



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

CREATING SUSTAINABLE **PERFORMANCE**



2016

Annual Report

รายงานประจำปี

2559

LH BANK

LH Fund

LH Securities

LH Advisory



LH BANK

LH Fund

LH Securities

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MESSAGE FROM THE CHAIRMAN



“In 2016, all subsidiary companies of the LH Financial Group Public company Limited had expanded their business in many areas, especially the company performance showed a net profit of Baht 2,696 million, rising by 63.3%”

Overall, the Thai economy in the year 2016 slightly grew more than estimated. The main supporting factors were the government stimulus package, the government investment and expenditure and all positive factors that carry forward and increase the car sales summary. The 2016 economy was also driven primarily by the tourism sector. However, the export sector was affected by the fragile global economic recovery and the unrecovery of the private investment sector. Moreover, the household debt that remain relatively high led to the decrease of household expenditure.

In 2016, all subsidiary companies of the LH Financial Group Public company Limited had expanded their business in many areas, especially the company performance showed a net profit of Baht 2,696 million, rising by 63.3% compared to the end of 2015. For the growth of Land and Houses Bank PLC, the bank's total assets were Baht 209,695 million or 5.9% growth compared to the year 2015. The total amount of loans were Baht 157,494 million or 5.7% growth compared to the year 2015. In addition, The bank's loan was considered good qualities and NPL were 1.76% .

In the year 2016, Land and Houses Bank PLC had developed and created new products and services to satisfy customers and make them feel more comfortable. The bank also enhanced its information technology system by using IT as a main part of services to support the digital society. LH Bank M Choice Application, an application on a mobile device, had created for managing the financial transactions quickly and conveniently such as checking balances, transferring money, product and service payment, verifying fund balance, searching for branches and ATM location and it can be used every day at anytime and anywhere.

Land and Houses Fund Management Co., Ltd., had a net profit of Baht 74.2 million, rising by 199.5% of the last fiscal year and had total assets under management of Baht 64,276 million, rising by 28.9% of the last fiscal year and had a 1.38 % market share, ranked 10th among 22 fund management companies.

Land and Houses Securities PLC, had a net profit of Baht 105.7 Million, rising by 642.4% of the last fiscal year. The company had expanded its business with Land and Houses Bank PLC and the Stock Exchange of Thailand (SET) by operating the “Banker- to-Broker” program which was set to promote investment via the bank's branches to expand customer base and to service 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 sustain the utmost benefits of all stakeholders and the whole society, in addition to managing the business faithfully and truthfully that help to improve capability and being a foundation for business growth. For the year 2016, Thai Institute of Directors (IOD) evaluated the result of the Corporate Governance Report and rated LH Financial Group PLC with “Excellent” Level (5 stars). Furthermore, the Thaipat Institute awarded our company 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 and the Board of Directors, I would like to extend my appreciation and thanks to all stakeholders, employees, public and private financial institutions and government agencies for trust and for the continued support that you have placed in LH Financial Group PLC.



(Mr. Anant Asavabhokhin)
Chairman



COMPANY PROFILE



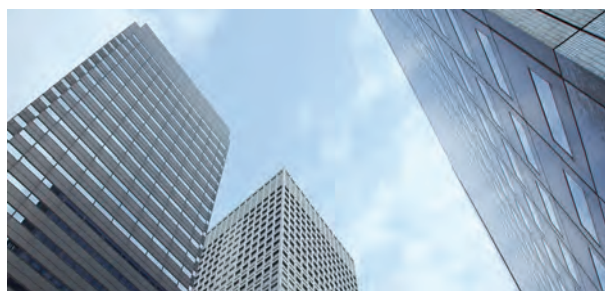
LH Financial Group Public Company Limited is a non-operating holding company established with compliance's guideline on the Bank of Thailand's Notification, which has been requiring that a financial institution have to restructure the shareholder structure of its group in line with the guideline on consolidated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

2009

LH Financial Group Public Company Limited was established on 22 April 2009 with initial registered capital of Baht 100,000 with the core objective of acting as the holding 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.

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 restructured its shareholder's structure according with the plan to set up financial business group with was approved by the Bank of Thailand. On 27 November 2009, the Securities and Exchange Commission approved the company to offer new securities and warrant to purchase in public under the shareholding restructuring plan. On 1 December 2009 the company 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 Limited has become LH Financial Group Public Company Limited shareholders and the company holds shares in Land and Houses Bank Public Company Limited 99.99% of paid-up share.



2011

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

2014

On 22 January 2014, the company purchased a 99.80% paid-up share capital of CIMB International (Thailand) Public Company Limited and also purchased a 99.99% paid-up share capital of CIMB Advisory (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 business group. The objective of the mentioned transactions was to extend its services in stock trading and financial counseling services. The two companies would be renamed as Land and Houses Securities Public Company Limited and Land and Houses Advisory Company Limited respectively.

2016

For restructuring the financial business group, on 1 March 2016, LH Financial Group Public Company Limited purchased ordinary shares of Land and Houses Fund Management Company Limited from Land and Houses Bank Public Company Limited at the total amount of 2,999,995 shares or 99.99% of the issued and paid - up shares.



GENERAL INFORMATION

The Company Name	LH Financial Group Public Company Limited	The Audit Committee :	Mr. Phairoj Hengsakul
Symbol	LHBANK		Chairman of the Audit Committee
Registration Number	0107552000081		Telephone 08 1990 7448
Type of Business	Holding Company		E-mail : phairojh@lhbanc.co.th
	Investment in 3 subsidiaries		Mr. Adul Vinaiphat
	1. Land and Houses Bank Public Company Limited		Member of the Audit Committee
	2. Land and Houses Securities Public Company Limited		Telephone 08 1834 0104
	3. Land and Houses Fund Management Company Limited		E-mail : adulv@lhbanc.co.th
Website	www.lhfg.co.th		Mr. Somsak Asavapokee
Established	2009		Member of the Audit Committee
First Trading Day in SET	10 May 2011		Telephone 08 5485 4269
Head Office	1 Q.House Lumpini Building, 5 th Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120	Auditors	E-mail : somsaka@lhbanc.co.th
Registered	13,638,705,250 Baht		: Miss Ratana Jala
Share Capital	Divided into 13,638,705,250 ordinary shares		Certified Public Accountant (Thailand), No.3734
Paid-up Share	13,638,699,252 Baht		: Miss Somjai Khunapasut
Capital	Divided into 13,638,699,252 ordinary shares		Certified Public Accountant (Thailand), No. 4499
Par Value	1 Baht		: Miss Rachada Yongsawadvanich
Preferred Shares	None		Certified Public Accountant (Thailand), No. 4951
Accounting Period	1 January - 31 December		: EY Office Limited
Contact	Head Office Telephone 0 2359 0000, 0 2677 7111 Fax 0 2677 7223		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
	The Company Secretary Telephone 0 2359 0000 Ext. 2020, 2019, 2021, 2024 E-mail : presidentoffice@lhbanc.co.th		
	Investors can study more information of the company from the Annual Registration Statement (Form 56-1) which are disclosed in the website : www.sec.or.th and www.lhfg.co.th		



Companies under the Financial Business Group of LH Financial Group Public Company Limited

Land and Houses Bank Public Company Limited

Head Office	1 Q.House Lumpini Building, G, 1 st , 5 th , 6 th , 32 nd 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
Auditors	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

Land and Houses Fund Management Company Limited

Head Office	11 Q.House Sathon Building, 14 th 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
Auditors	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

Land and Houses Securities Public Company Limited

Head Office	11 Q.House Sathon Building, M Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registration Number	0107542000038
Registered Share Capital	637,215,030 Baht
Paid-up Share Capital	637,215,030 Baht
Telephone	0 2352 5100
Fax	0 2286 2681-2
Website	www.lhsec.co.th
Auditors	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

Land and Houses Advisory Company Limited

Head Office	11 Q.House Sathon Building, M Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registration Number	0105545029400
Registered Share Capital	20,000,000 baht
Paid-up Share Capital	20,000,000 baht
Telephone	0 2352 5100
Fax	0 2286 2681-2
Auditors	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

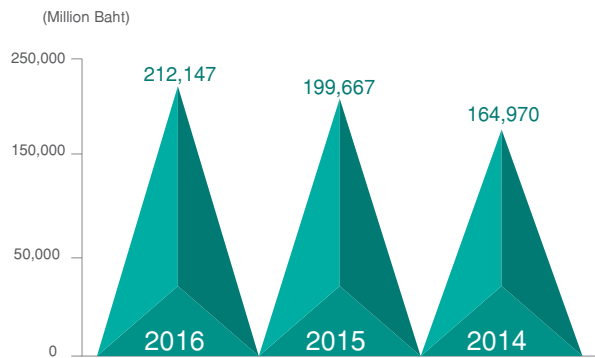
FINANCIAL HIGHLIGHTS

Consolidated Financial Statements

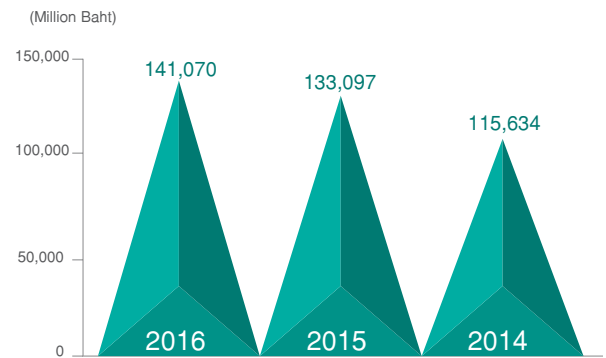
Items	2016	2015	2014
Statements of financial position : Million Baht			
Total assets	212,147	199,667	164,970
Loans to customers	141,070	133,097	115,634
Allowance for doubtful debts	3,102	2,564	2,145
Non-performing loans (Gross NPLs)	2,766	2,815	2,519
Deposits	149,097	137,064	122,632
Debts issued and borrowings	20,327	21,664	1,000
Total liabilities	191,831	181,716	148,684
Total owners' equity	20,316	17,951	16,286
Registered share capital	13,639	13,639	13,200
Paid-up share capital	13,639	13,639	13,199
Statements of comprehensive income : Million Baht			
Interest income	8,810	8,494	7,455
Interest expenses	(3,971)	(4,128)	(4,073)
Net interest income	4,839	4,366	3,382
Non-interest income	2,128	1,177	865
Total operating income	6,967	5,543	4,247
Non-interest expenses	(2,602)	(2,400)	(2,045)
Bad debts and doubtful accounts	(1,025)	(1,089)	(710)
Profits from operation before income tax expenses	3,340	2,054	1,492
Net profits	2,696	1,652	1,201
Comparing per share : Baht			
Basic earnings per share	0.1977	0.1211	0.0892
Dividend rate per share	0.0520	0.0330	0.0370 ¹
Book value per share	1.4896	1.3162	1.2339
Financial ratio (%)			
Return on average assets (ROA)	1.31	0.91	0.77
Return on average shareholders' equity (ROE)	14.09	9.65	7.67
Non-interest income to total income	30.54	21.23	20.36
Non-interest expenses to total income	37.34	43.29	48.16
Dividend payout ratio	70.39	44.42	58.88


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.

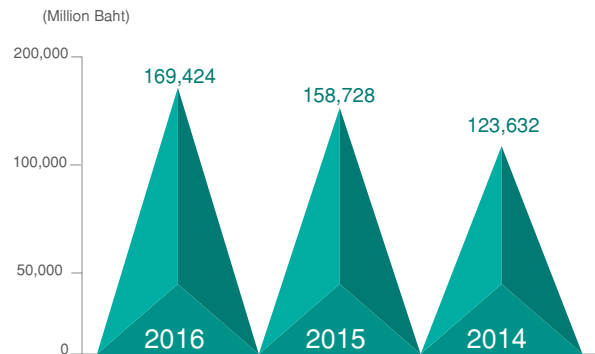
 Total Assets




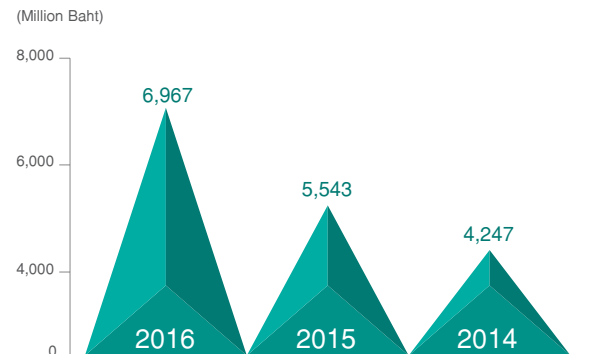
 Loans to Customers



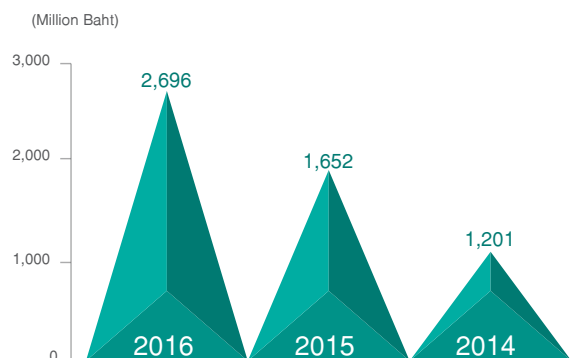
 Deposits & Debts Issued and Borrowings



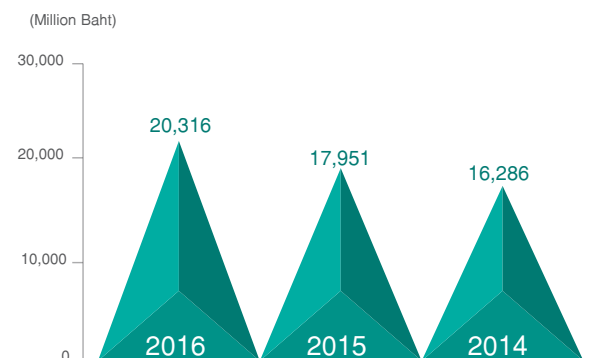
 Total Operating Income



 Net Profits



 Total Owners' Equity



BOARD OF DIRECTORS



Name:	Mr. Anant Asavabhokhin
Position:	Chairman
Age: (Years)	66
Education:	<ul style="list-style-type: none"> - M.B.A., Thammasat University - M.S. Industrial Engineering, Illinois Institute of Technology, Chicago, USA - B.Eng. (Civil Engineering), Chulalongkorn University - Director Certification Program (DCP) 52/2004 : IOD
Number of direct holding of shares:	- None
Number of indirect holding of shares:	<ul style="list-style-type: none"> - 2016 hold by Land and Houses PLC = 4,634,761,967 shares: Shareholding 33.982% - 2015 hold by Land and Houses PLC = 4,634,761,967 shares : Shareholding 33.982%
Relationship with executives:	- None

Work experiences in the past 5 years

Current Position in 4 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 and Houses PLC
1988 - Apr. 2013	Chief Executive Officer	
1983 - Present	Director	Quality 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

Current Position in 13 Non-Listed Companies

Period	Position	Organization/Company
2005 - Present	Chairman	Land and Houses Bank PLC
2005 - Present	Director	L&H Property Co., Ltd.
2004 - Present	Director	LH Real Estate Co., Ltd.
2004 - Present	Director	LH Asset Co., Ltd.
2002 - Present	Director	Land and Houses Property Fund 2
2000 - Present	Director	Land and 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.
1990 - Present	Director	Siam Tanee Property Co., Ltd.
1988 - Present	Director	Atlantic Real Estate Co., Ltd.
1986 - Present	Director	LH Mall and Hotel Co., Ltd.
1980 - Present	Director	Plaza Hotel Co., Ltd.
2005 - Jan. 2015	Director	L&H Sathon Co., Ltd.
1991 - Aug. 2014	Director	Boonchai Holding Co., Ltd.
2001 - Mar. 2010	Director	Q-CON Eastern Co., Ltd.
1994 - Dec. 2009	Director	Centerpoint Management Co., Ltd.
Jun. - Dec. 2005	Chairman	Land and Houses Credit Foncier PLC





Name: Mr. Rutt Phanijphand
Position: Chairman of Executive Director
Age: (Years) 69
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
- Corporate Governance For Capital Market Intermediaries (CGI) 14/2016 : 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

Current Position in 3 Listed Companies

Period	Position	Organization/Company
Apr. 2009 - Present	Chairman of Executive Director	LH Financial Group PLC
Apr. 2016 - Present	Vice Chairman	Banpu PLC
Apr. 2014 - Present	Member of the Audit Committee	
May 2005 - Present	Chairman of the Compensation Committee	
Apr. 2005 - Present	Independent Director	
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	

Current Position in 3 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.



Name:	Mr. Phairoj Hengsakul
Position:	Independent Director Chairman of the Audit committee Member of the Corporate Governance Committee
Age: (Years)	69
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:	- 2016 = 5,606,797 shares : Shareholding 0.041% - 2015 = 6,606,797 shares : Shareholding 0.048%
Number of indirect holding of shares:	- None
Relationship with executives:	- None

Work experiences in the past 5 years:

Current Position in 1 Listed Company

Period	Position	Organization/Company
Feb. 2013 - Present	Member of the Corporate Governance Committee	LH Financial Group PLC
Apr. 2009 - Present	Independent Director and Chairman of the Audit Committee	
Apr. 2009 - Apr. 2011	Member of the Nomination and Remuneration Committee	

Current Position in 2 Non-Listed Companies

Period	Position	Organization/Company
Feb. 2013 - Present	Chairman of the Corporate Governance Committee	Land and Houses Bank PLC
Feb. 2009 - Present	Independent Director and Chairman of the Audit Committee	
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	



Name: Mr. Adul Vinaiphat

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

Age: (Years) 70

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:

Current Position in 3 Listed Companies

Period	Position	Organization/Company
May 2010 - Present	Director	The Thai Packaging and Printing PLC
Jan. 2012 - Apr. 2016	Chairman of the Executive Committee	
Feb. 2013 - Present	Chairman of the Corporate Governance Committee	LH Financial Group PLC
Apr. 2009 - Present	Independent Director Chairman of the Nomination and Remuneration Committee and Member of the Audit Committee	
May 2015 - Present	Consultant	Quality Houses PLC
Dec. 2010 - Apr. 2015	Member of the Nomination and Remuneration Committee	
Jul. 2008 - Apr. 2015	Chairman of the Audit Committee	
Aug. 2001 - Apr. 2015	Independent director	
Jul. 2008 - Dec. 2010	Chairman of the Nominating and Remuneration Committee	
Aug. - Dec. 2005	Member of the Audit Committee	Book Club Finance PLC

Current Position in 5 Non-Listed Companies

Period	Position	Organization/Company
Jul. 2016 - Present	Independent Director and Chairman of the Audit Committee	Land and Houses Fund Management Co., Ltd.
Apr. 2009 - Present	Director and Chairman of the Executive Committee	Evergreen Plus Co., Ltd.
2007 - Present	Director	I.G.S. PLC
Feb. 2013 - present	Member of the Corporate Governance Committee	Land and Houses Bank PLC
Dec. 2005 - Present	Independent Director, Chairman of the Nomination and Remuneration Committee, and Member of the Audit Committee	
2002 - Present	Director	The Thai Tapioca Development Institute Foundation (TTDI)
2002 - 2014	Vice President	
Oct. 2014 - Jun. 2016	Independent Director, Chairman of the Audit Committee	Land and Houses Securities PLC
2008 - Oct. 2013	Director	The Tapioca Development Institute (Huay Bong)
Mar. - Jul. 2010	Director	Thai Airline Holding Co., Ltd.
2005 - Dec. 2009	Director	Smart Collector Co., Ltd.
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
Jun. 2004 - Dec. 2005	Independent Director and Member of the Audit Committee	Land and Houses Credit Foncier PLC



Name: Mr. Somsak Assavapokee

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

Age: (Years) 64

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:

Current Position in 1 Listed Company

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

Current Position in 1 Non-Listed Company

Period	Position	Organization/Company
Feb. 2013 - Present	Member of the Corporate Governance Committee	Land and Houses Bank PLC
Oct. 2012 - Present	Independent Director, Member of the Audit Committee, and Member of the Nomination and Remuneration Committee	
2003 - Sep. 2012	Director and Executive Director	Secondary Mortgage Corporation
Oct. 2005 - Sep. 2012	First Senior Executive Vice President	Government Housing Bank
Nov. 2000 - Oct. 2005	Senior Executive Vice President	
Apr. 2000 - Oct. 2000	Senior Executive Vice President and Acting as President	
Oct. 1998 - Apr. 2000	Senior Executive Vice President	
Nov. 1994 - Oct. 1998	Executive Vice President	



Name: Mr. Naporn Sunthornchitcharoen

Position: Executive Director and
Member of the Nomination and Remuneration Committee

Age: (Years) 58

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:

Current Position in 4 Listed Companies

Period	Position	Organization/Company
Apr. 2011 - Present	Director, Executive Director and Member of the Nomination and Remuneration Committee	LH Financial Group PLC
May 2013 - Present	Executive Director and Managing Director (Operations)	Land and Houses PLC
1992 - Present	Director	
2002 - Apr. 2013	Executive Director and Senior Executive Vice President (Operations)	
1991 - May 2001	Executive Vice President	
1995 - Present	Director	Home Product Center PLC
1994 - Present	Director	Quality Construction Products PLC
1994 - Mar. 2011	Director	Bangkok Chain Hospital PLC
Aug. - Dec. 2005	Director	Book Club Finance PLC

Current Position in 17 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 and Houses Property Fund 2
2001 - Present	Director	Muang Mai Guthrie PLC
2000 - Present	Director	Land and Houses Property Fund 1
1995 - Present	Director	Land and Houses North-East Co., Ltd.
1995 - Present	Director	Land and 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	LH Mall & Hotel Co., Ltd.
2001 - Mar. 2010	Director	Q-CON Eastern Co., Ltd.
1994 - Dec. 2009	Director	Saraburi Vechakij Co., Ltd.
1994 - Dec. 2009	Director	Sriburin Medical Co., Ltd.
Jun. - Dec. 2005	Director	Land and Houses Credit Foncier PLC
1995 - 2004	Director	Asset Plus Fund Management Co., Ltd.



Name: Mr. Khunawut Thumpomkul
Position: Executive Director
Age: (Years) 59
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:

- 2016 hold by spouse = 2,700,066 shares : Shareholding 0.020%
- 2015 hold by spouse = 2,700,066 shares : Shareholding 0.020%

Relationship with executives: - None

Work experiences in the past 5 years:

Current Position in 2 Listed Companies

Period	Position	Organization/Company
Aug. 2013 - Present	Director and Executive Director	LH Financial Group PLC
Jun. 2007 - Present	Executive Director	Home Product Center PLC
May 2001 - Present	Managing Director	

Current Position in 5 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
Jul. 2012 - Present	Chairman	Mega Home Center Co., Ltd.
Jul. 2011 - Present	Chairman	Home Product Center (Malaysia) SDN. BHD
May 2005 - Present	Chairman	Market Village Co., Ltd
Jul. 2016 - Jan. 2017	Director	Land and Houses Fund Management Co., Ltd.



Name: Mrs. Suwanna Bhuddhaprasart
Position: Director
Age: (Years) 61
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:

Current Position in 3 Listed Companies

Period	Position	Organization/Company
Apr. 2011 - Present	Director	LH Financial Group PLC
May 2011 - Apr. 2012	Member of the Nomination and Remuneration Committee	
2003 - Present	Director	Home Product Center PLC
2000 - Present	Director	Quality Houses PLC
2000 - Apr. 2016	Senior Executive Vice President, Member of the Corporate Governance Committee, Member of the Risk Management Committee and Company Secretary	
Aug. - Dec. 2005	Director	Book Club Finance PLC

Current Position in 13 Non-Listed Companies

Period	Position	Organization/Company
Jul. 2016 - Present	Director	Gusto Village Co., Ltd.
May 2016 - Present	Director	L & H Retail Management Co., Ltd.
May 2016 - Present	Director and Chief Executive Officer	LH Mall and Hotel Co., Ltd.
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.
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.
Aug. 2013 - Dec. 2014	Director	Land and Houses Bank PLC
2005 - Feb. 2012	Director and Member of the Nomination and Remuneration Committee	
1992 - 2005	Director	Land and Houses Credit Foncier PLC



Name: Mrs. Sasitorn Phongsathorn

Position: President
Executive Director
Chairman of the Risk Management Committee

Age: (Years) 59

Education:

- M.B.A., Nore Dame de Namur University, California, USA
- B.S., Chulalongkorn University
- Capital Market Academy Leadership Program, CMA 12
- Director Accreditation Program (DAP) 28/2004 : IOD
- Director Certification Program (DCP) 58/2005 : IOD
- Financial Institutions Governance Program (FGP) 3/2011 : IOD
- Corporate Governance For Capital Market Intermediaries Program (CGI) 17/2016 (English Program) : IOD

Number of direct holding of shares:

- 2016 = 1,356,522 shares : shareholding 0.010 %
- 2015 = 1,216,592 shares : shareholding 0.009%

Number of indirect holding of shares: - None

Relationship with executives: - None

Work experiences in the past 5 years:

Current Position in 2 Listed Companies

Period	Position	Organization/Company
Apr. 2009 - Present	President , Executive Director and Chairman of the Risk Management Committee	LH Financial Group PLC
Nov. 2005 - Present	Independent Director, Member of the Audit Committee and Member of the Nomination and Remuneration Committee	Pico (Thailand) PLC
Jul. - Dec. 2005	Vice President	Book Club Finance PLC
Jan. 2004 - May 2005	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

Current Position in 4 Non-Listed Companies

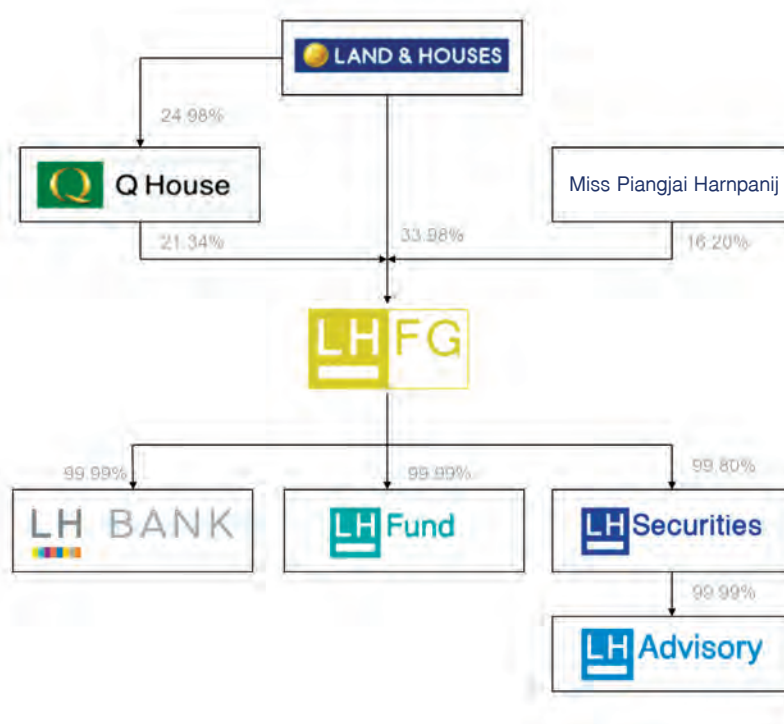
Period	Position	Organization/Company
Dec. 2016 - Present	Chairman of Executive Director	Land and Houses Securities PLC
Jan. 2014 - Present	Director	
Feb. 2014 - Present	Director	Land and Houses Management Co., Ltd
Jan. 2014 - Present	Director	Land and Houses Advisory Co., Ltd
Dec. 2005 - Present	President , Executive Director and Chairman of the Risk Management Committee	Land and Houses Bank PLC
Aug. 2012 - Aug. 2014	Director, Sub-Committee of the Building Construction, Sub-Committee of the Nomination and Corporate Governance Committee and Sub-Committee of the Remuneration	The Stock Exchange of Thailand
Apr. 2000 - Dec. 2003	Senior Director	United Advisory Service Co., Ltd.

NATURE OF BUSINESS OPERATION

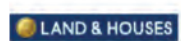
LH Financial Group Public Company Limited is a non-operating holding company and a parent company of the financial business group, the company holds shares in other companies for the purpose of acquiring their management control.

Therefore, business operation of the company can be categorized by business operations of its subsidiaries that had various forms of financial services and to completely respond to financial needs of customers.

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



Remarks



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



: Quality House Public Company Limited is a listed company in the Stock Exchange of Thailand.

Miss Piangjai Harnpanij

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



: LH Financial Group Public Company Limited 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 the 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 Company Limited
- Securities Business: Land and Houses Securities Public Company Limited
- Financial Advisory Business: Land and Houses Advisory Company Limited

- Land and Houses Securities Public Company Limited 99.80% of total paid-up share capital
- Land and Houses Fund Management Company Limited 99.99% of total paid-up share capital

Therefore, Land and Houses Bank Public Company Limited, Land and Houses Securities Public Company Limited and Land and Houses Fund Management 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 board of directors of Land and Houses Bank Public Company Limited has determined the vision and the mission as the guidelines to operate business and determine the strategic plan for operating business to achieve the target and reviewed the vision and the missions every year.

In the year 2016, the board of directors of Land and Houses Bank Public Company Limited has reviewed the vision and the missions as follows;

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 the company is a parent company of the financial business group by holding shares in other companies. Currently, the company holds shares in the company of the financial business group as follows;

- Land and Houses Bank Public Company Limited 99.99% of total paid-up share capital



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.

PROfessional



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, continuous self-improvement, strictly following rule and regulations, being creative and flexible in order to change the working style to meet the needs of customers.

Accountability



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.

Teamwork



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.

Integrity



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.

Visioning



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.

Excellence Service



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 Fund Management 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 Banking 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 banking business.

On December 16, 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 banking to commercial banking under the name of Land and Houses Bank Public Company Limited. The bank has operated full service of commercial banking 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, risk, key success factors, and other significant issues that must be treated. Management team 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.

Credit Rating

Land and Houses Bank Public Company Limited is ranked at a level of "A-" (Single A Minus) and affirms the rating of LH BANK's hybrid Tier 2 capital securities at "BBB" by Tris Rating. Moreover, Tris Rating also placed the company rating of the bank on CreditAlert with a "positive". The company rating reflects bank's continual improvements in its business and financial profiles including good quality assets and the strengthening of capital base.

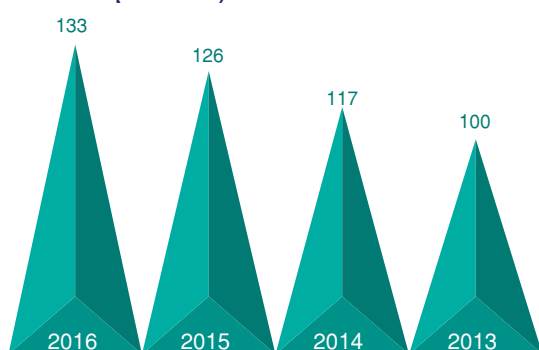
Branches of the Bank

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 133 branches, as follows:

- Bangkok and Boundary 64 branches
- Central 10 branches
- North 7 branches
- North East 19 branches
- East 11 branches
- West 7 branches
- South 15 branches

Number of branches expanded in each year (Branches)



Products and Services of the Bank

Land and Houses Bank Public Company Limited has continuously developed products and services meet a variety of customer needs and wants. 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 juristic persons 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.

- Saving Super Shield for individual customers aged 15 years to 70 years. The bank offered the maximum benefit up to 25 times of current deposit saving account balances by covered in case a customer's death from accident in 24 hours. Customers can deposit a minimum initial deposit is Baht 1,000, and the more customers deposit, the more customers gain the benefit and coverage without health check and without insurance premium payment.

- **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 deposited in equal amount every month. According determined period of the bank such as 24 months or 36 months and total deposit amount is not more than 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 in order to satisfy all groups of customer.

2. Loan Service

The bank categorizes its loan services into 3 business sectors, i.e., loan service for big corporate & corporate, loan service for SMEs & SSME, retail loan, with details are as follows;

1. Loan Service for Big Corporate & Corporate

Big Corporate & Corporate loan 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 loans available that are suitable for the customer's business nature.

2. Loan 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.

- 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.

- Factoring Loan

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.

- Commercial Hire Purchase Loan

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 Loans Services

Full provides consulting service and loan services in other areas such as financial structure consulting service, syndicated loan, facility agent, and security agent.

3. Retail Loan

is a retail loan 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 house 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 doctoral degree in both local and international educational institutions.

Competitive Strategy of Loans 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 loan 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 the strategy of all the bank's branch 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 and key marketing strategies of the bank include good and fast service quality, good relationship with business owners and salesperson of housing projects, and arrangement of promotional programs on special occasions.

3. Electronic Services

The bank focuses on electronic services. At present, Thailand and Thai society is entering the digital age. Therefore, the transactions or services from now on will focus on primarily digital and continuously expand electronic services to support the financial transactions in the digital age such as;

- Automatic Teller Machine (ATM)

is a withdrawal services, fund transfer within the bank, fund transfer to the account of other bank, and payment for commodities and services. The bank's ATM can accept ATM card of all banks including Japan Credit Bureau and Union Pay International to provide service for businesspeople and traveler in Thai Baht cash withdrawal.

As of 31 December 2016, there are 203 Automatic Teller Machines, increasing by 13 machines from 2015





- **Online Retail Funds Transfer Service (Couter-ORFT)** is a service that customers can conduct transactions through the bank's counters. 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 passbook everywhere and at any time including making fund transfers from their account within the bank and other banks.



- **Internet Banking (LH Bank Speedy)** is a service available for 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, checking the cheque status, stop cheque, checking fundspurchase through the bank, account status checking and searching the bank branches. The Bank will send message to confirm results of all transactions with customers for increasing security.



- **Funds Transfer Service** is a 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.

- **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, to transfer large amounts items with single command.
2. Bulk Payment, to transfer large amounts items with single command.
3. Bill Payment
4. Direct Debit / Direct Credit and automatic transfer system (ATS)



- **Internet Banking on Mobile** is a service to convenience for conducting financial transactions every day, everywhere, at any time, via mobile phone, without network limitation. No need to change SIM card.



- **LH Bank SMS Alert** is an alerting service by send message via mobile phone due to any transaction 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 the bank's branches or call center 0 2359 0000 or at the bank's ATM.



- **Revenue Tax Payment Service** is a service to provide convenience and offer available various channels to customers and the general public in tax payment via any channels such as the network branches of the bank, the bank's ATM and internet banking service (LH Bank Speedy).

- **LH Bank PromptPay** is a new money transfer service which requires transferees to link their national ID or mobile phone number to their accounts. By doing so, transferors do not need the transferees' bank account details to transfer money.



Benefits from PromptPay service

Convenience and Fast

- The service provides convenient fund transfer to payee within the bank or other banks in domestic by using a mobile phone number or national ID of the payee.
- The service provides direct receiving from the government agencies with national ID.

Security

- Risk decreasing from hold cash, cash delivering and auditing transaction items.

Saving

- Low service fee

The service also provides value increasing and any benefits when customers sign up for PromptPay by linking the bank current and savings account, the customers will receive more benefits as follows;

1. Saving without fee for using the bank's ATM card in domestic via the bank's ATM and unlimited time and other bank's ATM in 6 items a month.

2. Convenience using service in every day, everywhere and any time with internet banking (LH Bank Speedy) and application on mobile phone (LH Bank M Choice)

3. Value high interest and make transaction at any time

4. Protection free accident insurance in case customer death, without premium insurance Payment and without health checking with high benefit up to 25 times of current deposit saving account balances

4. Other Services

- **Insurances Service** is a service to provide 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.

- **Insurance Against Loss Brokerage Services for:**

- Chubb Samaggi Insurance PLC
- Charan Insurance PLC
- SynMun Kong Insurance PLC
- KrungthaiPanich Insurance PLC
- Dhipaya Insurance PLC
- Viriyah Insurance PLC



- **Mutual Fund Selling Agent Service**

is a selling agent of the unit trusts for many asset management companies, which offer mutual funds of various types, from debt instruments, equity instruments, 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 Banking** 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 a service 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 a service to provide more convenience for customers and general public, who would like to check their own 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** such as cashier's cheque and gift cheque.

- **Goods and Services Payment Service**

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**

consists of 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** for Merchant Partners 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 Fund Management Business

Land and Houses Fund Management Company Limited

Land and Houses Fund Management Company Limited manages mutual fund, property fund, provident fund, and private fund business. 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.

The company was granted various business licenses as follows:

1. Securities Business License Type C
 - 1.1 Mutual Fund Management
 - 1.2 Private Fund Management
 - 1.3 Investment Unit Broker
 - 1.4 Investment Unit Dealer
 - 1.5 Investment unit underwriter
 - 1.6 Investment Advisor
 - 1.7 Venture Capital Management
2. Derivatives Business License
 - 2.1 Derivatives Fund Management
 - 2.2 Debt Derivatives Advisor
3. To be real estate investment trust (REIT) manager
4. To be trustee of real estate investment trust (REIT) manager

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

The company 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, real estate investment trust, 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.



Nature of 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. Including 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 including report in investment market conditions and risk investment 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.

- **Private Funds** The company provides private fund management services for individuals and juristic person. 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.

- **Trustee of Real Estate Investment Trust**

This service serves as trustee for investing the trust assets which the trustee shall control REIT management of REIT manager according to REIT established agreement, related law and high benefits of trust unit holders.

Net Asset Value under Management

As of December 31, 2016, the company had managed the mutual funds with a total in 55 funds, increased by 4 funds when compared to the same period in the previous year and had a total net asset value of Baht 64,276.1 million, increased by Baht 14,418.1 million or up to 28.92% when compared to the same period in the previous year, the mutual funds under the company's management consists of;

- Property fund and Real Estate Investment Trust
Baht 27,252.3 Million
- Bond Fund
Baht 26,145.8 Million
- Equity Fund
Baht 975.7 Million
- Mixed Fund
Baht 3,209.6 Million
- Fund of Property Fund
Baht 6,692.7 Million

The company held the market share at 1.38% which was ranked the 10th share among 22 companies.

However, in case includes private fund and provident fund, the company shall have net assets as of December 31, 2016 amount Baht 70,142.0 million categorized to private fund at Baht 3,568.7 million and provident fund at Baht 2,297.1 million.

Factors Influencing Opportunities or Constraints to Business Operations

In the year 2016, the recovery in both global and domestic economies was 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 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 2017, the company will increase their market shares in the management of the fund which consists of mutual fund, private fund, provident fund and real estate investment trust. The company will provide additional business services as follows: registrar of provident fund business and fund selling agent etc. including provides adding distribution fund channels of mutual funds via the commercial which is the selling agent (Open Architecture), the company has the policy to offer mutual funds of other management fund company for offering to sell the product to the bank's customers. In addition, the company provides convenience and increases efficiency to working by increases channels to trust unit holders can do purchase items and redemption of mutual funds via internet trading for easy management in mutual funds under the company's management.

2.4 Securities Business

Land and Houses Securities Public Company Limited

Land and Houses Securities Public Company Limited officially operated as a securities business under the symbol "LHS". The company becomes a "broker No.5" of the Stock Exchange of Thailand. The company has been licensed to operate as a securities business and derivatives business as follows;

Securities Business License Type A

- 1) Securities Brokerage Service
- 2) Mutual Fund Trading Service
- 3) Securities Underwriting Service
- 4) Investment Advisor Service
- 5) Mutual Fund Management Service
- 6) Private Fund Management Service

7) Securities Borrowing and Lending Service

8) Venture Financial Management Service

Derivatives Business License Type Sor-1

- 1) Derivatives Brokerage Service
- 2) Derivatives Dealing Service
- 3) Derivatives Advisory Service
- 4) Derivatives Fund Management

Operation Business Overview of the Company

• Securities Brokerage Service

The company provides securities brokerage service for individual customers, juristic person, and institutional customers. Types of account provided by the company are cash account, cash balance account, and credit balance account. 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, the company provides convenience and makes decision to invest by adding investment support tools, technical analysis tools and also information investment service.

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 customers 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 and has received approval to be a



member of Thailand Futures Exchange Public Company Limited and Thailand Clearing House Company Limited. At present, the company provides derivative trading services as follows;

- SET50 Index Futures
- SET50 Index Options
- Single Stock Futures
- Gold Futures
- Brent Crude Oil Futures
- Interest Rate Futures
- Currency Futures
- SectorFutures
- RSS3 Futures

• **Derivatives Trading and Guaranteed Underwriting Service**

The company provides derivative trading and guaranteed underwriting service for securities issuer to offer various types of securities consists of bond fund and equity fund including offering new ordinary shares to public and offering new ordinary shares to the existing shareholders.

In the year 2016, during October 18 - 20, 2016, the company has been appointed the co-underwriter of the ordinary share in amount 10,000,000 shares, total value Baht 210 million of Banpu Power Public Company Limited.

• **Supporting Selling and Redemption Agent Service**

The service is an asset management requested by customers. 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, customers must invest with disclose investor and this account has restriction that customers must open the account directly to fund management companies which is the same as the one that customers want to invest, and it takes time consuming and troublesome.

• **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

1. Thailand's Economic Situation

Thailand's Economic Situation in the year 2017 is expected to expand 3.4% by the momentum gained in government spending to continue increasing especially transportation infrastructure investments, which is expected to start operations in the second half of the year 2017 such as Double Track Railway Project and rapid train in urban area. Moreover, the agricultural sector income trend shall improve to commodity prices on global markets and shall support to private consumption recovery. In addition, trading partners' economic are likely to increase expansion and the Thai Baht weakened continuously which shall impact the volume of export order while export services are also expected to expand continuously according to expansion of aboard traveler volume. In domestic economic stability is expected the inflation rate in the year 2017 averaged 2.1%

(within a range of 1.6 - 2.6) rose from the year 2016 according to increase direction trend of oil price global market and the depreciation of the Baht. (Source: Office of the National Economic and Social Development Board)

2. International Market Factor

In the year 2017, International Monetary Fund (IMF) continues to forecast global economic growth at 3.4% mainly driven by the recovery from emerging economies countries such as Russia and Brazil but the IMF cut down the expansion rate of United States by 0.3 % to 2.2 %. It is believed that the United States economy will be affected by US dollar appreciation, weakness in capital spending and major policy changing as a result of the election in the previous year 2016. IMF forecasts China's growth rate at 6.2% while forecasts Japan economy to have slightly expansion driven by fiscal stimulus measures including using of the Bank of Japan's negative interest rate policy. Meanwhile, the IMF forecasts India's growth rate at 7.6% and notify that India is the highest expansion country of major economies of the world. It is believed that this will be positive for the economy and Thai capital market.

3. Technology System with the Financial Business Growth

The promotion of digital economy and social policy of the government to push for economy and society technology system and communication is the key for driving, production process reforming and business operation which as a result, financial business sector growth. Investors can easy access investment information, can do financial transaction everywhere and any time and as a result, securities trading via internet system is attractive market and likely to continue growth.

4. Other Factors

The natural disaster factor consists of droughts, floods, earthquakes or other disasters, domestic insurgency or regulations and business operation law changing, may adversely affect the economic conditions and also affect the business performance.

2017 Business Operation Targets

In 2017, the company focuses on retaining current customers and expanding new customer By focusing on service development, technology system investment, human resources development, branch expansion in order to cover many areas which are more convenient to customers and supporting marketing activity arrangement continuously as follows;

1. The company provides securities trading system for effectiveness of securities trading system, high security, convenient using, to support the digital economy and the digital economy. Additionally, the company has participated Land and Houses Public Company Limited to open service of securities trading via LH Bank Speedy system in order to increase more convenient in investment by connecting to the trading securities system and derivatives via the company's Prompt Trade internet system with single sign-on.

2. The scope for business expansion is to reduce reliance on core business income by business expansion which will be considered from monetization opportunity, earnings and risk.

3. Branch expansion is to cover all country regions for increasing the potential of the company in order to reach the target customers.

4. Human resources development is to increase knowledge and working skill of employees in order to give the customers more efficient services.

5. Featured products & services showcase of the company such as participating in Money Expo, SET in the city or SET-TFEX Digital Investor Fair etc., in order to promote the marketing of the company continuously.

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 2016, 2015 and 2014 can be categorized into 5 business types including investment business, commercial banking business, fund management business, securities business and financial advisory business 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 2016		31 December 2015		31 December 2014	
			Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
Interest income								
Investment holding business	LHFG ¹		0.07	-	0.03	-	0.01	-
Banking business	LH Bank ²	99.99	8,786.66	126.12	8,479.82	152.97	7,454.75	175.54
Fund management business	LH Fund ³	99.99	0.03	-	0.02	-	-	-
Securities business	LH Securities ⁴	99.80	23.27	0.33	14.02	0.25	0.32	0.01
Advisory business	LH Advisory ⁵	99.99	-	-	-	-	-	-
Total interest income			8,810.03	126.45	8,493.89	153.22	7,455.08	175.55
Total interest expenses			(3,971.04)	(57.00)	(4,127.46)	(74.45)	(4,073.15)	(95.91)
Net interest income			4,838.99	69.45	4,366.43	78.77	3,381.93	79.64
Fees and service income								
Banking business	LH Bank	99.99	276.25	3.96	268.32	4.84	198.72	4.68
Fund management business	LH Fund	99.99	268.12	3.85	131.94	2.38	94.34	2.22
Securities business	LH Securities	99.80	92.50	1.33	55.32	1.00	3.70	0.09
Advisory business	LH Advisory	99.99	-	-	-	-	-	-
Total fees and service income			636.87	9.14	455.58	8.22	296.76	6.99
Total fees and service expenses			(126.27)	(1.81)	(106.20)	(1.92)	(80.54)	(1.90)
Net fees and service income			510.60	7.33	349.38	6.30	216.22	5.09
Total other income			1,617.47	23.22	827.61	14.93	648.54	15.27
Total operating income			6,967.06	100.00	5,543.42	100.00	4,246.69	100.00

Remarks

- LHFG¹ : LH Financial Group Public Company Limited
LH Bank² : Land and Houses Bank Public Company Limited
LH Fund³ : Land and Houses Fund Management Company Limited
LH Securities⁴ : Land and Houses Securities Public Company Limited
LH Advisory⁵ : 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 2016, 2015 and 2014 can be categorized into 3 types of main income including interest income, fees and service income, and other income with the details as follows;

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

Income Structure, Categorized by Revenue Type	Consolidated Financial Statements					
	31 December 2016		31 December 2015		31 December 2014	
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
Interest income						
Loans to customers	6,473.30	92.91	6,268.21	113.07	5,544.03	130.55
Investments in debt securities	1,666.09	23.92	1,470.96	26.54	1,476.58	34.77
Interbank and money market items	586.12	8.41	633.09	11.42	298.85	7.04
Hire Purchase	84.41	1.21	121.58	2.19	135.62	3.19
Others	0.11	-	0.05	-	-	-
Total interest income	8,810.03	126.45	8,493.89	153.22	7,455.08	175.55
Interest expenses						
Deposits	(2,464.44)	(35.37)	(2,776.29)	(50.08)	(3,169.65)	(74.64)
Debts issued and borrowings	(536.70)	(7.70)	(383.92)	(6.93)	(1.12)	(0.03)
Interbank and money market items	(206.00)	(2.96)	(274.42)	(4.95)	(314.65)	(7.41)
Contributions to the Deposit Protection Agency and Bank of Thailand	(761.97)	(10.94)	(691.93)	(12.48)	(587.73)	(13.84)
Others	(1.93)	(0.03)	(0.90)	(0.01)	-	-
Total interest expenses	(3,971.04)	(57.00)	(4,127.46)	(74.45)	(4,073.15)	(95.91)
Net interest income	4,838.99	69.45	4,366.43	78.77	3,381.93	79.64
Fees and service income						
Acceptances, avals and guarantees	46.05	0.66	43.50	0.79	40.58	0.96
Commission income	237.86	3.41	212.47	3.83	93.00	2.19
Others	352.96	5.07	199.61	3.60	163.18	3.84
Total fees and service income	636.87	9.14	455.58	8.22	296.76	6.99
Fees and service expenses						
Fees and charges	(56.68)	(0.81)	(50.71)	(0.91)	(41.69)	(0.98)
Others	(69.59)	(1.00)	(55.49)	(1.00)	(38.85)	(0.91)
Total fees and service expenses	(126.27)	(1.81)	(106.20)	(1.91)	(80.54)	(1.90)
Net fees and service income	510.60	7.33	349.38	6.30	216.22	5.09
Other income						
Gains on investments	1,188.49	17.06	673.39	12.15	491.42	11.57
Gains on trading transactions and foreign exchange	0.58	0.01	2.17	0.04	1.21	0.03
Other operating income	428.40	6.15	152.05	2.74	155.91	3.67
Total other income	1,617.47	23.22	827.61	14.93	648.54	15.27
Total operating income	6,967.06	100.00	5,543.42	100.00	4,246.69	100.00



1. Net Interest Income

Interest income consists of loans to customer income, investments in debt securities income, interbank and money market items income, hire purchase income and others interest income. In 2016, the company and its subsidiaries had interest income amounted of Baht 8,810.03 million, increased by Baht 316.14 million or up to 3.72% from year 2015 as a resulted from an increase of interest income on loans and interest income from investments in debt securities following the expansion of loans and increase of investments in debt securities 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 and others interest expense. In 2016, the company and its subsidiaries had total interest expenses amounted of Baht 3,971.04 million, decreased by Baht 156.42 million or down 3.79% from year 2015 resulted from main decrease of interest expenses on deposits due to the trends of interest rate in 2016 was down when compared the previous year.

Net interest income had amounted of Baht 4,838.99 million or 69.45% of total operating income. Net interest income increased from year 2015 and 2014 were Baht 472.56 million and Baht 1,457.06 million, respectively, and net interest income continuous increase following the expansion of subsidiaries.

2. Net Fees and Service Income

Fees and service income are mainly 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 2016, the company and its subsidiaries had fees and service income amounted of Baht 636.87 million, increased by Baht 181.29 million or up to 39.79% from year 2015.

Fees and service expenses had amounted of Baht 126.27 million, increased by Baht 20.07 million or up to 18.90% from year 2015.

Net fees and service income had amounted of Baht 510.60 million or 7.33% of total operating income, increased by Baht 161.22 million or up to 46.14% from year 2015.

3. Other Income

Other income consists of gains on investments, gains on trading transactions, foreign exchange and other operating income. In 2016, the company and its subsidiaries had other incomes amounted of Baht 1,617.47 million, increased by Baht 789.86 million or up to 95.44% from year 2015 mainly from gains on investments of its subsidiaries increased by Baht 515.10 million.



SECURITIES AND SHAREHOLDERS INFORMATION

1. Securities Information

1.1 Ordinary Shares

As at 31 December 2016 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 4 May 2016 as follows:

No.	Names of Shareholders	Number of Shares	%
1.	Land & Houses Public Company Limited	4,634,761,967	33.982
2.	Quality Houses Public Company Limited	2,910,199,375	21.338
3.	Miss Piengjai Hanpanich	2,210,050,479	16.204
4.	Thai NVDR Company Limited	461,357,609	3.383
5.	Mr. Apichet Srivaddhanaprabha	200,000,000	1.466
6.	Asavabhokhin family group	198,682,177	1.457
7.	Mr. Wiroj Engpaiboon	184,010,134	1.349
8.	Mr. Samrereng Manoonphol	149,000,089	1.092
9.	Mr. Aiyawatt Srivaddhanaprabha	86,000,000	0.631
10.	Mr. Pairoj Paisarnsrisomsuk	68,000,098	0.499
Total Shareholdings of Top 10 Major Shareholders		11,102,061,928	81.401
Other Minority Shareholders		2,536,637,324	18.599
Total		13,638,699,252	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 the Articles of Association of the company, 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 subsidiaries consists of Land and Houses Bank Public Company Limited, Land and Houses Securities Public Company Limited and Land and Houses Fund Management 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, the company will take into account the operating results and shareholders' return in the long term.

The payment of dividends will be in the Articles of Association of the bank, 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, 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 the Articles of Association of the company, 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.

3.3.3 Land and Houses Fund Management Company Limited

In considering a dividend payment, the company will take into account the operating results and shareholders' return in long term.

The payment of dividends will be in the Articles of Association of the company, the key point being that every time of the dividend payment, the company has to earmark as reserve at least one-twentieth of the net profit from the business of the company, until the reserve fund reaches one-tenth of the capital of the company or higher.

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 : Include Ordinary share 1,400,000,000 shares

Issued Share Capital 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 2016 major shareholders of
the bank 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, 10th 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 : Include Ordinary share 637,215,030 shares

Issued Share Capital Preferred share -None-

Telephone : 0 2352 5100

Fax : 0 2286 2681-2

Website : www.lhsec.co.th

Major shareholders : As at 31 December 2016 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

The Company Name : Land and Houses Fund Management Company Limited

Head Office : 11 Q.House Sathon Building, 14th Floor,

South Sathon Rd., Thungmahamek,
Sathon, Bangkok 10120

Registration Number : 0105551006645

Registered Capital : 300,000,000 Baht

Paid-up Capital : 300,000,000 Baht

Par Value : 100 Baht

All Type of Shares and : Include Ordinary share 3,000,000 shares

Issued Share Capital Preferred share -None-

Telephone : 0 2286 3484, 0 2679 2155

Fax : 0 2286 3585

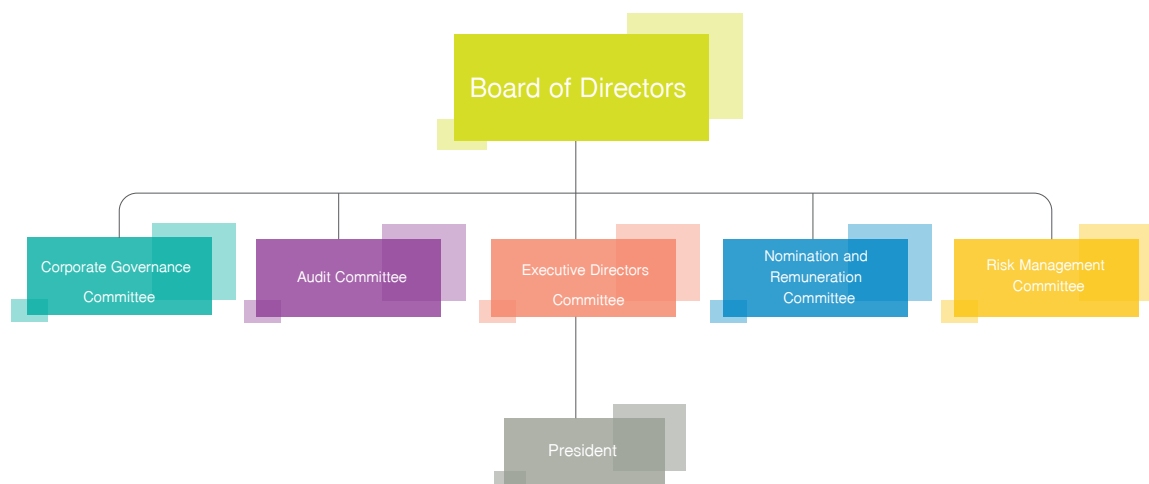
Website : www.lhfund.co.th

Major Shareholders : As at 31 December 2016 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 2,999,995 shares with
par value 100 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. As a non-operating holding company, the company holds shares in other companies. Currently, the company holds shares in the financial business group as follows;

- Land and Houses Bank Public Company Limited 99.99% of the total paid-up shares
- Land and Houses Securities Public Company Limited 99.80% of the total paid-up shares
- Land and Houses Management Company Limited 99.99% of the total paid-up shares

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 2016, the board of directors consists of 9 directors as follows:

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

Authorized Signatory of the Company

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 Authorities and Duties of the Board of Directors

The board of directors has a duty 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 integrity and care in the interests of the company.
- 2) Determine the overall direction and strategic goals for the company, consider approving the policies and operational direction proposed by the management team and supervise and oversee the management team to ensure the effective and efficient execution of the approved policies and to protect the interests of the company and its shareholders.
- 3) Provide provisions on the Code of Conduct and Ethics, as well as the Codes of Ethics for the directors, executives and employees as the organizational guidelines.
- 4) Follow up on the company's operations at all times to ensure that the executive directors and the management team are operating in line with the laws and the policies.
- 5) Supervise to ensure that the management team is capable of managing the company's operations, including the nomination of high-ranking executives.
- 6) Take action to ensure the company has efficient internal control and internal audit.
- 7) Supervise to ensure that the management team 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 to be able to perform the duties within its authority and responsibilities completely.
- 8) Supervise to ensure the management team has monitoring its risk management.
- 9) Consider approval the roles and duties of the various sub-committees and changes in their elements, including significant changes that may affect the operations of the sub-committee that was appointed.
- 10) Supervise to ensure the company has determined the policy on related party transactions.
- 11) Supervise to ensure that a procedure exists for the management letter from external auditors and the management team's opinions of the executives to be submitted to the board of directors within an appropriate timeframe.
- 12) Provide check-and-balance mechanisms between the management team and/or major shareholders at appropriate levels by determining an appropriate composition or number of the independent directors in the board of directors.
- 13) To approve any issues, a quorum shall consist of two-thirds of the total number of Directors.
- 14) Ensure that the directors attend the meeting at least half of all meetings held each year.

In case of any director or person who has interests or may has conflicts of interest, 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 Authorities of the Board of Directors

The summary of the Board of Directors' authorities are as follows;

- Administrative consideration
- To consider approval of the plans and strategies business
- 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, 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, 2016, the executive directors committee consists of 4 directors as follows:

1. Mr. Rutt Phaniijphand
Chairman of the Executive Director
2. Mr. Naporn Sunthornchitcharoen
Executive Director
3. Mr. Khunnawut Thumpomkul
Executive Director
4. Mrs. Sasitorn Phongsothorn
Executive Director
Mr. Vichian Amornpoonchai
Secretary

Scope of Authorities and Duties of the Executive Directors Committee

The executive directors committee has the authorities and duties which were approved by board of directors as follows:

- 1) Propose the policies, strategies and directions of the company's operations to the company's Board of Directors and implement following the approved policies.
- 2) Consider any issue/task prior to proposing to the company's board of directors.
- 3) Manage and develop the organization productively.
- 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 the significant issues of the company to the company's board of directors.
- 6) Perform other duties assigned by the company's board of directors.

In case of any executive director or person who has interests or may has conflicts of interest, 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 2016, the Audit Committee consists of 3 directors as follows:

1. Mr. Phairoj Hengsakul¹
Chairman of the Audit Committee
2. Mr. Adul Vinaiphat
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 authorities and duties which were approved by board of directors 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 the accurate and comprehensive disclosures of the company's information, especially where related to party or conflicts of interest.
- 6) Prepare the corporate governance report of the Audit Committee 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 2016, 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 authorities and duties which were approved by board of directors as follows:

- 1) Determine and review the good corporate governance policy.
- 2) Determine and review the anti-corruption policy.
- 3) 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) Carry out the internal evaluation under the corporate governance criteria in order to determine areas for improvement.
- 5) Represent the company in communication and execution of corporate governance activities and anti-corruption with the executives, employees and external agencies.
- 6) Perform any other duties as assigned by the company's board of directors with consent from the corporate governance committee.

5. Nomination and Remuneration Committee

As at 31 December 2016, the Nomination and Remuneration Committee consists of 3 directors as follows:

1. Mr. Adul Vinaiphat
Chairman of the Nomination and Remuneration Committee
2. Mr. Naporn Sunthornchitcharoen
Member of the Nomination and Remuneration Committee
3. Mr. Somsak Assavapokee
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 authorities and duties which were approved by the board of directors as follows:

- 1) Determine the following policies as follows:
 - 1.1 Determine policy, criteria and procedures for nominating the company's directors or the top executives from the position of the senior executive vice president or above.
 - 1.2 The remuneration policy and other benefits for the company's directors or the top executives especially the position of the president or higher must have clear and transparency criteria to propose the company's board of directors for approval.
- 2) Select and propose the names of qualified candidates for the following positions to be proposed to the company's board of directors.
 - 2.1 Directors (addition/substitution/rotation)
 - 2.2 The top executives from the position of the senior executive vice president and higher
- 3) Responsible for managing the appropriate remuneration (remuneration as a director / compensation rank / allowance) or bonus for the directors and the top executives from the position of the president or higher received or bonus related their duties and responsibilities of the company.
- 4) Determine guidelines of the performance evaluation of the company's top executives especially the position of the president in order to consider and adjust the annual return rate with regards to the duties and responsibilities to the company.
- 5) Consider the budget for an annual salary increase, annual bonus or other compensation payments of the employees to propose to the company's board of directors.
- 6) Disclosure the Nomination and Remuneration Committee's operations report in the company's annual report.
- 7) Perform other duties assigned by the Board of Director of the company.

Criteria for the Nomination of the Directors, the Independent Directors, and the Executives of the Company

1. Nomination of the Directors and the Independent Directors

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 organization requirements and good corporate 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 has given opportunities 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. The details are presented in the business sustainability report, under the topic of good corporate governance.

The nomination and remuneration committee shall propose the company's board of directors to appoint director and/or independent director, in place of the vacancy of the directors 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 the company's directors is determined at the shareholders' meeting but shall not be less than five directors. In addition, the company's directors consists of the directors who are the executives not more than one third and the independent directors must have at least three directors or at least one third, which ever number is greater.

- Directors Nomination

1. In voting to elect the directors, the shareholder meeting shall elect the directors by cooperating to the rules and methods as follows:

- (A) One share is entitled to one vote.
- (B) Each shareholder then may cast his votes by casting all of his votes for one candidate 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. The Executives Nomination

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 the top executives including the 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 company's board of directors for the operation to achieve targets successfully. The top executives and the company's board of directors must have trustworthiness, and closely coordinate with one another. The nomination and remuneration committee shall nominate selected persons to the company's board of directors for further appointment.



For the case of other executive positions, the president shall consider qualifications for approval and appointment.

Independent Directors Qualifications

Nomination and appointment of the independent directors must have qualifications that are required by the company and consistent with the practices of good corporate 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:

The independent directors qualifications 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 qualifications as follows;

- (1) Not hold shares more than 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, the employees or the advisors which receive 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 the executives or major shareholders of the company or subsidiary, or of any person having relationship or being relatives of the top executives or major shareholders 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.

6. Risk Management Committee

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

1. President

Chairman of the Risk Management Committee

The directors from Land and Houses Bank

Public Company Limited

2. Senior Executive Vice President

Member of the Risk Management Committee

3. Executive Vice President,

Risk Management Group

Member of the Risk Management Committee

4. Executive Vice President,

Information and Technology Group

Member of the Risk Management Committee

The director from Land and Houses Securities

Public Company Limited

5. Chief Marketing Officer

Member of the Risk Management Committee

The director from Land and Houses Securities

Public Company Limited

6. Chairman of the Risk Management Committee

Member of the Risk Management Committee

Senior Vice President of Risk Management Department

Land and Houses Bank Public Company Limited

Secretary

Scope of Authorities and Duties of the Risk Management Committee

The Risk Management Committee has the authorities and duties which were approved by board of directors as follows:

- 1) Determine policies and guidelines of the risk management 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 policies 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 etc.

- 2) Determine the strategy in line with the risk management policy so that it can be evaluated, monitored and kept appropriate level of risk of the financial business group.
- 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 manage the company within the financial business group to operate their business in conformity with the company risk management policy and comply with 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.

The Company's Board of Directors Meetings

LH Financial Group Public Company Limited regularly holds the company's 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 of each quarter, following up the company's performances and the financial group's performance, which the company has sent in advance both of the invitation letter and the meeting agenda including the documents to allow the directors to have sufficient time considering the information. The minutes are recorded in writing and keep the minutes which have been approved by the company's board of directors accountability.

In 2016, the meeting of the company's board of directors and the subcommittees consist of the detail of each director meeting attendance, the number of the meeting and the number of times each director attended the meeting are summarized in the table below.



Table: Meeting Attendance Records of the Board of Directors of LH Financial Group Public Company Limited in 2016

Name of Directors	Number of Meeting Attendance					
	Board of Directors	Executive Directors Committee	Audit Committee	Corporate Governance Committee	Nomination and Remuneration Committee	Risk Management Committee
<i>Total Meetings</i>	15	24	12	2	1	4
1. Mr. Anant Asavabhokhin	14	-	-	-	-	-
2. Mr. Rutt Phaniiphand	15	24	-	-	-	-
3. Mr. Phairoj Hengsakul	15	-	12	2	-	-
4. Mr. Adul Vinaiphat	15	-	12	2	1	-
5. Mr. Somsak Assavapokee	14	-	12	2	1	-
6. Mr. Khunnawut Thumpomkul	14	19	-	-	-	-
7. Mr. Naporn Sunthornchitcharoen	14	24	-	-	1	-
8. Mrs. Suwanna Buddhaprasart	13	-	-	-	-	-
9. Mrs. Sasitorn Phongsathorn	15	23	-	-	-	4
10. Mrs. Suthartip Phisitbuntoon ^{/1}	-	-	-	-	-	4
11. Mr. Thanee Phalawong ^{/2}	-	-	-	-	-	4
12. Mr. Kant Athatamsuntorn ^{/3}	-	-	-	-	-	-
13. Mrs. Ravewan Wattananukij ^{/4}	-	-	-	-	-	-

Note :

^{/1} Refers to senior executive vice president of credit group, Land and Houses Bank Public Company Limited

^{/2} Refers to executive vice president of information and technology group, Land and Houses Bank Public Company Limited

^{/3} Refers to chief marketing officer, Land and Houses Securities Public Company Limited

Appointed as the member of the risk management committee since November 1, 2016 and not have arranged meeting.

^{/4} Refers to the chairman of the risk management committee, Land and Houses Fund Management Company Limited

Appointed as the chairman of the risk management committee since November 1, 2016 and not have arranged meeting.

7. The Executive

As at 31 December 2016, the Company has 1 executive as follows:

Name of the Executive	Position in the Company	Position in the Subsidiary ^{/1}	Position in the Subsidiary ^{/2}	Position in the Subsidiary ^{/3}	Position in the Subsidiary ^{/4}
1. Mrs. Sasitorn Phongsathorn	President Executive Director Chairman of the Risk Management Committee	President Executive Director Chairman of the Risk Management Committee	Director Chairman of Executive Director	Director	Director

Note :

The Company refers to LH Financial Group Public Company Limited

The Subsidiary^{/1} refers to Land and Houses Bank Public Company Limited

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

The Subsidiary^{/3} refers to Land and Houses Fund Management Company Limited

The Subsidiary^{/4} refers to Land and Houses Advisory Company Limited

Scope of Authorities 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 financial, 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 company's board of directors and the subcommittees appointed by it.

In case of the president or person who may has a conflict of interest, 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 company's board of directors has appointed Mr. Vichian Amornpoonchai, First Senior Vice President, Office of President, Land and Houses Bank Public Company Limited, as a company secretary since May 15, 2009, who acts as a company secretary as required by the laws. The company's board of directors has supported and encouraged the company secretary to join training and develop knowledge continuously in the area of law, accounting or performing duty of the company secretary.

Duties and Responsibilities of the Company Secretary

1. To prepare document and keep records of the following documents;
 - 1.1 The director's registration documents
 - 1.2 The invitations to the 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 the executives are responsible for reporting its interest and relevance to the bank.)
 - 2.2 The company secretary sends a copy of the report to the chairman and the chairman of the audit committee 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 the Directors and the Executives

Remuneration of the Directors and the Executives Policy

The remuneration of the board of directors has been determined by the shareholders meeting, 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 company's 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 remuneration and meeting allowances. In addition, the remuneration of directors has passed the company's 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 2016 Annual General Meeting of Shareholders of LH Financial Group Public Company Limited, on 25 April 2016, had approved the monthly remuneration and meeting allowances as follows;

Table: The Remuneration of the Directors for the Year 2016 and 2015

Position	Remuneration (per month)		Allowance (per time)									
			The Board of Directors		The Executive Directors Committee		The Audit Committee		The Corporate Governance Committee		The Nomination and Remuneration Committee	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
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	-	-	-	-	-	-	-	-	-	-



Directors' pensions

The shareholder meeting has determined the directors' pensions in form of monetary, by the proposal of the nomination and remuneration committee to the company's board of directors for approval. In the year 2016, the company's board of directors has determined the directors' pensions total Baht 5.0 million.

The Remuneration of the Executives

- None -

Other Remuneration

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.

Other Remuneration of the Directors

- None -

Other Remuneration of the Executives

- None -

The Remuneration and Pensions of the

Directors

In the year 2016, the company has paid the remuneration which consists of monthly remuneration, meeting allowances and pensions total Baht 14,770,000 as the table below;

Table: The Remuneration and Pensions of the Directors for the Year 2016 and 2015

Name of the Directors		Date appointed as Director	2016			2015		
			Remuneration/ Meeting Allowances/ Pensions (Baht)	Bonus (Baht)	Other Remuneration Benefits ^{/1} (Baht)	Remuneration and Meeting Allowances (Baht)	Bonus (Baht)	Other Remuneration Benefits ^{/1} (Baht)
1. Mr. Anant	Asavabhokhin	22 April 2009	1,899,473.68	-None-	-None-	1,080,000	-None-	-None-
2. Mr. Rutt	Phanijphand	22 April 2009	2,046,315.79	-None-	-None-	1,500,000	-None-	-None-
3. Mr. Phairoj	Hengsakul	22 April 2009	1,716,315.79	-None-	-None-	1,115,000	-None-	-None-
4. Mr. Adul	Vinaiphat	22 April 2009	1,656,315.79	-None-	-None-	1,110,000	-None-	-None-
5. Mr. Somsak	Assavapokee	9 October 2014	1,611,315.79	-None-	-None-	1,060,000	-None-	-None-
6. Mr. Naporn	Sunthornchitcharoen	3 May 2011	1,791,315.79	-None-	-None-	1,240,000	-None-	-None-
7. Mrs. Suwanna	Buddhaprasart	3 May 2011	1,306,315.79	-None-	-None-	780,000	-None-	-None-
8. Mr. Khunnawut	Thumpomkul	14 August 2013	1,736,315.79	-None-	-None-	1,080,000	-None-	-None-
9. Mrs. Sasitorn	Phongsathorn	22 April 2009	1,006,315.79	-None-	-None-	480,000	-None-	-None-
Total			14,770,000.00			9,445,000		

Note ^{/1} Other remuneration benefits include shares, debentures, and other monetary and non-monetary benefits, part 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, 2016 and December 31, 2015

Name of the Directors	Position	31 December 2016				31 December 2015			
		Number of Shares Held				Number of Shares Held			
		The company	The subsidiary ¹	The subsidiary ²	The subsidiary ³	The Company	The subsidiary ²	The Company	The subsidiary ³
1. Mr. Anant Asavabhokhin	Chairman	4,634,761,967 shares (33.982%) hold by Land and Houses PLC	-None-	-None-	-None-	4,634,761,967 shares (33.982%) hold by Land and Houses PLC	-None-	-None-	-None-
2. Mr. Rutt Phanijphand	Chairman of Executive Director	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
3. Mr. Phairoj Hengsakul	Independent Director Chairman of the Audit Committee Member of the Corporate Governance Committee	5,606,797 shares (0.041%) (Decreased 15.14%)	-None-	-None-	-None-	6,606,797 Shares (0.048%)	-None-	-None-	-None-
4. Mr. Adul Vinaiphat	Independent Director Chairman of the Nomination and Remuneration Committee Chairman of the Corporate Governance Committee	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
5. Mr. Somsak Assavapokee	Member of the Audit Committee Independent Director Member of the Audit Committee Member of the Nomination and Remuneration Committee Member of the Corporate Governance Committee	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
6. Mr. Naporn Sunthornchitharoen	Executive Director Member of the Nomination and Remuneration Committee	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
7. Mr. Khunnawut Thumpomkul	Executive Director	2,700,066 shares (0.020%) hold by spouse	-None-	-None-	-None-	2,700,066 shares (0.020%) hold by spouse	-None-	-None-	-None-
8. Mrs. Suwanna Buddhaprasart	Director	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
9. Mrs. Sasitorn Phongsathorn	Executive Director President Chairman of the Risk Management Committee	1,356,522 shares (0.010%) (Increased 11.50%)	-None-	-None-	-None-	1,216,592 shares (0.009%)	-None-	-None-	-None-

Note :

The Company refers to LH Financial Group Public Company Limited

The Subsidiary¹ refers to Land and Houses Bank Public Company Limited

The Subsidiary² refers to Land and Houses Securities Public Company Limited

The Subsidiary³ refers to Land and Houses Fund Management 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 has 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;

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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
 - 2.3 Land and Houses Fund Management 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.

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.

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

Under Basel III framework, the bank and the financial group have to maintain a minimum ratio of total capital to risk-weighted assets not to be less than 8.5%. Additionally, the ratio of Tier 1 capital to risk-weighted assets cannot be less than 6% and Common Equity Tier 1 to risk-weighted assets cannot be less than 4.5%.

Moreover, The Bank of Thailand has regulations for financial groups to maintain their Capital Buffer in order to support their loss in a crisis (conservation buffer) as well as a commercial bank by determining the ratio of Capital Tier 1 (retained earnings and common stock) to risk assets by 2.5% more. The financial groups are allowed to gradually increase the ratio by more than 0.625% each year starting from January 1, 2016 to January 1, 2019.

As at 31 December 2016, the total Capital to risk weighted asset ratio (BIS)'s of the financial group was 13.95%, Tier 1 was 10.58% and Tier 1 ratio of the Common Equity was 10.58% 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 23,049.90 million, which can be divided into tier 1 capital funds of Baht 17,485.88 million or 75.86% of total capital funds before deduction and tier 2 capital funds of Baht 5,564.02 million or 24.14% 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

As at 31 December 2016, the company has three subsidiaries which are Land and Houses Bank Public Company Limited, Land and Houses Securities Public Company Limited and Land and Houses Fund Management 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.

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:

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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%.

Moreover, The Bank of Thailand has regulations for financial groups to maintain their Capital Buffer in order to support their loss in a crisis (conservation buffer) as well as a commercial bank by determining the ratio of Capital Tier 1 (retained earnings and common stock) to risk assets by 2.5% more. The financial groups are allowed to gradually increase the ratio by more than 0.625% each year starting from January 1, 2016 to January 1, 2019

As at 31 December 2016, the total Capital to risk weighted asset ratio (BIS)'s of the financial group was 13.75%, Tier 1 was 10.24% and Tier 1 ratio of the Common Equity was 10.24% which higher than the BOT's minimum capital ratios.

The bank's capital funds following the criteria of Basel III totaled Baht 22,330.75 million, which was Tier 1 capital fund and Common equity Tier 1 capital fund was Baht 16,628.92 million or calculated as 74.47% of total capital fund and Tier 2 capital fund was Baht 5,701.82 million or calculated as 25.53% 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 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/debts and appoints the Credit Monitoring Committee to monitor and supervise.

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 53.22% of the credit fund. The guarantee in the type of real estate is calculated as 92.09% 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 2016, the net investment was Baht 49,978 million divided into available for sale investment with the fair value of Baht 4,169 million and the held to maturity debt securities of Baht 45,804 million. Moreover, there was also general investment which was the equity instrument which was not in the domestic market demand for Baht 5 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 set 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 Fund Management Company Limited (Subsidiary)

Overview of Risk Management

Land and Houses Fund Management Company Limited is a financial business related to other asset management. Therefore, the risks may occur such as Market Risk, Credit Risk, Liquidity Risk, Operational Risk and also Legal Risk. 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 systemically monitors and controls risk management by clearly setting out structure, size risk and funds under management of the company.

Operational Risk Management Policy

The risk management policies have main objectives to supervise and oversee the implementation of risk management of the company by focusing systemically on the process of risk management, the responsibilities and the role of involved employees. Including risk identification, the model selection for risk evaluation, monitoring and report, including stipulation of the risk limitation to observe the risks before the damage and can be a tool for executives in order to support the decision of management to achieve the goal of the company.

Risk Management Structure

The company has the risk management structure as follows:

1. 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.

2. 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.

3. 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.

4. Investment Committee has the duty and responsibility in setting out scope and strategy for the investment strategies and policies of the Fund as well as observing, and monitoring the conformity to the approved policy according to the framework and investment management ethics policy.

5. Investment Property Committee has the duty and responsibility in the investment which involved with the Real Estate Investment Trusts and Property Funds and determination of the criteria in approving real estates which the Trusts interested as well as following up and evaluation of Fund operation.

Moreover, the company has the many sub committees such as the Executive committee, Business Development Committee for monitoring and controlling the specific risk. Risk Management department is responsible for the risk management and developing tools in order to evaluate, follow up and create a risk management report in all aspects for controlling risk in the acceptable level and review to the Risk Management Committee, the Investment Committee and The Board of Directors of the company. The company also has the Control Group has its duty and responsibility for audit investment activities and related work regarding to the laws, regulations, announcements and report directly to the Audit Committee.

Risk Factors

Land and Houses Fund Management Company Limited is a Fund management business directly related to money market and economic conditions inside and outside the country which are changing rapidly. The business environment such as the changes of government rules and regulations, the politic issues are the significant factors influenced the business in fund management also.

The risk management of the company divided into five aspects of Market Risk, Credit Risk, Liquidity Risk, Operational Risk and Legal Risk. The Company has policies and operation in risk management as follows;

1. 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.

The company has investment risk management of the Fund by setting investment portfolio and determining the ratio of investment in each asset category to reduce the investment risk as well as using VAR, Beta, Duration and limitation of risk. The Risk management department has duty in monitoring and reporting risk daily and testing the accuracy of the model and market stress test regularly.

2. Credit Risk

Credit risk refers to the risks that may occur from the counterparties failing to perform in comply with the covenants as stating in the contract agreement and cannot pay to the fund.

The company has strictly controlled process in Credit Risk management such as investment selective criteria by using Top-Down Approach and Bottom-Up Approach, determining criteria for selecting partners using qualitative method and credit rating. Moreover, the Company also has the credit control in Minimum Acceptable Credit for debt instrument and equity instrument which is based on principles set by the authorities, and government rule and by the company divided into two levels as follows;

- 1) Total amount of credit limit from all funds under management of the company
- 2) Credit limit of fund



3. Liquidity Risk

Liquidity risk is the risk that the fund is not able to maintain the liquidity enough for redemption of shares as well as the risk which occurred because the fund cannot sell its securities or cannot cancel the futures contract at the market price from the lack of liquidity or arising of crisis.

To ensure that the funds under the company operation can adequately sustain the liquidity, The company regularly emphasizes in all redemption of shares and maintains the fund liquidity focused on investment in debt securities comply with the regulations of the Securities and Exchange Commission.

4. 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 which can impact to the company revenue and profit.

The company has developed the tools used for Risk management operation, for example, collecting Incident Report which specifies details including guidelines to solve and prevent incidents, providing manuals for management and employee development including investment for information technology which can reduce the chance of risks.

In addition, the company has Business Continuity Plan to carry out its business under emergency circumstances such as disasters which may occur so that the company can provide service continuously or reduce the operational disruption of the Company at acceptable level which is tested annually to ensure that companies can operate the business under various crises effectively.

Legal risk is a part of operational risk. Legal risk refers to the risk which may damage the company by the deliberate of the action that not comply the laws and regulations such as providing the agreements which do not have a system to verify the authority of the customers or operating process of the employees are not comply with laws and regulations. The company emphasizes and provides the specific risk management process such as drafting and preparation of company's standard contract or any agreement must be verified by lawyers or legal advisor and the control group of the company before implementation. The Company determines the process to open trading unit that customers must have a complete document for opening an account and supervising employees to operate their work strictly

regarding the job manual, laws, rules, regulations and also ethics for business management.

5. Strategic Risk

Strategic Risk refer to the risk from determination of strategic risk plan, operational risk and implementation of the plan that is inappropriate and inconsistent with internal factors and external environment that may affect earnings, capital fund or viability of the business.

The company has the strategic risk management guidelines consists of directors and executives must have an appropriate experience, independent, business operation policy, strategic plan, clearly operational plan, high-potential and quality of employee, training course, management risk process and obtaining adequate information. The Board of Directors will to review the business operation policy, strategic plan and the annual operation of company plan for evaluate of potential policy and review the company's annual budget plan.

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

Overview of Risk Management

Land and Houses Securities Public Company Limited (LHS) is in securities business which is a member No.5 of The Stock Exchange of Thailand. 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.

Risk Management Policy

Risk Management Policy has main objectives in determining basic policies and controlling procedure in risk management of the organization by controlling activities and operations in order to conduct risk management process to run properly and effectively which can reduce the cause of damage. Nowadays, the company categorizes type of risks following by the regulations of The Securities and Exchange Commission as follows:

1. Liquidity Risk
2. System and overall of operation
3. Customer Relationship Risk
4. Information Technology Risk
5. Credit Risk
6. Market Risk
7. Legal Risk

Risk Management Structure

The company has risk management structure which conforms to good corporate governance policies as follows:

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

2. Risk Management Committee has the duty and responsibility in regulating the policies and strategies of risk management which related to business plans and business strategies of the organization.

Risk Factors

Land and Houses Securities Public Company Limited is in securities business which is directly related to money market and economic conditions inside and outside the country which are changing rapidly. The business environment such as the changes of government rules and regulations, the politic issues are the significant factors influenced the business also. The risk management of the company divided into 8 aspects of risk by unable to perform a business contingency as follows;

1. Risk Incurred by Competition

Since 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. The revenue from securities business tends to decrease although the value of buying securities rises. Therefore, if the company cannot maintain its good service, the company may lose the market share.

The company recognized such risk and focuses on intensive competition by determining strategies which emphasize in sustainable expansion of customer base via the effective channel of Land and Houses Financial Group and also develop employees' ability for competition. Additionally, 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 and to reduce complex process and to improve quality of service.

2. Risk Incurred by Variety of Customer Base

The company has a variety of customer base and has a plan to expand its customer base such as individual customer, institutional customers and develop buying and selling securities order system via internet to gain more customers who want to make and order by themselves.

3. 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.

4. 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.

5. Risk Incurred by Doubtful Debts and Bad Debts of Securities Debtors

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. 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.

6. Risk Incurred by Changes of Policies, Regulations, Rules and Laws

Changes of policies, regulations, rules and laws namely changes in rules and management process, changes in buying and selling system, changes of fees and charges, etc. which affect to operation of the company.

The company managed the risks by monitoring the changes of policies regularly and also assigned its staffs attending the meetings to share their opinions to other organization. Moreover, the compliance unit of the company also announces such change to employees.

7. Risk Incurred by Securities Market and Return from Investment

The risk incurred by securities market and return from investment is the risk that the company may not receive the return from investment as the company predict before. The company, therefore, determines the clear processes and policies which cover equity instrument and bond together with defines risk level of investment port which can be acceptable and limits the loss which may occur.

The company has reviewed investment policies consistently in order to be in line with changes in market condition

8. 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
	Mr. Vichian	Amornpoonchai	Secretary

The Executive Directors Committee has performed duties under the scope of responsibilities assigned by the company's board of directors. In 2016, 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 every time. The summary is as follows;

- Propose the strategies and directions of the company's operations in the year 2016 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 and evaluate the operations to ensure they are in line with the strategic plans. Follow up 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 propose to the company's board of directors.
- Consider the performance evaluation for the president and propose 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 shares in the company of the financial business group as follows;

- Land and Houses Bank Public Company Limited 99.99% of total paid-up share capital
- Land and Houses Securities Public Company Limited 99.80% of total paid-up share capital
- Land and Houses Fund Management Company Limited 99.99% of total paid-up share capital

Therefore, the operating results of the company come from the performance of the core subsidiaries; Land and Houses Bank Public Company Limited, Land and Houses Securities Public Company Limited and Land and Houses Fund Management Company Limited.

2016 Economic Overview and Outlook in 2017

2016 Economic Overview

In 2016, the Thai economy expanded at a greater pace than the previous year, mostly on account of higher-than-expected growth in the first half of the year that was particularly contributed by private consumption. Public spending-both government consumption and investment-continued to expand well and remained an important economic growth driver. However, the tourism sector, which is a key driver of the Thai economy in recent periods expanded at a somewhat slower were affected by the recent government's measure to curb illegitimate tour operators.

For the banking sector in the year 2016, loan growth continued to decelerate from the previous year, in both corporate and consumer loans. As the result of the slowdown in credit demand amid the gradual and uneven economic conditions, especially the sluggish recovery of private investment. Moreover, the commercial banks remain cautious in extending credit after the loan quality worsened. The ratio of non-performing loans to total loans (NPL ratio) rose from 2.55% at the end of 2015 to 2.83% at the end of the year 2016. However, Thai commercial banking system's remained stable with high level of loan loss provision and a capital fund to facilitate credit expansion going forward.

Economic Outlook for 2017

The Thai economy in 2017 is projected to expand by 3.0% - 4.0%, at a rate close from the previous year, due to

1. The strong expansion of public spending on the back on the progress of transport infrastructure development plan and the additional stimulus measure.
2. The gradual improvement in household income from both a pickup in export-related earning and a stronger recovery in farm income which will contribute to an increase in household consumption.
3. The gradual recovery of the merchandise exports. While the key risk factors for the Thai economy in 2017 are a fragile global recovery and uncertainties in economic and monetary policies of the major advanced economies that could add volatility to global financial market and may have an impact on the real economy.

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, especially a concern on loans for SMEs affected by export decelerated in recent period. In addition, the fragility of household purchasing power and low confidence of business investment 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		2016	2015	2014
Profitability Ratio				
Gross profit margin	%	47.34	43.39	33.81
Net profit margin	%	38.70	29.80	28.29
Return on equity	%	14.09	9.65	7.67
Yield on interest income	%	4.34	4.86	5.06
Yield on interest expense	%	2.10	2.56	3.00
Net interest margin	%	2.24	2.30	2.06
Return on investment	%	6.51	5.61	5.98
Efficiency Ratio				
Net interest income to assets ratio	%	2.35	2.39	2.15
Return on assets	%	1.31	0.91	0.77
Total assets turnover	(Time)	0.03	0.03	0.03
Financial Ratio				
Debt to equity ratio	(Time)	9.44	10.12	9.13
Loans to borrowings ratio	%	83.36	83.90	93.64
Loans to deposits ratio	%	94.77	97.27	94.49
Deposits to total liabilities ratio	%	77.72	75.43	82.48
Dividend payout ratio	%	70.39	44.42	58.88
Total capital funds to risk assets ratio	%	13.947	14.29	n/a
Asset Quality Ratio				
Loan loss reserve ratio	%	2.19	1.92	1.85
Non-performing loan to total loans ratio	%	1.79	1.91	2.04
Accrued interest receivables to total loans ratio	%	0.16	0.17	0.21
Comparing per Share (Baht)				
Book value per share	(Baht)	1.4896	1.3162	1.2339
Earnings per share (EPS)	(Baht)	0.1977	0.1211	0.0892



Overall Performance

The analysis of operating results of LH Financial Group Public Company Limited and its subsidiaries performance are comparative performance of the year 2016 compared to the year 2015.

In 2016, the company and its subsidiaries had profits before income tax expenses in consolidated financial statement totalled Baht 3,340.54 million, increased by Baht 1,286.38 million or up to 62.62% compared to the year 2015. After deducting income tax expenses totalled Baht 644.10 million, the company had profits totalled Baht 2,696.44 million, increased by Baht 1,044.73 million or up to 63.25% compared to the year 2015. An increase in net profit was mainly from the increase of net interest income 10.82% and net fees and service income 46.14% following the expansion of all loans and return on sales of financial products and

services. The company and its subsidiaries had profits from operating before bad debts and doubtful accounts totalled Baht 4,365.54 million, increased by Baht 1,221.77 million or up to 38.86% compared to the year 2015.

The profits from operating margin before bad debts and doubtful accounts to total revenues ratio in 2016 was 62.66%, increased from the year 2015 which at 56.71%, mainly from an increase in net fees and service income following the expansion of loans, return on products dealer and financial services included from dividend income and gains on investment management of the financial business group.

Basic earnings per share for the year 2016 was Baht 0.1977 per share, compared to the year 2015 at Baht 0.1211 per share. The return on equity (ROE) for the year 2016 was 14.09% and the year 2015 was 9.65%.

Table: Operating Results

Operating Results	Consolidated Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,838.99	4,366.43	3,381.93	472.56	10.82
Net fees and service income	510.60	349.38	216.22	161.22	46.14
Total other income	1,617.47	827.61	648.54	789.86	95.44
Total operating income	6,967.06	5,543.42	4,246.69	1,423.64	25.68
Other operating expenses	(2,601.52)	(2,399.65)	(2,045.05)	201.87	8.41
Profits from operation	4,365.54	3,143.77	2,201.64	1,221.77	38.86
Bad debts, doubtful accounts and impairment loss	(1,025.00)	(1,089.61)	(710.00)	(64.61)	(5.93)
Profits before income tax expenses	3,340.54	2,054.16	1,491.64	1,286.38	62.62
Income tax expenses	(644.10)	(402.45)	(290.25)	241.65	60.04
Profits for the year	2,696.44	1,651.71	1,201.39	1,044.73	63.25
Basic earning per share (EPS) (Baht)	0.1977	0.1211	0.0892		
Return on equity ratio (ROE) (%)	14.09	9.65	7.67		
Return on assets ratio (ROA) (%)	1.31	0.91	0.77		

1.1 Structure of Operating Income

Structure of operating income of the company and its subsidiaries for the year 2016, 2015 and 2014 are as follows:

Operating Income

In 2016, the company and its subsidiaries had operating income totalled Baht 6,967.06 million, increased by Baht 1,423.64 million or up to 25.68% compared to the year 2015 due to an increase in net interest income, net fees and service income and gains on investments. In 2016, interest expenses was Baht 3,971.04 million, decreased by Baht 156.42 million or down 3.79% compared to the year 2015. The details are as follows:

Net Interest Income

Net interest income were Baht 4,838.99 million, increased by Baht 472.56 million or up 10.82% compared to the year 2015 due to an increase of interest income from investments in debt securities and loans to customers.

Interest expenses were Baht 3,971.04 million, decreased by Baht 156.42 million or down 3.79% compared to the year 2015, reflect good efficiency of cost management and ability in creating efficiency return on assets.

Net Non-Interest Income

Net non-interest income included net fees and service income and other income (which comprised gains on trading and foreign exchange transactions, gains on investments, dividend income and other operating income). Net non-interest income continuously increased from Baht 1,176.99 million in 2015 to Baht 2,128.07 million in 2016, increased by Baht 951.08 million.

Table: Operating Income

Operating Income	Consolidated Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest income	8,810.03	8,493.89	7,455.08	316.14	3.72
Interest expenses	(3,971.04)	(4,127.46)	(4,073.15)	(156.42)	(3.79)
Net interest income	4,838.99	4,366.43	3,381.93	472.56	10.82
Fees and service income	636.87	455.58	296.76	181.29	39.79
Fees and service expenses	(126.27)	(106.20)	(80.54)	20.07	18.90
Net fees and service income	510.60	349.38	216.22	161.22	46.14
Gains on trading and foreign exchange transactions	0.58	2.17	1.21	(1.59)	(73.27)
Gains on investments	1,188.49	673.39	491.42	515.10	76.49
Dividend income	396.62	126.15	131.68	270.47	214.40
Other operating income	31.78	25.90	24.23	5.88	22.70
Total other income	1,617.47	827.61	648.54	789.86	95.44
Total operating income	6,967.06	5,543.42	4,246.69	1,423.64	25.68



- Net Fees and Service Income

Net fees and service income was Baht 510.60 million, increased by Baht 161.22 million or up 46.14% compared to the year 2015, resulted from the sales promotion to increase the number of depositors. The increase of the commission fee, mutual fund management fee and selling agent fee from sales of financial products and services, i.e. insurance broker and sales support and fund selling agent etc.

- Other Income

Other income was Baht 1,617.47 million, increased by Baht 789.86 million or up to 95.44% compared to the year 2015, mainly from the increase of gain on investments and dividend income.

Other Operating Expenses

In 2016, other operating expenses were Baht 2,601.52 million, increased by Baht 201.87 million or up to 8.41% compared to the year 2015. It was mainly from an increase in employees' expenses of the subsidiaries that provide for business expansion.

Table: Other Operating Expenses

Other Operating Expenses	Consolidated Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employees' expenses	1,323.46	1,161.42	960.97	162.04	13.95
Directors' remuneration	19.71	23.76	11.42	(4.05)	(17.05)
Premises and equipment expenses	710.04	704.60	629.29	5.44	0.77
Tax and duties	220.64	218.42	193.51	2.22	1.02
Advertising and promotion expenses	105.48	96.16	83.89	9.32	9.69
Amortisation and intangible assets	70.42	69.17	58.75	1.25	1.81
Other expenses	151.77	126.12	107.22	25.65	20.34
Total other operating expenses	2,601.52	2,399.65	2,045.05	201.87	8.41
Total other operating expenses to total operating income ratio	37.34%	43.29%	48.16%		

- Employees' Expenses

Employees' expenses were Baht 1,323.46 million, increased by Baht 162.04 million or up to 13.95% compared to the year 2015, resulting from an increase in salary, annual bonus and the number of employees for business expansion.

As of 31 December 2016, The financial business group had 1,850 employees, increased by 63 employees or up to 3.53% compared to the year 2015, consist of ;

- Land and Houses Bank Public Company Limited had 1,692 employees, increased by 39 employees compared to the year 2015 mainly due to an increase in the number of branches had 133 branches, increased by 7 branches as the end of year 2015,
- Land and Houses Securities Public Company Limited had 98 employees, increased by 10 employees compared to the year 2015
- Land and Houses Fund Management Company Limited had 60 employees, increased by 14 employees compared to the year 2015.

- Premises and Equipment Expenses

Premises and equipment expenses were Baht 710.04 million, increased by Baht 5.44 million or up to 0.77% compared to the year 2015, as a result of branch expansion of subsidiaries and ATM expenses.

- Other Expenses

Other expenses was Baht 151.77 million, increased by 25.65 million or up to 20.34% compared to the year 2015.

The Financial Business Group	The Number of Employees (Person)		
	31 December 2016	31 December 2015	31 December 2014
LH Financial Group Public Company Limited	-	-	-
Land and Houses Bank Public Company Limited	1,692	1,653	1,524
Land and Houses Securities Public Company Limited	98	88	48
Land and Houses Fund Management Company Limited	60	46	35
Land and Houses Advisory Company Limited	-	-	2
Total	1,850	1,787	1,609

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 2016 and 31 December 2015.

Total Assets

As at 31 December 2016, total assets were Baht 212,147.18 million, increased by Baht 12,480.41 million or up to 6.25% compared to the year 2015. Core assets consist of loans to customer and accrued interest receivables - net 65.14% of total assets, followed by investments - net 24.83% of total assets.

Investments - Net

As at 31 December 2016, investments in securities which had book value was Baht 52,675.77 million, increased by Baht 5,472.81 million or up to 11.59% compared to the year 2015, mainly increase from invested in held-to-maturity debt securities.



Table: Total Assets

Total Assets	Consolidated Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	31 December 2016	31 December 2015	31 December 2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Assets					
Cash	2,109.18	2,242.59	2,503.97	(133.41)	(5.95)
Interbank and money market items - net	17,326.43	17,676.43	13,117.18	(350.00)	(1.98)
Investments - net	52,675.77	47,202.96	33,728.13	5,472.81	11.59
Loans to customers and accrued interest receivables					
Loans to customers	141,162.07	133,276.80	115,915.21	7,885.27	5.92
Accrued interest receivables	231.19	224.48	239.81	6.71	2.99
Total loans to customers and accrued interest receivables	141,393.26	133,501.28	116,155.02	7,891.98	5.91
Less: Deferred revenue	(91.77)	(179.45)	(281.52)	(87.68)	(48.86)
Allowance for doubtful accounts	(3,086.28)	(2,555.27)	(2,137.82)	531.01	20.78
Revaluation allowance for debt restructuring	(15.23)	(8.74)	(7.55)	6.49	74.26
Loans to customers and accrued interest receivables - net	138,199.98	130,757.82	113,728.13	7,442.16	5.69
Properties foreclosed	107.32	99.34	52.81	7.98	8.03
Premises and equipment - net	403.90	499.00	543.77	(95.10)	(19.06)
Intangible assets - net	302.39	297.29	291.45	5.10	1.72
Deferred tax assets	263.47	197.54	145.19	65.93	33.38
Accrued interest receivables on investments	295.84	305.40	345.39	(9.56)	(3.13)
Other assets - net	462.90	388.40	514.28	74.50	19.18
Total assets	212,147.18	199,666.77	164,970.30	12,480.41	6.25

Table: Investments Classified by Investment Classification at Book Value

Investments - Net	Consolidated Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	31 December 2016	31 December 2015	31 December 2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Trading investments					
Domestic listed equity securities	0.08	12.25	-	(12.17)	(99.35)
Total trading investments	0.08	12.25	-	(12.17)	(99.35)
Available-for-sale investments					
Domestic listed equity securities	6,636.59	2,145.47	1,638.64	4,491.12	209.33
Investment units	222.09	207.49	76.73	14.60	7.04
Total available-for-sale investments	6,858.68	2,352.96	1,715.37	4,505.72	191.49
Held-to-maturity investments					
Government and state enterprise securities	18,313.43	22,073.90	15,386.44	(3,760.47)	(17.04)
Private sector debt securities	22,417.36	17,399.35	15,262.82	5,018.01	28.84
Other debt securities	5,072.68	5,350.96	1,350.41	(278.28)	(5.20)
Total held-to-maturity investments	45,803.47	44,824.21	31,999.67	979.26	2.18
General investments - cost					
Domestic non-marketable equity securities	13.57	13.57	13.66	-	-
Less: Allowance for impairment	(0.03)	(0.03)	(0.57)	-	-
General investments - net	13.54	13.54	13.09	-	-
Investments - net	52,675.77	47,202.96	33,728.13	5,472.81	11.59

Total Liabilities

As of 31 December 2016, total liabilities were Baht 191,831.54 million, increased by Baht 10,115.62 million or up 5.57% compared to the year 2015, mainly from

deposits and debts issued and borrowings 77.72% and 10.60% of total liabilities, respectively.

Table: Liabilities Classified by Type of Liabilities

Liabilities Classified by Type of Liabilities	Consolidated Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	31 December 2016	31 December 2015	31 December 2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	149,097.14	137,064.32	122,631.90	12,032.82	8.78
Interbank and money market items	20,009.85	20,638.56	23,171.16	(628.71)	(3.05)
Liabilities payable on demand	75.99	176.52	109.95	(100.53)	(56.95)
Debts issued and borrowings	20,327.49	21,663.97	1,000.00	(1,336.48)	(6.17)
Others	2,321.07	2,172.55	1,770.94	148.52	6.84
Total liabilities	191,831.54	181,715.92	148,683.95	10,115.62	5.57

Owners' Equity

As of 31 December 2016, owners' equity was Baht 20,315.64 million, increased by Baht 2,364.79 million or up to 13.17% compared to the year 2015. Mainly from net profits from operation in 2016 totalled Baht 2,696.44 million.

1.3 Capital Adequacy

Sources and Uses of Fund

As of 31 December 2016, capital structure according to the consolidated financial statements comprised liabilities totalled Baht 191,831.54 million and owners' equity totalled Baht 20,315.64 million, or was 9.44 times of debt to equity ratio. Sources of fund composition in terms of liabilities included deposits 70.28% of sources of fund,

interbank and money market items 9.43% and debts issued and borrowings 9.58% and others 1.13%, while owners' equity 9.58%.

Relations of Sources and Uses of Fund

As of 31 December 2016, loans to customers (before deducting deferred revenue) totalled Baht 141,162.07 million. Loans to deposits ratio was 94.77%. 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 141,756.14 million, or 95.08% of total deposits. Loans receivable less than 1 year totalled Baht 62,856.32 million, or 44.53% of total loans. Deposits more than 1 year totalled Baht 7,341.00 million, or 4.92% of total deposits. Loans more than 1 year totalled Baht 77,965.12 million, or 55.23% of total loans.

Table: Sources and Uses of Fund

Periods	Deposits				Loans			
	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	141,756.14	95.08	129,078.24	94.17	62,856.32	44.53	49,125.24	36.86
More than 1 year	7,341.00	4.92	7,986.08	5.83	77,965.12	55.23	83,781.44	62.86
No maturity	-	-	-	-	340.63	0.24	370.12	0.28
Total	149,097.14	100.00	137,064.32	100.00	141,162.07	100.00	133,276.80	100.00

1.4 Change of Cash Flow

The cash of the company and its subsidiaries as at 31 December 2016 was Baht 2,109.18 million, decreased by Baht 133.41 million compared to the year 2015. Net cash provided by and used in activities as the following:

- Net cash provided by operating activities was Baht 2,500.61 million, which was from the profits from operation before changes in operating assets and liabilities totalled Baht 488.13 million and mainly change of assets and liabilities were loans to customers increased by Baht 8,507.32 million, interbank and money market items (assets) decreased by Baht 357.60 million, deposits increased by Baht 12,032.83 million and short-term debts issued and borrowings decreased by Baht 1,349.48 million.

- Net cash used in investing activities was Baht 2,196.95 million, mainly from invested in available-for-sale investments - net totalled Baht 3,964.73 million.

- Net cash used in financing activities was Baht 437.07 million, which was from dividend payment totalled Baht 450.07 million.

1.5 Adequacy of Liquidity

Liquid assets which consist of cash, interbank and money market net assets and net investments continuously increased from Baht 53,156.00 million in the year 2015 was Baht 57,020.33 million and in the year 2016 increased by Baht 3,864.33 million.

Items	31 December 2016	31 December 2015
	Amount (Million Baht)	Amount (Million Baht)
Total assets	212,147.18	199,666.77
Deposits	149,097.15	137,064.32
Loans to customers (net deferred revenue)	141,070.30	133,097.35
Liquidity assets	57,020.33	53,156.00
Loans/deposits (%)	94.77	97.27
Liquidity assets/total assets (%)	26.88	26.62
Liquidity assets/deposits (%)	38.24	38.78

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 Overview of Commercial Banking Industry and Competition in 2016 and Outlook in 2017

Overview of Commercial Banking Industry and Competition in 2016

In 2016, overview of the commercial banking industry continued slowdown from the previous year. Loan expanded by 2.1% from the previous year. And in 2016 the commercial banking system faced high levels of NPLs especially from 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 and pays attention to more careful in loan growth.

In deposit funding, all banks competed in offering deposit products and increased the bolowing both in issuing subordinated debt, and subordinated bonds in the country and overseas.

The ability to gain profits was good, net profit increased from the previous year, even though loans did not grow much due to commercial banks emphasized increasing the capital management efficiently both in interest and capital management. This resulted in the net profit of the commercial banking system in the year 2016 to increase 3.7% compared to the year 2015, and operating profits expanded by 4.2% from the year 2015.

Data of the Land and Houses Bank PLC Compared to Commercial Banking System As of 31 December 2016

(Unit : Million Baht)

	2016	2015	2014	Growth Rate (per year)		Growth Rate (per year) Average of past 2 years
				2016	2015	
Commercial Banking System						
Assets	15,941,608	15,546,336	14,790,545	2.5%	5.1%	3.8%
Loans	11,150,111	10,924,682	10,342,155	2.1%	5.6%	3.8%
Deposits	11,392,320	11,222,823	10,907,489	1.5%	2.9%	2.2%
Land and Houses Bank PLC						
Assets	209,695	198,039	164,818	5.9%	20.2%	12.8%
Loans	141,145	132,727	116,020	6.3%	14.4%	10.3%
Deposits	149,639	137,300	123,662	9.0%	11.0%	10.0%
LH BANK's Market Share						
Assets (%)	1.32	1.27	1.11	-	-	-
Loans (%)	1.27	1.21	1.12	-	-	-
Deposits (%)	1.31	1.22	1.13	-	-	-

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



Outlook of Commercial Banking Industry and Competition in 2017

From the prediction of GDP growth of Thailand in 2017 by the Office of the National Economic and Social Development Board or NESCB, the growth rate is predicted at 3.0%–4.0% or an average of 3.5% growth. This reflects a slow economic recovery but there is a high level of non-performing loans or NPLs in 2016 which is important for commercial banks to consider when it comes to loan approval in 2017. However, from the reports on expected growth of loans from many commercial banks show that loans in the commercial banking system will grow by 3.0% at the same growth rate of GDP.

The commercial banking system focuses on controlling the cost-to-income ratio. In 2016, many banks closed their branches or delayed new branch openings and decreased the number of branch employees to 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

The commercial banking 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 Baht 25 million to up to Baht 1 million effective 11 August 2020, focuses on creating revenue in every section such as interest income, non-interest income, fees income and effective control of operation costs including rapid technology development to fully enter the Digital Banking era.

Overall Performance

The analysis of operating results of Land and Houses Bank Public Company Limited performance are comparative performance of the year 2016 compared to the year 2015.

In 2016, the bank had profits totalled Baht 2,502.30 million, increased by Baht 871.64 million or up to 53.45% compared to the year 2015. An increase in profits for the year was mainly from the increase of net interest income up to 11.37% following the growth of all loans and other incomes (which comprise of profits from foreign exchange transaction, investment-net, dividend income and other operating incomes) increased by 81.95%.

Other operating expenses increased by Baht 122.68 million or up to 5.55% compared to the year 2015 due to the expansion of the bank's branches and the number of employees, which caused higher of employees' expenses and other expenses.

An allowance for doubtful accounts decreased by Baht 64.61 million or down 5.93% compared to the year 2015.

The profits from operating before bad debts and doubtful accounts to total revenues ratio in 2016 was 63.96%, increased from the year 2015 which was at 58.51%, 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 15.96%.

Basic earning per share in 2016 was Baht 1.79 per share, compared to the previous year increased by Baht 1.24 per share. The return on equity ratio (ROE) for the year 2016 was at 14.93% and the return on assets ratio (ROA) for the year 2016 was at 1.23%.



Table: Operating Results

Operating Results	Separate Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,838.04	4,344.06	3,382.45	493.98	11.37
Net fees and service income	261.15	228.28	155.68	32.87	14.40
Total other income	1,375.10	755.75	609.71	619.35	81.95
Total operating income	6,474.29	5,328.09	4,147.84	1,146.20	21.51
Other operating expenses	(2,333.27)	(2,210.59)	(1,949.50)	122.68	5.55
Profits from operation	4,141.02	3,117.50	2,198.34	1,023.52	32.83
Bad debts, doubtful accounts and impairment loss	(1,025.00)	(1,089.61)	(710.00)	(64.61)	(5.93)
Profits before income taxes expenses	3,116.02	2,027.89	1,488.34	1,088.13	53.66
Income tax expenses	(613.72)	(397.23)	(285.20)	216.49	54.50
Profits for the year	2,502.30	1,630.66	1,203.14	871.64	53.45
Earning per share (EPS) (Baht)	1.79	1.24	0.95		
Return on equity ratio (ROE) (%)	14.93	10.74	8.63		
Return on assets ratio (ROA) (%)	1.23	0.90	0.77		

2.1 Structure of Operating Income

Structure of operating income of Land and Houses Bank Public Company Limited is as follows:

Operating Income

In 2016, the bank had operating income totalled Baht 6,474.29 million, increased by Baht 1,146.20 million or up to 21.51% compared to the year 2015 due to an increase in interest income from loans following the expansion of loans and gains on investments as in the table below:



Table: Operating Income

Operating Income	Separate Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest income					
Loans to customers	6,459.89	6,259.57	5,570.29	200.32	3.20
Investments in debt securities	1,664.67	1,470.79	1,476.58	193.88	13.18
Interbank and money market items	607.36	633.24	298.51	(25.88)	(4.09)
Hire purchase	84.41	121.58	135.62	(37.17)	(30.57)
Total interest income	8,816.33	8,485.18	7,481.00	331.15	3.90
Interest expenses	(3,978.29)	(4,141.12)	(4,098.55)	(162.83)	(3.93)
Net interest income	4,838.04	4,344.06	3,382.45	493.98	11.37
Fees and service income	336.90	294.96	207.22	41.94	14.22
Fees and service expenses	(75.75)	(66.68)	(51.54)	9.07	13.60
Net fees and service income	261.15	228.28	155.68	32.87	14.40
Gains on investments	1,135.62	659.74	485.59	475.88	72.13
Dividend income	210.63	78.08	100.54	132.55	169.76
Other operating income	28.85	17.93	23.58	10.92	60.90
Total other income	1,375.10	755.75	609.71	619.35	81.95
Total operating income	6,474.29	5,328.09	4,147.84	1,146.20	21.51

Net Interest Income

In 2016, the bank had net interest income totalled Baht 4,838.04 million, increased by Baht 493.98 million or up to 11.37% compared to the year 2015 due to an increase in interest income from loans following the expansion of loans, and an increase in interest income from investments in debt securities following the increase of investments.

Interest expenses was Baht 3,978.29 million, decreased by Baht 162.83 million or down 3.93%, reflect the good efficiency of cost management and the ability in creating efficiency return on assets.

Net Non-Interest Income

Net non-interest income included net fees and service income and other income (which comprised gains on investments, dividend income and other operating income). In 2016, the bank had net non-interest income

totalled Baht 1,636.25 million, increased by Baht 652.22 million, or up 66.28% compared to the year 2015 as the following details.

- Net Fees and Service Income

The bank had net fees and service income totalled Baht 261.15 million, increased by Baht 32.87 million or up 14.40% compared to the year 2015, 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, insurance broker and sales support and fund selling agent etc.



- Other Income

The bank had other income totalled Baht 1,375.10 million, increased by Baht 619.35 million or up to 81.95% compared to the year 2015, 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 2016, net interest income after deducting bad debts, doubtful accounts and impairment loss was Baht 3,813.04 million, increased by Baht 558.59 million or up to 17.16% compared to the year 2015.

Bad Debts, Doubtful Accounts and

Impairment Loss

In 2016, the bank had bad debts and doubtful accounts and impairment loss was Baht 1,025.00 million, decreased by Baht 64.61 million or down 5.93% compared to the year 2015, loan loss reserves based on the guideline of the BoT was 185.50% in 2016 and 180.42% in 2015.

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	Separate Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,838.04	4,344.06	3,382.45	493.98	11.37
Bad debts, doubtful accounts and impairment loss	(1,025.00)	(1,089.61)	(710.00)	(64.61)	(5.93)
Net Interest Income after deducting bad debts, doubtful accounts and impairment loss	3,813.04	3,254.45	2,672.45	558.59	17.16
Loan loss reserves (%)	185.50	180.42	157.35		

Other Operating Expenses

Other operating expenses included employee's expenses, directors' remuneration, premises and equipment expenses, tax and duties, advertising and promotion expenses, amortisation and intangible assets, and other expenses. In 2016, the bank had other operating expenses totalled Baht 2,333.27 million, increased by Baht 122.68 million or up

5.55% compared to the year 2015. It was mainly from an increase in employees' expenses due to expand branches increased by 7 branches in 2015 to be 133 branches at the end of 2016. The operating expenses to total operating income ratio in 2016 was 36.04%, decreased from 2015 which was 41.49%, as the following:

Table: Other Operating Expenses

Other Operating Expenses	Separate Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016	2015	2014	Amount	%
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employees' expenses	1,159.31	1,056.99	912.14	102.32	9.68
Directors' remuneration	15.31	13.75	1.50	1.56	11.53
Premises and equipment expenses	659.97	667.22	610.34	(7.25)	(1.09)
Tax and duties	219.73	217.06	192.20	2.67	1.23
Advertising and promotion expenses	90.12	92.23	80.19	(2.11)	(2.29)
Amortisation and intangible assets	63.09	59.03	55.78	4.06	6.88
Other expenses	125.74	104.31	97.35	21.43	20.54
Total other operating expenses	2,333.27	2,210.59	1,949.50	122.68	5.55
Total operating expenses to total operating income ratio (%)	36.04	41.49	47.00		



2.2 Asset Management Efficiency

An Analysis of Financial Positions

An analysis of financial positions of the bank were a comparison of financial positions as of 31 December 2016 and 31 December 2015



Table: Total Assets

Total Assets	Separate Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Assets					
Cash	2,109.13	2,242.56	2,503.96	(133.43)	(5.95)
Interbank and money market items - net	17,961.03	17,742.12	13,083.09	218.91	1.23
Investments - net	49,978.12	45,965.02	33,180.41	4,013.10	8.73
Investments in a subsidiary	-	257.29	257.29	(257.29)	(100.00)
Loans to customers and accrued interest receivables					
Loans to customers	141,236.44	132,906.68	116,301.56	8,329.76	6.27
Accrued interest receivables	229.43	222.89	239.68	6.54	2.93
Total loans to customers and accrued interest receivables	141,465.87	133,129.57	116,541.24	8,336.30	6.26
Less: Deferred revenue	(91.77)	(179.45)	(281.52)	(87.68)	(48.86)
Allowance for doubtful accounts	(3,078.63)	(2,555.27)	(2,068.13)	523.36	20.48
Revaluation allowance for debt restructuring	(15.23)	(8.74)	(7.55)	6.49	74.26
Loans to customers and accrued interest receivables - net	138,280.24	130,386.11	114,184.04	7,894.13	6.05
Properties foreclosed	107.32	99.34	52.81	7.98	8.03
Premises and equipment - net	317.88	409.04	462.65	(91.16)	(22.29)
Intangible assets - net	180.24	181.27	183.94	(1.03)	(0.57)
Deferred tax assets	263.45	190.71	133.44	72.74	38.14
Accrued interest receivables on investments	295.84	305.40	345.39	(9.56)	(3.13)
Other assets - net	201.72	259.97	431.16	(58.25)	(22.41)
Total assets	209,694.97	198,038.83	164,818.18	11,656.14	5.89

Total Assets

Core assets of the bank included loans to customer and accrued interest receivables - net 65.94% of total assets, followed by investment - net 23.83% of total assets. As at 31 December 2016, total assets was Baht 209,694.97 million, increased by Baht 11,656.14 million or up to 5.89% compared to the year 2015, 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 2016, the bank had loans net of deferred revenue (including interbank and money market items) totalled Baht 157,493.84 million, increased by Baht 8,483.82 million or up to 5.69% compared to the year 2015. Mainly from Big Corporate & Corporate loans 64.08%, followed by Retail loans 19.77% of total loans. When they were classified by type of loans, mainly from Public Utilities and Services loans and Housing loans at 24.18% and 18.50% of total loans, respectively.

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

Loans Classified by Business Sector	Separate Financial Statements						Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016		2015		2014		Amount (Million Baht)	Ratio (%)
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)		
Big Corporate & Corporate loans	100,920.01	64.08	90,053.21	60.43	69,774.26	54.67	10,866.80	12.07
SMEs & SSME loans	25,441.42	16.15	27,143.71	18.22	25,486.31	19.97	(1,702.29)	(6.27)
Retail loans	31,132.41	19.77	31,813.10	21.35	32,356.97	25.36	(680.69)	(2.14)
Loans net of deferred revenue	157,493.84	100.00	149,010.02	100.00	127,617.54	100.00	8,483.82	5.69
Add : accrued interest receivables	243.64		236.52		244.93		7.12	3.01
Total loans and accrued interest receivables net of deferred revenue	157,737.48		149,246.54		127,862.47		8,490.94	5.69

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

Loans classified by type of loans	Separate financial statements						Change (2016 compared to the year 2015) Increase (decrease)	
	2016		2015		2014		Amount (Million Baht)	Ratio (%)
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)		
Housing loans	29,134.89	18.50	29,812.73	20.01	30,472.25	23.88	(677.84)	(2.27)
Manufacturing and commerce	27,844.63	17.68	27,390.76	18.38	22,909.61	17.95	453.87	1.66
Public utilities and services	38,074.24	24.18	34,424.60	23.10	27,283.53	21.38	3,649.64	10.60
Real estate and construction	20,789.91	13.20	18,847.74	12.65	15,230.61	11.93	1,942.17	10.30
Agricultural and mining	488.40	0.31	386.13	0.26	420.88	0.33	102.27	26.49
Financial intermediation	23,877.22	15.16	21,938.64	14.72	19,001.13	14.89	1,938.58	8.84
Saving cooperative	15,229.17	9.67	14,093.29	9.46	10,028.50	7.86	1,135.88	8.06
Others	2,055.38	1.30	2,116.13	1.42	2,271.03	1.78	(60.75)	(2.87)
Total loans net of deferred revenue	157,493.84	100.00	149,010.02	100.00	127,617.54	100.00	8,483.82	5.69

Quality of Assets

As of 31 December 2016, 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	Separate Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interbank and money market and accrued interest receivables					
- Pass	16,363.39	16,296.41	11,602.75	66.98	0.41
Investments					
- Doubtful of loss	71.72	50.66	36.03	21.06	41.57
Loans and accrued interest receivables					
- Pass	137,462.17	129,150.53	111,826.75	8,311.64	6.44
- Special - mention	1,146.01	984.94	1,983.91	161.07	16.35
- Sub - standard	912.01	347.08	507.50	564.93	162.77
- Doubtful	621.85	1,471.27	570.55	(849.42)	(57.73)
- Doubtful of loss	1,232.06	996.30	1,371.01	235.76	23.66
Other assets					
- Doubtful of loss	51.17	34.97	26.11	16.20	46.33
Total	157,860.38	149,332.16	127,924.61	8,528.22	5.71

Allowance for Doubtful Accounts

As of 31 December 2016, allowance for doubtful accounts was Baht 3,078.63 million, increased by Baht 523.36 million or up to 20.48% compared to the year 2015, following the growth of loans and supporting to

uncertainty of domestic economy. Allowance for doubtful accounts to total loans ratio was 2.19%, increased from 2015 which was at 1.93%. LLR/NPL increased from 98.12% to 119.62%.

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	Separate Financial Statements								Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016				2015					
	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	137,462.17	97.23	812.38	26.39	129,150.53	97.14	498.05	19.49	314.33	63.11
Special - mention	1,146.01	0.81	168.48	5.47	984.94	0.74	2.85	0.11	165.63	5,811.58
Sub - standard	912.00	0.65	202.31	6.57	347.08	0.26	108.24	4.24	94.07	86.91
Doubtful	621.85	0.44	49.61	1.61	1,471.27	1.11	367.30	14.37	(317.69)	(86.49)
Doubtful of loss	1,232.06	0.87	320.92	10.42	996.30	0.75	347.82	13.61	(26.90)	(7.73)
Total	141,374.09	100.00	1,553.70	50.47	132,950.12	100.00	1,324.26	51.82	229.44	17.33
Additional provision for specific debtors			571.54	18.56			508.60	19.91	62.94	12.38
General provision			953.39	30.97			722.41	28.27	230.98	31.97
Total	141,374.09	100.00	3,078.63	100.00	132,950.12	100.00	2,555.27	100.00	523.36	20.48

As of 31 December 2016, the bank had loans classified by overdue debtors as follows:

Table: Loans to Customers Classified by Periods to Maturity

Loans to Customers	Separate Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
At call ¹	15,843.04	10,379.04	8,514.33	5,464.00	52.64
Less than 3 months	27,454.52	21,378.84	19,771.29	6,075.68	28.42
3 - 12 months	19,973.76	17,367.36	14,633.22	2,606.40	15.01
More than 1 year	77,965.12	83,781.44	73,382.72	(5,816.32)	(6.94)
Total	141,236.44	132,906.68	116,301.56	8,329.76	6.27

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

Revaluation Allowance for Debt Restructuring

The bank recorded revaluation allowance for debt restructuring totalled Baht 15.23 million, increased by Baht 6.49 million or up 74.26% compared to the year 2015.

Non-performing loans (net) were Baht

2,188.44 million, or 1.39% of total loans after deducting allowance for doubtful accounts of non-performing loans.

Non-Performing Loans

As of 31 December 2016, non-performing loans (gross) was Baht 2,765.92 million, decreased by Baht 48.73 million or down 1.73% compared to the year 2015. Non-performing loans to total loans ratio 1.76%, down from to 2015 which was at 1.89%.

Total Liabilities

As of 31 December 2016, the bank had total liabilities were Baht 192,197.09 million, increased by Baht 10,171.17 million or up to 5.59% compared to the year 2015, which was mainly from an increase in deposits.

Table: Liabilities Classified by Type of Liabilities

Liabilities Classified by Type of Liabilities	Separate Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	149,639.50	137,300.10	123,661.96	12,339.40	8.99
Interbank and money market items	20,053.83	20,665.87	23,956.61	(612.04)	(2.96)
Liabilities payable on demand	75.99	176.52	109.95	(100.53)	(56.95)
Debts issued and borrowings	20,464.66	21,814.06	1,000.00	(1,349.40)	(6.19)
Others	1,963.11	2,069.37	1,725.48	(106.26)	(5.13)
Total liabilities	192,197.09	182,025.92	150,454.00	10,171.17	5.59



Deposits

As of 31 December 2016, the bank had deposits totalled Baht 149,639.50 million, increased by Baht 12,339.40 million or up to 8.99% compared to the year 2015, mainly from savings deposits.

Table: Deposits Classified by Type of Deposits

Deposits Classified by Type of Deposits	Separate Financial Statements			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Demand deposits	5,061.09	5,678.02	5,034.06	(616.93)	(10.87)
Savings deposits	65,119.72	51,887.27	50,659.00	13,232.45	25.50
Time deposits	50,648.23	41,212.83	30,684.68	9,435.40	22.89
Fixed deposit receipt	28,810.46	38,521.98	37,284.22	(9,711.52)	(25.21)
Total deposits	149,639.50	137,300.10	123,661.96	12,339.40	8.99

Owners' Equity

As of 31 December 2016, the bank had owners' equity totalled Baht 17,497.88 million, increased by Baht 1,484.97 million or up to 9.27% compared to the year 2015.

Relations of Sources and Uses of Fund

As of 31 December 2016, loans to customers (before deducting deferred revenue) totalled Baht 141,236.44 million. Loans to deposits ratio of the bank was 94.48%. The bank invested remaining liquidity in liquid assets such as interbank and money market items, investments and loans.

2.3 Capital Adequacy

Sources and Uses of Fund

As of 31 December 2016, capital structure according to the separated financial statements consist of liabilities totalled Baht 192,197.09 million and owners' equity totalled Baht 17,497.88 million, or was 10.98 times of debt to equity ratio. Sources of fund composition in terms of liabilities included deposits 71.36% of sources of fund, interbank and money market items 9.56%, debts issued and borrowings 9.76%, liabilities payable on demand and others 0.97%, while owners' equity 8.35%.

Significant sources and uses of fund as of 31 December 2016 could be classified by contract maturity date. Deposits less than 1 year totalled Baht 142,298.50 million, or 95.09% of total deposits. Loans less than 1 year totalled Baht 63,271.32 million, or 44.80%. Deposits more than 1 year totalled Baht 7,341.00 million, or 4.91%. Loans more than 1 year totalled Baht 77,965.12 million, or 55.20%.

Table: Sources and Uses of Fund

Periods	Deposits				Loans			
	2016		2015		2016		2015	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	142,298.50	95.09	129,314.01	94.18	63,271.32	44.80	49,125.24	36.96
More than 1 year	7,341.00	4.91	7,986.09	5.82	77,965.12	55.20	83,781.44	63.04
Total	149,639.50	100.00	137,300.10	100.00	141,236.44	100.00	132,906.68	100.00

2.4 Change of Cash Flow

The cash of the bank as of 31 December 2016 was Baht 2,109.13 million, decreased by Baht 133.43 million compared to the year 2015. Net cash provided by and used in activities as the following:

- Net cash provided by operating activities was Baht 1,737.38 million, which was from the profits from operation before changes in operating assets and liabilities totalled Baht 504.63 million and mainly change of assets and liabilities were loans to customers increased by Baht 8,922.32 million, short-term debts issued and borrowings decreased by Baht 1,349.40 million and deposits increased by Baht 12,339.40 million.

- Net cash used in investing activities was Baht 938.41 million, mainly from invested in available-for-sale investments totalled Baht 2,872.32 million, while cash received on interest income on investments totalled Baht 1,756.00 million.
- Net cash used in financing activities was Baht 932.40 million, which was from cash dividends.

2.5 Adequacy of Liquidity

Liquid assets which consist of cash, interbank and money market net (assets) and net investments continuously increased from Baht 51,983.72 million in the year 2015 was Baht 54,957.23 million and in the year 2016 increased by Baht 2,973.51 million.

Items	31 December 2016	31 December 2015
	Amount (Million Baht)	Amount (Million Baht)
Total assets	209,694.97	198,038.83
Deposits	149,639.50	137,300.10
Loan to customers (net deferred revenue)	141,144.67	132,727.23
Liquidity assets	54,957.23	51,983.72
Loan to customers/Deposits (%)	94.48	96.83
Liquidity assets/Total assets (%)	26.21	26.25
Liquidity assets/Deposits (%)	36.73	37.86

2.6 The Maintenance of Reserve Requirement

The bank maintained the reserve requirement on average at not lower than 1.00% of average deposits and borrowings according to the criteria of the Bank of Thailand. In case of the bank had cash at the cash center, the bank maybe average count at not exceed 0.20% of average deposits and borrowings.

As of 31 December 2016, the bank had the cash at the cash center and cash at Bank of Thailand totalled Baht 2,386.17 million.

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

As of 31 December 2016, the bank had the ratio of total capital fund to risk assets at 13.750%, higher than the 9.125% minimum rate required by the Bank of Thailand and decreasing from BIS when compared with 31 December 2015 at 14.01%.

The ratio of Tier 1 - capital fund to risk assets was 10.239%, higher than the 6.625% minimum rate required by the Bank of Thailand.

Table: Capital Fund to Risk Assets Ratio

Capital Fund to Risk Assets Ratio	31 December 2016		31 December 2015		31 December 2014	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Common equity Tier 1 capital fund						
The bank	16,628.92	10.239	15,202.82	10.18	13,895.82	11.32
Minimum rates required by law *		5.125		4.50		4.50
The Difference		5.114		5.68		6.82
Tier 1 capital funds						
The bank	16,628.92	10.239	15,202.82	10.18	13,895.82	11.32
Minimum rates required by law *		6.625		6.00		6.00
The Difference		3.614		4.18		5.32
Total capital funds						
The bank	22,330.75	13.750	20,936.11	14.01	15,231.93	12.41
Minimum rates required by law *		9.125		8.50		8.50
The Difference		4.625		5.51		3.91

Note * Additional rate for conservation buffer is required on the ratio of Common Equity Tier 1 capital fund to risk asset for of 0.625% per annum each year as from 1 January 2016 onwards until reaching 2.50% in 2019.

Credit Rating

Land and Houses Bank Public Company Limited is assigned the company rating of “A-” (Single A Minus), affirms the rating of LH BANK’s hybrid Tier 2 capital securities at “BBB” and the results also affirmed the rating on credit alert with a “positive” by TRIS Rating. The rating reflects the bank’s continual improvements in its business and financial profiles and takes into consideration as the best asset quality and high capitalization.

2.8 Factors Influencing Future Operating Results

The key factors which may affect the future operation are; Thai economic recovery trend which remain fragile due to the global economy’s slow recovery, fluctuations in currency market and capital market and the weak domestic demand, including agricultural households affected by agricultural price drop and droughts. These may result in loan demand and loan quality and affected to interest income of commercial banking system to decrease, including high level of NPLs problem and have to set more doubtful debt.

3. Securities Business

Overview and Trend of Securities Business

Conditions and Competition

Securities Business Conditions and Competition Overview in 2016

The Stock Exchange of Thailand grew even though experiencing impact from many internal and external factors. But with a strong national foundation under the implication of government policies and performance of Thai listed companies adjusted well, which resulted in outstanding growth in the Stock Exchange of Thailand when compared regional, the SET Index closed at 1,542.94 points, which created return of investment at 19.79% and had the highest market liquidity in the region for 5 consecutive years at Baht 52,525.65 million per day by foreign investors returned to purchase total valued Baht 78,545.98 million.

Competition in the securities business remained fierce, mainly effecting factor was price competition. Since the Stock Exchange of Thailand announced the liberalization of brokerage commission fee since 2010, competition of securities business gradually intensified and forced stock trading commission fees in 2016 to drop to 12%

from 18% in 2010. In addition, the contend of marketing staffs caused an increase in costs. Thus, revenues and average profit of the industry were down even though the trading value had increased. This caused securities business to alter their business operation to the Digital Economics era, which reduced their operation costs. Business structures were also modified to increase other revenues, including the development of analysis data quality to be more effective and the presentation of reviews, to respond to the demands of customers who turned to digital trading.

Business Conditions Trend and Securities Business Competition in 2017

In the year 2017, the company predicts that securities business competition will continue to be fierce, the company will use intense pricing strategy and may result in the reduction of average commission rate for securities business.

Analysis of Securities Business Conditions Effects on the Operations

1. Securities businesses will be more competitive. Therefore, the company has provided the measures to support competition in the industry.

- 1.1 Accelerate the expansion of customer base.
- 1.2 Expand the company's operation limit to reduce risk from main business dependency (Diversification Strategy).
- 1.3 Expand branches to cover every region, enabling target customer group access.
- 1.4 Technology development to gain advantages in service competition.
- 1.5 Development of the quality of securities analysis to be comprehensive, effective, and respond to customer demands.

2. The Business's operation structure modification. Currently, overall revenue structure comes from the expansion of other incomes even though the main income still obtained from the broker business

Table : Revenue of Securities Industry

(Unit : THB Million)	2013	2014	2015	% Change (YOY)
Brokerage - Securities	32,749	28,381	25,588	-9.8%
Brokerage - Derivatives	2,290	1,721	1,933	12.30%
Underwriting	1,626	1,327	1,755	32.10%
Financial Advisory	546	734	785	7.00%
Gains on Trading - Securities	-442	920	-1,209	-340.50%
Gains on Trading - Derivatives	4,546	2,398	2,733	14.00%
Interest and Dividend	3,144	3,171	3,260	2.80%
Others	5,628	5,978	7,377	15.40%

Source: ASCO

3. Development of communication systems to support FinTech era is predicted to have significant changes in investment method and also help the finance business sector grow in the next period. At present, Thai population of more than 38 million people have access to the internet and about 34 million people use the social media through mobile phone which the internet related technology has become a part of routine life, had new products and services and almost every industry is changing rapidly. Thus, investment in stock trading through internet system is the main factor for the business.

4. Changes in policies, regulations, rules, and laws which the securities business is controlled strictly by laws and government regulations, and regulators which are the Securities and Exchange Commission and the Stock Exchange of Thailand etc.

Performance Overview

Performance analysis of Land and Houses Securities Public Company Limited and its subsidiaries is the comparison between performance analysis as of 2016 and as of 2015.

In 2016, the company had net profits of Baht 105.99 million, increasing by Baht 125.82 million or up to 634.49% compared to 2015. Increased net profits was the result of higher total income.

Total expenses were Baht 177.30 million increasing by Baht 63.58 million or up to 55.91% compared to 2015 due to an increase in employees and operating expenses following the business growth.



Net profits margin of the operating in the year 2016 was at 35.69% increased by 21.12% compared to the year 2015 due to the increasing of operating income.

Basic earnings per share in 2016 was Baht 0.17 per share, increasing from Baht 0.03 per share in 2015.

Total Revenue Structure

- **Total Income**

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

In 2016, income from brokerage fees totalled Baht 91.31 million. Brokerage fees from retail customers accounted for 95%, major customers and institutional customers accounted for 5% of the company's securities trading volume respectively.

Total income totalled Baht 296.96 million, increasing by Baht 203.07 million or up to 216.28% from 2015 due to the company had increased customers from branch expansion, sales promotion and the most important is coherence of The financial business group. In addition, coordinate offering products and services of the companies in the group which accept very well reponse.

- **Income from Brokerage Fees**

Income from brokerage fees from securities business and derivatives business was Baht 91.31 million, an increase of Baht 37.53 million or up to 69.78% from 2015.

- **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, amounted Baht 1.88, 70.91, 107.63, 21.77 and 3.46 million respectively.

Total Expenses Structure

- **Total Expenses**

Total expenses totalled Baht 177.30 million, an increase of Baht 63.58 million or up to 55.91% compared to the year 2015 which was the result of employees, premises and equipment expenses, and other expenses due to business expansion.

- **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 combine with the consideration of the estimation of loss Resulting from problem of debtors in repayment which analysis of the status of each debtor, probability of default and collateral value as of 31 December 2016 no receivables that 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 2016 and as of 31 December 2015

- **Total Assets**

As of 31 December 2016, the company's had the total assets of Baht 2,088.81 million. Most of the assets were investments, accounting for 68.85% of total assets or increased by Baht 1,024.61 million or up to 96.28% from the end of 2015.

- **Net Securities Business Receivables and Derivatives Business Receivables**

Net securities business receivables and derivatives business receivables (plus accrued interest receivables) amounted Baht 443.55 million, an increase of Baht 35.77 million or up to 8.77% from the end of 2015. Net securities business receivables and derivatives business receivables included:

Securities business receivables of cash accounts amounted Baht 101.12 million, accounting for 22.80% of securities business receivables and accrued interest receivables - net.

Securities business receivables of credit balance account amounted Baht 342.43 million, accounting for 77.20% of securities business receivables and accrued interest receivables - net.

- **Net Investments in Securities**

Net investments in securities amounted Baht 1,438.14 million, an increase of Baht 937.35 million or up to 187.18% from 2015. Investments in securities consists of investments in trading securities amounted Baht 0.07 million,

investments in available for sales securities amounted Baht 1,429.78 million and general investments amounted Baht 8.29 million.

- **Receivables from Clearing House**

Receivables from clearing house amounted Baht 74.50 million.

- **Net Equipment**

Net equipment amounted Baht 37.69 million.

- **Other Assets**

Other assets amounted Baht 41.88 million.

- **Total Liabilities**

As of 31 December 2016, liabilities totalled Baht 971.08 million, an increase of Baht 809.90 million or up to 502.47% from the end of 2015. Most liabilities were from borrowings from financial institutions and securities and derivatives business payables, accounting for 78.78% and 14.78% of total liabilities respectively.

- **Borrowings from Financial Institutions**

Borrowings from financial institutions amounted Baht 765.00 million.

- **Securities and Derivatives Business Payables**

Securities and derivatives business payables amounted Baht 143.48 million.

- **Equity**

As of 31 December 2016, equity amounted Baht 1,117.72 million, a increase of Baht 214.70 million or up to 23.78% compared to the year 2015.

Capital Adequacy

- **Liquidity**

In 2016, the company and its subsidiaries had net cash flow from operating activities Baht of 84.70 million. The main reasons were from profits before expenses, income tax and increasing of securities and derivatives business receivables.

Net cash flow from investment activities valued Baht 745.86 million, including cash flow from investment activities consists of cash from sale of available for sales securities of Baht 697.32 million, cash outflow for

trading of available for sales securities of Baht 1,433.87 million, cash outflow for rental building improvement and equipment of Baht 4.97 million and cash outflow for intangible assets of Baht 4.34 million.

Cash flow from financing activities totalled Baht 675.50 million which the resource of cash flow from financing activities is cash flow from borrowings from financial institutions Baht of 7,287.00 million and cash outflow for repayment of borrowings from financial institutions of Baht 6,611.50 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 2016, net capital level was between 42.98% - 441.83%. This ratio may be changed due to various factors including securities trading volume, guarantee of securities underwriting.

- **Sources of Funds**

As of 31 December 2016, the company and its subsidiaries had fund from equity of Baht 1,117.72 million. Debt to equity ratio as of 31 December 2015 and as of 31 December 2016 equaled 0.18 and 0.87 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

Factors that may affect performance in the future is still competition in the securities business which is being fiercely contested. This has caused the commission fees of securities broker trading to be reduced to 12% in 2016 from 18% in 2010. Although trading values increased, the contend of marketing staffs caused an increase in costs. In addition, the company has provided the investment plan to develop its technological system to support the FinTech era and to support the change in policies, regulations, rules, and laws, which requires more investment costs.



4. Fund Management Business

Fund Management Business Conditions and Competition Overview in 2016

In the year 2016, fund management business had net assets value totaled Baht 4.6 trillion, growth at 14.42% compared the previous year, and it can be categorized into bond funds 54%, equity funds 25% and mixed funds 6%, for popular funds among investors consists of domestic bond fund both in medium term and long term, and mutual funds invest in a mix of domestic and foreign which can be demonstrated to the level of concerns over the risk of investors.

Fund Management Business Conditions Trend and Competition Overview in 2017

In accordance with the global economic prospects improving, inflation rates and trend of global interest rates are also on the rise, which previous data shows rising interest rate in equity investment should offer higher returns than bond investment. Therefore, in the year 2017, the overall term fund securities business trend will grow from funds that have main equity instruments investment policies in both Thailand and foreign countries. While for the overview of bond investments, it is believed that net asset values of bonds will drop due to shifting of some investment capital from bonds to equity. In addition, bond investments will have risk reduction because of being unrated bonds. The equity that is rated higher (Investment grade), in the aspect of competition, will compete to develop more products that are able to respond risk adjusted return.

Fund Management Business Condition Analysis that Affects the Operations

The fund management business must face with the fluctuations of interest rates and returns in the money market and fund market both in domestic and overseas. It must also manage unit holders such that they receive appropriate return rate at an affordable risk level under pressure and expectations of unit holders and rapid communication technology improvement. Therefore, the company has carried out these preparations:

1. Research and develop products that will respond to customer demand by focusing on distributing risk in asset allocation. This is to obtain products that give returns appropriately to risk level.

2. Develop and increase operation performance by utilizing technology, namely, trading through internet as well as improving performance of distribution services.

Overall Performance

The analysis of operating results of Land and Houses Fund Management Company Limited is comparative performance of the year 2016 compared to the year 2015.

In 2016, the company had net profits amounted Baht 74.20 million, increased by Baht 49.43 million or up to 199.53% compared to the previous year due to increasing from fee income from the number funds and net asset value of funds under management.

In the year 2016, the company had total expenses amounted Baht 206.19 million, increased by Baht 93.88 million compared to the year 2015 or up to 83.58% due to fees and service expenses and employee expenses increased following the number funds management growth.

Net profits from operating rate at 24.97%, increased by 17.40 compared to the year 2015 due to proportion of income increased more than expenses.

Basic earning per share for the year 2016 was Baht 24.73 per share, increased by Baht 8.26 per share compared to the year 2015.

Total Revenue Structure

- **Total Income**

Total income consists of fee and service income which were the company's majority of income amounted 90.24 of total income and other incomes consist of gain (loss) from investment, interests and dividend amounted 9.76%. This portion of income were gained from investment management of the company and the company has assigned another securities company to manage the mentioned personal fund.

- **Fee and Service Income**

Fee and service income totalled Baht 268.12 million, increased by Baht 135.36 million or up to 101.95% compared to the same period of the previous year, mainly fee from mutual funds management and mutual funds registrar amounted 76.92% of total fee and service income due to the increasing of mutual funds and total net assets value of mutual funds which expanded from the previous year.

Total Expenses Structure

- **Expenses**

Expenses totalled Baht 206.19 million, increased by Baht 93.88 million or up to 83.58 % compared to the year 2015, increased from fee and service expenses, employee expenses, premises and equipment expenses, sales promotion and advertisement expenses and other expenses due to the expansion of funds under management.

- **Bad Debt and Doubtful Account**

None Doubtful Accounts

An Analysis of Financial Positions

An analysis of financial positions of the Land and Houses Fund Management Company Limited was a comparison of financial positions as of 31 December 2016 and 31 December 2015.

- **Total Asset**

As of 31 December 2016, the company had assets totalled Baht 533.98 million, the most assets was investment cost amounted 59.53% of total asset, total assets increased by Baht 196.48 million or up to 58.21 % compared to the year 2015.

- **Net Asset Value Under Management**

As of 31 December 2016, Land and Houses Fund Management Company Limited had 55 funds under management, increased 4 funds compared to the same period from the previous year, total net asset value totalled Baht 64,276.1 million, increased by Baht 14,418.1 million or up to 28.92% compared to the same period of the previous year, which the mutual funds under management consists of:

- Real estate funds and real estate investment trusts (REITs)
Baht 27,252.3 million
- Fixed Income fund
Baht 26,145.8 million
- Equity fund
Baht 975.7 million
- Mixed fund
Baht 3,209.6 million
- Fund of property fund
Baht 6,692.7 million

The company had market share at 1.38%, ranked 10 from 22 companies.

However, in case total personal fund and provident fund, the company had the net asset value as of 31 December 2016 at Baht 70,142.0 million, by categorizing into a personal fund of Baht 3,568.7 million and provident fund of Baht 2,297.1 million.

- **Cash and Equivalents**

Cash and Equivalents amounted Baht 145.33 million, increased by Baht 101.07 million or up to 228.36 compared to the year 2015 mainly from share the subscription received in advance.

- **Investment - Net**

Investment - net amounted Baht 317.90 million, increased by Baht 79.01 million or up to 33.07% compared to the year 2015, Investment - net consists of equity on market domestic demand, share capital and unit trusts which assigned the investment management to another securities company was the personal fund manager as above.

- **Leasehold Improvements and Equipment - Net**

Leasehold improvements and equipment - net amounted Baht 11.08 million.

- **Intangible Assets - Net**

Intangible assets - net amounted Baht 19.25 million.

- **Prepaid Expenses**

Prepaid expenses amounted Baht 8.48 million.

- **Other Assets**

Other assets amounted Baht 9.90 million.

- **Total Liabilities**

As of 31 December 2016, the company had total liabilities amounted Baht 137.84 million, increased by Baht 104.77 million or up to 316.81% compared to the year 2015, mainly liabilities was the share subscription received in advance and accrued expenses accounted 81.44% and 9.93% of total liabilities respectively.

- **Share Subscription Received in Advance**

Share subscription received in advance amounted Baht 112.26 million, increased by Baht 93.44 million or up to 496.49% compared to the year 2015.

- **Accrued Expenses**

Accrued expenses amounted Baht 13.69 million.



- **Equity**

As of 31 December 2016, had equity amounted Baht 396.14 million, increased by Baht 91.71 million or up to 30.13% compared to the year 2015.

Capital Adequacy

- **Liquidity**

In 2016, the company had net cash flow gained from operating activities of Baht 148.39 million which mainly from profits before tax and the share subscription received in advance.

Net cash flow used in investment activities totalled Baht 47.32 million. The source of this cash flow were from selling of available for sales securities of Baht 257.96 million, cash outflow for trading securities of Baht 305.62 million, cash flow from dividends received Baht 18.49 million, cash outflow for rental building improvement and equipment of Baht 6.23 million and cash outflow for intangible asset of Baht 11.92 million.

The company had return on equity amounted Baht 396.14 million can maintain capital adequacy higher than the criteria of the Securities and Exchange Commission according to the notification of the Securities and Exchange Commission KorNor 13/2548 "Rules for Maintaining Capital Adequacy and Professional Indemnity

Insurance of Management Companies" which identified to fund management company that had net assets value of all mutual funds under management more than Baht 25,000 million must to had return on equity of fund management company total not less than Baht 220 million.

- **Sources of Fund**

As of 31 December 2016, the company had the sources of fund from shareholders' equity amounted Baht 396.14 million which comprise of issued share capital and paid-up capital amounted Baht 300 million and retained earnings about Baht 91.69 million.

Factors that May Affect the Operation in the Future

For bond funds, the factors that may affect the bond funds in the short-term are derived from a late payment of the B.E debt ticket of the listed companies, which causes the net asset value of bond decreased combined with surge in interest rate trend. This causes investors to be cautious when investing in unrated bonds and/or bonds with low investment grade, resulting in net asset value of bonds decreased. However, in the moderate-term to long-term, investments in short-term bonds might respond a part of the customer demand.

For equity investment, there are interesting points from predictions made on listed companies operations. It is predicted that the company will continue to grow. Nonetheless, there are still risks from economic conditions in the country such as the national economy which might not grow as forecasted, and risk factors from overseas such as various policies of the new president of the United States which may have impact on global economics and cause stock market indexes to fluctuate more.



THE CORPORATE GOVERNANCE COMMITTEE'S REPORT

The Corporate Governance Committee of LH Financial Group Public Company Limited 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
Ms.Chutima	Boonmee	Secretary

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 2016, the company arranged the meeting 2 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 listed company in order to build the confidence that the company conducts its business with responsibility, transparency and integrity and fairly treat all stakeholders.
- Review the Anti-Corruption Policy to enable the company's directors and executives holding it as an operational guideline on prohibitions of offering or receiving gifts, attending party and other benefits, bribes and inducements, charitable contributions, financial sponsorships, political participations and activities as well as receiving reports or complaints.
- Review the Corporate Social Responsibility (CSR) policy to sustain the business growth.
- Consider for the approval of the Whistleblower Policy for protecting persons who identify clues or make complains to the company in order to ensure that the persons will not be suffered by damage or treated unfairly.
- Represent the Company in communicating, supervising and promoting the organization to comply with the Good Corporate Governance Policy and Anti-Corruption Policy.

We, LH Financial Group Public Company Limited recognizes the importance of the good corporate governance and business ethics for the company's sustainable growth and building the confidence among all stakeholders and the company is confident that the good corporate governance will help maximize the value for stakeholders.



(Mr. Adul Vinaiphat)

Chairman of the Corporate Governance Committee



MESSAGE FROM THE PRESIDENT



LH Financial Group Public Company Limited has the destination in operating a business in conformity with the Good Corporate Governance as the important principle together with the code of conduct and ethics for responding to the satisfaction of all stakeholders continuously, especially, the Good Corporate Governance at all of work contexts. In addition, all our performances have to agree with working standards, honesty, transparency and accountability. The company also operates its business by considering others Corporate Social Responsibility, such as, generating business with neutrality, joining the Private Sector Collective Action Coalition Against Corruption (CAC), respecting human rights, treating employees fairly, responsibility to customers, developing social and community, and environment and innovation management.

All together leads the company to achieve the sustainable growth and also promote the company to obtain the ranking as 1 of the top 100 companies for listed company's outstanding performance in terms of environmental, social and governance (ESG) ranked by Thaipat Institute. To communicate, with all stakeholder groups about the company operation regards to the Corporate Social Responsibility, the company also provides the report on sustainable business together with the annual report of the year 2016.

The company has promoted the information about financial discipline by passing the knowledge, proficiency and skills in the banking sector, which established in Land and Houses Bank Public Company Limited, the company subsidiary to create the common interest for communities and the whole society. The purpose of this procedure is for stimulating people to recognize the advantage of money- saving. Therefore, since the year 2014, the company has continuously joined the project "Saving for Change" with CSR club, the Thai Bankers' Association and the National Council for Child and Youth Development Under the Royal Patronage of HRH Princess Maha Chakri Sirindorn (NCYD) to educate the youth in personal financial management and discipline.

We, LH Financial Group Public Company Limited sincerely hope that the report on sustainable businesses development will available for reaching our intention to take part of carrying forward and support in developing sustained business growth. Finally, we would like to thanks shareholders, business partners, customers, all stakeholder groups and employees that have provided us a good continuous support. Additionally, we will maintain the intention and insist on the social responsibility for the stability and sustainable growth.

A handwritten signature in blue 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 need 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, 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 code of conduct and ethics. 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.

Operation of CSR-in-Process

CSR-in-Process means operating 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 the directors, the executives, and all levels of employees for building the same attitude in the organization 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 sustainable company growth and 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 and the president acts as the representatives for driving the organization to sustainable development, the corporate governance committee has responsible for social responsibilities operation, consider, 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 morals, ethics and 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 Policy

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 business operation 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 the sustainably development in business 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 on 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 to December 31, 2016 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 has proposed the content of sustainability report that has passed analysis the needs both of the internal and external stakeholders and arranges to important issues and affect to business operation following the social responsibility for sustainable development in business operation guideline as follows;

Analysis of Stakeholders' Requirements

The company pays attention to the rights of all groups 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 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 in their wants, their needs and response to all groups of stakeholders correctly, including encourages participation of all stakeholders. The stakeholder consists of 2 groups as follows;

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



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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 principle. 	<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 3 times/year. - Provide information in-person for 3 times. - Present information through all channels with correctness, equality, and transparency. - Receive suggestions and petitions through channels provided by the banks. - Facilitate minor of shareholder proposing significant and useful issues for business management via the company website and publish via The Stock Exchange of Thailand for consider to determine the agenda of the Annual General Meeting of Shareholder. The issues allowed to propose are as follows: <ol style="list-style-type: none"> 1. Proposing the agenda 2. Proposing the person who has appropriate qualification to be elected as a director 3. Proposing the question in advance
2. The Company's Board of Directors	<ul style="list-style-type: none"> - Working with transparency following the corporate governance principle for sustainable growth of the organization. - Treat all stakeholders on the basis of fairness. - Evaluation of the performance for working improvement 	<ul style="list-style-type: none"> - Perform business under good corporate governance principle. 	<ul style="list-style-type: none"> - Organize the company's board of directors meeting every month. - Provide sufficient, complete, and timely information. - Participate in good corporate governance. - Encouragement, support and development knowledge related the duties of the directors and the company's business. - Orientation program for new directors. - Self assessment for the company's board of directors and sub-committees, self assessment for individual of good corporate governance to improve more efficient working.



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Analysis of Stakeholders' Requirements

Stakeholders	Requirements Analysis	Policy-Compliant Practices	Implementation
3. Employees	<ul style="list-style-type: none"> - Appropriate remuneration, positions and benefits - Prepare good hygiene workplace which is clean and safe. - Arrangement the seminars for knowledge and potential development. 	<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. - 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. 	<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 including increasing the learning channels via the company's intranet which the employees can learning from the channel all time. - 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. - 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 company. - Establish the Environment, Health and Safety Committee for driving the policy and the plan for Occupational Safety, Health and Environment during working. - Support and promote career opportunity for people with disability to live in the society with pride.



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Analysis of Stakeholders' Requirements

Stakeholders	Requirements Analysis	Policy-Compliant Practices	Implementation
3. Employees (Continued)		<ul style="list-style-type: none"> - Protect and do not treat or punish any disciplinary proceedings against an employee who reports with integrity to the executives or public agencies, in relation to any wrongdoings done within the company. - Prepare policy on safety and occupational health, as well as analyze and determine measures for controlling risks on safety and occupational health at work. 	
4. Customers	<ul style="list-style-type: none"> - Satisfaction of various products, full, quality and excellent services. - Promptness in hearing and responding to customers' requirements. - Customer confidentiality. - Equality of each customer group. 	<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 for support relations. - Organize activities/information on product. - Receive suggestion or petition for improvement. - Initiate and create products and services satisfying consumers' requirements. - Promote complete products and services information based on reality to support customers' decision making and to publish through various channels easily accessible by consumers. - To provide assistance and answer customers' questions to understand our products and services. - Collect complaints and opinions from customers and manage to correct within time limit.

Analysis of Stakeholders' Requirements

Stakeholders	Requirements Analysis	Policy-Compliant Practices	Implementation
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. - Preserving environment. 	<ul style="list-style-type: none"> - Perform business with ethics in parallel with environmental and social responsibilities. - Support social activities benefiting communities and encourage employees to participate 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 loses. - Open and facilitate benefits to all stakeholders on creativity which is the root of abilities in creating innovation causing the continuous creation of innovation. - Promote and cooperate with the stakeholders, such as trade partners, to develop innovation with social responsibilities. - 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. 	<ul style="list-style-type: none"> - Survey community and social requirements and allow communities to participate in activities operation. - 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. - Donate the used computers for young people in disadvantaged - Lend a hand by giving consumer goods, money and also providing restructuring debt for customers who are affected by natural disaster.



Analysis of Stakeholders' Requirements

Stakeholders	Requirements Analysis	Policy-Compliant Practices	Implementation
6. Trade 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 - Fair business - no barrier for partners 	<ul style="list-style-type: none"> - Meet with trade 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. - Appoint Purchase Committee in order to manage appropriate procurement process and fair business to partners
7. Trade 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"> - To perform following the contract or any conditions agreements and duties. - 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 internal and external 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 company has disclosed the sustainable business development report and the company website which has been audited and reviewed from competent authority 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 promotion on management with honesty, increase of value in business, security, and sustainable growth as well as placing the importance on internal control systems, internal auditing, equitable treatment of shareholders and stakeholders, ethics in business operation, supervision to prevent conflicts of interest, adequate disclosure of information while considering risks and appropriate risk management.

The company's board of directors has established the sub-committees to give assistance in the close supervision on the operation of the company; the executive directors committee, the audit committee, the corporate governance committee, the Nomination and Remuneration Committee, and the Risk Management Committee. Each sub-committee will supervise the company's operation following the vision, the mission, the business operation plan and good corporate governance 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 2016 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 aware of the rights and equality of all shareholders and intends to let the shareholders participate in real for the corporate management and provides checking and balancing procedure mechanism. As a result, the company received "Excellent" rating evaluation of Annual General Meeting of Shareholders 2016 by the Thai Investors Association, the Thai Listed Companies Association and the Securities and Exchange Commission which the company scored 100 points for four consecutive years since the year 2014. On July 27th, 2016, the company has received "Investors' Choice Awards" from the Quality of Annual General Meeting (AGM) Project that focus on information disclosure and equity of shareholders.



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 to the good corporate governance policy for the company's board of directors, the executives, and the 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 stakeholders to promote the management with honesty, efficiency, and effectiveness.

The company has reviewed the good corporate governance policy annually, which is approved from the meeting of the company's board of directors on December 16th, 2016. The good corporate governance policy consists of the principles and guidelines in relation to the good corporate governance for the company's board of directors, the executives, and the 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, the Invitation Letter of Annual General Meeting of Shareholders, the Minutes of Annual General Meeting of Shareholders, and the Management Discussion and Analysis.

The company conducts the procedure of the shareholder's meeting following the criteria of assessment on the quality of the shareholder's meeting and the management on the good governance following the criteria of assessment of 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 has appointed 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 has given opportunity 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 that is stronger than what specified by the Capital Market Supervisory Board's Notification and correspondent with the guideline for the practice of the Good Corporate Governance Policy.

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 the Directors and the Top Executives

Regarding to the criteria in the nomination of the company's directors, 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 consists of the president. The basic factors used in the consideration are qualification, knowledge, and experience 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, the company does not operate its own business, the internal control of the company is assigned to the internal audit department and the compliance office of Land and Houses Bank Public Company Limited for caring and reporting the operation of the internal control to the company's audit committee regularly. Mr. Vichian Amornpoonchai, the company's secretary, is responsible for caring and coordinating between the internal audit department and the compliance office of 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 directors, the executives, and the 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 the directors, the executives and the 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 the Auditors

The audit committee takes responsible for considering the qualifications and performance of the 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 the auditor companies to be proposed as the bank's auditors must also be endorsed by the Bank of Thailand.

According to the company's policy, all companies in the financial business group have to outsource the same audit company which currently is EY Office Limited.

The remuneration of the auditors in the year 2016 compared to the year 2015 of the company and the sub-committee as follows;

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 as follows;

1.1 Table representing the remuneration of the auditor in 2016 and 2015

Details of Fee	The Auditor's Remuneration (Baht)		Change Addition (Reduction)	
	2016	2015	Amount (Baht)	Ratio (%)
1. Review Fee				
• The First Quarter as at 31st March	130,000	120,000	10,000	8.33
• The Third Quarter as at 30th September	130,000	120,000	10,000	8.33
2. Audit Fee				
• For the 6-month periods ended 30th June	270,000	255,000	15,000	5.88
• For the year ended 31st December	270,000	255,000	15,000	5.88
Total	800,000	750,000	50,000	6.66

1.2 Other Service Fees

-None-



2. Auditor's Remuneration of the Subsidiaries

2.1 Land and Houses Bank Public Company Limited

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

2.1.1 Table representing the remuneration of the auditor in 2016 and 2015

Details of Fee	The Auditor's Remuneration (Baht)		Change Increase (Decrease)	
	2016	2015	Amount (Baht)	Ratio (%)
1. Review Fee				
• The First Quarter as at 31st March	650,000	600,000	50,000	8.33
• The Third Quarter as at 30th September	650,000	600,000	50,000	8.33
2. Audit Fee				
• For the 6-month periods ended 30th June	1,400,000	1,375,000	25,000	1.82
• For the year ended 31st December	1,400,000	1,375,000	25,000	1.82
3. Review Fee for the Electronic Funds Transfer Services System	220,000	220,000	-	-
Total*	4,320,000	4,170,000	150,000	3.60

Note - The year 2015, the company had to pay the review fee for the performance evaluation of the internal audit department of Baht 220,000, but 2016, there were no reviewing, so it was not showing in the table.

- *Refer to the fee excluding the employees benefit reviewing fee reviewed by the actuarial expert which will be charged on the bank according the actual expenses at Baht 200,000.

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 as follows;

2.2.1 Table representing the remuneration of the auditor in 2016 and 2015

Details of Fee	The Auditor's Remuneration (Baht)		Change Increase (Decrease)	
	2016	2015	Amount (Baht)	Ratio (%)
1. Review Fee for financial statement				
• The First Quarter as at 31st March	35,000	30,000	5,000	16.67
• The Third Quarter as at 30th September	35,000	30,000	5,000	16.67
2. Audit Fee for financial statement				
• For the 6-month periods ended 30th June	180,000	165,000	15,000	9.09
• For the year ended 31th December	180,000	165,000	15,000	9.09
Total	430,000	390,000	40,000	10.26

2.2.2 Other service fees

-None-

2.3 Land and Houses Fund Management Company Limited

The company paid for the audit fee and other inspection expenses for EY Office Limited as follows;

2.3.1 Table representing the remuneration of the auditor in 2016 and 2015

Details of Fee	The Auditor's Remuneration (Baht)		Change Increase (Decrease)	
	2016	2015	Amount (Baht)	Ratio (%)
3. Review Fee for financial statement				
• The First Quarter as at 31st March ¹	16,000	16,000	-	-
• The Third Quarter as at 30th September ¹	16,000	16,000	-	-
4. Audit Fee for financial statement				
• For the 6-month periods ended 30th June	174,000	174,000	-	-
• For the year ended 31st December	174,000	174,000	-	-
Total	380,000	380,000	-	-

Note

¹ Refer to the fee within the scope of review works for the purpose of review reports on the condensed consolidated interim financial statements of Land and Houses Bank Public Company Limited and without issue the review report for the company due to the scope of review may differ in significant matters.

2.3.2 Other service fees

-None-

1.7 Practice Following the Good Corporate Governance Principles

The company's 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. The company also operates its business conform to the 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 directors and determining the director's remuneration, appointment the auditors 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 and in the appropriate time.

- 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 the employees of the company or external stakeholders such as all groups of 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 good treated.



- The company's board of directors 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 of shareholders 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 shareholders, give an opportunity for shareholder to propose shareholder's meeting agenda and qualified candidates for directors positions and facilitation attendance in shareholders' meetings.
- The company has disclosed the resolution of the company's meeting of board of directors No. 2/2559 on February 25, 2016. The resolution of the meeting was to determine the 2016 Annual General Meeting of Shareholders on April 25, 2016. The agenda of the 2016 Annual General Meeting of Shareholders on April 25, 2016 disclosed both in Thai and English via the SET Community Portal on February 25, 2016 including disclosed both in Thai and English documents for the 2016 Annual

General Meeting of Shareholders via the SET Community Portal and the company's website on March 17, 2016.

2. Shareholder's Meeting

- Before the Annual General Meeting of Shareholders, to encourage and support all group 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 not less than 7 days prior to the date of the shareholder's meeting 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 acknowledgement and for approval. Moreover, the agenda includes clearly with fact, reason and opinion of the company's board of directors and the sub-committees for the shareholders to consider and make a decision on voting. The Notice of Meeting has disclosed on the company's website www.lhfg.co.th 30 days prior to the shareholder's meeting day 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 day and also delivers the Notice of Meeting and documents for meeting in English language for benefit to foreign shareholders and disclosed on the company's website together with the Notice of Meeting and documents for meeting in Thai language.
- With regard to the shareholder meeting, in addition to the annual general meeting of shareholders which must be convened



within 4 months of the date ending the accounting period, the company's 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 total paid-up shares capital 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 total paid-up shares capital, may also request an extra-ordinary meeting. In such case, the board of directors shall clearly specify the objective of the meeting and 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 principle 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 has attached the registration form with the notice of the annual general meeting of shareholders for shareholder's convenience in registration to attend the 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 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 starting from 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.
- During the meeting, the shareholders can register to attend the meeting and can exercise to voting in the agenda that is not yet available to vote.
- For the 2016 annual general meeting of shareholders, the company proposed two independent directors, chairman of the audit committee and chairman of the nomination and remuneration committee. The company has sent the notice and attached Proxy Form B and Proxy Form C to the shareholders which they can determine the direction of voting. In addition, the shareholders can download other types of proxy forms from the company's website both in Thai and English.
- In the 2016 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 the Articles of Association.

- **Shareholders' Opportunity for Queries and Comments**

- Before the meeting date, the company has given the opportunity to shareholder to submit question in advance for the company's board of directors' explanation in the meeting via the company's website; www.lhfg.co.th or send an e-mail to the company secretary at presidentoffice@lhbank.co.th.
- In the shareholders' meeting, the chairman of the meeting shall allocate appropriate time and encourage equal opportunity for shareholders to express their opinions and raise their queries.
- The company shall endeavor 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 Meetings**

- The company accommodates the shareholder's meeting by keeping the process correctly following the related law and regulations and following the good corporate governance principle.



- 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 2016 Annual General Meeting of Shareholders was conducted according to the 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 appointing the directors to replace those retiring by rotation that the vote shall be one by one vote.
 - 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 appointing the directors to replace those retiring by rotation that the voting shall be one by one vote for the purpose of 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 2016 shareholders’ meeting and result of the votes in each agenda both in Thai and English versions within the meeting date of 25th April, 2016, 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 2016 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 9th May, 2016 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 the notice of the shareholder's meeting both in Thai and English and notifies the meeting details, the agenda and the documents of the meeting, which the company has determined the agenda stating clearly whether they will be for acknowledgement, for approval or for considering including the director's suggestion, fact and reason each agenda 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. 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, 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 A, B, and C
 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
- The company published the resolution of the company's board of directors no. 2/2559 on February 25, 2016 which the resolution has determined for arrangement of the 2016 Annual General Meeting on April 25, 2016. 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 25, 2016 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, 2016
 - The company has provided the proxy forms as required by law which the shareholders can determine the direction of voting.
 - 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 company's board of directors is aware of the rights and equitability of the shareholders and treats all group shareholders, majority or minority, individual or institutional, foreign or Thai, fairly and equally. All shareholders receive important and accurate information at the same time fairly and to protect the basic rights of shareholders.
- The company pays attention to the shareholders' meeting as the important opportunity that the shareholders can use the right to participate in the decision making of the company's activities which are facilitated by the company as follows:
 - The company allocates shareholders and minority shareholders to propose the agenda for the annual general meeting and the persons to be elected as directors.

The company allocates shareholders both in single or group who hold shares 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. In addition, the company has determined the period to propose mentioned issues 3 months before the end of the accounting period and published the related rules and details on the company's website including published the invitation via the SET portal which the shareholders can submit their proposals to the company via the company's website at www.lhfg.co.th, by e-mail to the company

secretary (presidentoffice@lhbank.co.th), by mail to the company secretary or facsimile number 0 2677 7223.

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 2016 Annual General Meeting of Shareholders, the company invited shareholders to propose agenda and qualified candidates as director on September 21, 2015 from October 1, 2015 to December 31, 2015. And on January 25, 2016, 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 2016 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.

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 additional, 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 and all stakeholder groups 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 guideline as follows;

The Principle for preventing Conflict of Interests

1. All the company's transaction shall avoid conflict of interests deliberately and reasonably. Moreover the transaction should conduct independently under the good ethical framework for benefits of the company, shareholders and



all stakeholder groups. Therefore, the directors or executives who may have benefits related the company's transaction shall not be permitted to join in considering and approving the transaction.

2. In conducting transactions between companies within the financial group, the transaction should follow the same rules and conditions which 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.
3. The related party transactions, transactions with connect to a related party and an information disclosure shall being in line with all regulations, rules and laws.
4. The directors and the executives shall follow the use of inside information using policy strictly.
5. The directors and the executives shall disclose the information about the transaction which making with the company within the financial group properly and adequately for the benefit in making decision, considering and approving the company's transaction or the company within in the financial group's transaction.
6. The securities trading must be according to the regulation of the securities trading of the company.

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 including disclosures of related transactions are shown in the Notes to the Financial Statements.

In the year 2016, 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. 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.
- 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 company has determined the good corporate governance policy for support the management with integrity, honesty, accuracy, transparency and efficiency for increasing the value of the business in the long term, including for the stability and sustainable growth. The company has published the good corporate governance policy on the company's website divided 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 Code of Conduct and Ethics

The company has determined the Code of Conduct and Ethics in written to serve as guidance to implement all groups of stakeholders, whether they are internal stakeholders such as the directors, the executives of the company or external stakeholders such as shareholders, customers, partners, competitors, government agencies and other related agencies. The company has determined to conduct its business transparently and support collaborative relationships the company with stakeholders to mutually benefit, including to ensure that the stakeholders are protected and treated well 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 Practices

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.



3. Employees

The company regards all employees as a valuable resource. It strives to support continual personnel development, steadily develop its personnel, promote their career advancement and job security and appropriately compensate them based on their knowledge, competencies and performances.

4. Partners and Competitors

The company treats all partners and competitors fairly and keeps their confidentiality within related regulations and laws. It does not seek information on its partners and competitors in a corrupt and unfair manner.

5. Creditors and Partners

The company upholds honesty in complying with the conditions it has pledged with the creditors lenders and partners under the conditions and criteria specified by law.

6. Society and Environment

The company conducts its business with responsibilities towards society and the environment. It applies care when considering any action that may affect public sentiment and encourages the employees to have conscience and responsibility towards the environment.

7. Conflicts of Interest

The company conducts its business by taking into consideration the maximum benefits of its customers and the company. The company monitors and pays due attention to possibly inappropriate transactions with potential conflicts of interest, connected transactions or related-party transactions that might constitute conflicts of interests. For connected transactions, the company has a policy to treat them as normal transactions by applying the same prices and conditions as those in similar transactions with external persons.

8. Information Disclosures

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.

9. Corporate Governance

The company conducts operations according to good corporate governance and the company will cooperate with organizations that govern the company by reporting information to the governing bodies with accuracy, completeness and in a timely manner.

2. Directors' Code of Ethics

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 behavior of 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.

2.1 Management Duties

- Manage the company in a manner that does not excessively compromise its stability.
- Perform duties with integrity, transparency, morality and justice to ensure that the maximum benefits of the company has been taken into consideration when making any decision or taking any action without discrimination or abstention by upholding the principle of equality.
- Perform duties as professionals, with knowledge, skill, determination and care, including apply existing knowledge and skills to manage duties for the company properly.
- Refrain from seeking personal gains or benefits for related persons by disclosing or exploiting internal information which has not yet been disclosed to the



public, or doing any act that may constitute conflicts of interest both intentionally and unintentionally with a third party. Information gained from their positions is not used for the financial gains of themselves and others.

- Oversee the company's operations to ensure they are in compliance with related laws, regulations and state policies. Supervise to ensure no facts are concealed and that information is reported accurately, completely, timely and regularly.
- Carry out duties according to the laws and regulations relating to the business operations.

2.2 Relationship with Shareholders, Customers, Creditors, Trade Partners 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 environment.
- Take proper care and pay attention when proceeding with any act that may affect the public.

- Promoting environmental awareness and responsibility.

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.

- **Whistleblower Protection Policy**

The company has determined the whistleblower protection policy for protecting the whistleblowers and to ensure that the whistleblowers will not gain. The policy is to protect the right of the complainant and informants, and keep information secret by limiting those responsible for perception. In addition, if the company has found data misuse or data without proper disclosure which breaches of the company rules, the company will consider taking disciplinary action.

- **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 company's secretary 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 for acknowledgement.

- **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. 08 1990 7448

Mr. Adul Vinaiphat

Member of the Audit Committee

Email: aduly@lhbanks.co.th

Tel. 08 1834 0104

Mr. Somsak Assavapokee

Member of the Audit Committee

Email: somsak@lhbanks.co.th

Tel. 08 5485 4269

Via the Company's Website

www.lhfg.co.th

The Company's Email Address

presidentoffice@lhbanks.co.th

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

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, 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.

- **Health and Safety Policy for the Workplace**

The company has determined the health and safety policy for the workplace and established the Safety Healthy Environment committee (SHE) in order to promote the achievement policy.

- **Fair Treatment of Labor**

- The company has provided a fair and reasonable system of remuneration and benefits including provident fund, so that employees could have the better quality of life.
- The company refrains from violating the basic rights of others and takes caution in every process with respect to sensitive issues.

- **Fair Treatment of Trade Partners, Trade Competitors and Creditors**

The company has encouraged to treat trade partners, trade competitors and creditors fairly both in costs and compensation. For example, the company manages its purchasing and procurement by determining adequately delivery period, fair trade agreements and not related to activities that violations of property and intellectual property infringement including payments by using or acquisition of properties fairly and timely.

- **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 Annual Registration Statement (Form 56-1), the annual report and the company's website ,including the participation of employees in conforming to the policy and creating the awareness of social responsibility.
- The company conducts the sustainable report on the social responsibility and publishes in the Annual Registration Statement (Form 56-1), the annual report and the company's website.

Category 4 Disclosures and Transparency

The company pays attention to disclosure of its important Information both in financial and non-financial and the information must be completed, timely, transparent, easy access, equal and credible.

1. Disclosure on the Financial and Non-Financial Information

- The company has disclosed the important information to the shareholders, investors and general public with transparency, accuracy, completeness, adequacy, timeliness and verifiability, according to all applicable laws and regulations both in Thai and English languages via easy channels, easy access with fairly and the information must be always up to date 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 company's board of directors 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 of the company's board of directors 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 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 2015 annual report within 120 days from the end of the fiscal year through the SET website on March 17, 2016 and the company's website.
- The company published the minutes of the 2016 Annual General Meeting of Shareholders through the company's website on May 7, 2016 and informed the minutes through the SET Community Portal. The company has channels of information and contract at:

Address : Q.House Lumpini Building, 5th Floor, South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120

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

Fax : 0 2677 7223

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 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 the financial reporting standard and disclosed in an accurate.
- 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 2016 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 9, 2016 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 2016, the company has provided investor relation activities as follows;

1. To arrange 3 times of the analyst meetings with approximately 20-35 analysts attended the meeting.
2. To arrange 3 times of giving the information in type one-on-one meeting.
3. To arrange 3 times of the press conferences with approximately 30-40 mass media per time.
4. 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 Director of 1 Person
2. The Non-Executive Director of 5 Person
3. The Independent Director of 3 Person

The structure of the board of directors is in line with the appropriate and fair proportion and for the independence of the chairman, including the distribution of powers in separating the Good Corporate Governance policy from routine management. Therefore, the company's chairman of the board directors, chairman of the executive directors and chairman of the audit committee shall not be the same person as the president of the company. The company has provided a clear separation of powers. For balancing and management monitoring, so any person will have the unlimited power.

- 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 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 lots. 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.
- The company's directors have a responsibility for reporting their securities trading and changes in securities holding to the company's board of directors.

2. Sub-Committee

- 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.

Details about the Sub-Committee are disclosed in Management Structure Section regarding the details of Scope of Duties Responsibilities of the Sub-Committee

3. The Company Secretary

- The company's board of directors appointed Mr. Vichian Amornpoonchai, First Senior Vice President, Office of President, 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)	55
Education:	<ul style="list-style-type: none"> - Bachelor of Accounting Dhurakijpundit University - MBA Mahanakorn University of Technology - Certified Professional Internal Auditor (CPIA) : Thailand Affiliate of IIA - Modern Managers Program : Chulalongkorn University - Company Secretary Program 32/2009 : IOD - Effective Minute Taking 17/2010 : IOD - Company Reporting Program 17/2017 : IOD - Corporate Secretary Development Program : Thai Listed Companies Association
Shareholding (%)	- 0.003
Relationship with executives	- None -

Work experiences in the past 5 years

Current Position in 1 Listed Company

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

Current Position in 3 Non-Listed Companies

Period	Position	Organization/Company
Apr. 2016 - Present	First Senior Vice President, Office of President	Land and Houses Bank PLC
Mar. 2014 - Present	Company Secretary	
Nov. 2010 - Mar. 2016	Vice President, Office of the	
Aug. 2006 - Oct. 2010	President Vice President, Office of the President and Acting First Vice President, Compliance	
Dec. 2005 - Jul. 2006	Office Vice President, Office of the President and Compliance Office and Acting Vice President, Internal Audit Department	
Mar.2014 - Present	Company Secretary	Land and Houses Securities PLC
Jan.2014 - Present	Director and Company Secretary	Land and Houses Advisory Co., Ltd.

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 2-2.30 hours 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 directorsto 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 anadditional 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 external experts 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 Assessment 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 Company's 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 2016 whole team self-evaluation, most assessment items were given the score of 4.

5.2 Self -Assessment of each Company's Board of directors and the Sub-Committees

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 2016 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

Evaluation Method and Results, at the meeting of the company's board of directors and the corporate Governance committee, the directors thereof jointly conducted an evaluation by the result of good corporate governance of the year 2016, most assessment items were given "Yes".

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 laydown 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 2016 Annual General Meeting held on April 25, 2016 and remuneration amounts and other compensation for the directors in 2016 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 2016, the directors attended the training seminars as follows;



Name of Directors	Training Seminars Program
1. Mr. Rutt Phanijsphand Chairman of Executive Director	- Corporate Governance for Capital Market Intermediaries (CGI) 14/2016 Arranged by : Thai Institute of Directors Date : August 16-17, 2016 Venue : Sports Club, Rajpruek Club
2. Mr. Phairoj Hengsakul Independent Director Chairman of the Audit Committee Member of the Corporate Governance Committee	- New Dimensions of Economic Policy in the Age of Information Seminar Arranged by : the Bank of Thailand Date : September 15-16, 2016 Venue : Bangkok Convention Room, Centara Grand at Central World
3. Mr. Adul Vinaiphath Independent Director Chairman of the Remuneration and Nomination Committee Chairman of the Corporate Governance Committee Member of the Audit Committee	- CG Forum 3/2016 "Corporate Corruption, the Dark Side of Organizations can be Prevented and Controlled" Arranged by : Stock Exchange of Thailand Date : August 24, 2016 Venue : Stock Exchange of Thailand's Professor Sangwian Intarawichai Auditorium
4. Mrs. Sasitorn Phongsathorn President Executive Director Chairman of the Risk Management Committee	- Corporate Governance for Capital Market Intermediaries (CGI) (English Program) 17/2016 Arranged by : Thai Institute of Directors Date : November 24-25, 2016 Venue : Suriyanchandra Room, Anantara Siam Bangkok 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 environment
 - Internal control
 - Risk assessment
 - Information technology operation control and communication activities
 - Follow up and evaluation system to ensure the company has the internal control 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, the 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 company, 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 term. 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 trade competitors unfairly in bad faith.

The company promotes fair treatment for stakeholders both in terms of cost and returns, such as purchasing and procurement, determining appropriate the delivery period, fair trade agreements 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 purchasing and procurement method, and other outsources 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 selecting their stabilities product and/or service quality, services and prices for fairness and equity and considered by the procurement committee.

3. Anti-Corruption

LH Financial Group Public Company Limited has the termination in operating the business under the principles of law which are honesty and morality following the good corporate governance guideline, code of conduct and business ethics practices of the directors, the executives and the 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 anti-corruption policy of being the guidelines for the directors, the executives, and the employees of the company to be acknowledged and strictly comply.

Roles and Responsibilities

The company's board of directors approves the anti-corruption policy and responsible for operating the company's business with honesty, carefulness, and protection on the entire benefits of the organization.

The corporate governance committee monitors and promotes the implementation of the anti-corruption policy and also communication with the companies in the financial business group.

Practice Guidelines

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

1. Must not give or accept gifts and benefits that motivate to perform or refrain to perform duties wrongfully causing the compromise in the inappropriate business agreement. It should follow the code of conduct and business ethics practices for the directors, the executives and the employees.
2. Must not give or receive bribes and inducements of any form, including prohibiting to assign other person to give or receive bribes and incentives on their own behalf.
3. Donation to 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 a 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 by the company's board of directors before starting the operation.

5. To provide the company's business operation corporate governance under better control where there are assessments of significant risks, effective control activities and appropriate segregation of duties. Including the company has provided adequate and reliable information system as well as evaluating the internal control regularly.

6. To provide the channel in receiving the information, suggestion, or claims through the independent directors or the company's website at www.lhfg.co.th or 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 and business operation with the principle in against corruption in all its forms with the following details:

1. Arranging the assessment of the risks related to the corruption in the company, including implementing the anti-corruption policy, operational control plan and auditing plan as well as providing the handbook/ guideline for the business operation to the executives and the employees.

- These policies prohibit all types of bribe in every activity under the control. Moreover, it must be ensured that the donation to 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 "code of business conduct" in order to be the guidelines for the executives and employees to practice with ethics and responsibilities in all occasions as well as specifying the punishment in case of infringement.
- To provide 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 guideline.

- To provide the proper system of internal control for preventing the employees to misconduct and elevating the value of integrity and responsibilities to be the organization's culture
- To provide the mechanism in reporting the financial status transparently and accurately.
- To provide 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 to success in promoting the business transaction with morality, accuracy, and transparency in Thailand

- To support the initiation of the national project for creating the conditions in fair and transparent competition in business operation including ensuring the good corporate governance.
- To participate in the seminar and discussion for expressing the opinion in the meeting in order to create the understanding of 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, trade partners, and other groups of stakeholders by creating the practice and participating in the activities of anti-corruption

- Sharing the good practice and frameworks as we hope all organization can implement for achieving the goal of the project.
- To participate in the Integrity Pacts with other organizations and government agencies in auctions and purchasing the raw materials, equipment and the construction.



- To cooperate in thinking of developing the code of business conduct that can be applied to all organizations and are acceptable among all organizations participating in the project.
- To cooperate in regulating the measures and audit system for promoting the transparency and integrity in business operation.
- To 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.
- To support 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.
- 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 by Thai Institute Of Directors held on October 16, 2014.

The company's board of directors has provided the whistleblower policy for stakeholders to complain any clues that illegal, fraud or corruption via the company's channels and fair treating the rights of whistleblowers and related persons, including to provide the anti-corruption policy for employees to adhere to the practice of management. In addition, the company's board of directors required to review the whistleblower policy annually and published on the company's website as well as internal channel communication of the company.

The company has determined the anti-corruption policy as the framework and direction of sustainable development which reflected the importance of commitment and dedication of transparency organization and without corruption. The company aims to provide participation of

the related persons with good supporting including pays attention the executives and the employees must be strictly comply following the anti-corruption policy.

Moreover, the company has encouraged participation in anti-corruption activities such as the activities in the National Anti-Corruption Day 2016 under the theme "Cheating Destiny Fulfilled" on September 11, 2016 at Sanam Luang, Bangkok to show the historic power in the Anti-Corruption Day and to be a part of eradicating the persons who are cheating.

4. Respect of Human Rights

LH Financial Group Public Company Limited pays attention 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 the 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 good human relationship.

The company pays attention to all levels of employees to ensure 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 reports 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 violate human rights for the purpose of reflecting the problem and finding the solution.

The company has supported and respected the protection of human dignity which no forced labor and child labor that effect on confidence of external shareholders. The company pays attention to the respect of human rights as a basic practical guideline, by determining the best practical guidelines 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.



The executives and the employees arranged the staff activity at Prachinburi.



The executives and the employees arranged the staff activity at Samut Songkhram

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 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.

Important Principle of Human Resource Management and Development

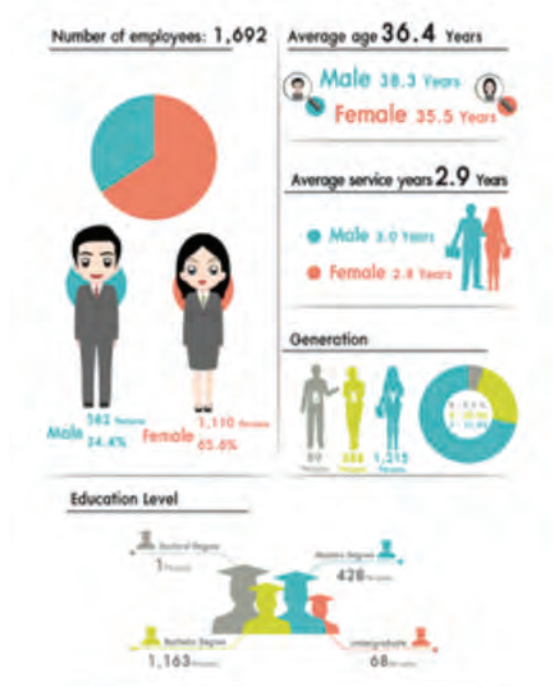
The bank strives to develop human resource management by innovations comparable to leading organizations in the country as well as to support implementation of proactive human resource for the operation of all departments to achieve business goals and continually strives to provide employees with further knowledge and improve the quality of work life, by considering the fair treatment of employees principle and human rights.

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 2016 was 1,692 persons.

Employee data in 2016



Employee Recruitment

The bank has provided the employee recruitment policy that focuses on selecting personnel based on ability, and an appropriate qualification which suit the positions and the bank's value "PRO-Active". The bank has provided the recruitment channels namely, arranging activities and creating multiple channels that grant access to target applicant groups such as "Toward Success Together Day" activity, "Mobile Recruitment" activity, "Friend get Friends" activity. In addition, the bank also announce the recruitment through the bank's website and Social Media, such as LINE and Facebook to reach desired applicant groups.



Employees Selection Criteria

To recruit employees, apart from considering knowledge, competences and other required criteria, the bank realizes the importance of recruit the employee who has the same beliefs and values that conform to the bank's direction. 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 to hire the appropriate employees for each department and the bank.



Equality and Diversity

The bank aimed to treat employee fairly, such as 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 both in internal and external stakeholders. The bank does not use illegal labor and child labor and this guideline is applied to all levels of employees from the executives to operational employees. Moreover, the bank gives work opportunities for people with disabilities.

Hiring Employee with Disabilities

The bank has promoted the opportunity and income for people with disabilities by participating in the project which arranged by the Thai Bankers' Association, where contractors hired people with disabilities to work for The Red Cross Society in many provinces, including hiring people with disabilities as the bank's 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".

Performance Management

The bank provided the Key Performance Indicator system for evaluating the performance of all levels of employees and used the indicators tool to evaluate the Pro-Active organization value behavior via the Performance Appraisal system.

Employee's Potential Development

The bank pays attention to human resource development and all levels of employees' learning such as the executives, managements, middle managements, supervisors and officers by supporting the development of knowledge, abilities and skills to suit with job functions. The bank also gives an opportunity for the employees to

Sustainable Growth and Human Resources Development

The bank has promoted and developed its employees with PRO-Active value, which is a core value, by implementing role-playing plans in promoting the value with creating recognition and perception attitude through communication channels, the Practice Believe & Individual Mindsets activity and the Group Habit Norm & Corporate Value. The bank has continuously encouraged the value to both new employees and existing employees.



develop their full potential abilities, 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.

The bank has developed employees' potential by providing learning opportunities according to an annual training plan, which consists of the following learning types.

1. Functional Program
2. Compliance Program
3. Work System Program
4. Leadership Development Program
5. Events & Meetings

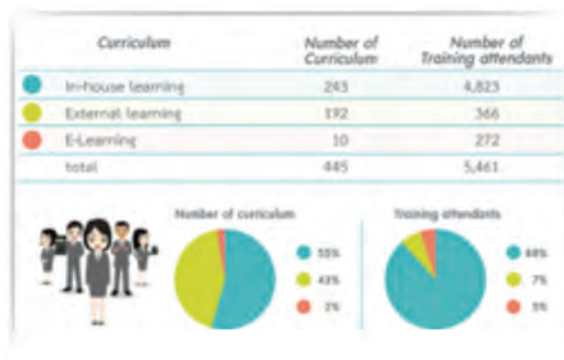
The learning plan starts from the employee's first day of work with the bank and continues until probation period is completed. This includes the development of knowledge, skills, abilities and Soft Skills that important and necessary to work in all positions. For example, the standard course to manage the bank branches for all positions and the standard loan course, which is the basic knowledge of employees.

Furthermore, the company also has provided the executive development course listed under the Leadership Development Program category consists of;

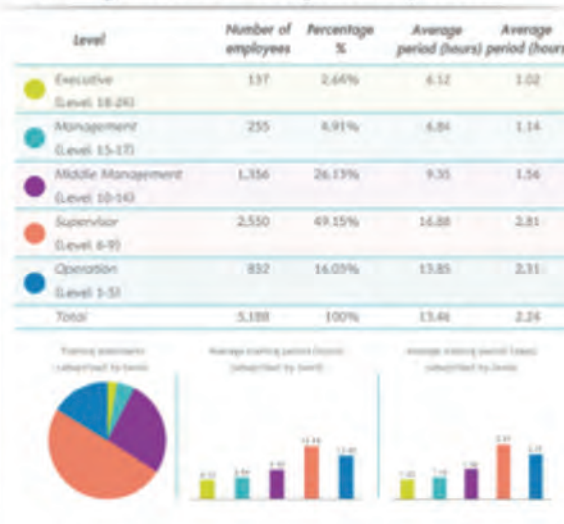
1. Supervisory Development Program
2. Management Development Program
3. Executive Development Program

All 3 courses are employee development courses for the supervisor to executive level, starting from department manager, section manager, assistant vice president, vice president as well as the top executives. The learning formats are a combination of Lecture, Workshop, Best Practice, Problem Based, Company Case, and Discussion. In addition, the bank also encourages learning with other methods such as Keynote Speaker, Company Visit, and Self-Initiative Program. All of the above will be designed into a learning method used in the course to create a variety of learning processes and to maximize learning performance.

Training data in 2016



Training attendants categorized by levels



Succession Plan

The bank has prepared the Succession Plan and in the year 2016, the nomination remuneration committee approved the policy and the Succession Plan method which covered criteria, guidelines, and methods and will further proceed to follow the approval process.

Communication and Building a strong sense of Pride in the Organization

The bank pays attention to the communication and building a strong sense of pride in the organization by providing the multimedia and communication channels in the organization to ensure that employees recognize and exchange the information within the organization thoroughly. In addition, the company has provided various activities to create the participation, build a strong pride and promote a good work environment in the organization.

The bank considers that the communication is a main factor of the organization in moving forward, making a unity and creating the participation for sustainability of the organization. The bank has also provided a various strategies and communication plans covering both in internal and external communications as shown in the figure below;



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 uses the guidelines of content and communication channels management to achieve its goal for building the awareness of knowledge and attitude shared value by categorizing media into 2 types online media and offline media as follows;

1. Online Media: consists of LH Bank People Intranet, LH Bank People Voice, LH Bank People TV, Line, Facebook, etc.

- **LH BANK People Intranet:** is an information source accessible to employees. The source includes general knowledge, various news announcements, and opinion center of the employees in sharing any issue opinions for analysis and further development such as clicking Like, Comment, Vote.

- **LH Bank People Voice:** is a radio broadcast for internal communication to ensure that the employees have perceived the information effectively by encouraging the employees' involvement as moderators.
- **Social Media:** Line and Facebook is another communication channel relating to personnel recruitment and various news within the bank, which is a suitable method in building a good image for the outsiders to recognize the organization.



2. Offline Media: consists of building a strong sense of pride, creating the participation and making relationships between the bank and the employees, such as, Zone Visit, Staff Activity, and 10 year pin of honor activity etc.

- **Zone Visit:** is an activity which aims to communicate the policy direction of the bank as well as to build relationships between the employees who work in various branches across the country including, improve the employee's quality of life (Care & Share). Therefore, this is another channel that can easily reach out to employees.



- **Staff Activities:** are activities that conforms to the bank's policy to encourage and promote the relationship and harmoniousness within the department through joining activities together.

- **10 Year Pin of Honor Activity:** is arranged to improve the employee's morale and to congratulate the employees for growing together with the bank.



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 learning via Digital Learning System, which includes the following courses: All about LH Bank, We are LH Bank, Risk Management, Compliance, Product & Service, IT Security, IT Helpdesk, Internal Control, Investment Advisor etc.

The course "We are LH Bank" is the course for learning about PRO-Active value. The company has determined all employees to learn as a guideline for their working behavior and all probation employees are assigned to study and should pass the Pre-test and Post-test before being full-time employees.

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
- To provide the certified nurse and medical room open every day during working hours for giving the first aid to the employees who become injured or ill at work, including to provide bed and first aid equipment
- Improving the benefits to suit with the current situation and covering both care and safety of the employees





Emotionally Healthy

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

- 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.
- 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

For safety at work, the bank has selected the representative from departments to be the leader for escape, and installed fire escape routes. In addition to this, the bank also provided health and safety communication and prepared the manuals for employees to acknowledge in various information that benefit both themselves and their families. Moreover, the bank will communicate to warn the employees in any situation that may affect health and safety during various incidents or abnormal situations including during long holiday periods.

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 pays 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 an 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, the executives and the employees.

The bank has developed a working process following the social responsibility for sustainable business development policy by determining the regulation the standard operation manual, 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 the 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 machines, LCD, Website, Line, 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 also provided the Call Center Department that advisory service all 24 hours, telephone number 0 2359 0000. The bank has the call center for 24 hours 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 which the bank provides various channels in receiving the claims as follows;

- Head Office / The Bank's Branches
- Contact Center: Calling 0 2359 0000
- Website: www.lhbank.co.th
- Official Facebook Fanpage

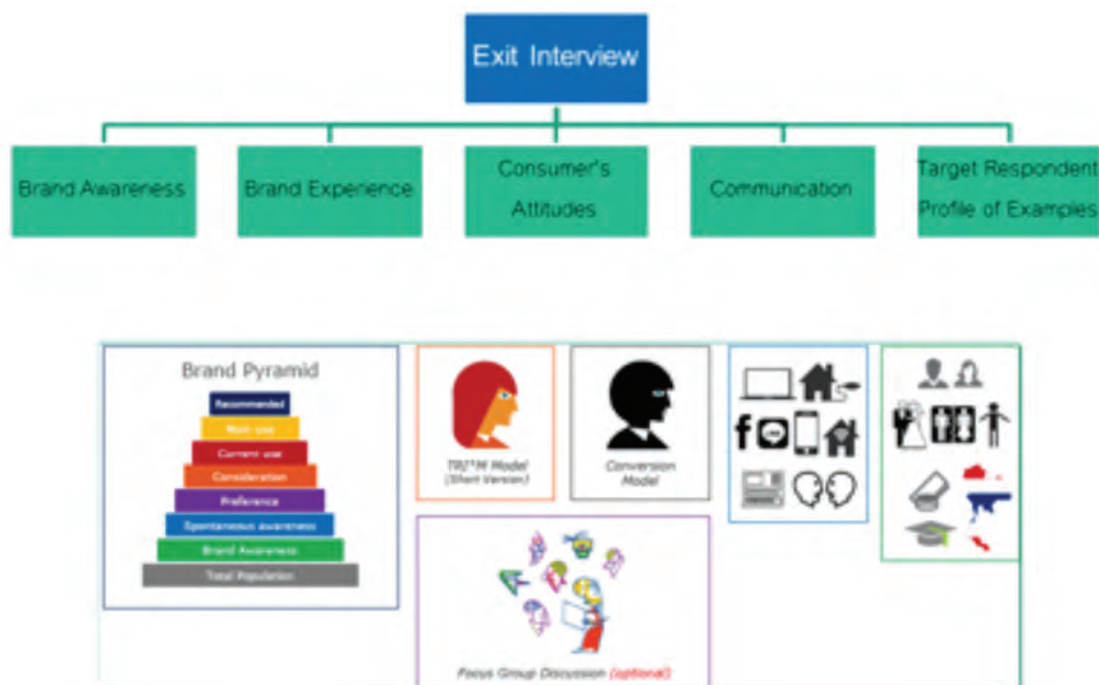


The bank pays attention to the caring of the confidentiality of customers by not revealing the information of customers except for receiving the consent in written form from the customers.

The Research and Customers' Satisfaction Measurement

The bank considers high customer satisfaction who consumes products and services to ensure the customers receive products and services with fairness and quality. The bank has provided external agencies with experience in

customer satisfaction researching and general public's recognition of our brand and products of the bank to measure customer satisfaction levels by using standardized methods, and recorded the data for both quality and quantity to obtain complete and transparent information. However, the bank will use the collected information in developing and improving our products and services of the bank to conform to the needs of customers in each group, and increase customer satisfaction.



Opening the Account for Blind Persons

The bank pays attention to access in the financial services of all segments of the population by the bank has provided the service for blind persons to access the financial services as the general people.

1. Service Types

1. To provide opening the deposit account, deposit/withdrawal from deposit account and closing the deposit account only.
2. Opening the deposit account, savings and fixed deposit account only.
3. Withdrawal and closing the deposit account, the account owner's branch only.

2. Conditions of Service

1. Signing the application form and payment condition by fingerprint instead of a signature.
2. Operation for the blind persons
 - 2.1 Fill out the application form
 - 2.2 Read the requested services list, including the agreements and condition of service.
 - 2.3 Check the accuracy of the document or count the cash.



2.4 Sign as a witness in the application form and payment condition by

2.4.1 In case the blind persons have a family member or trusted person

- The 1st witness is a family member or trusted person.
- The 2nd witness is a branch employee who provides the service.

2.4.2 In case the blind not have a family member or trusted person

- The 1st witness is a branch employee who reads the document for the blind persons.
- The 2nd witness is a branch employee who fill out the document for the blind persons.

3. The blind's representative

3.1 In case the blind have a family member or trusted person.

- Family member or trusted person is allowed to proceed.

3.2 In case the blind not have a family member or trusted person.

- One branch employee proceeds by filling out the documents and reading the documents or agreements and the conditions of service which different person.

maintenance fee for eligible persons as follows;

1. Persons eligible to receive subsidy for newborn nursing.
2. Persons eligible to receive health fund from Village Health Volunteer (VHV.)
3. Persons eligible to receive disability allowance.
4. Persons eligible to receive elderly allowance.

Arbitration Proceedings and Notify the Result of Whistleblowers to Acknowledge According to the Service Level Agreement (Service Level Agreement: SLA)

Regarding to the Thai Bankers' Association participated commercial bank to determine the Service Level Agreement for set the duration of financial services process of retail individual customers. This covers services in the field of credits, deposits, electronic cards and general services to be the standard upgrade of financial services as well as set the standards in receiving and taking care of customer complaints which will help decrease the complaint issues.

The bank has determined the Service Level Agreement, which is the bank's commitment to give services efficiently and response the customers' needs so that our customers will receive services that are convenient and fast including to acknowledge the bank's operation which the Service Level Agreement considered the needs and completeness of facts and/or information including the cooperation of the customers.

However, the bank has disclosed the Service Level Agreement on the bank's website at www.lhbank.co.th, which consists of the following 5 financial services;

1. Receiving and Taking Care of Complaints

consists of

- The confirmation of complaints through various channels
- The informing of conclusion or progress of improving complaints for every complaint channel

2. Loan for Retail Individual Customers

consists of

- Redemption of warranty
- Ownership transfer of cars/motorcycle to borrower when debt is completely paid.

Participation in Opening the Baht Zero Deposit Account Project

As the National e-Payment committee agreed to provide the social welfare data base integration and the payment of social welfare through electronics project.

The bank pays attention the responsibility to consumers, so the bank participated Opening the baht zero deposit account project for social security benefit payments and other expenses similar to the Comptroller General's Department, Ministry of Finance. The bank provided the in opening the baht zero deposit account and waiver of account



- Consideration of revising debt structure and issuing a written confirmation of complete debt payment.
- Checking request of credit account status

3. Deposits consists of

- Banking transactions such as deposit/withdraw cash through ATM/CDM of the same bank or different bank, but an error occurred, did not receive money or the amount did not match with the account.
- Banking transactions, transferring, through electronic channel such as ATM/CDM/Internet/Mobile Banking but an error occurred and the system malfunctioned causing the money not to be received.
- Request to check list of transfers to wrong account in the case of transfers to the same bank or other bank.

4. Electronic Cards consists of

- Withhold the electronic cards such as ATM cards and debit cards.
- To notice the debit card holder's payment

5. General Services consists of

- The requesting of various information for retail individual customers about the calculation of credit/hire-purchase interest for information not longer than 12 months and bank statement information not longer than 6 months.

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 employees' participation in volunteering for making awareness of social responsibility.

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 "LH Bank Supporting Scholarships Nationwide".



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

• LH Bank Sponsors Scholarship Project

Land and Houses Bank Public Company Limited realizes the importance of education and the development of youth which will be the country's main strengths and power moving forward in the long-term future. Therefore, the bank has created the LH Bank sponsors scholarship project which offers 72 scholarships across the country for youths with high academic performance, capability, and determination in pursuing higher level education but lack the capital. The project's goal is to cultivate youths with values and the importance of education as well as providing a sustainable way of improving the quality of human resources.

Project Objectives

- To create educational opportunities for youths with high academic performance, capability, and good behavior with financial issues.
- To cultivate youths with values and the importance of education.
- To increase the quality and performance of human resources to the society.
- To carry out activities that benefits and help society and the country overall.

The Nature of Scholarship

- Offering the scholarships to high school students that have excellent academic record and good behavior.
- Divides the scholarship area through branch networks of the bank in 6 regions.
- Offering the scholarships to high school students in grade M.1 – M.6 by divided into a class per a scholarship, 12 schools and total of 72 scholarships.

Scholarship Qualifications

- Hometown is located in Thailand.
- Age between 11 – 18 years old.
- A person who lacks of opportunities due

to poverty, or a person who is orphan and look after by a guardian that is poor, or a person who is under the care of a foster home or various foundations.

- Good behavior and discipline person.

The bank has permitted its branches in the 6 regions across the country to select the schools and students that have suitable qualifications and meet the scholarship requirements. The selected schools are as follows:

- Bang Bua Tong School, Nonthaburi
- Triamudomsuksa School (Nomklao), Nonthaburi
- Bangkok School, Bangkok
- Samut Prakarn School, Samut Prakarn
- Kanlayanawat School, Khon Kaen
- Roi Et Industrial and Community Education College, Roi Et
- Kannasootsuksalai School, Suphanburi
- Phothisamphanphitthayakhan School, Chonburi
- Satriephuket School, Phuket
- Aor Bor Jor Muang Phuket School, Phuket
- Wattanothaipayap School, Chiang Mai
- Anubanmaemoh School (Community 1), Lampang



Kanlayanawat School, Khon Kaen



Anubanmaemoh School (Community 1), Lampang



Phothisamphanphitthayakhan School, Chonburi



Aor Bor Jor Muang Phuket School, Phuket

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 charitable donations made through LH Bank ATM machines and all branches of the bank counter. 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.



The bank has joined the project “Soft-Loan Program for SMEs”

The bank has joined the project “Soft-Loan Program for SMEs” to help and increase the opportunity in access to finance for SMEs including strengthen the investment climate and creating of money circulating in Thailand’s economy.

• Society

The bank welcomes the donation via ATM of the bank for supporting public organizations such as Thammasat Chalermphrakiat Hospital, the Foundation for Employment Promotion for the Blind and Phrakhruba Noi Khemmapunyo Foundation etc.



- **Environment**

The bank has joined the project “Revolving Fund”

The bank has signed the “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.



- **Providing the measures to help customers that affected by the floods in southern**

Land and Houses Bank Public Company Limited concerned for the citizens and its customers who live in the areas affected by flooding in many provinces of the south. The bank has offered disaster relief aid for victims in various aspects: for example, invite the executives, the employees, and the valued customers to donate drinking water to help alleviate the impact on disaster victims. Furthermore, the bank has also implemented assisting measures for customers affected by the disaster such as increasing credit facilities, extending installment period or reducing the installment amount. These assisting measures of the bank will help lessen the impact from the disaster to a certain degree, and can be summarized as follows.



Retail Customers Group

- 1) The principal payment suspension for a maximum period of 12 months or extend installment payment period up to 12 months and reducing the installment rate.
- 2) Offer the overdraft (O/D) facility a period of 5 years without having to pay the principal for up to 6 months which the first year has an interest rate of MLR-1% and standard MLR from 2nd to 5th year for improving and renovating residence or establishment.

Business Customers Group

- 1) The principal payment suspension for a maximum period of 12 months or extend installment payment period up to 12 months and reducing the installment rate.
- 2) Increase the overdraft (O/D) facility by 20% of the original facility not exceeding Baht 10 million, to improve liquidity in business operation and restore the business. The bank offers in the period 3 years, the first year has an interest rate of 5%, and MLR-1% for 2nd and 3rd year, with no need to pay principal for up to 6 months.



LH Bank donates drinking water to help flood victims in the south



LH Bank donates funding to help flood victims in the south

• Activities of Helping Mind for Social Development



LH Bank cooperates to donate blood with Thai Red Cross Association



LH Bank cooperates with Chulabhorn Hospital and Ministry of Finance to prepare the donation project for help needy patients and purchasing the medical equipment.

• 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" continuously since 2014 for sharing the knowledge in personal financial management and instilling a sense of financial discipline who are undergraduate leaders of the universities in Nakhon Pathom province. The bank also cooperates with the social sector organizations consists of the National Center for Youth Development under Royal Patronage of HRH Princess Sirindhorn (NCYD) and other parties consists of the Stock Exchange of Thailand, the Financial Consumer Protection Center a unit of the Bank of Thailand, the Office of the National Anti-Corruption Commission and the Friends of Facilitator Networks for cooperates to create the good changing of attitude and behavior in the young people which are the target group.

Project Implementation Achievement of Results

- (1) Developing the financial knowledge of youths from the courses "4 Knowledge Concepts to Wealth" for the lecturers of the bank, 15 members of the Thai Bankers' Association, total 84 persons and to create 10 lecturers who were trained to relay this knowledge of financial danger further which is the course of the Financial Consumer Protection Center.
- (2) To provide knowledge in personal financial planning, encouraging financial discipline, and instilling morality and ethics on anti-corruption to undergraduate leaders for a total of 312 students and 35 professors in 7 universities in Nakhon Pathom province.

- (3) 191 university student leaders attended the training course for developing their own ability as a person who spreads knowledge and moral principles that have been cultivated from the project “Peer Educator” to other university students and surrounding communities via 25 activities.
- (4) To develop the university student leaders manual such that they are suitable for spreading knowledge and moral.
- (5) To develop the relationships between banking sector, educational institutions and surrounding communities in Nakhon Pathom province through this project.
- (6) Providing knowledge to primary and secondary students that are in areas nearby the bank’s branches.

Land and Houses Bank Public Company Limited, as a member of CSR Thai Bankers’ Association, has continuously provided its cooperation in the project “Be happy by saving and using wisely” because the bank is aware of the importance in instilling knowledge of financial planning, creation of financial discipline, and moral discipline on anti-corruption in society from a young age to create the economic stability and sustainability for society in the future.

The project’s goals are to reinforce financial discipline for youths who are leaders of various universities to develop the ability of these leaders so that they play a role in spreading financial discipline from the use of knowledge, expertise, and skills obtained from banking sector in creating benefits for their community and society and to response the intentions of the bank to recognize the importance of intellectual capital in the society and helping develop the society to become a sustainable quality society.



- **Promote the Age-Friendly Business Project**

In the next 5 years, Thailand will become a Complete Aged Society with its aging population reaching 1 in 5 of the total population. Apart from an increase in the number of older people, the changes in socioeconomic factors will also contribute to strategy changes in the business operation in response to the demand and behavior of consumption and lifestyle of the older people group in the future.

The company recognizes the importance of the changing and cooperates in the project “Age-Friendly Business” with Thaipat Institutes, Department of Older Persons, Ministry of Social Development and Human Security, and the private sector in driving the Age-Friendly business under the CSR-in-process and Social Enterprise format. In addition, on the September 7th, 2016, the company received a certificate of participation in the Age-Friendly business from the Department of Older Persons for corroborating with Thaipat Institutes, and the Rural Area Renovation Foundation of Thailand under Royal Patronage.



Promote the Age-Friendly Business Project are as follows;

1. Products and Services for Older People

The bank recognizes the importance of changing in the pace of aging society completely of Thailand. The bank also understands the demand and behavior of consumption and lifestyle of older people group in the future. Therefore, the bank provides the deposit products such as;

- Saving Super Shield for individual customers aged 15 years to 70 years. The bank offered the maximum benefit up to 25 times of current deposit saving account balances by covered in case a customer's death from accident in 24 hours. Customers can deposit a minimum initial deposit is Baht 1,000 and the more customers deposit, the more customers gain the benefit and coverage without health check and without insurance premium payment.

2. Employment of retired employee

The company has determined its recruitment management guidelines to support older people society by specifying criteria that includes employment of retired employee to carry out duties in the important positions. This is to provide career opportunities for retired personnel to come back to work again. In addition, this would also compensate for workforce shortage as well.

3. Hiring the Older People as Lecturer

The bank has arranged the "My Bank My Love" activity for purposes of creating lasting positive relationships between customers and the bank by proposing valuable and customer beneficial activities. The bank has hired older people with expertise in various subjects as lecturer to transfer knowledge to the bank's customers. Thus, customers that participated in the activities were able to apply the knowledge obtained and create a career out of it. Some of the activities included scented soap making, perfume making, floral decoration arrangement, sewing, clay molding, and herb inhaler making.



3. Art and Culture

The bank has arranged the traditional activities with people living in the areas located near the bank, for example, supporting 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





The bank supported Children's Day Activity at Wat Disanukaram School



LH Bank, Yaowarat branch, participated in the Chinese New Year festival activities 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.

Implementation of the 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, use natural light as much as possible and also has used water-saving tap.

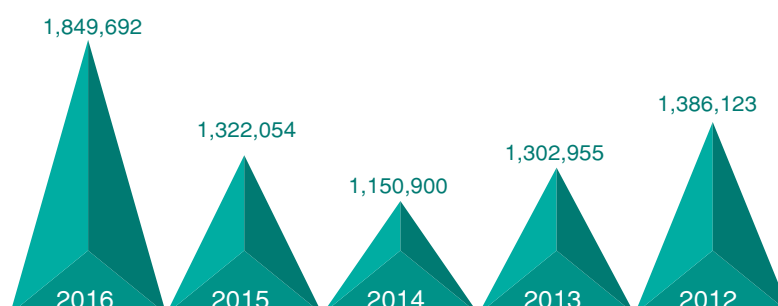


During 2016-2017, the bank has a plan to replace incandescent light bulbs to LED, which could help to reduce power consumption by 25% and greatly reduces the radiation heat when compared to the incandescent light bulbs. In the 2016, there were many completed projects, such as changing the incandescent light bulb in front of the head office building, and in the year 2017, the company will change to use LED in the head office's area.

Electricity Usage

Electricity usage of 2016 totaled 1,849,692 units (kWh) compared to 2015 due to an increase in electricity usage totaled 1,322,054 units (kWh) or increasing by 39.91%. The electricity usage in 2016 increased from using meeting rooms and multi-purpose spaces for seminars and activities.

Electricity Usage (Units)

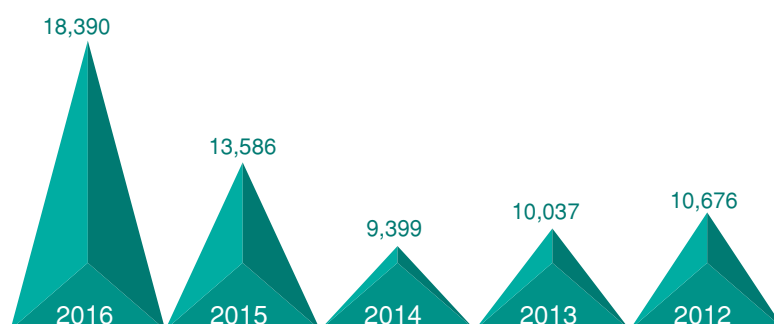


Tap Water Usage

The tap water usage in 2016 totaled 18,390 units, increasing by 13,586 cubic meters of tap water or increasing by 35.36% compared to 2015. The tap water

usage in 2016 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

The bank has changed the process of preparing the meeting's materials of the bank's board of directors, the executive directors committee, the audit committee, the corporate governance committee and the nomination and remuneration committee by changing the meeting's materials from paper to e-documents which recorded in iPad. As a result, this process can help to reduce paper consumption by approximately 5,000 pieces a month.

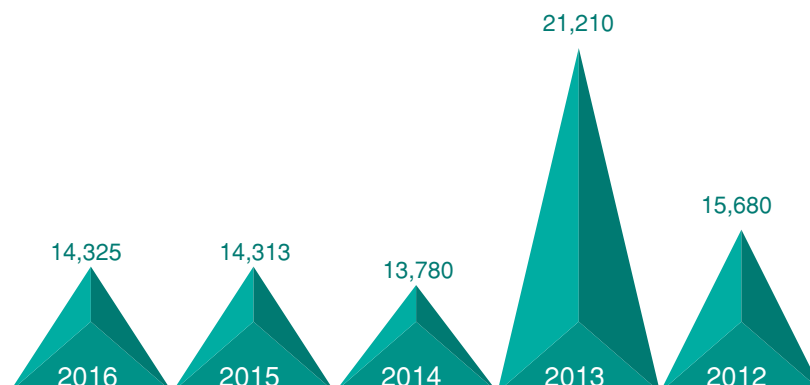
Pool Printer Management Project

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 2016 was 14,325 reams and increased 12 reams from the year 2015 or increased by 0.08%

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 ensure the working area has a proper light and also conducts the light measurement every 3 years.

Measurement Data and Data Collection Process

1. Measure at working area 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 sustainable. 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 and spacious clean resulting in a better mood of the employees

2. Result of **Set 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 from using ATM machines. This can be said that we save the environment through our ATM machines. As of 31 December 2016, the bank has totally 203 ATM machines including 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.

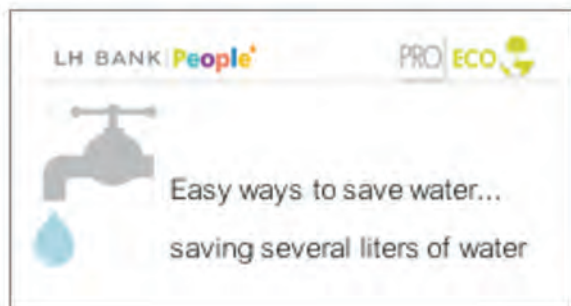
The Communication of Social Responsibilities Campaign

The bank focuses on creating environmental awareness to participate in saving energy and conserving the environment through internal communication channel or intranet; the intranet, LH BANK People and Pro Eco column. The mentioned channels provide the employees about the contents that could be applied in real practice both at their home and in the workplace such as;



- Easy ways to save water, saving several liters of water
- 10 ways to reduce waste
- Easily saving energy for office man/women

- Save water methods to fight with drought crisis and having awareness, but don't panic for the situation.
- Knowing tissue before using it via a topic "the new way in conserving the environment from recycle paper".



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 which the bank awareness to promote the product innovation development and digital financial service for helping customers' save traveling time, reduce their expenses and service convenience.

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.

Financial Services via Mobile Phone (LH Bank M Choice) 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 a message to inform the transaction 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, loan payment, and product and service payment etc.

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



LH Bank PromptPay Service is a new service to transfer funds for decrease cash transactions by linking the citizen ID card and mobile phone numbers with LH Bank's account number. In addition, money transfers easily by using their citizen ID card number or mobile phone number without using their account number which the bank provides the LH Bank PromptPay service via 4 channels as follows;

1. Mobile Phone (LH Bank M Choice)
2. Internet Banking (LH Bank Speedy)
3. LH Bank's ATM machines
4. Branches of the bank

However, 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, Land and Houses Securities Public Company Limited and Land and Houses Fund Management 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 2016 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 operation and a right to directly report to the audit committee focusing on the risks covered by the rules, regulations, policies, guidelines, procedures and code of conduct. Internal Audit Department, Information Technology Audit Office, Compliance Office and Information Technology Compliance Office take responsibilities for internal control functions as follows;

- **Internal Audit Department and Information Technology Audit Office**

has the duties for audit 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 and Information Technology Compliance Office**

has the duties 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 pays attention to the revision of the law and government regulation.

Duties and Responsibilities of the Head of Control Group

1. Compliance
2. Information Technology Compliance
3. Credit Review
4. Internal Audit
5. Information Technology Audit
6. Special Audit and Corruption Audit



Profile of the Head of Control Group

Name	Miss Chutima Boonmee
Position	Executive Vice President, Control Group
Age (Years)	64
Education	<ul style="list-style-type: none"> - Master of Public Administration (M.P.A.) National Institute of Development Administration (NIDA) - Master Degree : Srinakharinwirot University
Training	<ul style="list-style-type: none"> - Success Factors and Raising Anti-Corruption Standard Guideline in the ASEAN Community, National Institute of Development Administration - 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

None Current Position in Listed Company

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

Current Position in 1 Non-Listed Company

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	
Nov. 2010 - Feb. 2012	Senior Vice President Compliance Office	

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, the Financial Action Task Force on Money Laundering (FATF 40+9 Recommendations), and BOT : IT Best Practice Phase I and Phase II.

- 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.

Duties and Responsibilities for Special Audit and Corruption Audit

- Determine in monitor of unusual transactions
- To propose the special audit analysis result to the president for acknowledges and coordinates with internal departments of the bank to consider in comply with operation guideline correctly and completely.
- To propose the special audit result including the documents and the evidences to the president, the top executives and report to the audit committee.
- Follow progressive of the special audit operation.

The Number of Staff in the Internal Audit Department of Land and Houses Public Company Limited

The number of employees work as auditor amount 29 persons consists of general auditor and branch auditor amount 20 persons, and information technology auditor amount 9 persons.



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 Business 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.



Policies and Trends for Future Related Party Transactions

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

For related party transactions which may occur in the future, the Board of Directors of the company shall comply with the law 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.

Information Disclosure

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

Year 2016, 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 Entities and Individuals Involved in the Transaction

The Year 2016, 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;

Transactions during the Year 2016

During the year 2016, 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	24.97	- The same rates that a subsidiary paid to general depositors
	Other operating expenses	40.43	- 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	20.05	- The same rates that a subsidiary paid to general depositors
	Other operating expenses	0.43	- As specified in the agreements and the same rates as charged to general customers



(Unit: Million Baht)

Relationship ^{/1}	Consolidated Financial Statements		
	Type of Transactions	Value of Transactions	Pricing Policy
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	30.26	- At the percentage of net asset value of fund under the subsidiary's management
	Dividend income	5.24	- As announced by the funds
	Interest expenses	19.49	- The same rates that a subsidiary paid to general depositors
	Other operating expenses	87.57	- As specified in the agreements and the same rates as charged to general customers
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	134.00	- The same rates that a subsidiary charged to general customers and as specified in prospectus
	Fees and service income	2.10	- At the percentage of net asset value of the fund under the subsidiary's management
	Dividend income	9.22	- As announced by the funds
	Interest expenses	2.53	- The same rates that a subsidiary paid to general depositors
	Other operating expenses	14.14	- As specified in the agreements and the same rates as charged to general customers
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	9.05	- At the percentage of net asset value of the fund under the subsidiary's management
	Dividend income	6.87	- As announced by the funds
	Interest expenses	9.83	- 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 expenses	0.05	- 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	10.26	- The same rates that a subsidiary paid to general depositors and as specified in prospectus
9. Related persons	Interest income	1.48	- The same rates that a subsidiary charged to general customers
	Interest expenses	13.24	- 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	Consolidated Financial Statements		
	Type of Transactions	Value of Transactions	Pricing Policy
1. The company's subsidiary is Land and Houses Bank Public Company Limited	Interest income	8.18	- The same rates that a subsidiary paid to general depositors and as specified in prospectus
	Dividend income	932.40	- As announced by the subsidiary
	Other operating income	1.32	- As specified in the agreements
	Interest expenses	8.32	- The same rates that a subsidiary charged to general customers
	Fees and service expenses	0.13	- The same rates that a subsidiary charged to general customers
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	Other operating expenses	0.05	- As specified in the agreements and the same rates as charged to general customers
3. The companies which are related to the company's and the subsidiaries' directors, and have transactions with the company and its subsidiaries	Dividend income	1.54	- As announced by the funds

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

The Outstanding Balances

As at 31 December 2016, 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 Customer	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	-	-	-	-	-	-	-	-	-	-



(Unit: Million Baht)

Relationship ^{/1}	Consolidated Financial Statements									
	Investments - Cost	Accrued Interest Receivables on Investments	Loans to Customers	Accrued Interest Receivables on Loans to Customer	Other Assets	Deposits	Debts Issued and Borrowings	Accrued Interest Payables	Other Liabilities	Commitments - Bank Guarantee
2. Companies or any persons who hold more than 10 percent of shares in the company ("the major shareholders")	-	-	-	-	8.35	1,597.30	-	0.03	0.20	-
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	2,148.82	-	0.75	0.01	-
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	-	-	-	23.35	2,794.39	-	1.07	0.93	21.18
5. The companies which are related to the company's and the subsidiaries' directors, and have transactions with the company and its subsidiaries	1,641.22	15.81	1,389.60	0.86	5.51	219.52	-	1.41	2.00	199.25
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	1,146.78	-	2.35	-	-



(Unit: Million Baht)

Relationship ¹	Consolidated Financial Statements									
	Investments - Cost	Accrued Interest Receivables on Investments	Loans to Customers	Accrued Interest Receivables on Loans to Customer	Other Assets	Deposits	Debts Issued and Borrowings	Accrued Interest Payables	Other Liabilities	Commitments - Bank Guarantee
7. The companies which are controlled by the company's and subsidiaries' related persons, and have transactions with the company and its subsidiaries	-	-	-	-	-	6.89	-	-	-	-
8. Directors and executives	-	-	8.11	-	-	755.32	28.00	1.62	0.03	-
9. Related persons	-	-	33.20	0.01	-	1,015.78	12.50	1.77	-	-
Total	1,799.88	15.81	1,430.91	0.87	39.55	9,684.80	40.50	9.00	3.17	220.43

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	Interbank and Money Market Items (Liabilities)	Accrued Interest Expenses on interbank and Money Market Items (Liabilities)	Accounts Payable on Securities Trading	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	536.98	137.80	0.79	-	-	415.00	0.03	-	0.03	-
2. The companies which are related to the company's and the subsidiaries' directors and have transactions with the company and its subsidiaries	-	31.96	-	-	-	-	-	-	-	-
Total	536.98	169.76	0.79	-	-	415.00	0.03	-	0.30	-

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
Ms. Chutima	Boonmee	Secretary

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 2016, the Audit Committee arranged the 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 Report**

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. In addition, the board has considered the company's performance monthly and has arranged the meeting with the auditors for discussing that they should perform their duties and giving opinion independently and they should report found issues to the audit committee completely.

- **Internal Control and Internal Audit**

Reviewing adequacy of the company's internal control system by scrutinizing reports of internal audit and auditor report 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 including compliance policy which the company has set the compliance policy as the basic standard for directors, executives and employees to properly perform their duties.

- **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. The company's auditor was EY Office Limited that was an auditor of 2016 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 3 directors as follows:

- | | | |
|---------------|-----------------------------|---|
| 1. Mr. Adul | Vinaiphat | Chairman of the Nomination and Remuneration Committee |
| 2. Mr. Naporn | Sunthornchitcharoen | Members of the Nomination and Remuneration Committee |
| 3. Mr. Somsak | Assavapokee | Members of the Nomination and Remuneration Committee |
| | Mr. Ruangsak Vitavaskarnvej | Secretary |

All of them are not executives of the company. The Chairman of the Nomination and Remuneration Committee is an independent director.

During the year 2016, the Nomination and Remuneration Committee held the meeting one time and all members of the committee attended the meeting. The Nomination and Remuneration Committee has considered the core agenda as follows:

- Procure the appropriate directors to replace those whose terms expired
- Review role and responsibility of the Nomination and Remuneration Committee and additional duties, namely, to recommend the performance evaluation of the company director and the Board of Directors
- 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 and The Annual General meeting of Shareholders.
- Consider about Director's bonus allocation



(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 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 financial statements of the company as of December 31, 2016.



(Mr. Anant Asavabhokhin)
Chairman



(Mrs. Sasitorn Phongsathorn)
President



THE INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LH Financial Group Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of LH Financial Group Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in owners' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of LH Financial Group Public Company Limited for the same period.

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 2016, and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

Allowance for doubtful accounts on loans to customers

As described in Note 10 to the financial statements, as at 31 December 2016, the Group had loans to customers of Baht 141,162 million (accounting for 66.5% of total assets) and allowance for doubtful accounts of Baht 3,086 million, which is a material amount. An allowance for doubtful accounts is recorded based on an estimation of the loan losses expected to be incurred when debtors are unable to repay their debts and taking into accounts the timing of such loss recognition with reference to criteria laid down by the Bank of Thailand, which involve various assumptions. Management is therefore required to exercise a high considerable level of judgement in determining those assumptions. Hence, I focused on examining the adequacy of the allowance for doubtful accounts on loans to customers.

I performed audit procedures on the allowance for doubtful accounts as follows:

1. I gained an understanding of the Group's process in recording allowance for doubtful accounts.
2. I assessed and tested the internal controls relevant to recording the allowance for doubtful accounts such as collection of loan repayments, classification of loans, valuation of collateral, establishment of assumptions and calculation of the allowance for doubtful accounts, by making enquiries and testing, on a sampling basis, the operation of controls relevant to recording the allowance for doubtful accounts designed by the Group.
3. I tested, on a sampling basis, the data used in calculation of the allowance for doubtful accounts to their sources.
4. I compared assumptions used by the Group with historical data, checked consistency of assumptions used and evaluated the methods the Group opted to use in estimating the allowance for doubtful accounts for each type of loans.
5. I reviewed the loan information and tested, on a sampling basis, classification of loans as at the end of the reporting period.
6. I assessed the allowance of doubtful accounts determined by the management as follows:
 - 6.1 In case where loan loss provision is set aside on a debtor-by-debtor basis, I tested, on a sampling basis, their repayment status, their loan classes and the value of the underlying collateral, and tested whether calculation of the allowance for doubtful accounts was in accordance with the Group's criteria.
 - 6.2 In case loan loss provision is set aside using a collective approach, I tested, on a sampling basis, the calculation the rates of probability of default (PD) and loss given default (LGD) and I also tested calculation of such allowance for doubtful accounts.
7. I performed an overall migration analysis of the allowance for doubtful accounts as a result of changes in loan classes, loan balances and value of collateral.

Recognition of interest income on loans to customers

The Group has policies to recognise interest income on loans to customers as described in Note 4.1 (a) to the financial statements whereby the Group's interest income on loans to customers recognised in 2016 amounted to Baht 6,558 million, accounted for 74% of total interest income. The Group has a large number of customers, categorised as retail, corporate and medium-sized customers. There are various types of loan agreements and their terms and conditions to recognise interest income differ. In addition, the Group's recognition of interest income on loans to customers is primarily dependent on the process of information technology. I therefore focused my audit on whether interest income on loans to customers is recognised correctly.

I assessed and tested, on a sampling basis, the operation of controls around information technology system relevant to recording of loan origination, collection, recognition and cessation of interest income. I also tested, on a sampling basis, recognition of interest income on loans to customers that it was in accordance with the conditions stipulated in the loan agreements and in compliance with the Group's interest income recognition policies. In addition, I performed analytical procedures on interest income and tested, on a sampling basis, significant adjustments made through journal vouchers.



Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Rachada Yongsawadvanich.



Rachada Yongsawadvanich
 Certified Public Accountant (Thailand) No. 4951
 EY Office Limited
 Bangkok: 20 February 2017



FINANCIAL STATEMENT AND --- NOTES TO FINANCIAL STATEMENTS



LH Financial Group Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2016 and 2015

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2016	2015	2016	2015
Assets					
Cash		2,109,177	2,242,589	1	8
Interbank and money market items - net	6	17,326,434	17,676,429	536,976	230,202
Derivative assets	7	2,858	-	-	-
Investments - net	8	52,675,772	47,202,958	1,079,415	649,066
Investments in subsidiaries	9	-	-	15,361,408	15,035,991
Loans to customers and accrued interest receivables	10				
Loans to customers		141,162,067	133,276,799	-	-
Accrued interest receivables		231,194	224,480	-	-
Total loans to customers and accrued interest receivables		141,393,261	133,501,279	-	-
Less : Deferred revenue		(91,770)	(179,447)	-	-
Allowance for doubtful accounts	11	(3,086,277)	(2,555,273)	-	-
Revaluation allowance for debt restructuring	12	(15,232)	(8,740)	-	-
Loans to customers and accrued interest receivables - net		138,199,982	130,757,819	-	-
Investment properties - net	14	-	-	37,249	37,382
Properties foreclosed - net	15	107,322	99,340	-	-
Premises and equipment - net	16	403,900	499,000	-	-
Intangible assets - net	17	302,393	297,294	-	-
Deferred tax assets	18.1	263,466	197,540	-	-
Accrued interest receivables on investments		295,841	305,398	793	868
Securities business receivables - cash accounts		96,002	32,054	-	-
Other assets - net	19	364,036	356,352	10,789	1,533
Total assets		212,147,183	199,666,773	17,026,631	15,955,050

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 2016 and 2015

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
Note		2016	2015	2016	2015
Liabilities and owners' equity					
Deposits	21	149,097,146	137,064,320	-	-
Interbank and money market items	22	20,009,851	20,638,556	415,000	-
Liabilities payable on demand		75,991	176,517	-	-
Derivative liabilities	7	-	5,395	-	-
Debts issued and borrowings - net	23	20,327,489	21,663,968	-	-
Interest payables		600,284	818,440	31	-
Accrued expenses		483,162	420,637	911	928
Provisions for liabilities	24	106,868	87,293	-	-
Tax payable		341,176	288,831	120	114
Revenue received in advance		235,876	275,308	-	-
Accounts payable on securities trading	25	112,260	18,816	-	4,013
Deferred tax liabilities	18.1	43,826	-	22,667	-
Payables to Clearing Houses		23,723	7,688	-	-
Securities business payables		143,479	51,983	-	-
Other liabilities	26	230,415	198,166	825	745
Total liabilities		191,831,546	181,715,918	439,554	5,800
Owners' equity					
Share capital	27				
Registered					
13,638,705,250 ordinary shares of Baht 1 each		13,638,705	13,638,705	13,638,705	13,638,705
Issued and paid-up					
13,638,699,252 ordinary shares of Baht 1 each		13,638,699	13,638,699	13,638,699	13,638,699
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	8.3	99,584	(18,749)	90,669	10,249
Retained earnings					
Appropriated - statutory reserve	28	709,590	528,700	231,300	180,900
Unappropriated		5,225,206	3,159,648	1,983,853	1,476,846
Equity attributable to the Company's shareholders		20,315,635	17,950,854	16,587,077	15,949,250
Non-controlling interests of the subsidiaries		2	1	-	-
Total owners' equity		20,315,637	17,950,855	16,587,077	15,949,250
Total liabilities and owners' equity		212,147,183	199,666,773	17,026,631	15,955,050

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 2016 and 2015

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

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Profit or loss:					
Interest income	31	8,810,031	8,493,893	8,250	8,607
Interest expenses	32	(3,971,037)	(4,127,464)	(8,323)	(5,082)
Net interest income (expenses)		4,838,994	4,366,429	(73)	3,525
Fees and service income	33	636,870	455,583	-	-
Fees and service expenses	33	(126,270)	(106,203)	(7,481)	(7,843)
Net fees and service income (expenses)		510,600	349,380	(7,481)	(7,843)
Gains on trading and foreign exchange transactions		580	2,172	-	-
Gains on investments	34	1,188,489	673,392	36,763	2,522
Dividend income		396,624	126,153	994,498	1,026,437
Other operating income		31,778	25,896	1,328	1,320
Total operating income		6,967,065	5,543,422	1,025,035	1,025,961
Other operating expenses					
Employees' expenses	39	1,310,496	1,160,953	-	-
Directors' remuneration	35	32,381	24,224	14,770	9,445
Premises and equipment expenses		710,043	704,601	133	132
Tax and duties		220,645	218,416	4	366
Advertising and promotion expenses		105,485	96,155	1,024	1,085
Amortisation on intangible assets		70,417	69,174	-	-
Other expenses		152,059	126,123	1,624	1,799
Total other operating expenses		2,601,526	2,399,646	17,555	12,827
Bad debts, doubtful accounts and impairment loss	36	1,025,000	1,089,614	-	-
Profits before income tax expenses		3,340,539	2,054,162	1,007,480	1,013,134
Income tax expenses	18.2	(644,101)	(402,449)	-	-
Profits for the years		2,696,438	1,651,713	1,007,480	1,013,134
Other comprehensive income (loss):	37				
Items to be recognised to profit or loss in subsequent periods:					
Gains on revaluation of available-for-sale investments					
- net of income taxes		118,333	60,172	80,420	60,754
Total items to be recognised to profit or loss in subsequent periods		118,333	60,172	80,420	60,754
Items not to be recognised to profit or loss in subsequent periods:					
Actuarial gains - net of income taxes		84	1,455	-	-
Total items not to be recognised to profit or loss in subsequent periods		84	1,455	-	-
Other comprehensive income for the years		118,417	61,627	80,420	60,754
Total comprehensive income for the years		2,814,855	1,713,340	1,087,900	1,073,888

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 2016 and 2015

(Unit: Thousand Baht except earnings per share expressed in Baht)				
Note	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Profits for the years attributable to:				
Equity holders of the Company	2,696,437	1,651,713	1,007,480	1,013,134
Non-controlling interests of the subsidiaries	1	-	-	-
	<u>2,696,438</u>	<u>1,651,713</u>		
	-	-		
Total comprehensive income for the years attributable to:				
Equity holders of the Company	2,814,854	1,713,340	1,087,900	1,073,888
Non-controlling interests of the subsidiaries	1	-		
	<u>2,814,855</u>	<u>1,713,340</u>		
Earnings per share of equity holders of the Company:	38			
Basic earnings per share (Baht per share)				
Profits for the years attributable to equity holders				
of the Company	<u>0.1977</u>	<u>0.1211</u>	<u>0.0739</u>	<u>0.0743</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 2016 and 2015

(Unit: Thousand Baht)

Consolidated financial statements									
Equity attributable to equity holders of the Company									
Other component of equity - Revaluation surplus (deficit)									
Note	Issued and paid-up share capital	Share premium	on available-for-sale investments - net of income taxes	Retained earnings		Total equity attributable to the Company's shareholders	Non-controlling interests of the subsidiaries	Total	
				Appropriated - statutory reserve	Unappropriated				
	13,198,747	642,556	(78,921)	396,400	2,127,572	16,286,354	1	16,286,355	
29	439,952	-	-	-	(439,952)	-	-	-	
29	-	-	-	-	(48,840)	(48,840)	-	(48,840)	
28	-	-	-	132,300	(132,300)	-	-	-	
	-	-	-	-	1,651,713	1,651,713	-	1,651,713	
	-	-	60,172	-	1,455	61,627	-	61,627	
	-	-	60,172	-	1,653,168	1,713,340	-	1,713,340	
	13,638,699	642,556	(18,749)	528,700	3,159,648	17,950,854	1	17,950,855	
	13,638,699	642,556	(18,749)	528,700	3,159,648	17,950,854	1	17,950,855	
	-	-	-	-	(450,073)	(450,073)	-	(450,073)	
28	-	-	-	180,890	(180,890)	-	-	-	
	-	-	-	-	2,696,437	2,696,437	1	2,696,438	
	-	-	118,333	-	84	118,417	-	118,417	
	-	-	118,333	-	2,696,521	2,814,854	1	2,814,855	
	13,638,699	642,556	99,584	709,590	5,225,206	20,315,635	2	20,315,637	

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



(Unit: Thousand Baht)

	Note	Separate financial statements					
		Issued and paid-up share capital	Share premium	Other component of equity - Revaluation surplus (deficit) on		Retained earnings	Total
				available-for-sale investments - net of income taxes	Appropriated - statutory reserve	Unappropriated	
Balance as at 1 January 2015		13,198,747	642,556	(50,505)	130,200	1,003,204	14,924,202
Stock dividends issued	29	439,952	-	-	-	(439,952)	-
Cash dividends paid	29	-	-	-	-	(48,840)	(48,840)
Appropriated to statutory reserve	28	-	-	-	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
Balance as at 1 January 2016		13,638,699	642,556	10,249	180,900	1,476,846	15,949,250
Cash dividends paid	29	-	-	-	-	(450,073)	(450,073)
Appropriated to statutory reserve	28	-	-	-	50,400	(50,400)	-
Profit for the year		-	-	-	-	1,007,480	1,007,480
Other comprehensive income for the year		-	-	80,420	-	-	80,420
Total comprehensive income for the year		-	-	80,420	-	1,007,480	1,087,900
Balance as at 31 December 2016		13,638,699	642,556	90,669	231,300	1,983,853	16,587,077

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

LH Financial Group Public Company Limited and its subsidiaries

Statements of cash flows

For the years ended 31 December 2016 and 2015

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	2016	2015
	2016	2015
Cash flows from operating activities		
Profits before income tax expenses	3,340,539	2,054,162
Adjustments to reconcile profits before income tax expenses		
to net cash provided by (paid from) operating activities		
Depreciation and amortisation	234,886	235,953
Bad debts, doubtful accounts and impairment loss	1,025,000	1,089,614
Bad debts recovery	-	(5,205)
Provisions for employee benefits	24,138	15,858
(Gains) losses on disposals/write-offs of premises and equipment	(103)	1,664
(Gains) losses on trading and foreign exchange transactions	(14)	1,960
Losses from reclassification of investments	827	-
Gains on sales of investments	(1,188,489)	(673,392)
Net interest (income) expenses	(4,838,994)	(4,366,429)
Dividend income	(396,624)	(126,153)
Cash received on interest income	7,091,101	7,137,122
Cash paid on interest expenses	(4,156,238)	(3,982,105)
Cash paid on income taxes	(647,900)	(435,491)
Profits (loss) from operation before changes in operating assets and liabilities	488,129	947,558
(Increase) decrease in operating assets		
Interbank and money market items	357,596	(4,597,704)
Trading investments	208	(14,210)
Loans to customers	(8,507,316)	(17,837,393)
Securities business receivables	29,491	(320,956)
Properties foreclosed	19,627	48,000
Other assets	(86,888)	107,732
Increase (decrease) in operating liabilities		
Deposits	12,032,826	14,432,418
Interbank and money market items	(628,705)	(2,532,605)
Liabilities payable on demand	(100,526)	66,565
Short-term debts issued and borrowings	(1,349,479)	16,814,768
Accrued expenses	29,741	26,982
Provisions for liabilities	(4,683)	(688)
Accounts payable on securities trading	93,444	8,143
Other liabilities	127,145	61,171
Net cash provided by operating activities	2,500,610	7,209,781

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



LH Financial Group Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the years ended 31 December 2016 and 2015

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Cash flows from investing activities				
Proceeds from sales of available-for-sale investments	6,257,890	1,758,780	375,917	40,342
Proceeds from held-to-maturity investments	14,691,327	11,144,154	13,690	5,022
Cash received on interest income on investments	1,756,068	1,577,088	7,384	3,982
Cash received on dividend income on investments	396,624	126,153	994,498	1,026,437
Invested in available-for-sale investments	(10,222,619)	(2,296,996)	(684,118)	(144,750)
Invested in held-to-maturity investments	(14,955,000)	(23,385,041)	-	(155,800)
Invested in a subsidiary	-	-	(325,417)	(1,000,000)
Proceeds from disposal of equipment	1,057	376	-	-
Cash paid for purchases of leasehold improvements and equipment	(66,584)	(126,725)	-	-
Cash paid for purchases of intangible assets	(55,712)	(69,314)	-	-
Net cash provided by (used in) investing activities	(2,196,949)	(11,271,525)	381,954	(224,767)
Cash flows from financing activities				
Long-term debts issued and borrowings	13,000	3,849,200	-	-
Cash dividends paid	(450,073)	(48,840)	(450,073)	(48,840)
Net cash provided by (used in) financing activities	(437,073)	3,800,360	(450,073)	(48,840)
Net increase (decrease) in cash and cash equivalents	(133,412)	(261,384)	(7)	4
Cash and cash equivalents as at 1 January	2,242,589	2,503,973	8	4
Cash and cash equivalents as at 31 December	2,109,177	2,242,589	1	8

Supplemental cash flows information

Non-cash related items:

Purchases of assets on credit	31,067	7,264	-	-
Transfers of properties foreclosed from debtors to settle debts	27,609	94,531	-	-
Bad debts written-off	76,111	370,383	-	-
Decrease in loans to customers due to debt forgiven	29,084	-	-	-
Stock dividend issuance	-	439,952	-	439,952

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



LH Financial Group Public Company Limited and its subsidiaries
Notes to financial statements
For the years ended 31 December 2016 and 2015

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 has been 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 2016 and 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.

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	
		2016	2015	2016	2015	2016	2015
		Percent	Percent	Percent	Percent	Percent	Percent
<u>Subsidiaries directly held by the Company</u>							
Land and Houses Bank Public Company Limited	Banking business	99.99	99.99	98.29	99.01	93.75	97.28
Land and Houses Securities Public Company Limited	Securities business	99.80	99.80	0.98	0.52	2.67	0.97
Land and Houses Fund Management Company Limited ⁽¹⁾	Fund management business	99.99	99.99	0.23	0.16	2.68	1.45
<u>Subsidiaries indirectly held by the Company</u>							
Land and Houses Advisory Company Limited	Financial advisory business (operation is temporarilyceased)	99.99	99.99	-	-	-	-

⁽¹⁾ On 1 March 2016, there was the shareholding restructure in Land and Houses Fund Management Company Limited from being a subsidiary held by another subsidiary of the Company to a subsidiary directly held by the Company as described in Note 9 to the 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 has prepared the separate financial statements, which have presented investments in subsidiaries under the cost method.

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Company and its subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. 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.

3.2 Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) which is effective for fiscal years beginning on or after 1 January 2017. 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 management of the Company and its subsidiaries believe that the revised financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied. However, a financial reporting standard involves changes to key principles, which is summarised below.

TAS 27 (revised 2016) Separate Financial Statements

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively. This standard will not have any significant impact on the Company's and its subsidiaries' financial statements because the management have decided to continue accounting for such investments under the cost method in the separate financial statements.

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 revenues 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 recognized 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. 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 as revenues or expenses 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 are the balance of securities business receivables and derivatives business receivables and accrued interest receivables after deducting 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 securities business receivables - cash accounts.

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 are loans 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. Write offs are only made for loans which the subsidiary pursues the collection but has no prospect of further receipts. These procedures comply with BoT's notification and guidelines. 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 no longer than 3 months for each installment, on which the principal or interest is overdue longer than 3 months.
 - (3) Installment loans with repayments scheduled longer 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 Houses

Receivable/payable to Clearing Houses 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 lives 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 lives 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 rates 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, which occurred during the year, 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

Allowance 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					
	2016			2015		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand	1,562,923	-	1,562,923	1,525,088	-	1,525,088
Commercial banks	320,916	-	320,916	107,234	1,600,000	1,707,234
Other financial institutions	3,975,000	11,609,172	15,584,172	6,163,285	8,430,000	14,593,285
Total domestic items	5,858,839	11,609,172	17,468,011	7,795,607	10,030,000	17,825,607
Add: Accrued interest receivables	4,987	9,278	14,265	4,726	8,924	13,650
Less: Allowance for doubtful accounts	(39,750)	(116,092)	(155,842)	(62,528)	(100,300)	(162,828)
Interbank and money market items - net	<u>5,824,076</u>	<u>11,502,358</u>	<u>17,326,434</u>	<u>7,737,805</u>	<u>9,938,624</u>	<u>17,676,429</u>

(Unit: Thousand Baht)

	Separate financial statements					
	31 December					
	2016			2015		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	536,976	-	536,976	230,202	-	230,202
Interbank and money market items - net	536,976	-	536,976	230,202	-	230,202

7. Derivative assets/liabilities

As at 31 December 2016 and 2015, the carrying values and the notional amounts of derivatives held 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 2016		
	Carrying value		Notional amounts*
	Assets	Liabilities	
Foreign exchange rate and interest rate	2,858	-	1,146,582
Total	2,858	-	1,146,582

* Disclosed only in case that the subsidiary has an obligation to pay.

(Unit: Thousand Baht)

Types of risk	Consolidated financial statements		
	31 December 2015		
	Carrying value		Notional amounts*
	Assets	Liabilities	
Foreign exchange rate and interest rate	-	5,395	1,154,835
Total	-	5,395	1,154,835

* Disclosed only in case that the subsidiary has an obligation to pay.

Derivatives held for banking book are obligations under contracts, which are not held for trading, and are measured on an accrual basis. Components of foreign exchange are recognised as gains (losses) on exchange at the end of the reporting periods as revenues or expenses in profit or loss and are presented under derivatives assets or liabilities, as the case maybe. Components of interest rate are recognised as interest income or expense according to the contracted installments as they fall due and recorded as accrued interest receivables or payables and presented as a part of accrued interest receivables on investments or interest payables, as the case maybe.



8. Investments

8.1 Classified by investment classification

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	31 December		31 December	
	2016	2015	2016	2015
<u>Trading investments - fair value</u>				
Domestic listed securities - stocks	74	12,251	-	-
Total trading investments	74	12,251	-	-
<u>Available-for-sale investments - fair value</u>				
Domestic listed securities				
- Stocks	288,455	179,735	-	-
- Investment units	6,348,130	1,965,731	894,973	418,101
Investment units	222,098	207,491	46,642	80,165
Total available-for-sale investments	6,858,683	2,352,957	941,615	498,266
<u>Held-to-maturity investments - cost/ amortised cost</u>				
Government and state enterprise securities	18,313,426	22,073,899	-	-
Private sector debt securities	22,417,366	17,399,344	137,800	150,800
Other debt securities	5,072,679	5,350,963	-	-
Total held-to-maturity investments	45,803,471	44,824,206	137,800	150,800
<u>General investments - cost</u>				
Domestic non-marketable equity securities				
- stocks	13,569	13,569	-	-
Less: Allowance for impairment	(25)	(25)	-	-
General investments - net	13,544	13,544	-	-
Investments - net	52,675,772	47,202,958	1,079,415	649,066



8.2 Classified by remaining periods to maturity of the debt securities

(Unit: Thousand Baht)

Consolidated financial statements								
31 December								
2016				2015				
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	1,551,094	9,591,900	7,170,432	18,313,426	2,953,454	6,687,055	12,433,390	22,073,899
Private sector debt securities	267,854	12,174,512	9,975,000	22,417,366	760,157	4,644,187	11,995,000	17,399,344
Other debt securities	-	1,926,097	3,146,582	5,072,679	-	2,196,128	3,154,835	5,350,963
Total held-to-maturity investments	1,818,948	23,692,509	20,292,014	45,803,471	3,713,611	13,527,370	27,583,225	44,824,206
Total investments in debt securities	1,818,948	23,692,509	20,292,014	45,803,471	3,713,611	13,527,370	27,583,225	44,824,206

(Unit: Thousand Baht)

Separate financial statements								
31 December								
2016				2015				
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								
	-	-	137,800	137,800	-	-	150,800	150,800
Total held-to-maturity investments	-	-	137,800	137,800	-	-	150,800	150,800
Total investments in debt securities	-	-	137,800	137,800	-	-	150,800	150,800

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

As at 31 December 2016 and 2015, revaluation surplus (deficit) on available-for-sale investments consisted of:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	31 December		31 December	
	2016	2015	2016	2015
Revaluation surplus on the reclassified investments				
Debt securities	1,474	3,959	-	-
Total	1,474	3,959	-	-
Revaluation deficit on the reclassified investments				
Debt securities	(150,374)	(8,093)	-	-
Total	(150,374)	(8,093)	-	-
Revaluation surplus on investments				
Equity securities	374,424	74,854	116,491	12,238
Total	374,424	74,854	116,491	12,238
Revaluation deficit on investments				
Equity securities	(101,044)	(92,106)	(3,155)	(1,989)
Total	(101,044)	(92,106)	(3,155)	(1,989)
Revaluation surplus (deficit) on available-for-sale investments				
	124,480	(21,386)	113,336	10,249
Add (less): Income taxes	(24,896)	2,637	(22,667)	-
Revaluation surplus (deficit) on available-for-sale investments - net of income taxes	<u>99,584</u>	<u>(18,749)</u>	<u>90,669</u>	<u>10,249</u>

For the years ended 31 December 2016 and 2015, the changes in revaluation surplus (deficit) on available-for-sale investments are as follows:

	Consolidated financial statements		Separate financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2016	2015	2016	2015
Balances - beginning of the years	(18,749)	(78,921)	10,249	(50,505)
Unrealised gains on revaluation of available-for-sale investments during the years	326,587	65,836	103,869	53,320
Realised (gains) losses from sales transferred to be recognised in profit or loss	(29,247)	2,320	(782)	7,434
Losses from reclassification of investments	(152,160)	-	-	-
Amortisation of revaluation (surplus) deficit on the reclassified investments	686	(1,156)	-	-
Total gains on revaluation of available-for-sale investments	145,866	67,000	103,087	60,754
Less: Income taxes	(27,533)	(6,828)	(22,667)	-
Gains on revaluation of available-for-sale investments - net of income taxes	118,333	60,172	80,420	60,754
Balances - end of the years	99,584	(18,749)	90,669	10,249

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

	Consolidated financial statements							
	31 December							
	2016				2015			
	Number of companies	Cost	Fair value	Allowance for impairment	Number of companies	Cost	Fair value	Allowance for impairment
General investments								
Companies which auditors' report indicating going concern issues	1	25	-	25	1	25	-	25
	1	25	-	25	1	25	-	25

8.5 Investments subject to restriction

As at 31 December 2016, the subsidiary placed government and state enterprise securities totaling Baht 2,911 million (face value) as securities against those sold under repurchase agreements (31 December 2015: Nil).

8.6 Reclassification of investment types

During the year ended 31 December 2016, a subsidiary reclassified its investments from trading investments to be available-for-sale investments whereby the fair value and the carrying value of the reclassified investments as at the reclassification date amounted to Baht 11 million and Baht 12 million, respectively and the difference of Baht 1 million was recorded as losses from reclassification of investments in profit or loss.

During the year ended 31 December 2016, another subsidiary reclassified its investments in government and state enterprise securities from available-for-sale investments to be held-to-maturity debt securities, as approved by the resolution of its Executive Directors Committee, whereby the fair value at the reclassification date and the original cost of the reclassified investments amounted to Baht 3,634 million and Baht 3,786 million, respectively, and the difference of Baht 152 million was recognised as revaluation deficit on investments in owners' equity, which will be amortised throughout the remaining periods of such investments.

9. Investments in subsidiaries

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

Company's name	Paid-up capital		Shareholding percentage		(Unit: Thousand Baht) Cost	
	31 December		31 December		31 December	
	2016	2015	2016 (Percent)	2015 (Percent)	2016	2015
<u>Subsidiaries directly held by the Company</u>						
Land and Houses Bank Public Company Limited	14,000,000	14,000,000	99.99	99.99	13,999,999	13,999,999
Land and Houses Securities Public Company Limited	637,215	637,215	99.80	99.80	1,035,992	1,035,992
Land and Houses Fund Management Company Limited	300,000	-	99.99	-	325,417	-
					<u>15,361,408</u>	<u>15,035,991</u>
<u>Subsidiaries indirectly held by the Company via other subsidiaries</u>						
Land and Houses Fund Management Company Limited	-	300,000	-	99.99	-	257,289 ⁽¹⁾
Land and Houses Advisory Company Limited	20,000	20,000	99.99	99.99	6,262 ⁽¹⁾	6,802 ⁽¹⁾

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

On 1 March 2016, the Company purchased 2,999,995 shares of Land and Houses Fund Management Company Limited, representing 99.99 percent of the issued and paid-up share capital of that company, from Land and Houses Bank Public Company Limited, a subsidiary, at a price equal to the net asset value of such company as at the end of February 2016, amounting to Baht 325 million. The share acquisition and the financial business group restructure were approved by the Bank of Thailand on 18 January 2016, and by the Office of the Securities and Exchange Commission on 1 March 2016.

Financial information as at 29 February 2016 of Land and Houses Fund Management Company Limited, which was prepared by the management of the subsidiary, was summarised as follows:

	(Unit: Thousand Baht) 29 February 2016
Assets	
Interbank and money market items - net	783,107
Investments - net	252,242
Equipment - net	7,288
Intangible assets - net	11,801
Deferred tax assets	1,543
Other assets - net	44,586
Total assets	1,100,567
Liabilities	
Accrued expenses	8,141
Provisions for liabilities	3,430
Tax payable	3,137
Accounts payable on securities trading	757,240
Other liabilities	3,202
Total liabilities	775,150
Net asset value	325,417

10. Loans to customers and accrued interest receivables

10.1 Classified by loan types

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		31 December	
		2016	2015
Overdrafts		4,798,901	4,824,858
Loans		98,525,852	98,991,433
Bills		36,336,326	27,160,819
Hire purchase receivables		1,160,357	1,929,567
Securities and derivatives business receivables		340,631	370,122
Total loans to customers		141,162,067	133,276,799
Less: Deferred revenue		(91,770)	(179,447)
Loans to customers net of deferred revenue		141,070,297	133,097,352
Add: Accrued interest receivables		231,194	224,480
Total loans to customers and accrued interest receivables		141,301,491	133,321,832
Less: Allowance for doubtful accounts		(3,086,277)	(2,555,273)
Revaluation allowance for debt restructuring		(15,232)	(8,740)
Loans to customers and accrued interest receivables - net		138,199,982	130,757,819

10.2 Classified by currency and residency of debtors

		(Unit: Thousand Baht)					
		Consolidated financial statements					
		31 December					
		2016			2015		
		Domestic	Overseas	Total	Domestic	Overseas	Total
Baht		141,070,297	-	141,070,297	133,097,352	-	133,097,352
		141,070,297	-	141,070,297	133,097,352	-	133,097,352

10.3 Classified by business types and loan classification

(Unit: Thousand Baht)

Consolidated financial statements					
31 December 2016					
	Pass	Special- mention	Sub- standard	Doubtful of loss	Total
Agricultural and mining	488,398	-	-	-	488,398
Manufacturing and commerce	27,009,922	326,264	41,264	38,757	27,844,626
Real estate and construction	19,836,069	142,477	131,439	258,518	20,789,908
Public utilities and services	36,795,085	363,584	624,195	36,729	38,074,237
Housing loans	28,365,779	262,237	108,099	282,226	29,134,889
Financial intermediation	22,342,226	-	-	-	22,342,226
Others	2,330,366	41,972	7,009	5,622	2,396,013
Loans to customers net of deferred revenue	137,167,845	1,136,534	912,006	621,852	141,070,297

(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	129,308,638	974,063	347,083	1,471,266	133,097,352

10.4 Classified by loan classification

(a) Banking business

As at 31 December 2016 and 2015, the Bank (“a subsidiary”) 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 2016			
	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	137,047,136	58,079,562	1	808,224
Special-mention	1,146,009	239,510	2	168,479
Sub-standard	912,006	202,312	100	202,312
Doubtful	621,852	48,580	100	49,614
Doubtful of loss	1,232,060	313,070	100	320,919
Total	<u>140,959,063</u>	<u>58,883,034</u>		1,549,548
Additional provision for specific debtors				571,544
General provision				<u>965,185</u>
Total				<u>3,086,277</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 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.

(b) Securities business

As at 31 December 2016 and 2015, the subsidiary, which operates securities business, 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						
	2016			2015		
	Loans to customers and accrued interest receivables	Allowance for doubtful accounts	Debt balances after allowance for doubtful accounts	Loans to customers and accrued interest receivables	Allowance for doubtful accounts	Debt balances after allowance for doubtful accounts
Pass	342,428	-	342,428	371,714	-	371,714
Total	<u>342,428</u>	<u>-</u>	<u>342,428</u>	<u>371,714</u>	<u>-</u>	<u>371,714</u>



In addition, as at 31 December 2016 and 2015, that subsidiary also had outstanding receivables due from cash account customers totaling Baht 96 million and Baht 32 million, respectively. These receivables are presented as a part of “securities business receivables - cash accounts” in the consolidated financial statements, and classified as “pass” in compliance with the SEC’s regulations.

10.5 Non-performing loans (banking business)

As at 31 December 2016 and 2015, the subsidiary, which operates banking business, has the following non-performing loans:

	Consolidated financial statements	
	31 December	
	2016	2015
Non-performing loans (Thousand Baht)	2,765,918	2,814,651
Percentage of non-performing loans to total loans ⁽¹⁾	1.76%	1.89%

⁽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.

10.6 Non-accrued loans to customers

As at 31 December 2016 and 2015, the subsidiary has the following loans to customers on which interest income recognition has been ceased on an accrual basis:

	Consolidated financial statements	
	31 December	
	2016	2015
Non-accrued loans (Thousand Baht)		
Banking business	2,796,969	2,853,721
Percentage of non-accrued loans to total loans ⁽¹⁾	1.79%	1.91%

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

10.7 Loans to customers that have repayment problems or defaulted payments

As at 31 December 2016 and 2015, the subsidiary has 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 2016			
	Number of debtors	Debt balances	Collateral value
			Allowance for doubtful accounts/Revaluation allowance
Companies and persons that have repayment problems or defaulted payments	306	3,911,927	3,098,981
			745,957

(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

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.



10.8 Troubled debt restructuring

For the years ended 31 December 2016 and 2015, the subsidiary had completed restructuring of troubled debts, which was summarised as follows:

(Unit: Thousand Baht)

Consolidated financial statements							
For the year ended 31 December 2016							
Number of debtors	Debt balances (principal and accrued interest receivables)		Type of assets to be transferred	Amount of assets to be transferred agreement	Debt hair-cut loss per agreements	Losses on debt restructuring ⁽¹⁾	
	Before restructuring	After restructuring					
Modification of terms of payments	69	2,173,622	2,173,622	-	-	-	10,290
Transfers of assets and/or modification of terms of payments	1	41,062	12,322	Lands and construction thereon	1,274	28,740	-
Total restructured debts	70	2,214,684	2,185,944			28,740	10,290

⁽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			
	For the year ended 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	1,128,339	9,429
Total restructured debts	82	1,128,339	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.



For the years ended 31 December 2016 and 2015, 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			
	For the years ended 31 December			
	2016		2015	
	Number of debtors	Debt balances after restructuring	Number of debtors	Debt balances after restructuring
Less than 5 years	17	663,305	6	124,886
5 - 10 years	36	953,913	27	401,117
10 - 15 years	3	510,643	10	439,511
More than 15 years	14	58,083	39	162,825
Total	70	2,185,944	82	1,128,339

Supplemental information for the years ended 31 December 2016 and 2015, relating to the restructured debts, are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2016	2015
Interest income recognised in profit or loss	139,859	162,529
Cash settlement by debtors	780,586	747,374
Transfers of assets from debtors	1,274	-
Losses on debt restructuring	10,290	9,429
Debt hair-cut loss per agreements	28,740	-

As at 31 December 2016 and 2015, the subsidiary had restructured debtors with outstanding debt balances as follows:

(Unit: Thousand Baht)

	Total debts		Restructured debts	
	Number of debtors	Debt balances (principal and accrued interest)	Number of debtors	Debt balances (principal and accrued interest)
31 December 2016	12,900	141,301,491	287	3,622,176
31 December 2015	12,510	133,321,832	342	3,258,765

As at 31 December 2016 and 2015, the subsidiary had no outstanding commitments to provide additional loan facilities after restructuring.

10.9 Hire purchase receivables

As at 31 December 2016 and 2015, 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 2016				
Amounts due under the contracts				
	Less than 1 year	1 - 5 years	More than 5 years	Total
Aggregate initial investments under the hire purchase agreements	581,128	579,187	42	1,160,357
Less: Deferred revenue	(50,567)	(37,565)	-	(88,132)
Present value of minimum lease payments	530,561	541,622	42	1,072,225
Less: Allowance for doubtful accounts				(84,406)
Hire purchase receivables - net				987,819

(Unit: Thousand Baht)				
Consolidated financial statements				
31 December 2015				
Amounts due under the contracts				
	Less than 1 year	1 - 5 years	More than 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



11. Allowance for doubtful accounts

(Unit: Thousand Baht)

Consolidated financial statements								
For the year ended 31 December 2016								
	Provision at BoT's minimum required rates					Additional provision for specific debtors	General provision	Total
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss			
Balances - beginning of the year	498,049	2,851	108,239	367,301	347,820	508,603	722,410	2,555,273
Increase (decrease) during the year	444,337	183,193	134,900	(180,052)	120,723	62,941	221,001	987,043
Bad debts written off	-	-	(3,072)	(52,804)	(18,841)	-	-	(74,717)
Decrease as a result of disposals	(134,162)	(17,565)	(37,755)	(56,091)	(116,494)	-	-	(362,067)
Transfer to revaluation allowance for debts restructuring	-	-	-	(28,740)	-	-	21,774	(6,966)
Transfer to allowance for doubtful accounts of other assets	-	-	-	-	(11,569)	-	-	(11,569)
Others	-	-	-	-	(720)	-	-	(720)
Balances - end of the year	808,224	168,479	202,312	49,614	320,919	571,544	965,185	3,086,277

(Unit: Thousand Baht)

Consolidated financial statements								
For the year ended 31 December 2015								
	Provision at BoT's minimum required rates					Additional provision for specific debtors	General provision	Total
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss			
Balances - beginning of the year	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	124,396	128,603	351,736	1,033,900
Reversal of doubtful accounts 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)
Transfer to revaluation allowance for debts restructuring	-	-	-	-	-	-	(1,193)	(1,193)
Transfer to allowance for doubtful accounts of other assets	-	-	-	-	(9,893)	-	-	(9,893)
Balances - end of the year	498,049	2,851	108,239	367,301	347,820	508,603	722,410	2,555,273

12. Revaluation allowance for debt restructuring

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2016	2015
Balances - beginning of the years	8,740	7,547
Increase during the years	39,030	9,429
Decrease during the years	(6,866)	(9,676)
Debt hair-cut loss per agreements	(28,740)	-
Adjustment during the years	3,068	1,440
Balances - end of the years	15,232	8,740

13. Disposals of non-performing loans

During the years ended 31 December 2016 and 2015, the subsidiary, which operates banking business, entered into the sale and purchase agreements, as a seller, to sell non-performing loans, are summarised as follows:

(Unit: Million Baht)

Batch	For the year ended 31 December 2016			For the year ended 31 December 2015		
	Month sold	Outstanding balance	Selling price	Month sold	Outstanding balance	Selling price
		(including relevant other assets)			(including relevant other assets)	
1	September	534	391	June	314	194
2	December	519	288	December	299	180
		1,053	679		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 September 2017 (for the first batch in 2016) and December 2017 (for the second batch in 2016) 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 subsidiary. 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.

14. Investment properties

The carrying values of investment properties as at 31 December 2016 and 2015 are presented below.

(Unit: Thousand Baht)

	Separated financial statements		
	Land	Office building for rent	Total
Cost			
1 January 2015	35,358	2,642	38,000
31 December 2015	35,358	2,642	38,000
31 December 2016	35,358	2,642	38,000
Accumulated depreciation			
1 January 2015	-	486	486
Depreciation charged for the year	-	132	132
31 December 2015	-	618	618
Depreciation charged for the year	-	133	133
31 December 2016	-	751	751
Net book value			
31 December 2015	35,358	2,024	37,382
31 December 2016	35,358	1,891	37,249
Depreciation for the years			
2015			132
2016			133
Fair values			
31 December 2015	36,641	3,049	
31 December 2016	36,640	3,248	

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.



15. Properties foreclosed

(Unit: Thousand Baht)

Consolidated financial statements					
For the year ended 31 December 2016					
	1 January 2016	Increase	Disposal	Change of appraisers	31 December 2016
Properties foreclosed - Immovable assets					
Appraised by external appraisers:					
Cost	21,473	25,431	(4,007)	(18,410)	24,487
Allowance for impairment	-	-	-	-	-
Net book value	21,473	25,431	(4,007)	(18,410)	24,487
Appraised by internal appraisers:					
Cost	77,867	6,099	(23,101)	18,410	79,275
Allowance for impairment	-	-	-	-	-
Net book value	77,867	6,099	(23,101)	18,410	79,275
Properties foreclosed - Immovable assets	99,340	31,530	(27,108)	-	103,762
Properties foreclosed - Movable assets					
Appraised by external appraisers:					
Cost	-	5,400	(1,840)	-	3,560
Allowance for impairment	-	-	-	-	-
Net book value	-	5,400	(1,840)	-	3,560
Properties foreclosed - Movable assets	-	5,400	(1,840)	-	3,560
Total properties foreclosed	99,340	36,930	(28,948)	-	107,322

(Unit: Thousand Baht)

Consolidated financial statements				
For the year ended 31 December 2015				
	1 January 2015	Increase	Disposal	31 December 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
Total properties foreclosed	52,809	56,810	(10,279)	99,340

As at 31 December 2016 and 2015, 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.



16. 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 2015	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
Additions	-	-	16,576	9,010	31,014	6,100	7,883	70,583
Written-offs/disposals	-	-	(6,169)	(934)	(14,308)	(4,656)	-	(26,067)
Transferred in (out)	-	-	5,834	204	292	-	(6,330)	-
31 December 2016	75,947	12,853	434,741	153,227	606,387	21,213	1,553	1,305,921
Accumulated depreciation								
1 January 2015	-	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
Accumulated depreciation on written-offs/disposals	-	-	(5,021)	(858)	(14,160)	(4,656)	-	(24,695)
Depreciation charged for the year	-	644	62,940	19,426	77,884	3,417	-	164,311
31 December 2016	-	2,739	324,360	116,576	449,288	9,058	-	902,021
Net book value								
31 December 2015	75,947	10,758	152,059	46,939	203,825	9,472	-	499,000
31 December 2016	75,947	10,114	110,381	36,651	157,099	12,155	1,553	403,900
Depreciation for the years								
2015								169,904
2016								164,311

As at 31 December 2016 and 2015, the subsidiaries have certain items of leasehold improvements, equipment and vehicles, which were fully depreciated but are still in use. The original costs before deducting accumulated depreciation of those assets totalled Baht 468 million and Baht 318 million, respectively.

17. 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 2015	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
Additions	49,315	2,091	-	24,110	75,516
Transferred in (out)	24,886	-	-	(24,886)	-
31 December 2016	604,574	36,784	80,041	47,121	768,520
Accumulated amortisation					
1 January 2015	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
Amortisation charged for the year	66,846	3,571	-	-	70,417
31 December 2016	448,439	17,688	-	-	466,127
Net book value					
31 December 2015	148,780	20,576	80,041	47,897	297,294
31 December 2016	156,135	19,096	80,041	47,121	302,393
Amortisation for the years					
2015					65,675
2016					70,417
Remaining amortisation periods (years)	0 - 5	1, 4, 8 and 9	-	-	

As at 31 December 2016 and 2015, the subsidiaries have certain items of computer softwares, which were fully amortised but are still in use. The original costs before deducting accumulated amortisation of those assets totalled to Baht 257 million and Baht 208 million, respectively.



18. Deferred tax assets/liabilities and income taxes

18.1 Deferred tax assets/liabilities

The components of deferred tax assets/liabilities 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	
	2016	2015	2016	2015
Deferred tax assets/liabilities arose from:				
Allowance for doubtful accounts				
- general provision	190,677	144,482	46,195	58,824
Allowance for doubtful accounts				
- other assets	10,235	6,304	3,931	611
Allowance for impairment on investments	-	2,640	(2,640)	-
Non-accrued interest income	9,690	10,481	(791)	4,012
Assets written off	1,082	2,271	(1,189)	(2,877)
Bad debts written off	11,505	11,505	-	(166)
Provisions for employee benefits	20,147	16,020	4,127	2,470
Vacation leave accruals	1,200	1,200	-	-
Unutilised tax losses	-	-	-	(2,375)
Tax losses from prior year as recognised				
deferred tax assets during the year	-	-	6,501	-
Utilised tax losses during the year	-	-	(6,501)	-
Unrealised (gains) losses on revaluation of available-for-sale investments	(24,896)	2,637	(27,533)	(6,828)
Total	219,640	197,540	22,100	53,671
Presented separately in statements of financial position:				
Deferred tax assets	263,466	197,540		
Deferred tax liabilities	(43,826)	-		
Total	219,640	197,540		
Changes in deferred income taxes:				
Recognised in profit or loss			49,654	60,887
Recognised in other comprehensive income (loss)			(27,554)	(7,216)
Total			22,100	53,671

(Unit: Thousand Baht)

	Separate financial statement			
	31 December		Changes in deferred income taxes for the years ended 31 December	
	2016	2015	2016	2015
Deferred tax liabilities arose from:				
Unrealised gains on revaluation of available-for-sale investments	(22,667)	-	(22,667)	-
Total	(22,667)	-	(22,667)	-
Presented separately in statements of financial position:				
Deferred tax assets	-	-		
Deferred tax liabilities	(22,667)	-		
Total	(22,667)	-		
Changes in deferred income taxes:				
Recognised in profit or loss			-	-
Recognised in other comprehensive income (loss)			(22,667)	-
Total			(22,667)	-

As at 31 December 2016 and 2015, the Company and certain subsidiaries did not recognise deferred income taxes on tax-deductible temporary differences and unused tax losses totaling Baht 52 million and Baht 153 million, respectively (the Company only: Baht 41 million and Baht 88 million, respectively) as deferred tax assets since they believe it is unlikely that their future taxable profits would be sufficient to allow utilisation of such deferred tax assets before the unused tax losses gradually expire as from the year 2017 to 2021.



18.2 Income taxes

Income tax expenses reported in profit or loss for the years ended 31 December 2016 and 2015 are as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2016	2015
Current income taxes:		
Corporate income taxes for the years	(693,755)	(463,336)
Deferred income taxes:		
Deferred income taxes from temporary differences and reversal of temporary differences	49,654	60,887
Income tax expenses reported in profit or loss	<u>(644,101)</u>	<u>(402,449)</u>

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2016 and 2015 multiplied by the applicable tax rate are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
Accounting profits before income tax expenses	3,340,539	2,054,162	1,007,480	1,013,134
Applicable tax rate	20%	20%	20%	20%
Income taxes calculated based on accounting profits	(668,108)	(410,832)	(201,496)	(202,627)
Tax effects of:				
Tax-exempted revenues	28,684	12,299	192,454	203,477
Expenses with additional privilege for more tax-deductible	3,573	2,397	-	-
Non-tax deductible expenses	(3,523)	(2,611)	(1,000)	(72)
Tax losses for the years, for which deferred income taxes are not recognised	9,990	(4,334)	10,042	(778)
Unused tax loss of prior year, which have not recognised as deferred tax assets in prior period, but are utilised during the year	6,466	-	-	-
Others	(21,183)	632	-	-
Income tax expenses reported in profit or loss	(644,101)	(402,449)	-	-

The amounts of income tax recognised in other comprehensive income (loss) for the years ended 31 December 2016 and 2015 are summarised below:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
Deferred income taxes relating to:				
Gains on revaluation of available-for-sale investments	(27,533)	(6,828)	(22,667)	-
Actuarial gains	(21)	(388)	-	-
Income taxes recognised in other comprehensive income (loss)	(27,554)	(7,216)	(22,667)	-

19. Other assets

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	31 December		31 December	
	2016	2015	2016	2015
Deposits and guarantees	84,127	75,309	1	1
Receivables from Clearing Houses	74,499	25,886	-	-
Suspense accounts - debtors	62,425	45,364	8,461	-
Prepaid expenses	41,017	31,545	1,563	1,532
Accrued income	32,576	33,328	-	-
Deferred expenses	28,913	55,206	-	-
Contributions to the Compensation Fund for clearing and securities delivery system	28,781	27,133	-	-
Receivables on disposals of properties foreclosed through auctions	20,244	61,328	-	-
Token money	19,891	15,029	-	-
Income tax awaiting refund	8,037	7,502	764	-
Security deposits	5,017	5,049	-	-
Account receivable - Revenue Department	2,935	1,328	-	-
Others	7,157	7,725	-	-
Total	415,619	391,732	10,789	1,533
Less: Allowance for doubtful accounts/ allowance for impairment	(51,583)	(35,380)	-	-
Other assets - net	364,036	356,352	10,789	1,533

20. Quality of assets

As at 31 December 2016 and 2015, 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 2016					
	Interbank and money market items and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets	Total
<u>Classification of assets</u>					
Pass	15,598,349	-	137,047,136	-	152,645,485
Special-mention	-	-	1,146,009	-	1,146,009
Sub-standard	-	-	912,006	-	912,006
Doubtful	-	-	621,852	-	621,852
Doubtful of loss	-	71,725	1,232,060	51,173	1,354,958
Total	15,598,349	71,725	140,959,063	51,173	156,680,310

(Unit: Thousand Baht)

Consolidated financial statements					
31 December 2015					
	Interbank and money market items and accrued interest receivables	Investments	Loans to customers 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



21. Deposits

21.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	31 December	
	2016	2015
Demand deposits	5,061,089	5,678,018
Savings deposits	64,577,369	51,651,496
Time deposits	50,648,233	41,212,825
Fixed deposit receipts	28,810,455	38,521,981
Total deposits	149,097,146	137,064,320

21.2 Classified by currency and residency of depositors

	(Unit: Thousand Baht)					
	Consolidated financial statements					
	31 December 2016			31 December 2015		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	149,097,146	-	149,097,146	137,064,320	-	137,064,320
Total	149,097,146	-	149,097,146	137,064,320	-	137,064,320

22. Interbank and money market items (liabilities)

	(Unit: Thousand Baht)					
	Consolidated financial statements					
	31 December 2016			31 December 2015		
	At call	Term	Total	At call	Term	Total
Domestic:						
Bank of Thailand	-	4,451,250	4,451,250	-	5,322,595	5,322,595
Commercial banks	5	2,001,000	2,001,005	8,952	1,001,000	1,009,952
Specialised financial institutions	-	9,445,053	9,445,053	-	7,696,982	7,696,982
Other financial institutions	1,194,208	2,918,335	4,112,543	2,059,484	4,549,543	6,609,027
Total interbank and money market items	1,194,213	18,815,638	20,009,851	2,068,436	18,570,120	20,638,556

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2016			31 December 2015		
	At call	Term	Total	At call	Term	Total
Domestic:						
Commercial banks	415,000	-	415,000	-	-	-
Total interbank and money market items	415,000	-	415,000	-	-	-

23. Debts issued and borrowings

(Unit: Thousand Baht)

	Consolidated financial statements									
	31 December 2016					31 December 2015				
	Interest rate per annum	Matured in year	Domestic	Overseas	Total	Interest rate per annum	Matured in year	Domestic	Overseas	Total
Bills of exchange	1.50%-1.75%	2017	14,064,151	-	14,064,151	1.40%-1.90%	2016	17,820,500	-	17,820,500
Subordinated debentures ⁽¹⁾	5.125%	2025	3,862,200	-	3,862,200	5.125%	2025	3,849,200	-	3,849,200
Unsubordinated and unsecured debentures	1.95%	2017	2,400,000	-	2,400,000	-	-	-	-	-
Borrowings from Department of Alternative Energy Development and Efficiency	0%	2021	6,398	-	6,398	-	-	-	-	-
Total			20,332,749	-	20,332,749			21,669,700	-	21,669,700
Less: Deferred expenses			(5,260)	-	(5,260)			(5,732)	-	(5,732)
Debts issued and borrowings - net			20,327,489	-	20,327,489			21,663,968	-	21,663,968

⁽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 2016			
	Provisions for employee benefits	Provisions for decommissioning cost	Provisions for other liabilities	Total
As at 1 January 2016	81,519	5,654	120	87,293
Increase during the year	24,033	-	225	24,258
Decrease as a result of payment	(4,683)	-	-	(4,683)
As at 31 December 2016	100,869	5,654	345	106,868

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the year ended 31 December 2015			
	Provisions for employee benefits	Provisions for decommissioning cost	Provisions 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	81,519	5,654	120	87,293

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	
	2016	2015
Provisions for employee benefits at the beginning of the years	81,519	68,312
Current service costs	21,684	13,926
Interest costs	2,454	1,932
Actuarial (gains) losses arose from:		
Demographic assumption changes	-	(9,266)
Financial assumption changes	(137)	5,293
Other changes	32	2,130
Benefits paid during the years	(4,683)	(808)
Provisions for employee benefits at the end of the years	100,869	81,519

Employee benefit expenses recognised in profit or loss are as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2016	2015
Current service costs	21,684	13,926
Interest costs	2,454	1,932
Total employee benefit expenses	24,138	15,858

As at 31 December 2016 and 2015, the subsidiaries expected to pay approximately Baht 1.2 million and Baht 1.7 million, respectively, on employee benefits over the next 1-year period.

As at 31 December 2016 and 2015, the subsidiaries' weighted average durations of employee benefit payments were estimated to be 9-10 years.

The principal assumptions used in actuarial valuation as at the revaluation dates are summarised below.

	Consolidated financial statements	
	31 December	
	2016	2015
	(% per annum)	(% per annum)
Future salary incremental rates	4 - 5.5	4 - 5.5
Turnover rates	0 - 30	0 - 30
Discount rates	2.65, 2.67 and 3	2.51 and 3

The impacts from changes in significant assumptions on provisions for employee benefits as at 31 December 2016 and 2015 are summarised below.

	(Unit: Thousand Baht)			
	Consolidated financial statements			
	31 December			
	2016		2015	
	Increase (decrease) in provisions for employee benefits		Increase (decrease) in provisions for employee benefits	
	Increase in assumption by 0.5%	Decrease in assumption by 0.5%	Increase in assumption by 0.5%	Decrease in assumption by 0.5%
Significant assumptions				
Future salary incremental rates	5,527	(5,164)	4,350	(4,073)
Discount rates	(4,407)	4,745	(3,789)	4,081

25. Accounts payable on securities trading

	Consolidated financial statements		(Unit: Thousand Baht)	
			Separate financial statements	
			31 December	
	2016	2015	2016	2015
Accounts payable on purchase of securities	-	-	-	4,013
Subscriptions of investment units received in advance	112,260	18,816	-	-
Total accounts payable on securities trading	112,260	18,816	-	4,013

26. Other liabilities

	Consolidated financial statements		(Unit: Thousand Baht)	
			Separate financial statements	
			31 December	
	2016	2015	2016	2015
Suspense accounts - creditors	183,621	177,035	525	445
Accounts payable on acquisition of equipment and intangible assets	31,069	7,418	-	-
Deposits received	6,558	6,602	300	300
Account payable - Revenue Department	7,100	5,663	-	-
Others	2,067	1,448	-	-
Total other liabilities	230,415	198,166	825	745

27. Share capital

27.1 Increase/decrease in registered share capital

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 dividend payments.

27.2 Reconciliations of share capital

	Consolidated and separate financial statements			
	For the years ended 31 December			
	2016		2015	
	Number of shares	Baht	Number of shares	Baht
<u>Registered share capital</u>				
Ordinary share capital at beginning of the years	13,638,705,250	13,638,705,250	13,199,599,896	13,199,599,896
Add: Increase in the registered share capital during the years	-	-	439,958,234	439,958,234
Less: Decrease in the registered share capital during the years	-	-	(852,880)	(852,880)
Ordinary share capital at end of the years	<u>13,638,705,250</u>	<u>13,638,705,250</u>	<u>13,638,705,250</u>	<u>13,638,705,250</u>
<u>Issued and paid-up share capital</u>				
Ordinary share capital at beginning of the years	13,638,699,252	13,638,699,252	13,198,747,016	13,198,747,016
Add: 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>13,638,699,252</u>	<u>13,638,699,252</u>

27.3 Memorandum of Understanding in relation to a share subscription agreement

On 29 March 2016, the Company entered into a Memorandum of Understanding in Relation to a Share Subscription Agreement (the “SSA MOU”) with CTBC Bank Co., Ltd. (“CTBC”) in order to introduce a strategic investment partner to expand the business and increase the potential in business operation of Land and Houses financial business group.

On 8 June 2016, the Company entered into a Share Subscription Agreement (“SSA”) with CTBC, under the SSA, the Company agrees to issue new 7,544,961,342 ordinary shares, representing 35.6169% of the total paid up share capital, through a private placement to CTBC at Baht 2.20 per share.

When the terms and conditions are completed, CTBC will hold shares in the Company at the rate of 35.6169% of the total paid up share capital, which will be the same rate holding together by the existing major shareholders, who are Land and Houses Public Company Limited and Quality Houses Public Company Limited.

On 23 December 2016, the Board of Director's Meeting of the Company passed a resolution to agree the extension of the joint-investment period from 31 December 2016 to 30 September 2017 to allow flexibility in taking the processes in order to make this transaction become a successful joint-investment. Up to the date of the authorisation of these financial statements, it is still in process to perform under the terms and conditions as agreed.

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 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.

On 25 April 2016, 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 2015. Dividend payments were to be made in cash at a rate of Baht 0.033 per share, or equivalent to Baht 450.07 million. The Company already paid cash dividends on 19 May 2016.

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 2016 and 2015, capital funds consisted of the following:

	Financial business group		(Unit: Thousand Baht)	
	31 December		LH Bank	
	2016	2015	2016	2015
<u>Common Equity Tier 1 capital fund</u>				
Issued and fully paid up share capital	13,638,699	13,638,699	14,000,000	14,000,000
Share premium	642,556	642,556	-	-
Statutory reserve	709,590	528,700	473,000	347,800
Retained earnings after appropriation	2,709,573	1,638,779	2,490,646	1,112,242
Revaluation surplus (deficit) on available-for-sale investments	218,705	(15,441)	36,869	5,991
Less: Net losses from provisions for employee benefit	(171)	(95)	-	-
Less: Deferred tax assets	(219,640)	(197,540)	(263,446)	(190,708)
Less: Intangible assets	(213,435)	(166,918)	(108,146)	(72,508)
Total Common Equity Tier 1 capital fund	17,485,877	16,068,740	16,628,923	15,202,817
Total Tier 1 capital fund	17,485,877	16,068,740	16,628,923	15,202,817
<u>Tier 2 capital fund</u>				
Subordinated debentures	3,862,200	3,849,200	4,000,000	4,000,000
Reserve for assets classified as pass and general reserve	1,701,823	1,733,288	1,701,823	1,733,288
Total Tier 2 capital fund	5,564,023	5,582,488	5,701,823	5,733,288
Total capital funds	23,049,900	21,651,228	22,330,746	20,936,105

(Unit: Percentage)

	31 December 2016			31 December 2015		
	Financial business group	LH Bank	Minimum and additional rates required by law *	Financial business group	LH Bank	Minimum rates required by law
The ratio of Common Equity Tier 1 capital fund to risk assets	10.581	10.239	5.125	10.61	10.18	4.50
The ratio of Tier 1 capital fund to risk assets	10.581	10.239	6.625	10.61	10.18	6.00
The ratio of total capital fund to risk assets	13.947	13.750	9.125	14.29	14.01	8.50

* Additional rate for conservation buffer is required on the ratio of Common Equity Tier 1 capital fund to risk asset for of 0.625% per annum each year as from 1 January 2016 onwards until reaching 2.50% in 2019.

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 2015 through the Company's website at www.lhfg.co.th on 29 April 2016 and the Company will disclose capital adequacy and capital risk exposure information as of 31 December 2016 within April 2017.

31. Interest income

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
Interbank and money market items	586,120	633,094	941	3,757
Investments in debt securities	1,666,087	1,470,957	7,309	4,850
Loans to customers	6,473,296	6,268,213	-	-
Hire purchase	84,416	121,582	-	-
Others	112	47	-	-
Total interest income	8,810,031	8,493,893	8,250	8,607



32. Interest expenses

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	For the years ended 31 December	For the years ended 31 December
	2016	2015
Deposits	2,464,437	2,776,291
Interbank and money market items	206,000	274,417
Contributions to the Deposit Protection Agency and the Bank of Thailand	761,966	691,926
Debts issued		
- Subordinated debentures	198,794	121,824
- Unsubordinated and unsecured debentures	28,080	-
Borrowings	309,824	262,101
Others	1,936	905
Total interest expenses	3,971,037	4,127,464

33. Fees and service income

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	For the years ended 31 December	For the years ended 31 December
	2016	2015
Fees and service income		
Acceptances, avals and guarantees	46,048	43,503
Commission income	237,863	212,473
Others	352,959	199,607
Total fees and service income	636,870	455,583
Fees and service expenses		
Fees and charges	56,677	50,716
Others	69,593	55,487
Total fees and service expenses	126,270	106,203
Net fees and service income (expenses)	510,600	349,380

34. Gains on investments

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
Gains on sales:				
Available-for-sale investments	311,784	25,210	36,073	2,500
Held-to-maturity investments	876,705	647,726	690	22
General investments	-	456	-	-
Total gains on investments	1,188,489	673,392	36,763	2,522

During the years ended 31 December 2016 and 2015, the Company sold held-to-maturity investments, for prices approximated to their amortised costs of Baht 13 million and Baht 5 million, respectively.

During the years ended 31 December 2016 and 2015, the subsidiary sold held-to-maturity investments with amortised costs totalling Baht 10,337 million and Baht 9,679 million, respectively, by approvals resolved by the meetings of the Board of Directors of the subsidiary, and incurred net realised gains on sales of investments totalling Baht 876 million and Baht 648 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	
	2016	2015
Bad debts and doubtful accounts (reversal)		
Loans to customers ⁽¹⁾	1,015,783	1,024,007
Interbank and money market items	(6,986)	46,853
Other assets	16,203	18,754
Total bad debts, doubtful accounts and impairment loss	1,025,000	1,089,614

⁽¹⁾ For the year ended 31 December 2016, such amount included a debt hair-cut loss per agreements of Baht 28.7 million.

37. Components of other comprehensive income (loss)

Components of other comprehensive income (loss) for the years ended 31 December 2016 and 2015 consisted of the following:

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
(a) Items to be recognised in profit or loss in subsequent periods:				
Gains (losses) on revaluation of available-for-sale investments				
Unrealised gains on revaluation of investments during the years	326,587	65,836	103,869	53,320
Losses from reclassification of investments	(152,160)	-	-	-
(Gains) losses transferred to be recognised in profit or loss for the years due to				-
- Sales of available-for-sale investments	(35,955)	5,551	(782)	7,434
- Sales of available-for-sale investments, reclassified from other types	6,708	(3,231)	-	-
Amortisation of revaluation (surplus) deficit on the reclassified investments	686	(1,156)	-	-
Total gains on revaluation of available-for-sale investments	145,866	67,000	103,087	60,754
Less: Income taxes	(27,533)	(6,828)	(22,667)	-
Gains on revaluation of available-for-sale investments - net of income taxes	118,333	60,172	80,420	60,754
(b) Items not to be recognised in profit or loss in subsequent periods:				
Actuarial gains	105	1,843	-	-
Less: Income taxes	(21)	(388)	-	-
Actuarial gains - net of income taxes	84	1,455	-	-
Other comprehensive income for the years	118,417	61,627	80,420	60,754

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 and 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.

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

Consolidated financial statements					
Profits for the years		Weighted average number of ordinary shares		Earnings per share	
2016	2015	2016	2015	2016	2015
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>2,696,437</u>	<u>1,651,713</u>	<u>13,638,699</u>	<u>13,638,699</u>	<u>0.1977</u>	<u>0.1211</u>

Separate financial statements					
Profits for the years		Weighted average number of ordinary shares		Earnings per share	
2016	2015	2016	2015	2016	2015
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>1,007,480</u>	<u>1,013,134</u>	<u>13,638,699</u>	<u>13,638,699</u>	<u>0.0739</u>	<u>0.0743</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 - 15% of basic salaries, and the subsidiaries contribute at rates ranging from 3 - 7%, depending on the number of years of service of each employee. The funds will be paid to employees upon termination in accordance with the rules of the funds. During the years ended 31 December 2016 and 2015, the subsidiaries contributed Baht 37.0 million and Baht 32.1 million, respectively, to the provident funds.



40. Commitments and contingent liabilities

40.1 Commitments

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2016			31 December 2015		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	23,953	-	23,953	119,458	-	119,458
Under unmatured import bills	8,021	-	8,021	-	-	-
Guarantee - others	4,020,780	-	4,020,780	4,334,089	-	4,334,089
Letters of credit	6,927	-	6,927	-	-	-
Undrawn bank overdrafts	4,871,743	-	4,871,743	5,009,803	-	5,009,803
Other commitments	17,225,401	-	17,225,401	15,201,722	-	15,201,722
Total	26,156,825	-	26,156,825	24,665,072	-	24,665,072

40.2 Commitments under long-term lease agreements

- (a) As at 31 December 2016 and 2015, 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	
	2016	2015
Payable within:		
Up to 1 year	315	332
Over 1 and up to 5 years	305	353
Over 5 years	8	16

As at 31 December 2016 and 2015, the above commitments of the subsidiaries included rental and service agreements with related parties amounted to Baht 130 million and Baht 212 million, respectively.

- (b) Three subsidiaries entered into various consultancy service agreements relating to software development and installation services. As at 31 December 2016 and 2015, the subsidiaries are obligated to pay further Baht 20 million and Baht 27 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 2016 and 2015, another subsidiary has committed under the agreement for permission to use computer programs, entered into in 2014, to pay an annual maintenance 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 was payable on a pro-rata basis, calculated from the starting date.

40.3 Service commitments

(a) As at 31 December 2016 and 2015, the subsidiary which operates fund management business 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.

(b) As at 31 December 2016 and 2015, another subsidiary, which operate securities business, has committed to pay various fees related to its securities business to the Stock Exchange of Thailand, Thailand Securities Depository Company Limited and Thailand Clearing House Company Limited. These comprise a monthly fixed amount, plus a percentage of trading volume and/or a percentage of net settlements each month. In addition, such subsidiary has committed to pay the fees related to its derivatives business to Thailand Futures Exchange Public Company Limited, Thailand Securities Depository Company Limited and Thailand Clearing House Company Limited. These comprise a monthly fixed amount plus payment at a fixed rate for purchase or sale of each futures contract and/or variable rate as stipulated in the agreements. The Company also has committed to pay a fee to the Office of the Securities and Exchange Commission in relation to securities business licenses for securities brokerage, securities trading, investment advisory and securities underwriting. For securities brokerage licenses, the fee is calculated at the rate of 0.0007% to 0.0018% of its trading volume. For securities trading and underwriting licenses, the fee is charged at the rate of 1% per annum of income from the aforesaid activities. 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) 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 contributed to the Program members and recognised these contributions as employee expenses for the years ended 31 December 2016 and 2015 of Baht 7.1 million and Baht 7.4 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 2016 and 2015, the subsidiaries were sued in many litigation cases being claimed for compensations totaling Baht 848 million and Baht 36 million, respectively. Final judgments have not yet been reached in respect of these cases. The management of the subsidiaries have exercised judgment to assess the outcome of the cases and are confident that they will not incur any significant loss and therefore contingent liabilities on such litigation cases are not provided.

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 (the subsidiary of the Company as stated in No. 1.2 above)

As described in Note 9 to the financial statements that Land and Houses Fund Management Company Limited (“LH Fund”) had been LH Bank’s subsidiary as stated in No. 1.1 above until 29 February 2016 and has become the Company’s subsidiary since 1 March 2016. However, for comparability of related party transactions with LH Fund, those transactions are therefore presented under the same line item of “The Company’s subsidiary” in these financial statements.

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 Harnpanich
3. Related companies
 - 3.1 The subsidiaries of the major shareholders of the Company (shareholders as stated in No. 2 above), who have transactions with the Company and its subsidiaries, consist of:
 - The Confidence Company Limited
 - 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
 - Double Tree Company Limited
 - Phuket Future Plan Company Limited
 - L.H. Muang Mai 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
 - Pre-Built Public Company Limited
 - LH Hotel Leasehold Real Estate Investment Trust
- 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
 - Siam C. Bridge 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
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		
	2016	2015	2016	2015	Pricing policy
Interest income					
The Company's subsidiary	-	-	8,181	8,573	The same rates that a subsidiary paid to general depositors and as specified in prospectus
Related companies	134,004	145,792	-	-	The same rates that a subsidiary charged to general customers and as specified in prospectus
Directors and executives	446	452	-	-	The same rates that a subsidiary charged to general customers
Related persons	1,475	1,640	-	-	The same rates that a subsidiary charged to general customers
	<u>135,925</u>	<u>147,884</u>	<u>8,181</u>	<u>8,573</u>	
Fees and service income					
Related companies	41,410	37,809	-	-	At the percentage of net asset value of the fund under the subsidiary's management
	<u>41,410</u>	<u>37,809</u>	<u>-</u>	<u>-</u>	
Dividend income					
The Company's subsidiary	-	-	932,400	1,000,090	As announced by the subsidiary
Related companies	21,330	11,376	1,544	-	As announced by the funds
	<u>21,330</u>	<u>11,376</u>	<u>933,944</u>	<u>1,000,090</u>	
Other operating income					
The Company's subsidiary	-	-	1,320	1,320	As specified in the agreements
	<u>-</u>	<u>-</u>	<u>1,320</u>	<u>1,320</u>	

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	For the years ended 31 December		For the years ended 31 December		
	2016	2015	2016	2015	Pricing policy
Interest expenses					
The Company's subsidiary	-	-	8,323	5,082	The same rates that a subsidiary charged to general customers
The major shareholders	24,966	33,359	-	-	The same rates that a subsidiary paid to general depositors
Related companies	51,950	47,599	-	-	The same rates that a subsidiary paid to general depositors
Directors and executives	10,263	7,760	-	-	The same rates that a subsidiary paid to general depositors and as specified in prospectus
Related persons	13,236	13,156	-	-	The same rates that a subsidiary paid to general depositors and as specified in prospectus
	<u>100,415</u>	<u>101,874</u>	<u>8,323</u>	<u>5,082</u>	
Other operating expenses					
The major shareholders	40,433	36,198	-	-	As specified in the agreements
Related companies	102,136	98,126	46	25	As specified in the agreements and the same rates as charged to general customers
	<u>142,569</u>	<u>134,324</u>	<u>46</u>	<u>25</u>	
Fees and service expenses					
The Company's subsidiary	-	-	126	20	The same rates that a subsidiary charged to general customers
	<u>-</u>	<u>-</u>	<u>126</u>	<u>20</u>	



41.2 The outstanding balances

As at 31 December 2016 and 2015, 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	
	2016	2015
Investments - cost		
<u>Related companies/persons</u>		
Private sector debt securities - Banpu Public Company Limited	1,435,000	2,065,000
Equity securities - Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	67,200	67,200
Equity securities - LH Hotel Leasehold Real Estate Investment Trust	206,213	-
Equity securities - Land and Houses Freehold and Leasehold Property Fund	91,462	91,462
	<u>1,799,875</u>	<u>2,223,662</u>
Accrued interest receivables on investments		
<u>Related companies/persons</u>		
Banpu Public Company Limited	15,806	31,201
	<u>15,806</u>	<u>31,201</u>
Loans to customers		
<u>Related companies/persons</u>		
Burirum Sugar Factory Company Limited	1,389,600	1,015,008
Pre-Built Public Company Limited	1	-
Directors and executives	8,107	10,436
Related persons	33,205	51,507
	<u>1,430,913</u>	<u>1,076,951</u>
Accrued interest receivables on loans to customers		
<u>Related companies/persons</u>		
Burirum Sugar Factory Company Limited	861	171
Directors and executives	4	6
Related persons	9	38
	<u>874</u>	<u>215</u>
Other assets		
<u>The major shareholder</u>		
Quality Houses Public Company Limited	8,348	8,432
<u>Related companies/persons</u>		
Quality Houses Leasehold Property Fund	16,130	15,924
Other related companies	15,067	16,993
	<u>39,545</u>	<u>41,349</u>

(Unit: Thousand Baht)

Consolidated financial statements

31 December

2016

2015

DepositsThe major shareholders

Land and Houses Public Company Limited	599,947	3,770,343
Quality Houses Public Company Limited	961,933	938,234
Ms. Piengjai Hampanich	35,424	4,719

Related companies/persons

The Confidence Company Limited	119,310	227,267
Q.H. Management Company Limited	302,275	19,974
Q.H. International Company Limited	120,449	65,808
LH Asset Company Limited	19,082	36,330
L&H Property Company Limited	22,163	1,146,975
Casa Ville Company Limited	317,095	527,362
Casa Ville (Chonburi 2554) Company Limited	33,407	33,934
Gusto Village Company Limited	240,963	301,605
Land and Houses Northeast Company Limited	31,444	21,277
L&H Hotel Management Company Limited	187,226	51,651
Centre Point Hospitality Company Limited	61,775	25,967
Siamtanee Property Company Limited	97,214	12,272
Siamtanee Real Estate Company Limited	15,139	97,186
Double Tree Company Limited	74,984	-
Phuket Future Plan Company Limited	148,119	-
L.H. Muang Mai Company Limited	242,729	-
Home Product Center Public Company Limited	2,689,413	1,887,379
Asia Asset Advisory Company Limited	6,098	69,489
Quality Houses Leasehold Property Fund	58,626	241,039
Mega Home Center Company Limited	35,463	54,814
Thai Packaging & Printing Public Company Limited	62,186	87,809
Pre-Built Public Company Limited	146,555	-
Industry Housing Company Limited	242,940	368,102
Mayland Company Limited	696,081	44,432
Pathumthani Real Estate Company Limited	75,799	68,175
A&P Associate Company Limited	78,080	68,958
Other related companies	191,781	165,836
Directors and executives	755,320	482,502
Related persons	1,015,777	823,850

9,684,797

11,643,289



		(Unit: Thousand Baht)	
		Consolidated financial statements	
		31 December	
		2016	2015
Debts issued and borrowings			
<u>Related companies/persons</u>			
Directors and executives		28,000	20,000
Related persons		12,500	7,500
		<u>40,500</u>	<u>27,500</u>
Accrued interest payables			
<u>The major shareholders</u>			
Land and Houses Public Company Limited		-	5,096
Quality Houses Public Company Limited		-	30
Ms. Piengjai Harnpanich		28	31
<u>Related companies/persons</u>			
Related companies		5,582	4,696
Directors and executives		1,623	243
Related persons		1,765	2,352
		<u>8,998</u>	<u>12,448</u>
Other liabilities			
<u>The major shareholder</u>			
Quality Houses Public Company Limited		203	252
<u>Related companies/persons</u>			
Related companies		2,943	3,078
Directors and executives		27	-
		<u>3,173</u>	<u>3,330</u>
Commitments - Bank guarantee			
<u>Related companies/persons</u>			
Quality Houses Leasehold Property Fund		21,186	21,186
Burirum Sugar Factory Company Limited		1,800	51,800
Pre-Built Public Company Limited		197,448	-
		<u>220,434</u>	<u>72,986</u>



	(Unit: Thousand Baht)	
	Separate financial statements	
	31 December	
	2016	2015
Interbank and money market items (assets)		
<u>The Company's subsidiary</u>		
Land and Houses Bank Public Company Limited	536,976	230,202
	<u>536,976</u>	<u>230,202</u>
Investments - cost		
<u>The Company's subsidiary</u>		
Land and Houses Bank Public Company Limited	137,800	150,800
<u>Related companies/persons</u>		
LH Hotel Leasehold Real Estate Investment Trust	31,958	-
	<u>169,758</u>	<u>150,800</u>
Accrued interest receivables on investments		
<u>The Company's subsidiary</u>		
Land and Houses Bank Public Company Limited	793	868
	<u>793</u>	<u>868</u>
Interbank and money market items (liabilities)		
<u>The Company's subsidiary</u>		
Land and Houses Bank Public Company Limited	415,000	-
	<u>415,000</u>	<u>-</u>
Accrued interest expenses on interbank and money market items (liabilities)		
<u>The Company's subsidiary</u>		
Land and Houses Bank Public Company Limited	31	-
	<u>31</u>	<u>-</u>
Accounts payable on securities trading		
<u>The Company's subsidiary</u>		
Land and Houses Securities Public Company Limited	-	4,013
	<u>-</u>	<u>4,013</u>
Other liabilities		
<u>The Company's subsidiary</u>		
Land and Houses Bank Public Company Limited	300	300
	<u>300</u>	<u>300</u>

41.3 Movements of related party balances

The movements of loans to customers, deposits, interbank and money market items (assets), interbank and money market items (liabilities), and debts issued and borrowings having with its related parties for the year ended 31 December 2016 are as follows:

(Unit: Thousand Baht)				
Consolidated financial statements				
For the year ended 31 December 2016				
	Beginning balance	Increase	Decrease	Ending balance
Loans to customers				
<u>Related companies/persons</u>				
Banpu Public Company Limited	-	3,800,000	(3,800,000)	-
Burirum Sugar Factory Company Limited	1,015,008	1,555,470	(1,180,878)	1,389,600
Pre-Built Public Company Limited	-	14,245	(14,244)	1
Directors and executives	10,436	9,612	(11,941)	8,107
Related persons	51,507	96,375	(114,677)	33,205
	<u>1,076,951</u>	<u>5,475,702</u>	<u>(5,121,740)</u>	<u>1,430,913</u>
Deposits				
<u>The major shareholders</u>				
Land and Houses Public Company Limited	3,770,343	99,101,133	(102,271,529)	599,947
Quality Houses Public Company Limited	938,234	52,134,777	(52,111,078)	961,933
Ms. Piengjai Harnpanich	4,719	57,141	(26,436)	35,424
<u>Related companies/persons</u>				
The Confidence Company Limited	227,267	8,561,284	(8,669,241)	119,310
Q.H. Management Company Limited	19,974	491,217	(208,916)	302,275
Q.H. International Company Limited	65,808	366,014	(311,373)	120,449
LH Asset Company Limited	36,330	257,332	(274,580)	19,082
L&H Property Company Limited	1,146,975	1,926,994	(3,051,806)	22,163
Casa Ville Company Limited	527,362	37,589,243	(37,799,510)	317,095
Casa Ville (Chonburi 2554) Company Limited	33,934	4,917,507	(4,918,034)	33,407
Gusto Village Company Limited	301,605	8,475,054	(8,535,696)	240,963
Land and Houses Northeast Company Limited	21,277	541,394	(531,227)	31,444
L&H Hotel Management Company Limited	51,651	2,061,912	(1,926,337)	187,226
Centre Point Hospitality Company Limited	25,967	852,636	(816,828)	61,775
Siamtanee Property Company Limited	12,272	470,677	(385,735)	97,214
Siamtanee Real Estate Company Limited	97,186	129,537	(211,584)	15,139
Double Tree Company Limited	-	241,251	(166,267)	74,984
Phuket Future Plan Company Limited	-	439,360	(291,241)	148,119
L.H. Muang Mai Company Limited	-	242,736	(7)	242,729
Home Product Center Public Company Limited	1,887,379	120,845,085	(120,043,051)	2,689,413
Asia Asset Advisory Company Limited	69,489	151,994	(215,385)	6,098
Quality Houses Leasehold Property Fund	241,039	2,450,911	(2,633,324)	58,626
Mega Home Center Company Limited	54,814	10,633,962	(10,653,313)	35,463
Thai Packaging & Printing Public Company Limited	87,809	347,346	(372,969)	62,186
Pre-Built Public Company Limited	-	952,725	(806,170)	146,555
Industry Housing Company Limited	368,102	45,346	(170,508)	242,940



(Unit: Thousand Baht)

Consolidated financial statements				
For the year ended 31 December 2016				
	Beginning balance	Increase	Decrease	Ending balance
Deposits (continued)				
<u>Related companies/persons</u>				
Mayland Company Limited	44,432	2,050,458	(1,398,809)	696,081
Pathumthani Real Estate Company Limited	68,175	141,392	(133,768)	75,799
A&P Associate Company Limited	68,958	148,765	(139,643)	78,080
Other related companies	165,836	9,832,592	(9,806,647)	191,781
Directors and executives	482,502	8,037,038	(7,764,220)	755,320
Related persons	823,850	2,576,164	(2,384,237)	1,015,777
	<u>11,643,289</u>	<u>377,070,977</u>	<u>(379,029,469)</u>	<u>9,684,797</u>
Debts issued and borrowings				
<u>Related companies/persons</u>				
Directors and executives	20,000	8,000	-	28,000
Related persons	7,500	5,000	-	12,500
	<u>27,500</u>	<u>13,000</u>	<u>-</u>	<u>40,500</u>

(Unit: Thousand Baht)

Separate financial statements				
For the year ended 31 December 2016				
	Beginning balance	Increase	Decrease	Ending balance
Interbank and money market items (assets)				
<u>The Company's subsidiary</u>				
Land and Houses Bank Public Company Limited	230,202	2,588,844	(2,282,070)	536,976
	<u>230,202</u>	<u>2,588,844</u>	<u>(2,282,070)</u>	<u>536,976</u>
Interbank and money market items (liabilities)				
<u>The Company's subsidiary</u>				
Land and Houses Bank Public Company Limited	-	818,100	(403,100)	415,000
	<u>-</u>	<u>818,100</u>	<u>(403,100)</u>	<u>415,000</u>

41.4 Directors' and executives' compensation

During the years ended 31 December 2016 and 2015, compensations 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	
	2016	2015	2016	2015
Short-term employee benefits	161	130	10	9
Post-employment benefits	14	7	-	-
Total	175	137	10	9

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 2016 and 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 37,024 million and Baht 23,403 million, respectively.

The Company and its subsidiaries' interest in those funds are shown below.

	(Unit: Million Baht)	
	31 December	
	2016	2015
Fees and service income receivables	16	8
Deposits at banks	-	377

	(Unit: Million Baht)	
	For the years ended 31 December	
	2016	2015
Fees and service income - mutual fund management	206	85
Fees and service income - commission income on securities trading	6	1
Interest expenses	3	3

The maximum risk exposure of the Company and its 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 2016								
	Investment holding business	Banking business				Fund management business	Other businesses	Eliminations	Total
		Lending		Other segments	Total segments				
		Housing and retail	Other loans						
Interest income from external customers	69	1,419,003	5,702,912	1,664,741	8,786,656	36	23,270	-	8,810,031
Inter-segment interest income	8,181	-	29,671	-	29,671	200	733	(38,785)	-
Net interest income	(73)				4,838,038	139	815	75	4,838,994
Net fees and service income (expenses)	(7,481)				261,157	177,325	76,998	2,601	510,600
Gains (losses) on trading and foreign exchange transactions	-				1,369	-	(789)	-	580
Gains on investments	36,763				1,135,620	9,247	71,155	(64,296)	1,188,489
Dividend income	994,498				210,634	18,491	105,401	(932,400)	396,624
Other operating income	1,328				27,477	1,015	3,278	(1,320)	31,778
Other operating expenses	(17,555)				(2,333,274)	(115,303)	(137,919)	2,525	(2,601,526)
Bad debts, doubtful accounts and impairment loss	-				(1,025,000)	-	-	-	(1,025,000)
Income tax expenses	-				(613,718)	(16,718)	(13,665)	-	(644,101)
Profit for the year	1,007,480				2,502,303	74,196	105,274	(992,815)	2,696,438



(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 (expenses)	(7,843)				228,280	93,436	41,399	(5,892)	349,380
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)

As at 31 December 2016

	Investment holding business	Banking business				Fund manageme nt business	Other businesses	Eliminations	Total
		Lending		Other segments	Total Segments				
		Housing and retail	Other loans						
Loans to customers/ interbank and money market items	-	30,636,552	126,857,286	-	157,493,838	-	340,631	(1,180,000)	156,654,469
Cash	1				2,109,131	10	35	-	2,109,177
Interbank and money market items - net	536,976				17,961,031	145,337	26,806	(1,343,716)	17,326,434
Investments - net	1,079,415				49,978,116	317,902	1,438,139	(137,800)	52,675,772
Investments in subsidiaries	15,361,408				-	-	6,262	(15,367,670)	-
Loans to customers and accrued interest receivables - net	-				138,280,235	-	342,428	(422,681)	138,199,982
Other assets	48,831				1,366,457	70,735	281,396	68,399	1,835,818
Total assets	17,026,631				209,694,970	533,984	2,095,066	(17,203,468)	212,147,183
Deposits	-				149,639,499	-	-	(542,353)	149,097,146
Interbank and money market items	415,000				20,053,826	-	765,000	(1,223,975)	20,009,851
Debts issued and borrowings	-				20,464,660	-	-	(137,171)	20,327,489
Other liabilities	24,554				2,039,107	137,843	206,084	(10,528)	2,397,060
Total liabilities	439,554				192,197,092	137,843	971,084	(1,914,027)	191,831,546



(Unit: Thousand Baht)

As at 31 December 2015

	Investment holding business	Banking business			Total Segments	Fund management business	Other businesses	Eliminations	Total
		Lending		Other segments					
		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

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 2016 and 2015, 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, derivative assets/liabilities, investments, loans to customers, deposits, liabilities payable on demand, debts issued and borrowings, accounts payable on purchase 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:

(a) 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.

(b) 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.

(c) 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.

(d) 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.

As at 31 December 2016 and 2015, financial assets and liabilities, classified by types of interest rate, are as follows:

Descriptions	(Unit: Thousand Baht)			
	Consolidated financial statements			
	31 December 2016			
	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	2,109,177	2,109,177
Interbank and money market items	14,591	15,584,172	1,869,248	17,468,011
Derivative assets	-	-	2,858	2,858
Investments	1,146,582	44,656,889	6,872,326	52,675,797
Loans to customers ⁽¹⁾	69,276,908	69,115,017	2,770,142	141,162,067
<u>Financial liabilities</u>				
Deposits	68,544,400	80,376,016	176,730	149,097,146
Interbank and money market items	1,011,829	18,981,638	16,384	20,009,851
Liabilities payable on demand	-	-	75,991	75,991
Debts issued and borrowings	-	20,326,351	6,398	20,332,749
Securities business payable	-	-	143,479	143,479

- (1) In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates. In addition, non-interest bearing loans include non-performing loans.

(Unit: Thousand Baht)

Consolidated financial statements				
31 December 2015				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
Financial assets				
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
Financial liabilities				
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 indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates. In addition, non-interest bearing loans include non-performing loans.

(Unit: Thousand Baht)

Separate financial statements				
31 December 2016				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
Financial assets				
Cash	-	-	1	1
Interbank and money market items	536,976	-	-	536,976
Investments	-	137,800	941,615	1,079,415
Financial liabilities				
Interbank and money market items	-	415,000	-	415,000

(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



The remaining periods counting from 31 December 2016 and 2015 to the repricing dates or maturity dates (whichever are sooner) of financial instruments carrying interest at fixed rates are as follows:

(Unit: Thousand Baht)

Consolidated financial statements							
31 December 2016							
Remaining periods to repricing dates or maturity dates							
Descriptions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
Financial assets							
Interbank and money market items	4,175,000	11,409,172	-	-	-	15,584,172	2.05 - 4.30
Investments	-	367,854	1,451,094	23,692,509	19,145,432	44,656,889	1.83 - 5.35
Loans to customers	5,981,922	28,399,208	15,711,233	17,767,347	1,255,307	69,115,017	2.73 - 5.68
Financial liabilities							
Deposits	3,835,603	27,998,126	42,188,801	6,353,486	-	80,376,016	0.80 - 3.00
Interbank and money market items	166,000	10,886,084	6,226,883	426,326	1,276,345	18,981,638	0.01 ⁽¹⁾ , 0.1 ⁽²⁾ , 0.75 - 2.75
Debts issued and borrowings	-	6,274,151	10,190,000	-	3,862,200	20,326,351	1.50 - 5.125

⁽¹⁾ It is the interest rate of 0.01% charged on the balance of Baht 4,451 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 3,466 million obtained for financial assistance to SMEs' debtors that lack of liquidity.

(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.)
Financial assets							
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
Financial liabilities							
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)

Separate financial statements							
31 December 2016							
Descriptions	Remaining periods to repricing dates or maturity dates					Total	Interest rates (% p.a.)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Investments	-	-	-	-	137,800	137,800	5.125
Financial liabilities							
Interbank and money market items	415,000	-	-	-	-	415,000	2.75

(Unit: Thousand Baht)

Separate financial statements							
31 December 2015							
Descriptions	Remaining periods to repricing dates or maturity dates					Total	Interest rates (% p.a.)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Investments	-	-	-	-	150,800	150,800	5.125

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 years, and the average interest rate for the years ended 31 December 2016 and 2015 are as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
For the years ended 31 December						
	2016			2015		
	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	15,300,554	607,357	3.97	14,303,814	633,237	4.43
Investments in debt securities	46,644,251	1,664,666	3.57	36,352,785	1,470,786	4.05
Loans to customers	141,178,835	6,544,304	4.64	124,042,290	6,381,152	5.14
Performing financial liabilities						
Deposits	147,250,628	3,117,058	2.12	125,310,725	3,368,921	2.69
Interbank and money market items	18,607,682	226,568	1.22	21,521,201	327,155	1.52
Debts issued and borrowings	23,470,346	634,663	2.70	14,618,114	445,042	3.04



(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. The subsidiary 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 so the subsidiary has insignificant foreign exchange risk.

The status of the subsidiary's foreign currency balances, which operates banking business, as at 31 December 2016 and 2015 are as follows:

(Unit: Thousand Baht)					
Consolidated financial statements					
31 December 2016					
	USD	EUR	JPY	CNY	Others
<u>Foreign currency in the statements of financial position</u>					
Cash	152	52	12	16	55
Investments	1,146,582	-	-	-	-
Total assets	<u>1,146,734</u>	<u>52</u>	<u>12</u>	<u>16</u>	<u>55</u>

(Unit: Thousand Baht)					
Consolidated financial statements					
31 December 2015					
	USD	EUR	JPY	CNY	Others
<u>Foreign currency in the statements of financial position</u>					
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>

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 2016				
	USD	EUR	JPY	CNY	Others
Cross currency and interest rate swap contracts					
- Sold	1,146,582	-	-	-	-

	(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.

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.

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 periods to maturity, counting from the financial position dates, of financial instruments outstanding as at 31 December 2016 and 2015 are as follows:

(Unit: Thousand Baht)

Descriptions	Consolidated financial statements					
	31 December 2016					
	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
<u>Financial assets</u>						
Cash	2,109,177	-	-	-	-	2,109,177
Interbank and money market items	6,058,839	11,409,172	-	-	-	17,468,011
Derivative assets	-	-	-	2,858	-	2,858
Investments	-	367,854	1,451,094	43,984,523	6,872,326	52,675,797
Loans to customers ⁽¹⁾	15,428,040	27,454,522	19,973,758	77,965,116	340,631	141,162,067
<u>Financial liabilities</u>						
Deposits	69,638,458	28,610,989	43,506,697	7,341,002	-	149,097,146
Interbank and money market items	1,194,213	10,886,084	6,226,883	1,702,671	-	20,009,851
Liabilities payable on demand	75,991	-	-	-	-	75,991
Debts issued and borrowings	-	6,274,151	10,190,000	3,868,598	-	20,332,749
Securities business payable	-	-	-	-	143,479	143,479

⁽¹⁾ Loans to customers maturing at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)

Consolidated financial statements						
31 December 2015						
Descriptions	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)

Separate financial statements						
31 December 2016						
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
<u>Financial assets</u>						
Cash	1	-	-	-	-	1
Interbank and money market items	536,976	-	-	-	-	536,976
Investments	-	-	-	137,800	941,615	1,079,415
<u>Financial liabilities</u>						
Interbank and money market items	415,000	-	-	-	-	415,000

(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
<u>Financial assets</u>						
Cash	8	-	-	-	-	8
Interbank and money market items	230,202	-	-	-	-	230,202
Investments	-	-	-	150,800	498,266	649,066
<u>Financial liabilities</u>						
Accounts payable on purchase of securities	-	4,013	-	-	-	4,013



Moreover, as at 31 December 2016 and 2015, the subsidiary, which operates banking business, had the following commitments from avals to bills, under unmatured import bills, guarantee, letters of credit, 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					
	2016			2015		
	No more than 1 year	Over 1 year	Total	No more than 1 year	Over 1 year	Total
Avals to bills	23,953	-	23,953	119,458	-	119,458
Under unmatured import bills	8,021	-	8,021	-	-	-
Guarantee - other	3,678,406 ⁽¹⁾	342,374	4,020,780	3,420,098 ⁽¹⁾	913,991	4,334,089
Letters of credit	6,927	-	6,927	-	-	-
Undrawn bank overdrafts	4,871,743	-	4,871,743	5,009,803	-	5,009,803
Other commitments	-	17,225,401	17,225,401	-	15,201,722	15,201,722

⁽¹⁾ As at 31 December 2016 and 2015, these amount included contracts with no maturity date amounting to Baht 1,241 million and Baht 1,092 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 2016 and 2015, 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 2016				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value</u>					
Trading investments					
Domestic marketable equity securities	74	74	-	-	74
Total trading investments	74	74	-	-	74
Available-for-sale investments					
Domestic marketable equity securities	6,636,585	6,636,585	-	-	6,636,585
Investment units	222,098	-	222,098	-	222,098
Total available-for-sale investments	6,858,683	6,636,585	222,098	-	6,858,683

	(Unit: Thousand Baht)				
	Consolidated financial statements				
	31 December 2015				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<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
Investment units	207,491	-	207,491	-	207,491
Total available-for-sale investments	2,352,957	2,145,466	207,491	-	2,352,957

	(Unit: Thousand Baht)				
	Separate financial statements				
	31 December 2016				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value</u>					
Available-for-sale investments					
Domestic marketable equity securities	894,973	894,973	-	-	894,973
Investment units	46,642	-	46,642	-	46,642
Total available-for-sale investments	941,615	894,973	46,642	-	941,615



(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2015				
	Carrying	Fair value			
	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
Investment units	80,165	-	80,165	-	80,165
Total available-for-sale investments	498,266	418,101	80,165	-	498,266

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 2016 and 2015, 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 2016				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Financial assets for which fair values are disclosed</u>					
Cash	2,109,177	2,109,177	-	-	2,109,177
Interbank and money market items - net	17,312,169	1,883,839	-	15,429,163	17,313,002
Derivative assets	2,858	-	23,273	-	23,273
Investments - net	45,817,015	-	46,347,255	13,544	46,360,799
Loans to customers - net	137,968,788	-	340,631	137,378,818	137,719,449
<u>Financial liabilities for which fair values are disclosed</u>					
Deposits	149,097,146	68,721,130	80,380,771	-	149,101,901
Interbank and money market items	20,009,851	1,028,213	18,983,471	-	20,011,684
Liabilities payable on demand	75,991	75,991	-	-	75,991
Debts issued and borrowings	20,332,749	6,398	20,465,245	-	20,471,643
Securities business payable	143,479	-	143,479	-	143,479



(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2015				
	Carrying	Fair value			
	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
Interbank and money market items - net	17,662,779	1,632,322	-	16,038,199	17,670,521
Investments - net	44,837,750	-	46,508,254	13,544	46,521,798
Loans to customers - net	130,533,339	-	370,122	129,846,785	130,216,907
<u>Financial liabilities for which fair values are disclosed</u>					
Deposits	137,064,320	56,129,515	81,011,959	-	137,141,474
Interbank and money market items	20,638,556	1,273,436	19,372,544	-	20,645,980
Liabilities payable on demand	176,517	176,517	-	-	176,517
Derivative liabilities	5,395	-	22,117	-	22,117
Debts issued and borrowings	21,669,700	-	21,698,034	-	21,698,034
Securities business payable	51,983	-	51,983	-	51,983

(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2016				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Financial assets for which fair values are disclosed</u>					
Cash	1	1	-	-	1
Interbank and money market items - net	536,976	536,976	-	-	536,976
Investments - net	137,800	-	142,707	-	142,707
<u>Financial liabilities for which fair values are disclosed</u>					
Interbank and money market items	415,000	415,031	-	-	415,031

(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2015				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Financial assets for which fair values are disclosed</u>					
Cash	8	8	-	-	8
Interbank and money market items - net	230,202	230,202	-	-	230,202
Investments - net	150,800	-	151,821	-	151,821
<u>Financial liabilities for which fair values are disclosed</u>					
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 values 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, 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 securities, 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 assets/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 and unsubordinated 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 Company reclassified certain line items for more appropriate classification. However, such reclassifications had no effect to previously reported profit for the period or owners' equity. The reclassifications are as follows:

		(Unit: Thousand Baht)	
		Consolidate financial statements	
		As at 31 December 2015	
		As reclassified	As previously reported
Statements of financial position			
Payable to Clearing Houses		7,688	-
Securities business payables		51,983	-
Other liabilities		198,166	257,837
		<u>257,837</u>	<u>257,837</u>

47. Event after the reporting period

On 20 February 2017, the Board of Director's Meeting of the Company passed a resolution to propose to the Annual General Meeting of the Company's shareholders for approval of dividend payments from its operating results for the year ended 31 December 2016 by paying a cash dividend of Baht 0.052 per share, or not exceeding Baht 709.22 million.

48. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 20 February 2017.



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

Auditors : 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 Lake Rajada Office Complex, 33rd Floor,
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 Sathorn City Tower, 11th Floor, 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	G floor, Q House Lumpini 0 2359 0000 # 4801-4 0 2677 7111
	Q House Asoke Branch	G floor, Q House Asoke 0 2204 2515-7
	Q House Sathorn Branch	G floor, Q House Sathorn 0 2286 2646-7, 0 2105 3994
	Thonglor Branch	Near TSL showroom 0 2392 6053-5
	Park Lane (Ekkamai) Branch	1 floor, Park Lane Community Mall 0 2381 6573-5, 0 2714 4182
	Terminal 21 Branch	LG floor, next to Boots Shop 0 2254 0045-7, 0 2108 0674
	Wave Place (Phloen Chit) Branch	2 floor, Wave Place Building (Phloen Chit) 0 2254 4150-3, 0 2655 7128
	Silom Branch	Near Silom Complex 0 2235 8372-4
	Bangrak Branch	Opposite Robinson Bangrak 0 2235 7050-3
	Thanon Chan Branch	Soi Chan 18/8, Chan Road 0 2212 8639-41, 0 2212 8634, 0 2673 0453,
	Maboonklong Center Branch	4 floors, Banking Zone 0 2686 3930
	Pratunam Branch	Behind Indra Square and next to KBank 0 2208 0860-2, 0 2656 3162
	Yaowaraj Branch	Soi Texas, Yaowaraj Road 0 2221 4600-2
	Sampheng Branch	Soi Wanit1, Mangkorn Road 0 2225 3552, 0 2225 3556-7, 0 2622 4938
	Wongwian 22 Karakada Branch	Soi Wat Phlapphla Chai 0 2223 4194-5, 0 2223 4280, 0 2623 0218
	Khlongthom Branch	Near SAB Junction 0 2223 2024-6
	Worachak Branch	In front of Worachak market 0 2221 6946-8, 0 2621 2026
	Bobae Branch	Entrance Princess Hotel 0 2280 9518, 0 2280 9530, 0 2280 9541, 0 2628 1356
	Banglamphu Branch	Sip Sam Hang Road 0 2282 4712-4, 0 2629 4162
	Talat Noi Branch	1 floor, Nattapoom Building, Song 0 2235 7463-5, 0 2639 6103 Wat Yak, Charoen Krung Road
	The Old Siam Branch	1 floor, Burapha Road 0 2223 9866-8
	Pakkhlong Talat Branch	Opposite Thai Agriculture 0 2225 4932-4, 0 2623 7316 Promotion Market
	Sena Fest (Charoen Nakorn) Branch	1 floor, Sena Fest, Charoen Nakorn Road 0 2437 0038-41, 0 2108 9040

AREA	BRANCH	TELEPHONE
BANGKOK AND BOUNDARY (CON.)		
	Suksawat Branch	Sookniwate 3 Project, Soi Wat Khru Nok 0 2462 8364-6, 0 2819 2726
	Phrannok Branch	Opposite Phran Nok Market 0 2411 1272-4, 0 2866 0314
	Fashion Island Branch	2 floors, next to Nitipon Clinic 0 2947 5588
	The Promenade Branch	G floor, Near Gourmet Market 0 2947 5056-8, 0 2130 4200
	The Paseo Town (Ramkhamhaeng) Branch	2 floors, Near Daiso Shop 0 2111 3007-9
	The Circle Ratchapruk Branch	Next to Kids Park Zone 0 2863 8757-9, 0 2863 8762
	Sena Nikhom Branch	Opposite Mayo Hospital 0 2561 5577, 0 2561 2376, 0 2561 1957, 0 2941 1051
	Saphankhwai Branch	On the same side of Big C, Near Saphan Khwai Junction 0 2278 1755-7, 0 2616 9407
	Talat Thai Branch	Near Fruit Market 0 2529 6162-3, 0 2529 6176-7, 0 2908 3420
	Future Park Rangsit Branch	2 floors, Central Zone 0 2958 5271-3
	Saphanmai Branch	Opposite Ying Charoen Market 0 2522 7088-91, 0 2971 1404
	Samutprakan Branch	Prakhonchai Road 0 2389 1683-5, 0 2702 6721
	Big C Rama 2 Branch	1 floor, near True Move Shop 0 2415 3737, 0 2415 3313, 0 2415 5423, 0 2415 7236
	Big C Bangna Branch	1 floor, next to Black Canyon 0 2361 6324-6
	Big C Bangplee Branch	1 floor, Banking Zone 0 2312 2626, 0 2312 2665 0 2312 2667
	Big C Onnut Branch	3 floors, Food Court 0 2331 6471-3, 0 2742 6800
	Big C Tiwanon Branch	1 floor, next to Bangkok Bank 0 2527 4551-2, 0 2527 4557, 0 2968 3932
	Big C Rattanathibetch Branch	1 floor, gold shop area 0 2594 2578-80
	Tesco Lotus Rama I Branch	3 floors, Tesco Lotus Rama I 0 2214 3568-70, 0 2612 4920
	Tesco Lotus Rama 4 Branch	2 floors, Near the escalator 0 2249 5758-60, 0 2671 4697
	Tesco Lotus Bangna-Trad Branch	1 floor, Banking Zone 0 2316 3184-6, 0 2752 8143
	Tesco Lotus Srinakarin Branch	2 floors, near the cinema 0 2175 7712-4, 02 105 3995
	HomePro Phet Kasem Branch	1 floor, Plaza Zone, on the same side of HomePro area 0 2444 3045-7
	HomePro Suvarnaphumi Branch	3 floors, Banking Zone 0 2316 6701-4, 0 2002 1024
	Home Pro Ekamai-Ramindra Branch	Near Maesriruen Restaurant 0 2514 9112-4

AREA	BRANCH	TELEPHONE
BANGKOK AND BOUNDARY (CON.)		
	HomePro Prachachuen Branch	1 floor, HomePro Prachachuen 0 2589 6015, 0 2589 6071, 0 2589 6074, 0 2951 8353
	HomePro Phutthamonthon Sai 5 Branch	1 floor, HomePro Phuttamonthon 0 2482 1286-7, 0 3410 9605
	Megahome Rangsit Branch	1 floor, Mega Home Rangsit 0 2516 0971-2, 0 2105 3935
	Central Rama 9 Branch	5 floors, Banking Zone 0 2160 3866-8
	Central Pinklao Branch	4 floors, Banking Zone 0 2433 1155, 0 2433 1352-3
	The Mall Thapra Branch	B floor, in front of the supermarket 0 2477 9525, 0 2477 9497, 0 2477 9540
	The Mall Bangkae Branch	3 floors, Banking Zone 0 2454 9204-6
	The Mall Bangkokpi Branch	2 floors, opposite Nokia shop, on the same side of Plaza 0 2363 3489-91
	The Mall Ngamwongwan Branch	1 floor, opposite DTAC shop 0 2550 1287-9
	Seacon Bangkae Branch	3 floors, Banking Zone 0 2458 2846-9
	Seacon Square Branch	3 floors Banking Zone 0 2138 6180-2, 0 2721 9246
	Nakhonpathom Branch	Ratchawithi Road 034 271981-3, 034 210143
	Samutsakhon Branch	Opposite Mahachai Christian School 034 870737-9, 034 870741, 034 810877
	Central Plaza Chaengwattana Branch	4 floors, near True Move Shop 0 2193 8130-2, 0 2024 8430
	HomePro Rama 3 Branch	1 floor, HomePro Rama 3 0 2164 4390-1, 0 2024 8959
	The Paseo (Ladkabang) Branch	Near McDonald's 0 2346 4211-3, 0 2024 8564
NORTH		
	HomePro Chiangrai Branch	1 floor, HomePro Chiangrai 0 5360 4430-1, 0 5202 9835
	HomePro Phrae Branch	1 floor, HomePro Phrae 0 5453 1955-6, 0 5406 9505
	HomePro Lampang Branch	1 floor, HomePro Lampang 0 5481 1481-2, 0 5431 6228
	Tesco Lotus Ruamchok (Chiang Mai) Branch	2 floors, Tesco Lotus Ruamchok 0 5301 4285, 0 5385 2027, 0 5301 4282-3, 0 5301 4154, 0 5301 4124-5
	Big C Hangdong Branch	1 floor, Banking Zone 0 5344 7855-7
	Talat Warorot Branch	Entrance Warorot Market 0 5325 2223-5
	Chiangrai Branch	Thanalai Road 0 5371 7873-6



AREA	BRANCH	TELEPHONE
NORTH EAST		
	HomePro Roiet Branch	1 floor, HomePro Roiet 0 4351 6849-50, 0 4303 9805
	HomePro Sakonnakhon Branch	1 floor, HomePro Sakonnakhon 0 4271 2862, 0 4271 2868, 0 4209 9705
	HomePro Loei Branch	1 floor, HomePro Loei 0 4284 5827-8, 0 4203 9805
	HomePro Ubonratchathani Branch	1 floor, HomePro Ubonratchathani 0 4534 4738-9, 0 4595 9715
	HomePro Chaiyaphum Branch	1 floor, HomePro Chaiyaphum 0 4405 1842-3, 0 4410 9705
	HomePro Buriram Branch	1 floor, HomePro Buriram 0 4469 0490-1, 0 4411 9805
	HomePro Surin Branch	1 floor, HomePro Surin 0 4451 9902-3
	HomePro Khao Yai Branch	1 floor, HomePro Khao Yai 0 4492 9458-9, 0 4432 8033
	HomePro Nakhonratchasima (Huathalae) Branch	1 floor, HomePro Nakhonratchasima (Huathalae) 0 4492 0530-1
	Mega Home Nongkhai Branch	1 floor, Mega Home Nongkhai 0 4299 0453-4, 0 4246 4229
	Khonkaen Branch	Sri Chan Road 0 4323 5244, 0 4323 5258, 0 4323 5260, 0 4324 5364, 0 4324 5366, 0 4324 5415
	Central Khonkaen Branch	2 floors, Central Plaza Khonkaen 0 4328 8540-3
	Central Udonthani Branch	3 floors, Central Udonthani 0 4213 6155-7, 0 4234 3341
	Udonthani Branch	Near 5 Yaek Namphu 0 4223 0280-2, 0 4223 0284, 0 4223 0286,
	Ubon Ratchathani Branch	Chayangkun Roa 0 4234 3788, 0 4223 0308 0 4524 2584-6, 0 4526 2311
	The Mall Nakhonratchasima Branch	B floor, next to TMB Bank 0 4439 3925-7, 0 4428 8118
	Pak Chong Branch	Pak Chong Market 0 4431 4882-4, 0 4408 1114
	Megahome Nakhonphanom Branch	1 floor, Mega Home Nakhonphanom 0 4251 1981-2, 0 4219 9783
	Terminal 21 Korat Branch	2 floors, Terminal 21 Korat 0 4449 8511-4, 0 4408 1115
MIDDLE		
	HomePro Saraburi Branch	1 floor, HomePro Saraburi 0 3622 4471-2, 0 3667 9715
	HomePro Lopburi Branch	1 floor, HomePro Lopburi 0 3677 6095-6, 0 3668 9805
	HomePro Suphanburi Branch	Malai Man Road 0 3552 2346-7, 0 3596 9605
	Big C Ayutthaya Branch	2 floors, Big C Ayutthaya 0 3574 7133-4, 0 3595 9715



AREA	BRANCH	TELEPHONE
	HomePro Sukhothai Branch	1 floor, HomePro Sukhothai 0 5561 6631-2, 0 5562 0004
	HomePro Nakhonsawan Branch	1 floor, HomePro Nakhonsawan 0 5637 1357-8, 0 5600 9735
	HomePro Phetchabun Branch	1 floor, HomePro Phetchabun 0 5671 9541-2, 0 5602 9705
	Phitsanulok Branch	Baromatrilokanart Road 0 5525 8051-3, 0 5521 9033
	Nakhonsawan Branch	Sawan Withi Road 0 5622 8521-3, 0 5631 1015
	Ayutthaya City Park Branch	1 floor, opposite Boots Shop 0 3580 1929-31, 0 3590 2349
WEST		
	HomePro Kanchanaburi Branch	1 floor, HomePro Kanchanaburi 0 3460 2695-6, 0 3462 2043
	HomePro Samutsongkhram Branch	1 floor, HomePro Samutsongkhram 0 3477 0898-9, 0 3472 3027
	HomePro Phetchaburi Branch	1 floor, HomePro Phetchaburi 0 3247 4575-6, 0 3241 0062
	HomePro Prachuap Khiri Khan Branch	1 floor, HomePro Prachuap 0 3265 2151-2 Khiri Khan
	Robinson Ratchaburi Branch	1 floor, Robinson Ratchaburi 0 3232 8025-7, 0 32310330
	Hua Hin Branch	Opposite Prachuap Khiri Khan 0 3251 3420-2 Highway District
	Megahome Mae Sot Branch	1 floor, Mega Home Mae Sot 0 5550 6993-4
EAST		
	HomePro Chonburi Branch	2 floors, HomePro Chonburi 0 3838 7924-6
	HomePro Chonburi (AMATA) Branch	1 floor, HomePro Chonburi (AMATA) 0 3824 2052-4, 0 3304 6235
	HomePro Chachoengsao Branch	1 floor, HomePro Chachoengsao 0 3851 3418-9, 0 3359 9515
	Home Pro Chanthaburi Branch	1 floor, Home Pro Chanthaburi 0 3941 8112-3, 0 3960 9815
	Home Pro Prachinburi Branch	1 floor, Home Pro Prachinburi 0 3748 2338-9, 0 3762 9755
	Mega Home Bowin Branch	1 floor, Mega Home Bowin 0 3811 9168-9
	Mega Home Kabinburi Branch	1 floor, Mega Home Kabinburi 0 3748 0314-5, 0 3720 2003
	Mega Home Aranyaprathet Branch	1 floor, Mega Home Aranyaprathet 0 3724 7440-1, 0 3760 9824
	Sri Racha Branch	SI Racha Nakorn Road 0 3832 5693-5
	Big C Pattaya Klang Branch	2 floors, next to 3BB Shop 0 3842 8946-8, 0 3836 0200
	Rayong Branch	Sukhumvit road, Next to TMB Bank 0 3861 9434-6, 0 3886 4486
SOUTH		
	HomePro Phuket (Chalong) Branch	1 floor, HomePro Phuket (Chalong) 0 7638 4618-9, 0 7668 1135
	HomePro Phuket (Thalang) Branch	1 floor , HomePro Phuket (Thalang) 0 7639 0430-1
	HomePro Trang Branch	1 floor , HomePro Trang 0 7550 2276-7, 0 7582 9705
	HomePro Phatthalung Branch	1 floor, HomePro Phatthalung 0 7460 3663, 0 7460 3667, 0 7462 1219



AREA	BRANCH	TELEPHONE
SOUTH (CON.)		
	HomePro Chumphon Branch	1 floor, HomePro Chumphon 0 7765 8893-4, 0 7797 9905
	Tesco Lotus Samui Branch	1 floor, Tesco Lotus Samui 0 7743 0628-30, 0 7725 6091
	Tesco Lotus Phuket Branch	G floor, Banking Zone 0 7630 4113-5
	Phuket Branch	ThepKasattri Road 0 7635 5305-9
	Patong Branch	In front of Soi The Royal Paradise 0 7634 0770-1, 0 7634 0773, 0 7634 0775, 0 7634 0778, 0 7634 0801, 0 7629 2013
	Krabi Branch	In front of Soi The Royal Paradise 0 7562 0292-3, 0 7562 0377 0 7563 0027
	Nakhonsithammarat Branch	Pattanakarn-Khukhwang Road 0 7535 7617-9, 0 7531 7770, 0 7535 7617-20
	Hatyai Branch	Niphat Uthit 2 Road 0 7422 5622-3, 0 7422 5628 0 7435 0067
	Big C Hat Yai 2 Branch	1 floor, Big C Hat Yai 0 7455 5211, 0 7455 5281-2, 0 7434 4014
	Central Suratthani Branch	3 floors, Banking Zone 0 7760 2709-12
	Samui (Lamai) Branch	Rob Koh road, opposite Lamai Resort 0 7745 8599, 0 7745 8600, 0 7795 4031, 0 7745 8640

ผูกบัญชี LH BANK พร้อมเพย์ ข้อดี...มีเยอะ!

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◀ (อินเทอร์เน็ตแบงก์กิ้ง)

(แอปพลิเคชันบนมือถือ) ▶



คุ้มค่า

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จึงรับโอนเยอะ...จึงคุ้มครองเยอะ!

*เงื่อนไขตามประกาศธนาคาร

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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



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