrak Branch	0-2235-7050-3
	Thanon Chan Branch	0-2212-8639-41, 0-2212-8634, 0-2673-0453
	Maboonklong Center Branch	0-2686-3930
	Pratunam Branch	0-2208-0860-2, 0-2656-3162
	Yaowaraj Branch	0-2221-4600-2
	Sampheng Branch	0-2225-3552, 0-2225-3556-7, 0-2622-4938
	Wongwian 22 Karakada Branch	0-2223-4194-5, 0-2223-4280, 0-2623-0218
	Khlongthom Branch	0-2223-2024-6
	Worachak Branch	0-2221-6946-8, 0-2621-2026
	Bobae Branch	0-2280-9518, 0-2280-9530, 0-2280-9541, 0-2628-1356
	Banglamphu Branch	0-2282-4712-4, 0-2629-4162
	Talat Noi Branch	0-2235-7463-5, 0-2639-6103
	The Old Siam Branch	0-2223-9866-8
	Pakkhlong Talat Branch	0-2225-4932-4, 0-2623-7316
	Sena Fest (Charoen Nakorn) Branch	0-2437-0038-41, 0-2108-9040
	Suksawat Branch	0-2462-8364-6, 0-2819-2726
	Phrannok Branch	0-2411-1272-4, 0-2866-0314
	Fashion Island Branch	0-2947-5588
	The Promenade Branch	0-2947-5056-8, 0-2130-4200
	The Paseo Town (Ramkhamhaeng) Branch	0-2111-3007-9

AREA	BRANCH	TELEPHONE
BANGKOK AND BOUNDARY (CON.)	The Circle Ratchapruk Branch	0-2863-8757-9, 0-2863-8762
	Sena Nikhom Branch	0-2561-5577, 0-2561-2376, 0-2561-1957, 0-2941-1051
	Saphankhwai Branch	0-2278-1755-7, 0-2616-9407
	Talat Thai Branch	0-2529-6162-3, 0-2529-6176-7, 0-2908-3420
	Future Park Rangsit Branch	0-2958-5271-3
	Saphanmai Branch	0-2522-7088-91, 0-2971-1404
	Samutprakan Branch	0-2389-1683-5, 0-2702-6721
	Big C Rama 2 Branch	0-2415-3737, 0-2415-3313, 0-2415-5423, 0-2415-7236
	Big C Bangna Branch	0-2361-6324-6
	Big C Bangplee Branch	0-2312-2626, 0-2312-2665, 0-2312-2667
	Big C Onnut Branch	0-2331-6471-3, 0-2742-6800
	Big C Tiwanon Branch	0-2527-4551-2, 0-2527-4557, 0-2968-3932
	Big C Rattana Thibetch Branch	0-2594-2578-80
	Tesco Lotus Rama I Branch	0-2214-3568-70, 0-2612-4920
	Tesco Lotus Rama 4 Branch	0-2249-5758-60, 0-2671-4697
	Tesco Lotus Bangna-Trad Branch	0-2316-3184-6, 0-2752-8143
	Tesco Lotus Srinakarin Branch	0-2175-7712-4, 02-105-3995
	HomePro Petchgasem Branch	0-2444-3045-7
	HomePro Suvarnaphumi Branch	0-2316-6701-4, 0-2002-1024
	Home Pro Ekamai-Ramindra Branch	0-2514-9112-4
	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
	Megahome Rangsit Branch	0-2516-0971-2, 0-2105-3935
	Central Rama 9 Branch	0-2160-3866-8
	Central Pinklao Branch	0-2433-1155, 0-2433-1352-3
	The Mall Thapra Branch	0-2477-9525, 0-2477-9497, 0-2477-9540
	The Mall Bangkae Branch	0-2454-9204-6

AREA	BRANCH	TELEPHONE
BANGKOK AND BOUNDARY (CON.)	The Mall Bangkok Branch	0-2363-3489-91
	The Mall Ngamwongwan Branch	0-2550-1287-9
	Seacon Bangkai Branch	0-2458-2846-9
	Seacon Square Branch	0-2138-6180-2, 0-2721-9246
	Nakhonpathom Branch	034-271981-3, 034-210143
	Samutsakhon Branch	034-870737-9, 034-870741, 034-810877
	Central Plaza Chaengwattana Branch	0-2193-8130-2, 0-2193-8133
NORTH	HomePro Chiangrai Branch	053-604430-1, 052-029835
	HomePro Phrae Branch	054-531955-6, 054-069505
	HomePro Lampang Branch	054-811481-2, 054-316228
	Tesco Lotus Ruamchok (Chiang Mai) Branch	053-014124-5, 053-014282-3, 053-014154, 053-014285, 053-852027
	Big C Hangdong Branch	053-447855-7
	Talat Warorot Branch	053-252223-5
	Chiangrai Branch	053-717873-6
NORTH EAST	HomePro Roi Et Branch	043-516849-50, 043-039805
	HomePro Sakon Nakhon Branch	042-712862, 042-712868, 042-099705
	HomePro Loei Branch	042-845827-8, 042-039805
	HomePro Ubon Ratchathani Branch	045-344738-9, 045-959715
	HomePro Chaiyaphum Branch	044-051842-3, 044-109705
	HomePro Buriram Branch	044-690490-1, 044-119805
	HomePro Surin Branch	044-519902-3
	HomePro Khao Yai Branch	044-929458-9, 044-328033, 044-313324-5
	HomePro Nakhon Ratchasima (Huathalae) Branch	044-920530-1
	Megahome Nong Khai Branch	042-990453-4, 042-464229
	Khonkaen Branch	043-235244, 043-235258, 043-235260, 043-245364, 043-245366, 043-245415
	Central Khonkaen Branch	043-288540-3
	Central Udon Thani Branch	042-136155-7, 042-343341
	Udon Thani Branch	042-230280-2, 042-230284, 042-230286, 042-230308, 042-343788
	Ubon Ratchathani Branch	045-242584-6, 045-262311
	The Mall Nakhon Ratchasima Branch	044-393925-7, 044-288118

AREA	BRANCH	TELEPHONE
MIDDLE	HomePro Saraburi Branch	036-224471-2, 036-679715
	HomePro Lopburi Branch	036-776095-6, 036-689805
	HomePro Suphanburi Branch	035-522346-7, 035-969605
	Big C Ayutthaya Branch	035-747133-4, 035-959715
	HomePro Sukhothai Branch	055-616631-2, 055-620004
	HomePro Nakhonsawan Branch	056-371357-8, 056-009735
	HomePro Phetchabun Branch	056-719541-2, 056-029705
	Phitsanulok Branch	055-258051-3, 055-219033
	Nakhonsawan Branch	056-228521-3, 056-311015
WEST	HomePro Kanchanaburi Branch	034-602695-6, 034-622043
	HomePro Samutsongkhram Branch	034-770898-9, 034-723027
	HomePro Phetchaburi Branch	032-474575-6, 032-410062
	HomePro Prachuap Khiri Khan Branch	032-652151-2
	Robinson Ratchaburi Branch	032-328025-8, 032-310330
	Hua Hin Branch	032-513420-2
	Megahome Mae Sot Branch	055-506993-4
EAST	HomePro Chonburi Branch	038-387924-6
	HomePro Chonburi (AMATA) Branch	038-242052-4, 033-046235
	HomePro Chachoengsao Branch	038-513418-9, 033-599515
	Home Pro Chanthaburi Branch	039-418112-3, 039-609815
	Home Pro Prachinburi Branch	037-482338-9, 037-629755
	Mega Home Bowin Branch	038-119168-9
	Mega Home Kabinburi Branch	037-480314-5, 037-202003
	Mega Home Aranyaprathet Branch	037-247440-1, 037-609824
	Sri Racha Branch	038-325693-5
	Big C Pattaya Klang Branch	038-428946-8, 038-360200
	Rayong Branch	038-619434-6, 038-864486

AREA	BRANCH	TELEPHONE
SOUTH	HomePro Phuket (Chalong) Branch	076-384618-9, 076-681135
	HomePro Phuket (Thalang) Branch	076-390430-1
	HomePro Trang Branch	075-502276-7, 075-829705
	HomePro Phatthalung Branch	074-603663, 074-603667, 074-621219
	HomePro Chumphon Branch	077-658893-4, 077-979905
	Tesco Lotus Samui Branch	077-430628-31, 077-256-091
	Tesco Lotus Phuket Branch	076-304113-5
	Phuket Branch	076-355305-9
	Patong Branch	076-340770-1, 076-340773, 076-340775, 076-340778, 076-3400801, 076-292013
	Krabi Branch	075-620292-3, 075-620377, 075-630027
	Nakhonsithammarat Branch	075-357617-9, 075-317770
	Hatyai Branch	074-225622-3, 074-225628, 074-350067
	Big C Hat Yai 2 Branch	074-555211, 074-555281, 074-344014
	Central Suratthani Branch	077-602709-11
	Samui (Lamai) Branch	077-458599, 077-458600, 077-954-031 077-458640-1



The logo of CSR
for sustainable development of
LH Financial Group Public Company Limited



LH BANK





บริษัท แอล เอช ไฟแนนซ์เชียล กรุ๊ป จำกัด (มหาชน)

1 อาคารคิวเฮ้าส์ ลุมพินี ชั้น 5 ถนนสาทรใต้ แขวงทุ่งมหาเมฆ เขตสาทร กรุงเทพฯ 10120

โทรศัพท์ : 0-2359-0000 โทรสาร : 0-2677-7223

LH FINANCIAL GROUP PUBLIC COMPANY LIMITED

1 Q.House Lumpini Building, Fl.5th, South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120

Tel : 0-2359-0000 Fax : 0-2677-7223



www.lhfg.co.th