



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



TOGETHER TOWARDS SUCCESS



CTBC BANK
中國信託銀行



Annual **2017**
Report

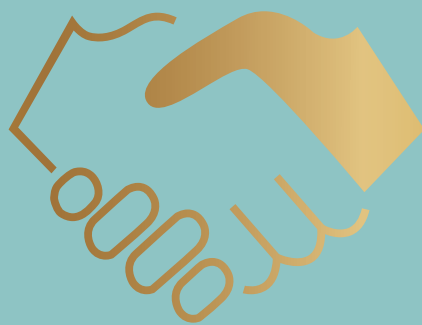
LH BANK

LH Fund

LH Securities

LH Advisory

รายงานประจำปี 2560



TOGETHER TOWARDS SUCCESS



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MESSAGE FROM THE CHAIRMAN

Coordinating with CTBC Bank Develop the various products completely Respond all group of customer needs

Moreover, becoming a partnership with CTBC Bank will help support the company's growth and business expansion, including improve its financial services with expertise in Wealth Management, Digital Banking and Trade Finance of CTBC Bank.



In overview, the Thai economy in the year 2017 grew higher than estimated. This is due to the economy of the countries such as the United States of America, the European and Japan had been simultaneously recovered. Therefore, the growth of the export sector had been expanded and the tourism sector tended to increase. The purchasing power of Thai households still remain lower than the purchasing power from abroad. While the high - income person's spending had been shown at a good rate, the average-income and the low-income person's spending remained depressed which being in line with the decrease of the farmer income and a high existing debts. Moreover, the non- farm income continued unchanged.

In 2017, the company has entered the business partner with CTBC Bank, the largest privately owned banks in Taiwan. The bank has an asset value of TWD 3.5 trillion or Baht 4.0 trillion and it has a total more than 100 overseas outlets and representative offices in 14 countries which located in the US, Canada, Japan, India, Indonesia, the Philippines, Vietnam, Hong Kong, Singapore and China etc.

CTBC Bank holds the company's shares at 35.617%, which will be equal to that of the aggregate shareholding of Land and Houses Public Company Limited and Quality Houses Public Company Limited in the company, which is 21.879% and 13.738% respectively. Being the partnership with CTBC Bank will help to increase the potential of LH Financial Group Public Company Limited's financial business group which are;

- LH Financial Group Public Company Limited
- Land and Houses Bank Public Company Limited
- Land and Houses Securities Public Company Limited
- Land and Houses Fund Management Company Limited

Moreover, becoming a partnership with CTBC Bank will help support the company's growth and business expansion, including improve its financial services with expertise in Wealth Management, Digital Banking and Trade Finance of CTBC Bank.

Financial service of LH Financial Group Public Company Limited's financial business group within all company in the financial business group are the collaboration to develop diversity products which completely meet the need of all group of customers.

Land and Houses Bank Public Company Limited had the total assets of Baht 230,396 million or 9.9% growth compared to the previous year. The total amount of loans were Baht 173,239 million or 10.0% growth compared to the previous year. In addition, the bank's loan was considered good quality loans and non-performing loan (NPL) were 1.88% of loans to customers. The bank had developed and created new products and services to satisfy customers and make them feel more comfortable and faster. The bank's branches had been developed to provide the Professional Financial Advisors. The bank also enhanced its information technology system in Digital Banking to support its customers for managing the financial transactions quickly and conveniently in every day at anytime and anywhere. In the year 2018, the bank has a plan to enhance Trade Finance System to support its full loan products and services, including providing the Wealth Management efficiently. To remain a branch like the commercial banking system direction, the bank will maintain its branches at 133 branches as the year 2017, while developing technology to support digital era.

Land and Houses Fund Management Company Limited had the funds under management, total assets valued Baht 59,774 million, and had the market share at 0.9%. The company sets a plan to issue new funds progressively to invest both of national investment funds and foreign investment funds for being a choice to diversify in investment and to increase the opportunity to gain a better return on investment. Including, the company determined the goal to increase the funds size under management and the market share. The company depend on the expertise in management of Asset Allocation strategy which diversify investment in various assets for provide the good return to the investors.

Land and Houses Securities Public Company Limited, had continually developed the information technology for strengthening the competitive advantage and facilitating good customer services. Furthermore, the company manages human resource development for the effectiveness in providing services and security investment consulting services, creating a new products, organizing sales promotion activities, including joining the "Banker - to - Broker" marketing campaign with

Land and Houses Bank Public Company Limited and the Stock Exchange of Thailand. This campaign has been established to promote the investment channel via the bank's branches. In addition, the company has expanded its branches and some branches located in Land and Houses Bank's branches. Thus, investors are able to open the securities trading account at the bank's branches located over the country conveniently.

The Board of Directors always recognizes the significance of good corporate governance, business transparency, justification and accountability as well as sustaining the utmost benefits of all stakeholders and the whole society, in addition to managing the business faithfully and truthfully that help to improve capability and being a foundation for business growth. For the year 2017, Thai Institute of Directors (IOD) evaluated the result of the Corporate Governance Report and rated the company 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 for 3 consecutive years and the company supported the companies in the LH Financial Group Public Company Limited's financial business group to operate its business according to the Market Conduct as the guideline comply with the official agencies determined.

Finally, on behalf of the company and the Board of Directors, I would like to extend my appreciation and thanks to customers, shareholders and 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 Public Company Limited's financial business group.



(Mr.Rutt Phaniijphand)
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 the financial institutions have to restructure the shareholding structure of its group to be in line with the guideline on consolidated supervision.

LH Financial Group Public Company Limited was established on 22 April 2009 with the initial registered capital of Baht 100,000. The core objective is to be acting as the holding company of the financial business group. As a non-operating holding company, the company holds the shares in other companies for the purpose of acquiring their management control.

On 19 June 2009, the company submitted the application for permission from the Bank of Thailand to establish the financial business group. On 28 October 2009, the Bank of Thailand approved the company and Land and Houses Bank Public Company Limited to set up the financial business group which the company acting as the holding company of the financial business group and the bank was the subsidiary under the solo consolidation group, and Land and Houses Fund Management Company Limited was the subsidiary outside the solo consolidation group. Moreover, the company has to operate its business under the compliance supervision of the Bank of Thailand by the acquiring of the Financial Institution Business Act B.E. 2551.



On 10 June 2009, the company restructured its shareholding structure according to the financial business group establishing plan which was approved by the Bank of Thailand. On 27 November 2009, the Securities and Exchange Commission approved the company in order to offer the new securities and the warrants according to the shareholding restructure plan. On 1 December 2009 the company issued and offered the new ordinary shares to the existing shareholders of Land and Houses Bank Public Company Limited by offering to exchange with ordinary shares of Land and Houses Bank Public Company Limited at the ratio of 1:1. And on 9 December 2009, the company has registered the capital increase to exchange the ordinary shares of the bank similar to the paid-up shares with the Ministry of Commerce. After the shareholders of Land and Houses Bank Public Company became the shareholders of the company and the company holds the shares in Land and Houses Bank Public Company Limited by 99.99% of paid-up shares.

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

On 22 January 2014, the company purchased a 99.80% paid-up capital of CIMB International (Thailand) Public Company Limited and also purchased a 99.99% paid-up capital of CIMB Advisory (Thailand) Company Limited via CIMB International (Thailand) Public 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 companies was to extend the financial transaction of the financial business group and LH Financial Group Public Company Limited in stock trading and financial advisory. Afterwards, the 2 companies were renamed as Land and Houses Securities Public Company Limited and Land and Houses Advisory Company Limited respectively.

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.

On 29 March 2016, the company entered into the share subscription agreement with CTBC Bank Company Limited (CTBC Bank) to introduce a strategic investment partner. The company has issued of 7,544,961,342 newly issued ordinary shares or 35.617% of paid-up capital, to be allotted to CTBC Bank under the private placement scheme, at Baht 2.20 per share, totaling Baht 16,598.9 million. And on 27 July 2017, the investment partner process is complete as a result CTBC Bank holds 35.617 shares of the company which is equal to the total shares of Land and House Public Company Limited and Quality House Public Company Limited which hold the share by 21.879 percent and 13.789 percent respectively.

GENERAL INFORMATION

The Company Name	LH Financial Group Public Company Limited
Symbol	LHBANK
Registration Number	0107552000081
Type of Business	Holding Company Investment in 3 subsidiaries 1. Land and Houses Bank Public Company Limited 2. Land and Houses Securities Public Company Limited 3. Land and Houses Fund Management Company Limited
Website	www.lhfg.co.th
Established	2009
First Trading Day in SET	10 May 2011
Head Office	1 Q. House Lumpini Building, 5 th Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registered Share Capital	Baht 21,183,660,594 Divided into 21,183,660,594 ordinary shares
Paid-up Share Capital	Baht 21,183,660,594 Divided into 21,183,660,594 ordinary shares
Par Value	Baht 1
Preferred Shares	None
Accounting Period	1 January - 31 December
Contact	Head Office Telephone 0 2359 0000 Fax 0 2677 7223

The Company Secretary

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

Email : presidentoffice@lhbanks.co.th

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

The Audit Committee :	Mr. Adul Vinaiphat Chairman of the Audit Committee Telephone 08 1834 0104 Email : adulv@lhbanks.co.th Asso.Prof.Dr.Supriya Kuandachakupt Member of the Audit Committee Telephone 08 5901 5888 Email : supriyak@lhbanks.co.th Mr. Sun Vithespongse Member of the Audit Committee Telephone 09 8262 4549 Email : sunv@lhbanks.co.th
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Auditors

Miss Ratana Jala Certified Public Accountant (Thailand), No.3734 Miss Somjai Khunapasut Certified Public Accountant (Thailand), No. 4499 Miss Rachada Yongsawadvanich Certified Public Accountant (Thailand), No. 4951 EY Office Limited 193/136-137, 33 rd Floor, Lake Rajada Office Complex, New Rajadapisek Road, Klongtoey, Bangkok 10110 Telephone : 0 2264 0777 Fax : 0 2264 0789-90 Website : www.ey.com/th
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Companies under the LH Financial Group Public Company Limited's Financial Business Group

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	20,000,000,000 Baht
Telephone	0 2359 0000
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	Baht 300,000,000
Paid-up Share Capital	Baht 300,000,000
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, 10 th Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registration Number	0107542000038
Registered Share Capital	Baht 637,215,030
Paid-up Share Capital	Baht 637,215,030
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

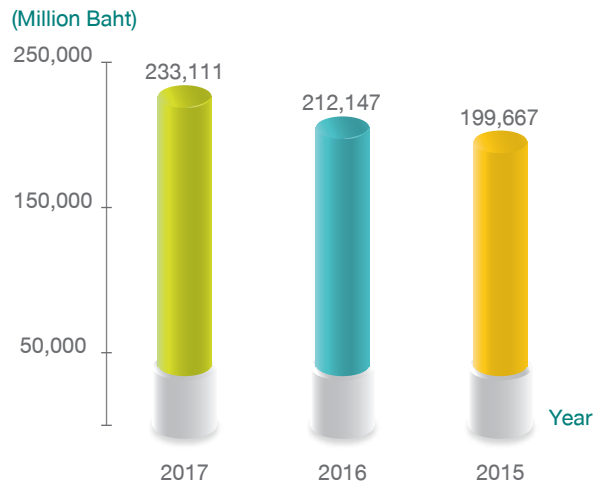
Land and Houses Advisory Company Limited

Head Office	11 Q. House Sathon Building, 10 th Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registration Number	0105545029400
Registered Share Capital	Baht 20,000,000
Paid-up Share Capital	Baht 20,000,000
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

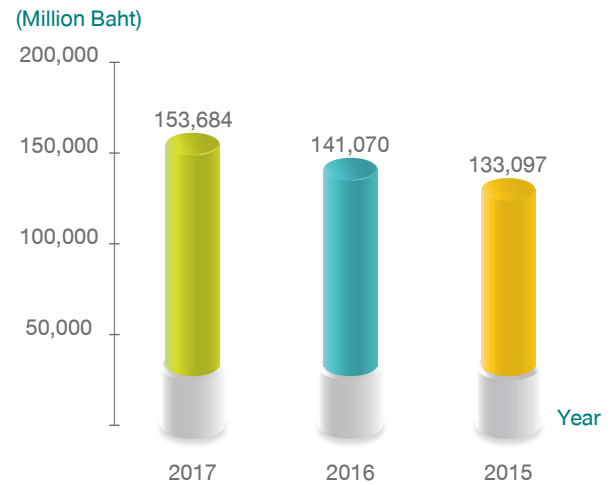
FINANCIAL HIGHLIGHTS

Items	Consolidated Financial Statements		
	2017	2016	2015
Statements of financial position : Million Baht			
Total assets	233,111	212,147	199,667
Loans to customers	153,684	141,070	133,097
Allowance for doubtful debts	3,422	3,102	2,564
Non-performing loans (Gross NPLs)	3,264	2,766	2,815
Deposits	143,731	149,097	137,064
Debts issued and borrowings	32,896	20,327	21,664
Total liabilities	194,556	191,831	181,716
Total owners' equity	38,555	20,316	17,951
Registered share capital	21,184	13,639	13,639
Issued and Paid-up share capital	21,184	13,639	13,639
Statements of comprehensive income : Million Baht			
Interest income	8,646	8,810	8,494
Interest expenses	(3,667)	(3,971)	(4,128)
Net interest income	4,979	4,839	4,366
Non-interest income	1,514	2,128	1,177
Total operating income	6,493	6,967	5,543
Non-interest expenses	(2,721)	(2,602)	(2,400)
Bad debts and doubtful accounts	(617)	(1,025)	(1,089)
Profits before income tax expenses	3,155	3,340	2,054
Net profits	2,603	2,696	1,652
Comparing per share : Baht			
Basic earnings per share	0.15	0.20	0.12
Dividend rate per share	0.0580	0.0520	0.0330
Book value per share	1.8200	1.4896	1.3162
Financial ratio (%)			
Return on average assets (ROA)	1.17	1.31	0.91
Return on average owners' equity (ROE)	8.84	14.09	9.65
Non-interest income to total income	23.32	30.54	21.23
Non-interest expenses to total income	41.90	37.34	43.29
Dividend payout ratio	60.73	70.39	44.42

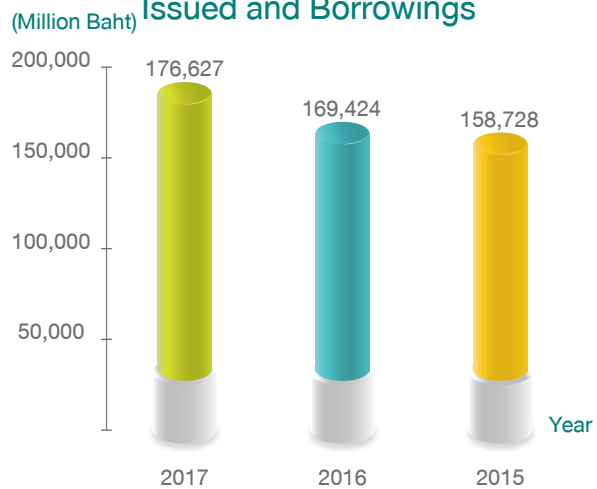
Total Assets



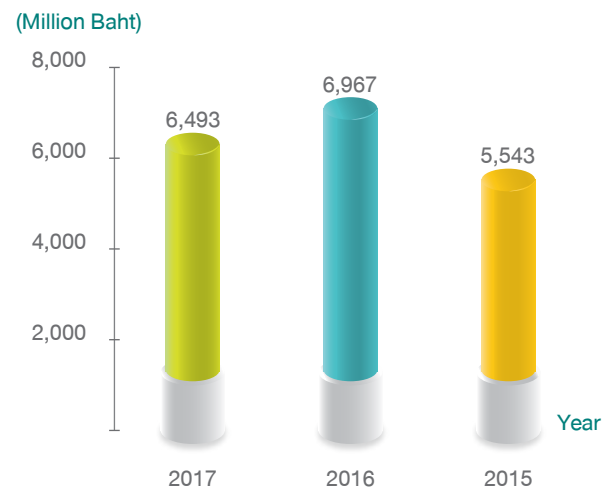
Loans to Customers



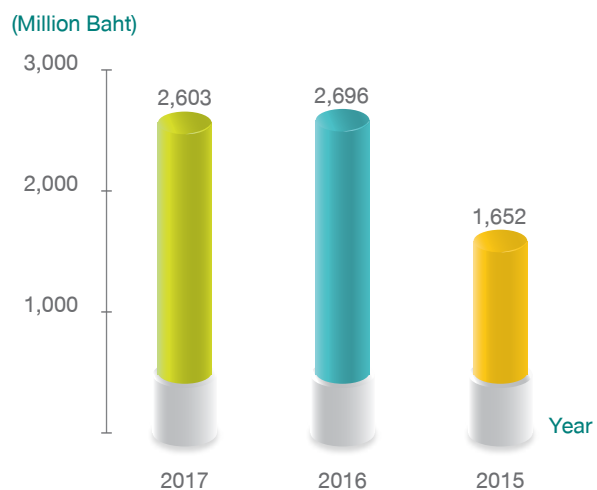
Deposits & Debts Issued and Borrowings



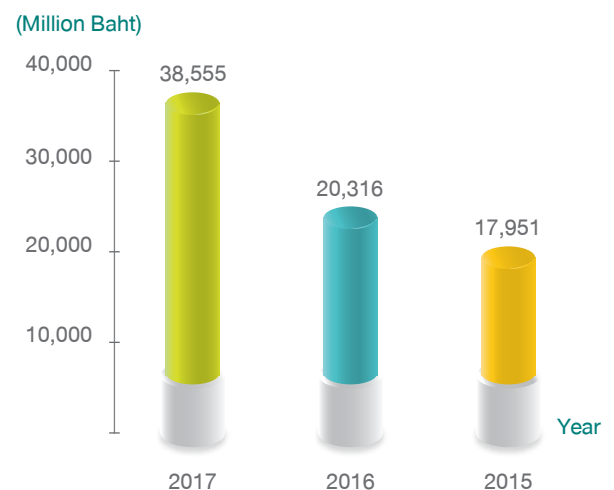
Operating Income



Net Profit



Owners' Equity



BOARD OF DIRECTORS



Name	Mr. Rutt Phaniiphand
Position	Chairman
Age (Years)	70
Education	<ul style="list-style-type: none"> • Master of Science in Business Administration, Fort Hays Kansas State University, USA • Bachelor of Science, 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 Program (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
Jun. 2017 - Present	Chairman	LH Financial Group PLC
Apr. 2009 - Present	Director	
Apr. 2009 - Jun. 2017	Chairman of the Executive Committee	
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	
Jun. 2007 - Present	Executive Director	Home Product Center PLC
Mar. 2007 - Present	Chairman of the Compensation Committee	
Dec. 2001 - Present	Director	
Aug. 2001 - Dec. 2014	Chief Executive Officer and President	Quality Houses PLC
Oct. 2006 - Apr. 2009	Independent Director and Member of the Audit Committee	IRPC PLC
Feb. 2005 - 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
Jun. 2017 - Present	Chairman	Land and Houses Bank PLC
Dec. 2005 - Present	Director	
Dec. 2005 - Jun. 2017	Chairman of the Executive Committee	
Dec. 2013 - Present	Chairman	Land and Houses Securities PLC
Oct. 2010 - Present	Chairman	Land and Houses Fund Management Co., Ltd.
Jan. 2003 - Dec. 2014	Director	QH Management Co., Ltd.
Aug. 2001 - Dec. 2014	Director	QH International Co., Ltd.
2006 - 2551	Director	Kasetsart University Council
2002 - 2551	Chairman	The Activities Promotion Committee, Kasetsart University
Aug. 2001 - Dec. 2009	Director	Centerpoint Management Co., Ltd.
2000 - 2548	Chairman	United Advisory service Co., Ltd.



Name	Mr. Adul Vinaiphat
Position	Independent Director Chairman of the Audit Committee Chairman of the Corporate Governance Committee Chairman of the Nomination and Remuneration Committee
Age (Years)	71
Education	<ul style="list-style-type: none"> • Master of Arts (Economics), University of Texas at Austin, Texas, USA • Bachelor of Economics, Thammasat University • Senior Administrator Course, Office of the Civil Service Commission • National Defense College Class 388 • Capital Market Academy 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 2 Listed Companies

Period	Position	Organization/Company
Aug. 2017 - Present	Chairman of the Audit Committee	LH Financial Group PLC
Feb. 2013 - Present	Chairman of the Corporate Governance Committee	
Apr. 2009 - Present	Independent Director	
	Chairman of the Nomination and Remuneration Committee	
Apr. 2009 - Aug. 2017	Member of the Audit Committee	
May. 2010 - Present	Director	The Thai Packaging and Printing PLC
Jan. 2012 - Apr. 2016	Chairman of the Executive Committee	
May 2015 - Apr. 2017	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
Dec. 2017 - Present	Independent Director, Member of the Audit Committee, Chairman of the Nomination and Remuneration Committee	Land and Houses Bank PLC
Feb. 2013 - Present	Member of the Corporate Governance Committee	
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
2002 - Present	Director	The Thai Tapioca Development Institute Foundation (TTDI)
2002 - 2014	Vice President	
Oct. 2014 - Jun. 2015	Independent Director and 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.
Jun. 2004 - Dec. 2005	Independent Director and Member of the Audit Committee	Land and Houses Credit Foncier PLC
2003 - 2008	Director	The Activities Promotion Committee, Kasetsart University
2002 - 2007	Chief Executive Officer and President	Panjapol Paper Industry Co., Ltd.
2002 - 2007	Chief Executive Officer and President	Panjapol Pulp Industry PLC



Name	Asso.Prof.Dr. Supriya Kuandachakupt
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	<ul style="list-style-type: none"> • Doctor of Philosophy in Economics, University of Hawaii, USA • Master of Arts (Economics) (English Program), Thammasat University • Bachelor of Economics, University of Tasmania, Australia • Certificate of Population Studies, University of Hawaii, USA • Diploma of Tertiary Education, University of New England, Australia • Diploma of Senior Executive Program on High Administrative Justice 5/2014 : Office of the Administrative Court • Certificate of Knowledge in Administrative Court and Procedural Administrative Court Program for the year 2002 : Office of the Administrative Court • Corporate Governance Program for Directors and Senior Executives of State Enterprises and Public Organizations (Class 7) : Public Director institute, King Prajadhipok's Institute • Director Accreditation Program (DAP) 56/2006 : IOD • Director Certification Program (DCP) 97/2007 : IOD • Financial Statements for Directors (FSD) 10/2010 : IOD • How to Develop a Risk Management Plan (HRP) 4/2013 : IOD • Chartered Director Class 9/2015 : IOD • Corporate Governance for Capital Market Intermediaries (CGI) 7/2015 : 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 2 Listed Companies

Period	Position	Organization/Company
Aug. 2017 - Present	Independent Director, Member of the Audit Committee, Member of the Corporate Governance Committee, Member of the Nomination and Remuneration Committee	LH Financial Group PLC
2006 - Present	Independent Director, Member of the Audit Committee	Asia Sermkij Leasing PLC

Current Position in 4 Non-Listed Companies

Period	Position	Organization/Company
Aug. 2017 - Present	Independent Director, Member of the Audit Committee, Member of the Corporate Governance Committee, Member of the Nomination and Remuneration Committee	Land and Houses Bank PLC
2013 - Present	Special Senior Fellows, Faculty of Economics	Kasetsart University
1986 - Present	Associate Professor, Economics Department, Faculty of Economics	
2012 - 2013	Chairman of Board of Operation Director, Entrepreneurial Economics Bachelor of Administration (EEBA) International Program, Kasetsart University	
2007 - 2013	Chairman of the Business Economics, Faculty of Economics	
2000 - 2004	Dean, Faculty of Economics	
2001 - 2003	Director, Kasetsart University Council	
2012 - Present	Advisor	Destination Resorts Company Limited
2002 - Present	Director	P.A.K. Supply Co., Ltd.
2010 - 2012	Director	The Government Lottery Office
2004 - 2006	Advisor's Director of the Fiscal Policy Office	Fiscal Policy Office



Name	Mr. Sun Vithespongse
Position	Independent Director
	Member of the Audit Committee
	Member of the Corporate Governance Committee
Age (Years)	63
Education	<ul style="list-style-type: none"> Bachelor of Economic, University of Tasmania, Australia (Colombo Plan Scholarship) National Defense College Class of 4616
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
Aug. 2017 - Present	Independent Director, Member of the Audit Committee and Member of the Corporate Governance Committee	LH Financial Group PLC
Oct. 2012 - Sep. 2014	Independent Director, Member of the Audit Committee, Member of the Corporate Governance Committee and Member of the Nomination and Remuneration Committee	
Nov. 2015 - Mar. 2016	Independent Director Chairman of the Audit Committee	Big C Supercenter PLC

Current Position in 1 Non-Listed Company

Period	Position	Organization/Company
May 2013 - Present	Chairman	TICON Management Co., Ltd.
Nov. 2015 - Aug. 2017	Independent Director, Member of the Audit Committee and Member of the Corporate Governance Committee	Land and Houses Bank PLC
Sep. 2014 - Aug. 2015	Secretary to the Minister of Finance	Ministry of Finance
2010 - 2011	Senior Advisor in Finance	
2007 - 2008	Advisor in Finance	
2011 - 2014	Commissioner	Energy Regulatory Commission
2008 - 2010	Executive Director	World Bank, Washington D.C.
1996 - 1998	Alternative Executive Director	
1994 - 1996	Assistant Executive Director	
2007 - 2008	Director	Mass Transit Authority of Thailand
2005 - 2006	Director	
2006 - 2007	Director	Expressway & Rapid Transit Authority of Thailand
2006 - 2006	Director	Electricity Generating Authority of Thailand
2004 - 2007	Director and Member of Audit Committee	Financial Institution Development Fund
2003 - 2006	Director	Suvarnabhumi Airport Hotel Co., Ltd.
2002 - 2002	Director	ASEAN Potash Mining Co. Ltd.
2001 - 2006	Director and Member of Audit Committee	Gulf Electric PLC
2000 - 2002	Director and Member of Audit Committee	Wastewater Management Authority
1999 - 2007	Deputy Director-General	Public Debt Management Office, Ministry of Finance
1998 - 1999	Director of Loan Policy Division	Fiscal Policy Office, Ministry of Finance
1991 - 1993	Acting Chief of Economic Policy	
1982 - 1988	Economist	
1988 - 1991	Assistant Director	ASEAN Secretariat, Jakarta, Indonesia
1980 - 1982	Program Officer	Department of Technical and Economic Cooperation



Name	Mr. Shih Jiing-Fuh
Position	Director
Age (Years)	53
Education	<ul style="list-style-type: none"> • MBA, University of Texas at Austin • Bachelor of Economic, National Taiwan University, Taiwan
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
2017 - Present	Director	LH Financial Group PLC

Current Position in 2 Non-Listed Companies

Period	Position	Organization/Company
2017 - Present	Director	Land and Houses Bank PLC
2017 - Present	Head of Global Operations Group	CTBC Bank Co., Ltd.
2013 - 2017	Head of South East Asia	
2013 - 2017	Chief Strategy Officer	
2007 - 2014	Head of Global Commercial Product Group	
2006 - 2012	Symphony Project Leader	
2010 - 2012	Head of North America Division	
2007 - 2007	Head of Corporate Banking Division	
2005 - 2006	Regional Manager, Taipei Region Center II, Institute Banking	
2003 - 2005	Regional Manager, Hong Kong Branch	
2001 - 2003	Vice President - Team Leader, CTBC Corporate Banking Regional Center	
2017 - Present	Commissioner	PT Bank CTBC Indonesia
2013 - 2017	Director	CTBC Bank (Philippines) Corp.
2010 - 2011	Director	CTBC Capital Corp.
1992 - 2001	Vice President of Marketing Department	ABN AMRO Bank, Taipei Branch



Name	Mr. Naporn Sunthornchitcharoen
Position	Member of the Executive Committee, Member of the Nomination and Remuneration Committee
Age (Years)	59
Education	<ul style="list-style-type: none"> • MBA, Thammasat University • Bachelor of Engineering (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
Aug. 2017 - Present		Chairman, Chairman of the Executive Committee	Land and Houses PLC
1992 - Present		Director	
May 2013 - Aug. 2017		Executive Director and Managing Director (Operations)	
2002 - Apr. 2013		Executive Director and Senior Executive	
		Vice President (Operations)	
1991 - May 2001		Executive Vice President	
Jun. 2017 - Present		Director	Quality Houses Public Company Limited
Apr. 2011 - Present		Director and Member of the Nomination and Remuneration Committee	LH Financial Group PLC
May 2016 - Jun. 2017		Member of the Executive Committee	
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 15 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, Member of the Executive Committee 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 - Feb. 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. Wu, Kuo-Chin
Position	Director
Age (Years)	63
Education	<ul style="list-style-type: none"> • MBA, University of San Francisco, USA • Bachelor of Arts in Business Administration, National Cheng Kung University, Taiwan
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
Aug. 2017 - Present	Director	LH Financial Group PLC

Current Position in 2 Non-Listed Company

Period	Position	Organization/Company
Aug. 2017 - Present	Member of the Executive Committee	Land and Houses Bank PLC
2017 - Present	Chief Representative, Bangkok Representative Office	CTBC Bank Company Limited
2016 - 2017	Senior Advisor, Bangkok Representative Office	
2015 - 2016	Executive Officer, Office of the Chairman	
2013 - 2015	Senior Advisor, Bangkok Representative Office	
2000 - 2013	Chief Representative, Bangkok Representative Office	



Name	Mr. Khunawut Thumpomkul
Position	Director
Age (Years)	59
Education	<ul style="list-style-type: none"> • MBA, 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	<ul style="list-style-type: none"> • 2017 hold by spouse = 2,700,066 shares : Shareholding 0.013% • 2016 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 Company

Period	Position	Organization/Company
Aug. 2017 - Present	Director	LH Financial Group PLC
Aug. 2013 - Aug. 2017	Director and Executive Director	
Jun. 2007 - Present	Executive Director	Home Product Center PLC
May 2001 - Present	Director and Managing Director	

Current Position in 4 Non-Listed Companies

Period	Position	Organization/Company
Sep. 2013 - Present	Chairman	DC Service Center Co., Ltd.
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
Mar. 2012 - Aug. 2017	Director and Executive Director	Land and Houses Bank PLC
Jul. 2016 - Jan. 2017	Director	Land and Houses Fund Management Co., Ltd.



Name	Mrs. Sasitorn Phongsathorn
Position	President
Age (Years)	60
Education	<ul style="list-style-type: none"> MBA, Nortre Dame de Namur University, California, USA Bachelor of Science, 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	<ul style="list-style-type: none"> 2017 = 1,983,622 shares : shareholding 0.009% 2016 = 1,356,522 shares : shareholding 0.009%
Number of indirect holding of shares	<ul style="list-style-type: none"> None
Relationship with executives	<ul style="list-style-type: none"> None

Work experiences in the past 5 years

Current Position in 1 Listed Company

Period	Position	Organization/Company
Apr. 2009 - Present	President, and Chairman of the Risk Management Committee	LH Financial Group PLC
Apr. 2009 - Jun. 2017	Member of the Executive Committee	
Nov. 2005 - Sep. 2017	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

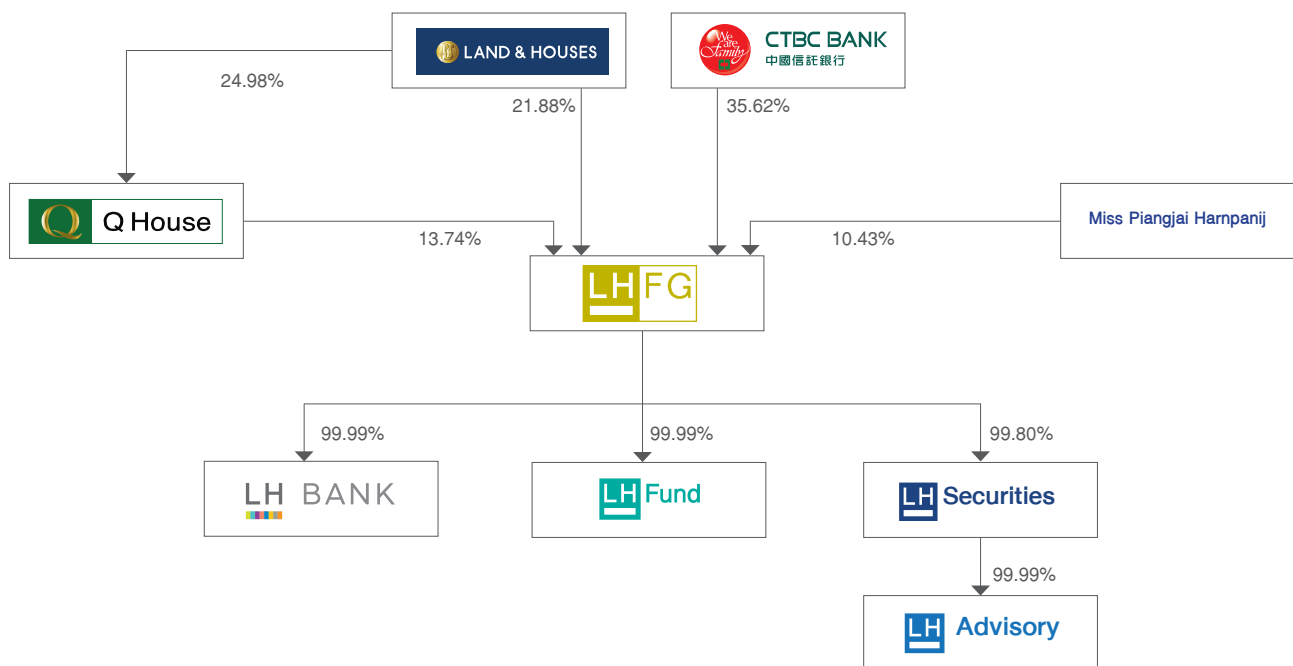
Period	Position	Organization/Company
Jan. 2014 - Present	Director	Land and Houses Securities PLC
Dec. 2016 - Apr. 2017	Chairman of the Executive Committee	
Feb. 2014 - Present	Director	Land and Houses Management Co., Ltd
Jan. 2014 - Present	Director	Land and Houses Advisory Co., Ltd
Dec. 2005 - Present	President, Member of the Executive Committee 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. The subsidiaries provided the 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



: CTBC Bank Company Limited

Miss Piangjai Harnpanij

: Mother of Mr. Anant Asavabhokhin



: 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's financial business group has 5 types of the operation 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

2. Nature of Business Operation

2.1 Investment Business

LH Financial Group Public Company Limited

LH Financial Group Public Company Limited holds shares in the companies 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

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 provide the capital 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.

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.

Vision

“We aim at being a bank with high quality growth”

Mission

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



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.

2.2 Commercial Banking Business

Land and Houses Bank Public Company Limited

Land and Houses Bank Public Company Limited 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 rating of the bank on Credit Alert 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. Including, Tris Rating affirmed the rating of LH Bank hybrid Tier 2 capital securities at “BBB”.

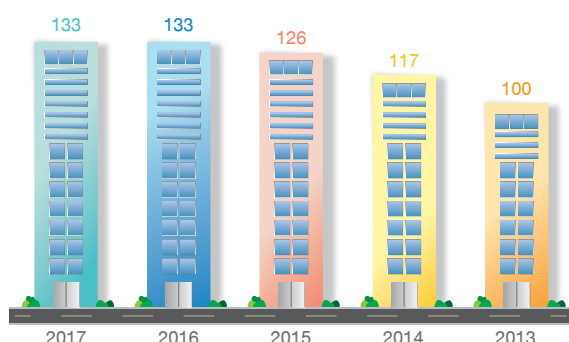
Branches of the Bank

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



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 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 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) or promissory note (P/N) etc.

- Long-Term Loan

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

- 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 buying in all housing projects.

- **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.

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

Strategy of housing loan extension is to get access to target groups by pays attention the good and fast service quality, good relationship with business owners and salesperson of housing projects, and arrangement of promotional programs on special occasions.

3. Digital Banking

The bank focuses on digital banking. 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 and ATM Debit card of all banks including Japan Credit Bureau (JCB) and UnionPay International (UPI) chip card to provide service for business people and traveler in Thai Baht cash withdrawal.

As of 31 December 2017, there are 205 Automatic Teller Machines consists of ATM 200 machines and R-ATM 5 machines.

- **LH Bank Debit Chip Card** is a financial transaction card via all ATM of all bank with securities by Chip Card information recording, the customer don't worry about the information copy from the card and the customers can use to inquire the balance account and withdrawal at the UnionPay International ATM and also stuffs and services purchasing at the stores or online shopping conveniently including special promotion offering from the stores participated with UPI.

- **LH Bank Premium** is a personal accident protection card highest Baht 300,000 which guaranteed by CHUBB, the customers just inform his/her health profile in the application form, this service will be effective immediately by covered medical expenses from the accident. The customers must to show the LH Bank Premium card together with the infirmary following the contract.

- **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 funds purchase 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.

- **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.

- **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 (LH Bank M Choice)** 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.

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



- **LH Bank Business PromptPay** is a new choice for the companies or the corporates in fund transfer which requires transferees to link their account and business registration number.

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, national ID, taxpayer identification number or e-Wallet number of the payee.
- The service provides direct receiving from the government agencies with national ID.

- The service provides as the channel in tax returns from the Revenue Department

Security

- The service provides the 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 balancest when using the life insurance deposit saving along with PromptPay

4. Other Services

- **Insurances Service** 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 PLC
- Ocean Life Insurance PLC
- AIA Co., Ltd.

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

- Chubb Samaggi Insurance PLC
- Charan Insurance PLC
- Syn Mun Kong Insurance PLC
- Krungthai Panich Insurance
- Dhipaya Insurance PLC
- Viriyah Insurance PLC

- **Mutual Fund Selling Agent Service**

The bank is a selling agent of the unit trusts for many asset management companies, which offer mutual funds of various types, from debt instruments, 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 follows:

- 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 owe credit information at all branches of the bank nationwide.

• **Financial Service on Mobile Van** is mobile branch of the bank to increase service channels in various areas. Financial services on mobile van include saving account opening, deposit, withdrawal, funds transfer, product and service payment.

• **Financial Products Services** 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.

• **Customers Suggestion Service** for Land and Houses Securities Public Company Limited.

• **Agent Service for Private Funds** for Land and Houses Fund Management Company Limited.

• **Other services** such as safe deposit box service.

Factors Influencing Opportunities or Constraints to Business Operations

Customers base 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.

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. **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. **2. Derivatives Business License**
 - 2.1 Derivatives Fund Management
 - 2.2 Debt Derivatives Advisor
3. **3. To be real estate investment trust (REIT) manager**
4. **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

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.

Factors Influencing Opportunities or Constraints to Business Operations

In the year 2017, the global economic has continuously expanding direction. Although the global economic growth may result in global inflation accelerating higher than expected which affected to the central banks in the core countries use more strictly financial policies, pushing the increasing of the global interest rates and as a result to the global stock markets investment have been less attractive. However, the 2017 business plan emphasized the size expansion and major of funds number as the equity fund. Therefore, in case the investment in stock assets or equity fund has received less attractive this may affect the company's business plan.

In addition, the company has the support plan to support the above mentioned situation such as offering the mixed fund or global short-term bond fund for risk decreasing in less attractive of the stock or equity fund assets.



Operational Targets

In the year 2018, 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;

1. cash account
2. cash balance account
3. 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. 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. They can keep up with investment news and stock prices as well as submit their orders anywhere anytime by tablet or smart phone.

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 which considered together with the supporting documents such as a copy of identification card, bank statement or financial position information documents etc.

2. **Juristic person** is considered from type of business, source of income, business performance, financial stability, liability, major shareholders, management team, age, occupation, financial source, investment objectives and ability to take risks which considered together with the supporting documents such as financial position statement, the company's certificate or the other financial position documents etc.

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
- Interest Rate Futures
- Currency Futures
- SectorFutures
- RSS3 Futures

In addition, the company provided the Single Stock Futures Block Trade for high trading customer group.

• **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 (PO) and offering new ordinary shares to the existing shareholders (RO).

• **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 of 2018**

Thailand's Economic in 2018 is expected to satisfactory expansion and accelerate slowly. It is supported by an improving economic expansion and continued exports. This will result in a clear recovery trend for the industrial production sector and will increase supporting in economic expansion as well as the overall investment trend is accelerating in accordance with the trend of continued improvement of private investment sector which is supported by the decreasing of excess capacity in the significant industrial and improving of the consumer confidence. Including, the satisfactory expanded of the investment in government sector following the progress of significant infrastructure investment project and the increasing of investment budget while other major economic sectors is likely to continue well growth. However, the agricultural sector is likely to slow down this a result economic growth depends on the non-agricultural sector. In addition, the economic system and the global financial still more vulnerable and must be monitor and evaluate the situation closely.

(Source: Office of the National Economic and Social Development Board)

2. International Market Factor

Global economic and global trading volume in 2018 will expand 3.6% and 4.0% continue from 3.6% and 4.2% in 2017 respectively, supported by the accelerated growth of the United States' economic and developing countries especially Russia, India, Brazil and Middle East countries as well as the well growth continuously of Eurozone countries, Japan and China which expected the global market prices will increase. Meanwhile, the inflation of the significant countries is likely return to the monetary policy goal clearly which a result the United States increased the interest rate policy and decreased the balance sheet size continuously and the significant other countries is likely the direction adjustment of the operation of the monetary policy clearly. However, Japan's central bank still maintain to the monetary policy at the existing level continuously. (Source : Office of the National Economic and Social Development Board)

3. Technology System Growth for the Financial Business

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.

Business Operation Targets of 2018

The company has the development and improving plan continuously together with the expanding new customer base for the business growth. In the year 2018, the company expected the trading volume growth as the same good level of 2017. The company has the goal to increase the potential of supporting department and continue to develop the information technology system for management, operation and good services to respond the customer needs including the company continue pays attention the human resource development.

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 2017, 2016 and 2015 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 2017		31 December 2016		31 December 2015	
			Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
Interest income								
Investment holding business	LHFG ¹		0.37	-	0.07	-	0.03	-
Banking business	LH Bank ²	99.99	8,612.66	132.64	8,786.66	126.12	8,479.82	152.97
Fund management business	LH Fund ³	99.99	-	-	0.03	-	0.02	-
Securities business	LH Securities ⁴	99.80	33.10	0.51	23.27	0.33	14.02	0.25
Advisory business	LH Advisory/ ⁵	99.99	-	-	-	-	-	-
Total interest income			8,646.13	133.15	8,810.03	126.45	8,493.89	153.22
Total interest expenses			(3,667.00)	(56.47)	(3,971.04)	(57.00)	(4,127.46)	(74.45)
Net interest income			4,979.13	76.68	4,838.99	69.45	4,366.43	78.77
Fees and service income								
Banking business	LH Bank	99.99	346.78	5.34	276.25	3.96	268.32	4.84
Fund management business	LH Fund	99.99	297.29	4.58	268.12	3.85	131.94	2.38
Securities business	LH Securities	99.80	144.21	2.22	92.50	1.33	55.32	1.00
Advisory business	LH Advisory	99.99	-	-	-	-	-	-
Total fees and service income			788.28	12.14	636.87	9.14	455.58	8.22
Total fees and service expenses			(134.65)	(2.07)	(126.27)	(1.81)	(106.20)	(1.92)
Net fees and service income			653.63	10.07	510.60	7.33	349.38	6.30
Total other income			860.67	13.25	1,617.47	23.22	827.61	14.93
Total operating income			6,493.43	100.00	6,967.06	100.00	5,543.42	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 2017, 2016 and 2015 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 2017		31 December 2016		31 December 2015	
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
Interest income						
Loans to customers	6,412.18	98.75	6,473.30	92.91	6,268.21	113.07
Investments in debt securities	1,629.46	25.09	1,666.09	23.92	1,470.96	26.54
Interbank and money market items	556.93	8.58	586.12	8.41	633.09	11.42
Hire Purchase	47.45	0.73	84.41	1.21	121.58	2.19
Others	0.11	-	0.11	-	0.05	-
Total interest income	8,646.13	133.15	8,810.03	126.45	8,493.89	153.22
Interest expenses						
Deposits	(2,152.47)	(33.15)	(2,464.44)	(35.37)	(2,776.29)	(50.08)
Debts issued and borrowings	(607.53)	(9.35)	(536.70)	(7.70)	(383.92)	(6.93)
Interbank and money market items	(95.30)	(1.47)	(206.00)	(2.96)	(274.42)	(4.95)
Contributions to the Deposit Protection Agency and the Bank of Thailand	(807.51)	(12.44)	(761.97)	(10.94)	(691.93)	(12.48)
Others	(4.19)	(0.06)	(1.93)	(0.03)	(0.90)	(0.01)
Total interest expenses	(3,667.00)	(56.47)	(3,971.04)	(57.00)	(4,127.46)	(74.45)
Net interest income	4,979.13	76.68	4,838.99	69.45	4,366.43	78.77
Fees and service income						
Acceptances, avals and guarantees	41.11	0.63	46.05	0.66	43.50	0.79
Commission income	337.15	5.19	237.86	3.41	212.47	3.83
Others	410.02	6.31	352.96	5.07	199.61	3.60
Total fees and service income	788.28	12.13	636.87	9.14	455.58	8.22
Fees and service expenses						
Fees and charges	(58.85)	(0.91)	(56.68)	(0.81)	(50.71)	(0.91)
Others	(75.80)	(1.16)	(69.59)	(1.00)	(55.49)	(1.00)
Total fees and service expenses	(134.65)	(2.07)	(126.27)	(1.81)	(106.20)	(1.91)
Net fees and service income	653.63	10.06	510.60	7.33	349.38	6.30
Other income						
Gains on investments	240.77	3.71	1,188.49	17.06	673.39	12.15
Gains (losses) on trading transactions and foreign exchange	(0.80)	(0.01)	0.58	0.01	2.17	0.04
Other operating income	620.70	9.56	428.40	6.15	152.05	2.74
Total other income	860.67	13.26	1,617.47	23.22	827.61	14.93
Total operating income	6,493.43	100.00	6,967.06	100.00	5,543.42	100.00

1. Net Interest Income

Interest income consists of loans to customers income, investments in debt securities income, interbank and money market items income, hire purchase income and others interest income. In 2017, the company and its subsidiaries had interest income amounted of Baht 8,646.13 million, decreased by Baht 163.90 million or down to 1.86% from year 2016.

Interest expenses consist of interest expenses from deposits, debts issued and borrowings, interbank and money market items and contributions to the Deposit Protection Agency and the Bank of Thailand and others interest expense. In 2017, the company and its subsidiaries had interest expenses amounted of Baht 3,667.00 million, decreased by Baht 304.04 million or down 7.66% from year 2016 mainly from decrease of interest expenses on deposits due to the trends of interest rate in 2017 was down when compared the previous year.

Net interest income had amounted of Baht 4,979.13 million or 76.68% of total operating income. Net interest income increased from 2016 was Baht 140.14 million or up 2.90%, 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 2017, the company and its subsidiaries had fees and service income amounted of Baht 788.28 million, increased by Baht 151.41 million or up to 23.77% from year 2016.

Fees and service expenses had amounted of Baht 134.65 million, increased by Baht 8.38 million or up to 6.64% from year 2016.

Net fees and service income had amounted of Baht 653.63 million or 10.07% of total operating income, increased by Baht 143.03 million or up to 28.01% from year 2016.

3. Other Income

Other income consists of gains on investments, gains (losses) on trading transactions, foreign exchange and other operating income. In 2017, the company and its subsidiaries had other incomes amounted of Baht 860.67 million, decreased by Baht 756.80 million or down to 46.79% from year 2016 mainly from gains on investments of its subsidiaries decreased by Baht 947.72 million.



SECURITIES AND SHAREHOLDERS INFORMATION

1. Securities Information

1.1 Ordinary Shares

As at 31 December 2017 the company has registered share capital and paid-up share capital as follows:

Registered share capital : 21,183,660,594 Baht

Paid-up share capital : 21,183,660,594 Baht

Divided into issued and paid-up shares capital 21,183,660,594 ordinary shares with the par value of Baht 1.

1.2 Agreements with the Major Shareholders

that affect the issuing and offering of securities or the company's management, and their essence of 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 closing date on 12 September 2017 as follows:

No.	Names of Shareholders	Number of Shares	%
1.	CTBC BANK Company Limited	7,544,961,342	35.617
2.	Land & Houses Public Company Limited	4,634,761,967	21.879
3.	Quality Houses Public Company Limited	2,910,199,375	13.738
4.	Miss Piengjai Hanpanich	2,210,050,479	10.433
5.	Mr. Samrerng Manoonphol	246,481,023	1.164
6.	Mr. Wiroj Engpaiboon	185,010,134	0.873
7.	Asavabhokhin family group	148,782,177	0.702
8.	Thai NVDR Company Limited	138,804,894	0.655
9.	Mr. Pairoj Paisarnsrisomsuk	118,000,098	0.557
10.	Mr. Visit Jane-Akkarasade	49,873,407	0.235
Total Shareholdings of Top 10 Major Shareholders		18,186,924,896	85.853
Other Minority Shareholders		2,996,735,698	14.147
Total		21,183,660,594	100.000

3. Dividend Payment Policy

3.1 The Company's Dividend Payment Policy

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 The Subsidiaries' Dividend Payment Policy

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 10% or Higher and Not Exceeding 50%.

- None -

5. The Number and Type of Shares the Company Holds in Its Subsidiaries since 50% 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 Road, Thungmahamek,
Sathon, Bangkok 10120

Registration Number : 0107548000234

Registered Capital : Baht 20,000,000,000

Paid-up Capital : Baht 20,000,000,000

Par Value : 10 Baht

All Type of Shares and : Include : Ordinary share 2,000,000,000 shares

Issued Share Capital Preferred share -None-

Telephone : 0 2359 0000

Fax : 0 2677 7223

Website : www.lhbank.co.th

Major Shareholders : The major shareholders of the bank as at
31 December 2017 as follows:
LH Financial Group Public Company Limited
holds 99.99% of the issued and paid-up
share capital divided into ordinary share
1,999,999,900 shares with par value Baht 10

The Company Name : Land and Houses Securities Public
Company Limited

Head Office : 11 Q. House Sathon Building, M, 10th Floor,
South Sathon Road, Thungmahamek,
Sathon, Bangkok 10120

Registration Number : 0107542000038

Registered Capital : Baht 637,215,030

Paid-up Capital : Baht 637,215,030

Par value : Baht 1

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 : The major shareholders of the bank as at
31 December 2017 as follows:
LH Financial Group Public Company Limited
holds 99.80% of the issued and paid-up
share capital divided into ordinary share
635,925,646 shares with par value Baht 1

The Company Name : Land and Houses Fund Management
Company Limited

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

Registration Number : 0105551006645

Registered 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
Preferred share -None-

Telephone : 0 2286 3484, 0 2679 2155

Fax : 0 2286 3585

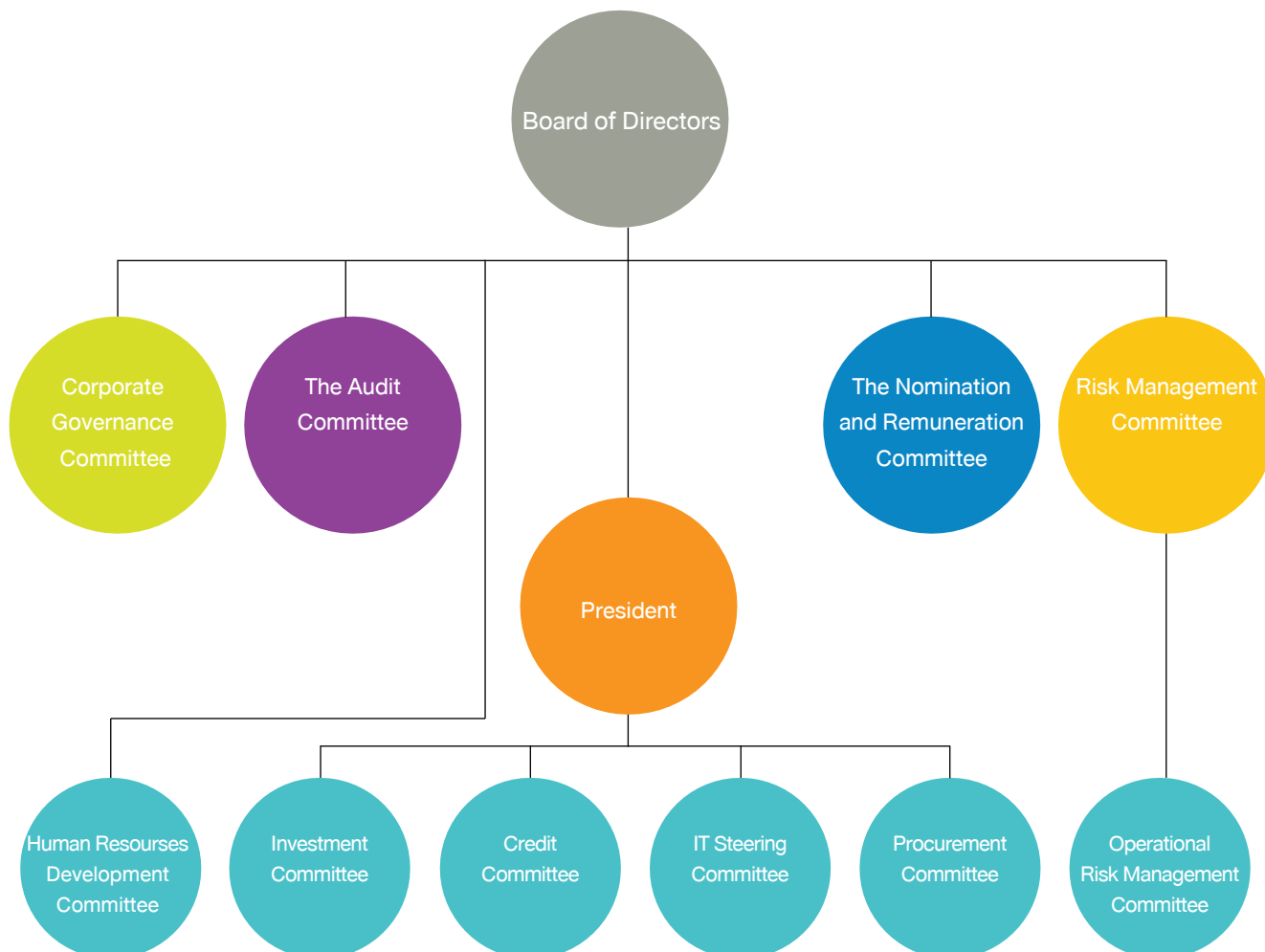
Website : www.lhfund.co.th

Major shareholders : The major shareholders of the bank as at
31 December 2017 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 Baht 100

ORGANIZATION CHART & MANAGEMENT STRUCTURE

ORGANIZATION CHART

LH FINANCIAL GROUP PUBLIC COMPANY LIMITED



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 4 sub-committees: 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. The Board of Directors

The board of directors consists of 9 directors as follows:

1. Mr. Rutt Phanijphand
Chairman
2. Mr. Adul Vinaiphat
Independent Director
3. Asso.Prof.Dr.Supriya Kuandachakupt
Independent Director
4. Mr. Sun Vithespongse
Independent Director
5. Mr. Shih, Jiing-Fuh
Director
6. Mr. Naporn Sunthornchitcharoen
Director

7. Mr. Wu, Kuo-Chin
Director
8. Mr. Khunnawut Thumpomkul
Director
9. Mrs. Sasitorn Phongsathorn
Director
Mr. Vichian Amornpoonchai
Company Secretary

Authorized Signatory of the Company

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

Scope of 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) 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;

- To consider the administration for the company
- To approve of the operation plan and strategies in business operation
- To approve the annual budgets
- To approve the vision and mission
- To approve any issue related to the administration and decision making
- To consider the operation for the company
- To approve the policies

- To approve the permission to the government sector
- To approve 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 shareholders meeting

2. The Audit Committee

The Audit Committee consists of 3 directors as follows:

1. Mr. Adul Vinaiphat
Chairman of the Audit Committee
 2. Asso.Prof.Dr.Supriya^{/1} Kuandachakupt
Member of the Audit Committee
 3. Mr. Sun^{/1} Vithespongse
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 the reporting of company's financial statements for their accuracy and adequacy.
- 2) Review and evaluate the suitability and effectiveness of the internal control system and internal audit.
- 3) Review the company has complied with the laws relevant to the company's business.
- 4) Consider, select, and propose the appointments of the company's auditors and their remuneration.
- 5) Consider the accuracy and completely of the company's information disclosure, especially the related party or conflicts of interest.

- 6) Monitor the audit department has the duties in the effectiveness of the internal audit, the appropriate of the staffs and working system, independent from any departments, and performing their duties following the professional standard of internal audit and the Bank of Thailand regulations regard to internal audit operation guideline of the Financial Institutions.
- 7) Determine the whistleblowing policy in case to meet any action inappropriate or inaccurate and monitor the executives create the complaint channel or the sensitive information report for conceal the information complaint as well as protection the negative affect of the whistleblower.
- 8) Provide the guideline and the system of internal control of anti-corruption, risk control and monitor of anti-corruption in the company, and communicate and training the all level employees hold to practice.
- 9) Update the risk management committee's report regularly in improving operation issue of the company to ensure the regulations are accordingly with the company's policies and strategies.
- 10) Provide the corporate governance report of the audit committee and disclose the information in the company's annual report.
- 11) Report the operation report to the board of directors
- 12) Perform any tasks assigned by the company's board of directors with concurrence of the audit committee.

3. The Corporate Governance Committee

The Corporate Governance Committee consists of 3 directors as follows:

1. Mr. Adul Vinaiphat
Chairman of the Corporate Governance Committee
 2. Asso.Prof.Dr.Supriya Kuandachakupt
Member of the Corporate Governance Committee
 3. Mr. Sun Vithespongse
Member of the Corporate Governance Committee
- Ms. Chutima Boonmee
Secretary

Scope of Authority and Duties of the Corporate Governance Committee

The Corporate Governance Committee has the 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 tasks assigned by the company's board of directors with concurrence of the corporate governance committee.

4. The Nomination and Remuneration Committee

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. Asso.Prof.Dr.Supriya Kuandachakupt
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 criteria, qualifications and procedures for nominating the company's directors and/ or the top executives from the position of the president and higher when the director or the executive retire by rotation, vacancy or addition.

- 2) Select and propose the names of qualified candidates for the following positions to be proposed to the board of directors.

2.1 Directors (addition/substitution/rotation)

2.2 The top executives from the position of the president and higher

- 3) Propose the performance evaluation method of the directors and the board of directors to the board of directors as the guideline in performance evaluation of directors and the board of directors.
- 4) Propose the guideline for the remuneration payment method any benefits and annual bonus for the board of directors and sub-committees which appointed by the board of directors.
- 5) Consider the performance evaluation guideline of the president and determine the remuneration and annual bonus for the president considered by the annual performance the responsibilities.
- 6) Consider the budget for annual salary increasing, annual bonus or other remuneration payments of the employees to propose to the board of directors.

6.1 Consider the overall and the implementation framework of the remuneration structure, salary increasing, annual bonus or any benefits of the top executives and local staffs as well as the expatriates remuneration which as the business partner such as fees, service charges etc. which involves to the condition of employment for the expatriates, according to the proposal of the management team to be appropriate, to be resulted as the expectation and to be fair to the compensation for the employees as their dedication for the success of the company.

6.2 Consider the budget for annual salary increasing, annual bonus and any benefits for the employees.

- 7) Consider the policy, the guideline and the method of the succession plan for ensure the continuity of appropriate administration and systematically for the top executives holding the positions of vice president or higher.
- 8) Consider the policy framework and criteria for the special employment format.
- 9) Review and propose the solution of the duties and responsibilities scope of the Nomination and Remuneration Committee comply with the situation.

- 10) Disclosure the Nomination and Remuneration Committee's operations report in the company's annual report.
- 11) Perform other tasks assigned by the board of director.

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 5 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 3 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:

(1) Holding not more than 1.0% of the total number of voting shares of the company, or the parent company, subsidiary company, associated company, major shareholder, or controlling person, which shall be inclusive of the shares held by any related person of such an independent director.

(2) Neither being nor having been a director participating in management role, or an employee, an officer, an advisor who receives regular salary, or a person having controlling power, of the company or the parent company, subsidiary company, associated company, a subsidiary company at the same level, major shareholder, or controlling person, unless the foregoing status has ended at least two years prior to the date on which such an independent director is appointed as independent director.

(3) Not being a person related by blood relationship or relationship through legal registration as a father, mother, spouse, sibling, and child, including as a spouse of a child of other directors, management person, major shareholder, controlling person, or the person being nominated to be a director, management person or a controlling person of the company or the company's subsidiary.

(4) Neither holding nor having held any business relationship with the company or the parent company, subsidiary company, associated company, major shareholder, or controlling person in the manner in which his/her independent discretion might be affected, and is not and has not been a significant shareholder or a controlling person of the person that has business relationship with the company, or the parent company, subsidiary company, associated company, major shareholder, or controlling person, unless the foregoing status has ended at least two years prior to the date on which such an independent director is appointed as independent director.

A business relationship shall include any trading transaction in the ordinary course of business for any lease taking or lease out of any immovable property, any transaction relating to asset or service, or granting or accepting any financial support by way of either borrowing, lending, guaranteeing, or collateral providing, including any other act in similar manner thereto, that could result in a creation of the company's obligation or the obligation of its counterparty, to repay its debt to the other party in an amount equal to three percent or more

of the net tangible asset value of the company or Baht twenty million or more, whichever is lower. The method for calculation of the value of the connected transaction pursuant to the Notification of the Capital Market Supervisory Board concerning regulations in respect of an entering into connected transaction *mutatis mutandis*. The combination of such indebtedness shall include indebtedness taking place during the past one year prior to the date on which such business relationship with such a person exists must also be counted.

(5) Neither being nor having been an auditor of the company or the parent company, subsidiary company, associated company, major shareholder, or controlling person, and is not a significant shareholder, a controlling person, or a partner of any auditing firm or office for which the auditor of the company, or the parent company, subsidiary company, associated company, major shareholder, or controlling person is working, unless the foregoing status has ended at least two years prior to the date on which such an independent director is appointed as independent director.

(6) Neither being nor having been any professional service provider, including legal or financial advisor who obtains fee of more than Baht two million per year from the company or the parent company, subsidiary company, associated company, major shareholder, or controlling person, and not be a significant shareholder, or a controlling person, or a partner of any of such professional service provider unless the foregoing status has ended at least two years prior to the date on which such an independent director is appointed as independent director.

(7) Not being a director who has been appointed as a representative of a director of the company, a representative of a major shareholder of the company, or a representative of a shareholder of the company who is a related person of a major shareholder of the company.

(8) Not undertaking any business the nature of which is the same as that of the company or the subsidiary company and which, in any material respect, is competitive with the business of the company or the company's subsidiary company, or not be a significant partner in a partnership, or a director participating in any management role, an employee, an officer, an advisor obtaining regular salary from, or a shareholder holding more than one percent of the shares with voting rights of other company engaging in any business the nature of which is the same as that of the company or the subsidiary company and which, in any material respect, is competitive with the business of the company or the subsidiary company.

(9) 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, associated companies, subsidiary company in the same level of the company, or major shareholders, or a controlling person that they have a decision making in Collective Decision form.

5. Risk Management Committee

The Risk Management Committee consists of 6 members as follow:

1. President
Chairman of the Risk Management Committee
Land and Houses Bank Public Company Limited
2. Senior Executive Vice President (All Group)
Member of the Risk Management Committee
Land and Houses Bank Public Company Limited
3. Executive Vice President, Risk Management Group
Member of the Risk Management Committee
Land and Houses Bank Public Company Limited
4. Executive Vice President, Information and Technology Group
Member of the Risk Management Committee
Land and Houses Bank Public Company Limited
5. Chief Executive Officer
Member of the Risk Management Committee
Land and Houses Securities Public Company Limited
6. Chairman of the Risk Management Committee
Member of the Risk Management Committee
Land and Houses Fund Management Company Limited
Senior Vice President of Risk Management Department
Secretary
Land and Houses Bank Public Company Limited

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 2017, the meeting of the company's board of directors and the sub-committees 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 2017

Name of Directors		Number of Meeting Attendance				
		Board of Directors	Audit Committee	Corporate Governance Committee	Nomination and Remuneration Committee	Risk Management Committee
Total Meetings (Times)		15	15	5	4	4
1. Mr. Rutt	Phanijphand	15	-	-	-	-
2. Mr. Adul	Vinaiphat	15	14	5	4	-
3. Asso.Prof.Dr.Supriya ¹	Kuandachakupt	5	5	1	1	-
		(total 6 meetings)	(total 5 meetings)	(total 1 meeting)	(total 1 meeting)	
4. Mr. Sun ²	Vithespongse	5	5	1	-	-
		(total 6 meetings)	(total 5 meetings)	(total 1 meeting)		
5. Mr. Shih, ³	Jiing-Fuh	5	-	-	-	-
		(total 6 meetings)				
6. Mr. Naporn	Sunthornchitcharoen	15	-	-	4	-
7. Mr. Wu, ⁴	Kuo-Chin	6	-	-	-	-
		(total 6 meetings)				
8. Mr. Khunnawut	Thumpomkul	15	-	-	-	-
9. Mrs. Sasitorn	Phongsathorn	15	-	-	-	4
10. Mrs. Sutharntip	Phisitbuntoon	-	-	-	-	3
11. Miss Yaowaluk ⁵	Aramthaveethong	-	-	-	-	1
						(total 2 meetings)
12. Mrs. Ravewan	Wattananukij	-	-	-	-	4
13. Mr. Thanee	Phalawong	-	-	-	-	4

Note :

^{/1} Asso.Prof.Dr.Supriya Kuandachakupt has been appointed to be the independent director, the member of the Audit Committee, the member of the Nomination and Remuneration Committee, and the member of the Corporate Governance Committee on August 1, 2017 replaced Mr.Somsak Asavapokee resigned which Asso.Prof. Dr.Supriya has attended the Board of Directors meeting No. 10/2018 on August 21, 2017, Audit Committee meeting No.11/2018 on August 17, 2017, the Nomination and Remuneration Committee meeting No.4/2017 on December 8, 2017 and the Corporate Governance Committee meeting No.5/2017 on November 9, 2017

^{/2} Mr. Sun Vitthespongse has been appointed to be the independent director, the member of the Audit Committee, and the member of the Corporate Governance Committee on August 1, 2017 replaced Mr. Phairoj Hengsakul resigned which Asso.Prof. Dr.Supriya has attended the Board of Directors meeting No. 10/2018 on August 21, 2017, Audit Committee meeting No.11/2018 on August 17, 2017, the Corporate Governance Committee meeting No.5/2017 on November 9, 2017.

^{/3} Mr. Shih, Jiing-Fuh has been appointed to be the director on August 1, 2017 replaced Mr. Anant Asavabhokhin resigned which Mr. Shih, Jiing-Fuh has attended the Board of Directors meeting No. 10/2018 on August 21, 2017.

^{/4} Mr. Wu, Kuo-Chin has been appointed to be the director on August 1, 2017 replaced Mrs. Suwanna Bhuddhprasart resigned which Mr. Wu, Kuo-Chin has attended the Board of Directors meeting No. 10/2018 on August 21, 2017.

^{/5} The Chief Executive Officer, LH Securities Public Company Limited has been appointed to be the member of the Risk Management Committee on June 19, 2017.

7. The Executive

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 Chairman of the Risk Management Committee	President Member of the Executive Committee Chairman of the Risk Management Committee	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, Executive Vice President, Corporate Affairs and Legal Group, Land and Houses Bank Public Company Limited, as a company secretary since May 15, 2009, who acts as a company secretary as required by



Name	Mr. Vichian Amornpoonchai
Position	The company secretary
Age: (Years)	56
Education	<ul style="list-style-type: none"> Bachelor of Accounting Dhurakijpundit University MBA Mahanakorn University of Technology
Training	<ul style="list-style-type: none"> Certified Professional Internal Auditor (CPIA) : The Institute of Internal Auditors of Thailand (IIAT) 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 (%)	<ul style="list-style-type: none"> 0.003
Relationship with executives	<ul style="list-style-type: none"> 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 2 Non-Listed Companies

Period	Position	Organization / Company
Aug. 2017 - Present	Executive Vice President, Corporate Affairs and Legal Group	Land and Houses Bank PLC
Mar. 2014 - Present	Company Secretary	
Apr. 2016 - Aug. 2017	First Senior Vice President, Office of President	
Nov. 2010 - Mar. 2016	Vice President, Office of the President	
Aug. 2006 - Oct. 2010	Vice President, Office of the President and Acting First Vice President, Compliance Office	
Dec. 2005 - Jul. 2006	Vice President, Office of the President and Compliance Office and Acting Vice President, Internal Audit Department	
Jan. 2014 - Present	Director and Company Secretary	Land and Houses Advisory Co., Ltd.
Mar. 2014 - Aug. 2017	Company Secretary	Land and Houses Securities PLC

Duties and Responsibilities of the Company Secretary

1. Prepare and retain the following documents:
 - 1.1 Director registration
 - 1.2 Notice of Board of Directors meeting, Minutes of the Board of Directors meeting, and the annual report of the company.
 - 1.3 Notice of Annual General Meeting of Shareholders and Minutes of such meeting.

2. Retain the reports on interest reported by the directors and the executives.
 - 2.1 The directors and the executives have a duty to report on the interest. (namely the Directors and Management are responsible for reporting its interest and relevance to the company.)

- 2.2 The company secretary submit the copy of report to the chairman of the company and the chairman of the audit committee within seven days from the date of receipt of the report.
- 2.3 To provided a system of a storing documents and evidence related to the accuracy, completeness and can be checked within a period of not less than five years from the date of such document or information.
3. Take any other actions are prescribed by the Capital Market Supervisory Board.

9. Duties and Responsibilities 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 2017 Annual General Meeting of Shareholders of LH Financial Group Public Company Limited, on 24 April 2017, had approved the monthly remuneration and meeting allowances as follows;

Table: The Remuneration of the Directors for the Year 2017 and 2016

Position	Allowance (per time)											
	Remuneration (per month)		The Board of Directors		The Executive Directors Committee		The Audit Committee		The Corporate Governance Committee		The Nomination and Remuneration Committee	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
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' gratuity

The shareholder meeting has determined the directors' gratuity in form of monetary, by the proposal of the nomination and remuneration committee to the company's board of directors for consenting. In the year 2017, the company's board of directors has determined the directors' gratuity total Baht 7.0 million.

Table: The Directors' Gratuity for the Year 2017 and 2016

The directors' pensions (Baht)	
2560	2559
7,000,000	5,000,000

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 the meeting allowance of the Directors

In the year 2017, the company has paid the remuneration which consists of monthly remuneration, and meeting allowances total Baht 16,864,000.00 as the table below;

Table: The Remuneration and Gratuity of the Directors for the year 2017 and 2016

			2016			2015		
Name of the Directors		Date appointed as Director	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. Rutt	Phanijphand	22 April 2009	2,149,842.10	-None-	-None-	2,046,315.79	-None-	-None-
2. Mr. Adul	Vinaiphat	22 April 2009	2,216,842.10	-None-	-None-	1,656,315.79	-None-	-None-
3. Asso.Prof.Dr.Supriya ²	Kuandachakupt	1 August 2017	485,000.00	-None-	-None-	-	-None-	-None-
4. Mr. Sun ³	Vithespongse	1 August 2017	445,000.00	-None-	-None-	-	-None-	-None-
5. Mr. Shih,	Jiing-Fuh	1 August 2017	325,000.00	-None-	-None-	-	-None-	-None-
6. Mr. Naporn ⁴	Sunthornchitcharoen	3 May 2011	1,936,842.10	-None-	-None-	1,791,315.79	-None-	-None-
7. Mr. Wu, ⁵	Kuo-Chin	1 August 2017	350,000.00	-None-	-None-	-	-None-	-None-
8. Mr. Khunnawut	Thumpomkul	14 August 2013	1,836,842.10	-None-	-None-	1,736,315.79	-None-	-None-
9. Mrs. Sasitorn	Phongsathorn	22 April 2009	1,216,842.10	-None-	-None-	1,006,315.79	-None-	-None-
10. Mr. Anant ⁴	Asavabhokhin	22 April 2009	1,531,263.20	-None-	-None-	1,899,473.68	-None-	-None-
11. Mr. Phairoj ³	Hengsakul	22 April 2009	1,541,842.10	-None-	-None-	1,716,315.79	-None-	-None-
12. Ms. Suwanna ⁵	Bhuddhaprasart	3 May 2011	1,241,842.10	-None-	-None-	1,306,315.79	-None-	-None-
13. Mr. Somsak ²	Assavapokee	9 October 2014	1,586,842.10	-None-	-None-	1,611,315.79	-None-	-None-
Total			16,864,000.00			14,770,000.00		

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

² Asso.Prof.Dr.Supriya Kuandachakupt has been appointed to be the independent director, the member of the Audit Committee, the member of the Nomination and Remuneration Committee, and the member of the Corporate Governance Committee on August 1, 2017 replaced Mr.Somsak Asavapokee resigned

³ Mr. Sun Vithespongse has been appointed to be the independent director, the member of the Audit Committee, and the member of the Corporate Governance Committee on August 1, 2017 replaced Mr. Phairoj Hengsakul resigned

⁴ Mr. Shih, Jiing-Fuh has been appointed to be the director on August 1, 2017 replaced Mr. Anant Asavabhokhin resigned

⁵ Mr. Wu, Kuo-Chin has been appointed to be the director on August 1, 2017 replaced Ms. Suwanna Bhuddhaprasart resigned

Table: Board of Directors' Shareholding Proportion in LH Financial Group Public Company Limited and its subsidiaries as at December 31, 2017 and December 31, 2016

Name of the Directors	Position	31 December 2017					31 December 2016				
		Number of Shares Held					Number of Shares Held				
		The company	The subsidiary ¹	The subsidiary ²	The subsidiary ³	The company	The subsidiary ¹	The subsidiary ²	The subsidiary ³		
1. Mr. Rutt	Chairman	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
2. Mr. Adul	Independent Director Chairman of the Audit Committee Chairman of the Corporate Governance Committee	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
3. Asso.Prof.Dr. Supriya Kuandachakrapt	Independent Director Member of the Audit Committee Member of the Corporate Governance Committee Member of the Nomination and Remuneration Committee	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
4. Mr. Sun	Independent Director Member of the Audit Committee Member of the Corporate Governance Committee	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
5. Mr. Shih,	Director Member of the Corporate Governance Committee	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
6. Mr. Naporn	Director Member of the Nomination and Remuneration Committee	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
7. Mr. Wu,	Director	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
8. Mr. Khunnawut Thumpontkul	Director	2,700,066 shares (0.013%) hold by spouse (decreased 0.007%)	-None-	-None-	-None-	2,700,066 shares (0.020%) hold by spouse	-None-	-None-	-None-	-None-	-None-
9. Mrs. Sasitorn Phongsathon	Director President Chairman of the Risk Management Committee	1,983,622 shares (0.009%) (increased 46.23%)	-None-	-None-	-None-	1,356,522 shares (0.010%)	-None-	-None-	-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 is a holding company and a 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 5 sectors according to the nature of business as follows;

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

Risk Management in Perspective

The company realizes the importance of risk management and risk control systematically and efficiently. The risk-management structures and policies have been defined clearly in writing with the main goal of 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 purpose of the company's risk management policies is to supervise and oversee internal and external transactions of 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 regularly reviewed to cover risk management in various areas. Risk management's strategies have been defined to manage the future risks 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 established 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 internal transactions of 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 to acknowledge them regard to the risk level faced by the financial business group and to ensure that the 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. , Moreover, this is to ensure that the company and companies within the financial business group are able to manage emergency effectively and to provide services to clients uninterruptedly. In addition, the company could manage to limit impact of the business, products and services due to the disruption of the business operation.

4. The capital maintenance information disclosure policy of the financial business group is a capital disclosure and risk management including capital , risk level, risk assessment process, 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 an organization chart to manage risk which consistent with the level of risks and the good corporate governance policy and good internal control, as follows;

1. The Board of Directors has its duty to set policies and strategies for operating the business of the financial group, including setting the risk management policy. This will also include the transactions within the group, the business continuity management, 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 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 has to 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 implemented by the financial group.

3. 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.

4. The Risk Management Committee has its duty and responsibility to control, 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 .

5. Operational Risk Management Sub-Committee has its duty to determine the operational risk policy framework and also controls the overall operational risk and sets acceptable levels of risk in the financial group.

6. The Nomination and Remuneration Committee has its duty to select the company's directors and the top executives, including proposing guidelines to pay the compensation and other benefits to the board of directors member and others committee's member, considering the compensation structure, increasing the top executives and employee's salary and considering 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 2 areas;

1. The company's operational risks
2. The company's operational risks of the 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 Risk

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 Changing

The risk of price change is the potential risk that may result from changes in interest rates and securities prices, which will cause a fluctuation in the company's income or a change of the present value of financial assets and liabilities. At present, the company's risk of price change is exposed to low level because the company has no policy to invest in high risk securities such as derivatives.

Most of the company's investment is to be held as Reserve Requirements as required by the Bank of Thailand. Therefore, the company invests in low risk securities and most of them are invested in private business sector which received credit rating from external credit rating institution.

As of December 31, 2017, the company had net investment value at the amount of Baht 59,622.72 million, classified as held for trading investments with fair value of Baht 0.18 million, available-for-sale investments with fair value of Baht 12,463.09 million and held-to-maturity securities at the amount of Baht 47,145.91 million. There are also general investments in non-marketable equity securities at the amount of Baht 13.54 million.

1.2 Risk Involving Investors' Shareholding in the Company's Securities

The shareholders of the company must comply with the criteria for holding shares under the financial Institutions Business Act B.E. 2551 as follows.

- **Report of Shareholding to the Bank of Thailand**

Any person holding or having shares in financial institutions, directly or indirectly from five percent (5%) or more of the total number of sold shares, shall report his/her 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 of the Share Holdings**

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. (with reference to Section 18).

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

Any person holding or having shares in excess of those prescribed in Section 18, such person shall offer for sale the exceeding shares within ninety days from the date of receiving such shares. In case that the shareholders do not sell their excess shares within the specified time or at the time of the waiver, the Bank of Thailand may request the court to order the auction or sell it by other means. (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 financial business group to control with both quantity and quality. The financial business group

is required to maintain sufficient capital to cover the potential damage in both normal and critical circumstances. Moreover, it aims to strengthen capital fund position and determine the framework for the effective liquidity risk management.

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

Moreover, The Bank of Thailand has regulated the financial group to maintain their Capital Buffer in order to support their loss in a crisis (conservation buffer) as a commercial bank. The Tier 1 capital requirement is maintained by maintaining the minimum capital adequacy ratio of more than 2.5% of total risk assets by gradually maintaining the capital adequacy ratio of more than 0.625% per year, starting from January 1, 2016 to more than 2.5% on January 1, 2019.

As of December 31, 2017, the financial group had a total Capital to risk weighted asset ratio (BIS) of 22.366%, a Tier 1 ratio to risk weighted asset of 19.304%, and a Tier 1 capital ratio of the Common Equity was 19.304%, which is higher than the minimum capital ratio required by the Bank of Thailand.

The capital funds under the Basel III total Baht 41,864.89 million consists of common equity Tier 1 amount of Baht 36,134.79 million or 86.31% of total capital and had a Tier 2 capital of Baht 5,730.10 million or 13.69% of total capital, which is sufficient to operate business and support growth under normal and critical circumstances.

1.4 Risk from Changing of Policies, Regulations or Rules of the Official Agencies

The companies in the financial business group have the duties to follow the policy, the rules and the regulations in operations that determined by the government 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 the risk that may derive from business operation of the companies within the financial group or unintentionally obeying the laws and regulations of the government agencies which could damage the reputation of the companies and the financial group, such as the negative image, public on media both in narrow and broad, complaints or litigations. If the mentioned problem happened in one of 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 the Business Operation of Subsidiaries

As at 31 December 2017, the company has 3 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 company's performance is thus directly related to the business operation of subsidiaries within the group. Despite the past operating profit operating profits, it does not guarantee that its subsidiaries will continue to create profits for the company, as the company's performance depends mainly on the internal and external factors.

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

Risk Management in Perspective

Land Houses Bank Public Company Limited sets the framework and strategies in growing the business based on the efficient risk management along with creating the sustainable profits. The bank controls and supervises the risk management systematically and efficiently. The risk-management structure and policies have been defined clearly in writing for the main goal of being the prevention and management of risks effectively.

Moreover, the bank also pays attention to the disclosure of information of risks and sufficiency of capital 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. **Strategic Risk Management Policy** is the guidelines for the bank business operation, directors' roles and responsibilities and the business units that related to strategic risk management process, including setting the standard policy of business planning and budgeting, following up the business performance for improving the business framework in line with the situation, both internal and external factors that may changes.

2. 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 returns. 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.

3. Country Risk Management Policy The Bank has set a policy as the guidelines for the partner country's risk management by determining guidelines for preventing, controlling and mitigating of risks that may arise from credit offering, investment or other commitments to counterparties, including determining the maximum limit on the transactions of the partner country.

4. 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, the process of the improvement of risk management and market risk monitoring, including the supervision of proper assets and liabilities structure with the source of funds or assets ready to be converted into cash is sufficient to support the risk both in normal and critical conditions with the level of acceptable risks.

5. Operational Risk Management Policy The bank regulates the policy in operational risk management covering the risk management in information technology, the using of outsources, creating new products, setting business continuity plan, and reporting the incidents report occurred from the operations in accordance with the code of practice of the Bank of Thailand and Basel Committee on Banking Supervision (BCBS).

6. Outsourcing policy The bank has set the policy as a standard practice for outsourcing and set a guideline to regulate and control the use of services from outsiders tightly with identified processes. The bank also evaluate and and monitor the risk to be used as the information for decision making to select the service effectively.

7. New Product Policy The bank has set the operating procedures for issueing new products by determining risk identification and risk assessment, including the guideline for controlling in issuing new products to be acceptable. This is for a good internal control comply with the relevant related and regulations.

8. Risk Assessment and Capital Adequacy Policy and Stress Test Policy The policies are guidelines for the bank to keep capitals adequately for serving the significant risks both in normal condition and in crisis. The policies focus 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.

9. Capital Maintenance disclosure and The policy is a guideline in disclosing the capital maintenance and risk management, including capitals structure and capital adequacy as well as the process of risk management. Therefore, investors, shareholders, and stakeholders, will receive the information which is correct, complete, and they can use the information to make a decision on the transaction with the bank.

Risk Management Structure

A good organizational structure can help the bank to manage risks that be consistent with the good corporate governance and good internal control policy as follows:

1. The Board of Directors has the duty to setting policies and business strategies, including determining risk management policies in many areas and the adequate internal control system. The board also regulates to ensure that the bank operates properly according to the Bank of Thailand's policy on compliance with regulatory requirements.

2. The Executive 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 to review the adequacy of financial reporting and disclosing the information in accordance with the financial reporting standards to comply with the Bank of Thailand regulations. The committee also reviews the adequacy of the internal control system supervise and follow the bank's policies.

4. The Corporate Governance Committee has the duty and responsibility to determine a good corporate governance policy , anti-corruption policy, including regulate the bank to operate under such policies. The committee is also the bank 's representative in communicating and conducting the corporate governance activities.

5. The Risk Management Committee has the duty and responsibility to control, follow up and regulate the bank to operate its business according to the determined policies, including managing the bank's risk assessment.

6. 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 marketing, interest rate and liquidity, as well as setting the investment plan and monitoring the operation following the plan.

7. The Operational Risk Management Sub-Committee has the duty and responsibility to set the policies in the operational risk management and other related policies, as well as supervise the operational risk under the operational risk framework and the business continuity plan, including considering to set a guideline to find a proper solutions for defects.

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. The Audit Department is 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.

Risk Factors

The commercial banking business is directly related to the rapidly changing of the money market and the domestic and international economic situations. Moreover, there are other business environments that may effect to banking business, such as regulatory changes, competitors' adaptations and political gatherings.

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.

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 from the Economic Uncertainty and Competition

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 and share their opinion in the preparations of such plans. The business plan and budget will be proposed to

the Board of Directors of the bank for approval and the plan will be semi-annual reviewed to be in line with the changing of economic conditions. The company will regularly follow up the bank's performance compared to the business plan.

1.2 Risk from 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. The bank is also required to raise its capital maintenance to handle any incident happened in normal or crisis situations sufficiently as well as to strengthen the capital fund.

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 the commercial bank to maintain their Capital Buffer in order to support their loss in a crisis (conservation buffer) by determining the ratio of Capital Tier 1 (retained earnings and common stock) to risk assets by 2.5% more. The bank are allowed to gradually increase the ratio by more than 0.625% each year starting from January 1, 2016 until the capital buffer ratio of more than 2.5% is reached on January 1, 2019

As at 31 December 2017, the total Capital to risk weighted asset ratio (BIS)'s of the bank was 21.857%, Tier 1 was 18.673% and Tier 1 ratio of the Common Equity was 18.673% which higher than the BOT's minimum capital ratios.

The bank's capital funds following the criteria of Basel III totaled Baht 39,915.64 million, which was Tier 1 capital fund and Common equity Tier 1 capital fund was Baht 34,101.44 million or calculated as 85.43% of total capital fund and Tier 2 capital fund was Baht 5,814.20 million or calculated as 14.57% 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 the Bank of Thailand. This ensures 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. The model 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 concerns about the accuracy and efficiency 's level of the has been used in considering loan. Therefore, the bank has followed up the results of using the models and analyzing their efficiencies regularly, including developing credit risk management tools for supporting the business operation productively.

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;

2.1 Risk from the 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 for monitoring loans/debts and appoints the Credit Monitoring Committee to monitor and supervise.

2.2 Risk from the 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.

2.3 Risk from the Devaluation of Value of Guarantee in the Type of Real Estate

The bank's Secured Loans accounted for 45.54% of total loans and the real estate collateral is 91.82% of total collateral value. 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 collateral is devaluated. Therefore, the bank manages the risk of devaluation of value of guarantee by determining a policy on collateral valuation. This collateral valuation is required to review on a regular basis over the asset classification period such as pass, special mention, substandard, doubtful and doubtfulloss, including appraised value of real estate acquired from repayment or purchase from the auction. The review period will be in accordance with the Notification of the Bank of Thailand for reflecting the true value of collateral based on current conditions.

3. Market Risk

Market risk refers to the 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. Consequently, the volatility of income or the changes in the present value of financial assets and liabilities of the Bank may arise. 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. Most of which are issued by private business sector which received credit rating from external credit rating institution.

As at 31 December 2017, the net investment was Baht 55,236.56 million divided into available for sale investment with the fair value of Baht 8,085.40 million and the held to maturity debt securities of Baht 47,145.90 million. Moreover, there was also general investment which was the equity instrument which was not in the domestic market demand for Baht 5.26 million.

To manage price risk in compliance with the Bank of Thailand's notification, the bank uses the Value-at-Risk (VaR) Model to measure the maximum loss at each different level of confidence if the securities are held within a specified period. The bank uses the calculated risk values as a guideline in determining the acceptable risk levels. In addition, the bank has set the event simulations that may cause security prices to plunge sharply are simulated or 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 which refer to the Bank of Thailand's interest rates and a timing mismatch in fixing new interest rates for assets, debts and off-balance sheet items. The bank has appointed the Asset and Liabilities Committee to take charge of

interest rate risk management 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 asset and liabilities with different terms at acceptable levels.

Nonetheless, the bank closely monitors the market conditions and interest rate situations and prepares period of changes in interest rates of assets and liabilities. This includes the simulation of net interest income to determine the effect on bank earnings under the defined risk ceiling

3.3 Exchange Rate Risk

The bank has provided the currency exchange service in Thai Baht both of 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 principles of international 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 in 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 the internal working processes, human resources, working systems of the bank or external incidents including legal risk But not include the strategic risk and reputation risk The operational risk is an unavoidable risk but it is one part of banking business. 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 improving the operation and guideline control to prevent them from risks.

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 as well as risk assessment of fraud in the units with high corruption opportunities. This is used as the information to set the guideline for preventing and managing risk from corruption. Moreover, the bank determined the outsourcing policy and product policy by assigning the units that need to use the outsource services or release new products to do the data analysis and risk assessment regard to the value of new product. The risk management department is responsible for advising before using the outsource service or releasing 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 efficiently.

The bank regularly develops its employees to enhance the efficiency of their's performances by developing communication channels to educate about about the operational risk management in the form of E-Learning so that the executives and employees will understand and aware of the operational risk. The employees also have an opportunities to attend external seminars. However, 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 operates fund management business which is the business that involve in other's money and assets. Therefore, the company may encounter with different risks such as market risk, credit risk, liquidity risk, operational risk and strategic Risk. The company has set the framework and strategy to operate its business which the aim to grow based on effective risk management, coupled with solid returns to unitholders. The Company also set a policy and practice on risk management, including establishing the structure and framework for risk management to ensure systematic risk management. to control the significant risks adequately and suitably to the nature of business operations.

Risk Management Policy

The objective of the company's risk management policy is to create the culture of strong and clear risk management by using the systematic process which specify rules and duties clearly. The adequate risk management system consists of risk identification, the model selection for risk evaluation, monitoring and report, including stipulation of the risk limitation to prevent the risks before the damage that may occur from the uncertainty of any situations as well as being a tool for executives in order to support the ir decision making to achieve the goal of the company and funds under management .

Risk Management Structure

The company has the risk management structure as follows:

1. **Board of Directors** has the duty and responsibility in setting policies, principles and the organization structure for the effective and appropriate risk management according to the company operations , including following up the company's risk management activities..
2. **Audit Committee** has the duty and responsibility in controlling, following up and linking to the internal control to comply with the company's instruction and government agencies' rules and regulations
3. **Risk Management Committee** has the duty and responsibility in determining policy framework and guideline and following up the risk management activities to comply with strategies and policy of risk management that the board of directors has assigned. The company also has to report risk management to the board.

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 appointed many sub committees such as the Management 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 operational control department which is responsible for controlling and auditing the operation of investment and other related tasks according to principles notifications or laws and reporting to the audit committee directly.

Risk Factors

Land and Houses Fund Management Company Limited is a fund management business directly related to the domestic and international money market and economic conditions which have been changing rapidly. The business environment such as the changes of government rules and regulations, the political gatherings are the significant factors influenced fund management business also.

The risk management of the company divided into 5 aspects; Market Risk, Credit Risk, Liquidity Risk, Operational Risk and Strategic Risk. The company provided the policies and the processes of risk management as follows;

1. Market Risk

Market risk refers to the uncertainty of the investment value of funds that results from volatility of interest rate, currency exchange rates, stock prices and commodity prices

The company has managed risks regard to the investment of funds under management by setting investment portfolio and determining the ratio of investment in each asset category to reduce the investment risk as well as evaluate the value of market risk (VAR, Beta, Duration and Tracking error). and determine risk ceilings. 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. This type of risk occurs when funds are invested in financial instruments. At maturity, the issuer of the financial instrument can not repay 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, determine the criteria for selecting partners by using qualitative method and credit rating. Moreover, the Company also has the credit control in Minimum Acceptable Credit for debt instrument, equity instrument and credit risk limit based on principles set by the authorities, and government rule and by the company which divided into 2 levels as follows;

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

3. Liquidity Risk

Liquidity risk is the risk that the fund is not able to maintain the adequate liquidity 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 due to the lack of liquidity or arising of crisis.

To ensure that the funds under the company management 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 due to lack of good corporate governance and lack of corporate control. It may involve internal processes, human resource, systems, or external situations which will impact the company's income 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 working manuals and human resources development including investing in 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 the company can operate the business under various crises effectively.

Legal risk which is a part of operational risk refers to the risk which may caused damage to 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 fund management business.

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

LH Securities Public Company Limited 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 1 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. At present, the company categorizes type of risks comply to the regulations of The Securities and Exchange Commission as follows:

1. Liquidity Risk
2. Strong structure , system and operation process in overview risk
3. Customer Relationship Risk
4. Structure and strong management risk for information technology system
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 setting 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 risk management policy which related to the company's business plans and strategies

Risk Factors

Land and Houses Securities Public Company Limited operates securities business which is directly related to the domestic and international money market and economic conditions which are changing rapidly. The business environment such as the changes of government rules and regulations, the politic gatherings are the significant factors influenced the business also. The company's risk factors can be divided into 8 aspects as follows;

1. Risk Incurred by Securities Business 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 risks and focuses on intensive competition by determining strategies which emphasize in sustainable expansion of customer base via the effective channel of Land and House 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 Distribution 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 an order by themselves.

3. Risk Incurred by Reliance 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. The company, therefore, recognizes the importance to recruit marketing personnel possessing knowledge and experience and builds new generation of marketing officers to serve the company's long-term growth as well as promotes the good relationship with employees to support the team working.

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, interest rate and exchange rates. Consequently, the company has to accept the remaining securities from the distribution to the 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 which is the risk that customers failed to make a payment within the determined period of time. The company controls the risk by determining the credit limit that will be provided to each customer or counterparty. For cash account customers, the company pays attention to the selection of customers, including setting trading limits according to each customer's financial status and regularly review their's financial status and credit using closely. For credit balance account's customers,. 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 25 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 which related to the government agencies, namely changes in rules and management process, changes in buying and selling system, changes of fees and charges, etc. which affect to company operation.

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

7. Risk Incurred by Investment of Securities and Return

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 incapital market conditions.

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 Continuity Plan by practicing and testing annually to assure that the company is able to service customers effectively as plan.

ออมทรัพย์ธุรกิจคู้มต่ำ

(สำหรับนิติบุคคล)



รับดอกเบี้ย

1.30%

ทุกเดือน

สะดวก..คล่องตัว
เบิกถอนฟรี

*เงื่อนไขและอัตราดอกเบี้ยเป็นไปตามประกาศของธนาคาร

อัตราดอกเบี้ยที่ปรากฏบนสื่ออ้างอิงประกาศอัตราดอกเบี้ย ณ วันที่ 1 กุมภาพันธ์ 2561 สามารถตรวจสอบอัตราดอกเบี้ย ณ ปัจจุบันได้ที่เว็บไซต์หรือสาขาของธนาคาร

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 consists of; Land and Houses Bank Public Company Limited, Land and Houses Securities Public Company Limited and Land and Houses Fund Management Company Limited.

2017 Economic Overview and Outlook in 2018

2017 Economic Overview

In 2017, the Thai economy expanded 3.9% grow at an accelerated pace at 3.3%, in the year 2016 clearly expanded from export sector and tourism sector. The value of export sector in 2017 grew 9.9%, compared to 0.5% in 2016. Tourism sector also grew in line with the higher number of foreign tourists in almost all nationality groups, especially the number of Chinese tourists. Meanwhile, domestic demand expanded at a gradual pace both the private consumption and investment. Public expenditure remained an important economic growth driver.

For the banking sector in the year 2017, overall commercial bank loans expanded at a greater pace than the previous year, in both corporate and consumer loans, in line with Thailand's economic expansion. However, the commercial banks remain cautious in lending as the loan quality continued to deteriorate especially SME loans reflecting the impact of past economic slowdown. The ratio of non-performing loans to total loans (NPL ratio) increased from 2.83% at the end of 2016 to 2.91% at the end of 2017. However, Thai commercial banking system's remained resilient with high level of loan loss provision and capital fund to facilitate further credit expansion.

Economic Outlook for 2018

The Thai economy in 2018 is projected to expand by 3.6% - 4.6% supported mainly by

1. Government expenditure and public investment would still be the key drivers of Thai economy, especially through the progression of the central government and state-owned enterprises investment projects.
2. The gradual improvement in private consumption from a rising revenue of non-agriculture sector and the accommodative monetary policy, which could comfort durable consumption.
3. The continual expansion of export sector as the good expansion following economic condition of trading partners' economies which approximate to the previous year.

While the key risk factors for the Thai economy in 2018 are global financial market turmoil from the tighter monetary policies of the major advanced economies, an implementation of "America First" trade policy, and the volatility of exchange rate and global oil price.

Commercial banking industry is expected to perform better in accordance with expanded loans due to economic recovery. 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 past economic slowdown. In addition, the fragility of household purchasing power 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		2017	2016	2015
Profitability Ratio				
Gross profit margin	(%)	51.29	47.34	43.39
Net profit margin	(%)	40.09	38.70	29.80
Return on equity	(%)	8.84	14.09	9.65
Yield on interest income	(%)	4.18	4.34	4.86
Yield on interest expense	(%)	1.97	2.10	2.56
Net interest margin	(%)	2.21	2.24	2.30
Return on investment	(%)	4.38	6.51	5.61
Efficiency Ratio				
Net interest income to assets ratio	(%)	2.24	2.35	2.39
Return on assets	(%)	1.17	1.31	0.91
Total assets turnover	(time)	0.03	0.03	0.03
Financial Ratio				
Debt to equity ratio	(time)	5.05	9.44	10.12
Loans to borrowings ratio	(%)	87.05	83.36	83.90
Loans to deposits ratio	(%)	107.11	94.77	97.27
Deposits to total liabilities ratio	(%)	73.88	77.72	75.43
Dividend payout ratio	(%)	60.73	70.39	44.42
Total capital funds to risk assets ratio	(%)	22.366	13.904	14.29
Asset Quality Ratio				
Loan loss reserve ratio	(%)	2.22	2.19	1.92
Non-performing loan to total loans ratio	(%)	1.92	1.79	1.91
Accrued interest receivables to total loans ratio	(%)	0.17	0.16	0.17
Comparing per Share (Baht)				
Book value per share	(Baht)	1.8200	1.4896	1.3162
Earnings per share	(Baht)	0.15	0.20	0.12

Overall Performance

The analysis of operating results of LH Financial Group Public Company Limited and its subsidiaries performance were comparative performance of the year 2017 compared to the year 2016.

In 2017, the company and its subsidiaries had profits before income tax expenses were Baht 3,155.65 million, decreased by Baht 184.89 million or down to 5.53% compared to the year 2016. After deducting income tax expenses were Baht 552.21 million, resulting the company had profits were Baht 2,603.44 million, decreased by Baht 93.00 million or down to 3.45% compared to

the year 2016. The company and its subsidiaries had profits from operating before bad debts and doubtful accounts totalled Baht 3,772.79 million, decreased by Baht 592.75 million or down to 13.58% compared to the year 2016.

The profits from operating before bad debts and doubtful accounts to total revenues ratio in 2017 was 58.10%, decreased from the year 2016 which at 62.66%.

Basic earnings per share for the year 2017 was Baht 0.15 per share, compared to the year 2016 at Baht 0.20 per share. The return on equity for the year 2017 was 8.84% and the year 2016 was 14.09%.

Table: Operating Results

Operating Results	Consolidated Financial Statements			Change	
	2017	2016	2015	(2017 compared to 2016)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,979.13	4,838.99	4,366.43	140.14	2.90
Net fees and service income	653.63	510.60	349.38	143.03	28.01
Total other income	860.67	1,617.47	827.61	(756.80)	(46.79)
Total operating income	6,493.43	6,967.06	5,543.42	(473.63)	(6.80)
Other operating expenses	(2,720.64)	(2,601.52)	(2,399.65)	119.12	4.58
Profits from operation	3,772.79	4,365.54	3,143.77	(592.75)	(13.58)
Bad debts, doubtful accounts and impairment loss	(617.14)	(1,025.00)	(1,089.61)	(407.86)	(39.79)
Profits before income tax expenses	3,155.65	3,340.54	2,054.16	(184.89)	(5.53)
Income tax expenses	(552.21)	(644.10)	(402.45)	(91.89)	(14.27)
Profits for the years	2,603.44	2,696.44	1,651.71	(93.00)	(3.45)
Earning per share (EPS) (Baht)	0.15	0.20	0.12		
Return on equity ratio (ROE) (%)	8.84	14.09	9.65		
Return on assets ratio (ROA) (%)	1.17	1.31	0.91		

1.1 Structure of Operating Income

Structure of operating income of the company and its subsidiaries for the year 2017, 2016 and 2015 were as follows:

Operating Income

In 2017, the company and its subsidiaries had operating income were Baht 6,493.43 million, decreased by Baht 473.63 million or down to 6.80% compared to the year 2016. The details were as follows:

Table: Operating Income

Operating Income	Consolidated Financial Statements			Change	
	2017	2016	2015	(2017 compared to 2016)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest income	8,646.13	8,810.03	8,493.89	(163.90)	(1.86)
Interest expenses	(3,667.00)	(3,971.04)	(4,127.46)	(304.04)	(7.66)
Net interest income	4,979.13	4,838.99	4,366.43	140.14	2.90
Fees and service income	788.28	636.87	455.58	151.41	23.77
Fees and service expenses	(134.65)	(126.27)	(106.20)	8.38	6.64
Net fees and service income	653.63	510.60	349.38	143.03	28.01
Gains (losses) on trading and foreign exchange transactions	(0.80)	0.58	2.17	(1.38)	(237.93)
Gains on investments	240.77	1,188.49	673.39	(947.72)	(79.74)
Dividend income	589.31	396.62	126.15	192.69	48.58
Other operating income	31.39	31.78	25.90	(0.39)	(1.23)
Total other income	860.67	1,617.47	827.61	(756.80)	(46.79)
Total operating income	6,493.43	6,967.06	5,543.42	(473.63)	(6.80)

Net Interest Income

Net interest income were Baht 4,979.13 million, increased by Baht 140.14 million or up to 2.90% compared to the year 2016 due to an decrease of interest income and deposits interest expenses.

Interest expenses were Baht 3,667.00 million, decreased by Baht 304.04 million or down to 7.66% compared to the year 2016, reflect good efficiency of cost management and ability in creating efficiency return on assets.

Net Non-Interest Income

Net non-interest income consisted of net fees and service income and other income (which comprised gains (losses) on trading and foreign exchange transactions, gains (losses) on investments, dividend income and other operating income). Net non-interest income decreased from Baht 2,128.07 million in 2016 to Baht 1,514.30 million in 2017, decreased by Baht 613.77 million.

Net Fees and Service Income

Net fees and service income were Baht 653.63 million, increased by Baht 143.03 million or up to 28.01% compared to the year 2016, resulted from 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 were Baht 860.67 million, decreased by Baht 756.80 million or down to 46.79% compared to the year 2016, mainly from the decrease of gains on investments and the increase of dividend income due to increased invested investments in the year 2017.

Other Operating Expenses

In 2017, other operating expenses were Baht 2,720.64 million, increased by Baht 119.12 million or up to 4.58% compared to the year 2016, 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	
	2017	2016	2015	(2017 compared to 2016)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employees' expenses	1,380.50	1,310.50	1,160.95	70.00	5.34
Directors' remuneration	37.14	32.38	24.23	4.76	14.70
Premises and equipment expenses	739.03	710.04	704.60	28.99	4.08
Tax and duties	221.39	220.64	218.42	0.75	0.34
Advertising and promotion expenses	116.56	105.48	96.16	11.08	10.50
Amortisation and intangible assets	73.01	70.42	69.17	2.59	3.68
Other expenses	153.01	152.06	126.12	0.95	0.62
Total other operating expenses	2,720.64	2,601.52	2,399.65	119.12	4.58
Total other operating expenses to total operating income ratio	41.90%	37.34%	43.29%		

Employees' Expenses

Employees' expenses were Baht 1,380.50 million, increased by Baht 70.00 million or up to 5.34% compared to the year 2016, resulting from an increase in salary and compensation which paid to employees.

As of 31 December 2017, LH Financial Group Public Company Limited's financial business group had 1,749 employees, decreased by 101 employees or down to 5.46% compared to the year 2016 were consist of;

- Land and Houses Bank Public Company Limited had 1,504 employees, decreased by 188 employees compared to the year 2016.
- Land and Houses Securities Public Company Limited had 177 employees, increased by 79 employees compared to the year 2016.
- Land and Houses Fund Management Company Limited had 68 employees, increased by 8 employees compared to the year 2016.

LH Financial Public Company Limited's Financial Business Group	The Number of Employees (Person)		
	31 December 2017	31 December 2016	31 December 2015
LH Financial Group Public Company Limited	-	-	-
Land and Houses Bank Public Company Limited	1,504	1,692	1,653
Land and Houses Securities Public Company Limited	177	98	88
Land and Houses Fund Management Company Limited	68	60	46
Land and Houses Advisory Company Limited	-	-	-
Total	1,749	1,850	1,787

- Premises and Equipment Expenses**

Premises and equipment expenses were Baht 739.03 million, increased by Baht 28.99 million or up to 4.08% compared to the year 2016.

- Advertising and promotion expenses**

Advertising and promotion expenses were Baht 116.56 million, increased by Baht 11.08 million or up to 10.50% compared to the year 2016, mainly from promotion expenses of various fund of fund management business.

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 2017 and 31 December 2016.

Table: Total Assets

Total Assets	Consolidated Financial Statements			Change	
	31 December	31 December	31 December	(2017 compared to 2016)	
	2017	2016	2015	Increase (Decrease)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Assets					
Cash	1,994.68	2,109.18	2,242.59	(114.50)	(5.43)
Interbank and money market items - net	19,084.56	17,326.43	17,676.43	1,758.13	10.15
Investments - net	59,622.72	52,675.77	47,202.96	6,946.95	13.19
Loans to customers and accrued interest receivables					
Loans to customers	153,731.34	141,162.07	133,276.80	12,569.27	8.90
Accrued interest receivables	261.25	231.19	224.48	30.06	13.00
Total loans to customers and accrued interest receivables	153,992.59	141,393.26	133,501.28	12,599.33	8.91
Less: Deferred revenue	(46.97)	(91.77)	(179.45)	(44.80)	(48.82)
Allowance for doubtful accounts	(3,407.69)	(3,086.28)	(2,555.27)	321.41	10.41
Revaluation allowance for debt restructuring	(14.02)	(15.23)	(8.74)	(1.21)	(7.94)
Loans to customers and accrued interest receivables - net	150,523.91	138,199.98	130,757.82	12,323.93	8.92
Properties foreclosed - net	102.14	107.32	99.34	(5.18)	(4.83)
Premises and equipment - net	343.23	403.90	499.00	(60.67)	(15.02)
Intangible assets - net	295.43	302.39	297.29	(6.96)	(2.30)
Deferred tax assets	210.00	263.47	197.54	(53.47)	(20.29)
Accrued interest receivables on investments	308.02	295.84	305.40	12.18	4.12
Other assets - net	626.76	462.90	388.40	163.86	35.40
Total assets	233,111.45	212,147.18	199,666.77	20,964.27	9.88

Total Assets

As of 31 December 2017, total assets were Baht 233,111.45 million, increased by Baht 20,964.27 million or up to 9.88% compared to the year 2016. Core assets consisted of loans to customer and accrued interest receivables - net 64.57% of total assets, followed by investments - net 25.58% of total assets.

Investments - Net

As of 31 December 2017, investments in securities which had book value Baht 59,622.72 million, increased by Baht 6,946.95 million or up to 13.19% compared to the year 2016, mainly increase from invested in available for sale investments of domestic marketable equity securities.

Table: Investments Classified by Investment Classification at Book Value

Investments - Net	Consolidated Financial Statements			Change	
	31 December	31 December	31 December	(2017 compared to 2016)	
	2017	2016	2015	Increase (Decrease)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Trading investments					
Domestic listed equity securities	0.18	0.08	12.25	0.10	125.00
Total trading investments	0.18	0.08	12.25	0.10	125.00
Available-for-sale investments					
Domestic marketable equity securities	12,326.39	6,636.59	2,145.47	5,689.80	85.73
Investment units	136.70	222.09	207.49	(85.39)	(38.45)
Total available-for-sale investments	12,463.09	6,858.68	2,352.96	5,604.41	81.71
Held-to-maturity investments					
Government and state enterprise securities	18,221.11	18,313.43	22,073.90	(92.32)	(0.50)
Private sector debt securities	23,952.94	22,417.36	17,399.35	1,535.58	6.85
Other debt securities	4,971.86	5,072.68	5,350.96	(100.82)	(1.99)
Total held-to-maturity investments	47,145.91	45,803.47	44,824.21	1,342.44	2.93
General investments - cost					
Domestic non-marketable equity securities	13.57	13.57	13.57	-	-
Less: Allowance for impairment	(0.03)	(0.03)	(0.03)	-	-
General investments - net	13.54	13.54	13.54	-	-
Investments - net	59,622.72	52,675.77	47,202.96	6,946.95	13.19

Total Liabilities

As of 31 December 2017, total liabilities were Baht 194,556.51 million, increased by Baht 2,724.97 million or up to 1.42% compared to the year 2016, mainly from deposits

and debts issued and borrowings 73.88% and 16.91% of total liabilities, respectively.

Table: Liabilities Classified by Type of Liabilities

Liabilities Classified by Type of Liabilities	Consolidated Financial Statement			Change	
	31 December	31 December	31 December	(2017 compared to 2016)	
	2017	2016	2015	Increase (Decrease)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	143,730.69	149,097.14	137,064.32	(5,366.45)	(3.60)
Interbank and money market items	15,346.14	20,009.85	20,638.56	(4,663.71)	(23.31)
Liabilities payable on demand	219.78	75.99	176.52	143.79	189.22
Debts issued and borrowings	32,895.58	20,327.49	21,663.97	12,568.09	61.83
Others	2,364.32	2,321.07	2,172.55	43.25	1.86
Total liabilities	194,556.51	191,831.54	181,715.92	2,724.97	1.42

Owners' Equity

As of 31 December 2017, owners' equity were Baht 38,554.94 million, increased by Baht 18,239.30 million or up to 89.78% compared to the year 2016.

1.3 Capital Adequacy

Sources and Uses of Fund

As of 31 December 2017, capital structure according to the consolidated financial statements consisted of liabilities were Baht 194,556.51 million and owners' equity were Baht 38,554.94 million, or 5.05 times of debt to equity ratio. Sources of fund composition in terms of liabilities were deposits 61.66% of sources of fund, interbank and money market items 6.58%, debts issued and borrowings 14.11% and others 1.11%, while owners' equity 16.54%.

Relations of Sources and Uses of Fund

As of 31 December 2017, loans to customers (before deducting deferred revenue) were Baht 153,731.34 million. Loans to deposits ratio was 107.11%. The company 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 were Baht 133,716.45 million, or 93.03% of total deposits. Loans receivable less than 1 year were Baht 66,233.84 million, or 43.08% of total loans. Deposits more than 1 year were Baht 10,014.24 million, or 6.97% of total deposits. Loans more than 1 year were Baht 86,435.44 million, or 56.23% of total loans.

Table: Sources and Uses of Fund

Periods	Deposits				Loans to Customers			
	31 December 2017		31 December 2016		31 December 2017		31 December 2016	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	133,716.45	93.03	141,756.14	95.08	66,233.84	43.08	62,856.32	44.53
More than 1 year	10,014.24	6.97	7,341.00	4.92	86,435.44	56.23	77,965.12	55.23
No maturity	-	-	-	-	1,062.06	0.69	340.63	0.24
Total	143,730.69	100.00	149,097.14	100.00	153,731.34	100.00	141,162.07	100.00

1.4 Change of Cash Flow

As of 31 December 2017, the cash of the company and its subsidiaries were Baht 1,994.68 million, decreased by Baht 114.50 million compared to the year 2016. Net cash provided by and used in activities as the following:

- Net cash used in operating activities were Baht 11,201.81 million, which was from the profits from operation before changes in operating assets and liabilities were Baht 852.23 million and significant change of assets and liabilities were loans to customers increased by Baht 12,883.93 million, interbank and money market items (assets) increased by Baht 1,770.82 million, deposits decreased by Baht 5,366.46 million and short-term debts issued and borrowings increased by Baht 12,504.41 million.

- Net cash used in investing activities were Baht 4,415.99 million, mainly from invested in available-for-sale investments - net were Baht 5,029.15 million.

- Net cash provided by financing activities were Baht 15,503.30 million, which was from net proceeds from issuance of newly ordinary shares due to capital increasing of CTBC Bank amounted of Baht 16,530.32 million.

1.5 Adequacy of Liquidity

Liquid assets which consisted of cash, interbank and money market net (assets) and net investments continuously increased from Baht 57,020.33 million in the year 2016 to Baht 65,369.05 million in the year 2017, increased by Baht 8,348.72 million.

Items	31 December 2017	31 December 2016
	Amount (Million Baht)	Amount (Million Baht)
Total assets	233,111.45	212,147.18
Deposits	143,730.69	149,097.14
Loans to customers (net deferred revenue)	153,684.37	141,070.30
Liquidity assets	65,369.06	57,020.33
Loans/deposits (%)	107.11	94.77
Liquidity assets/total assets (%)	28.04	26.88
Liquidity assets/deposits (%)	45.48	38.24

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.

However, the commercial banking system still had to deal with high levels of non-performing loans (NPLs), mainly from retail and SME sector. This could happen as a result of more credit quality concerns, and becomes contraction for lending.

On the funding side, there were not only a variety of deposit products offering, but also issuing both onshore and offshore corporate bond.

2. Commercial Banking Business

Overview of Commercial Banking Industry and Competition in 2017 and Outlook in 2018

Overview of Commercial Banking Industry and Competition in 2017

In 2017, the commercial banking industry continually grew with loans growth by 4.5 % from the end of previous year. The main reason was from Thai economic recovery last year.

The commercial banking performance in the previous year was under the pressure of an increase in provisioning expense from the NPLs growth and the effect of the new accounting standard (IFRS 9) preparation. This cause net profit declined last year. However, the Thai banking system remained resilient with effective cost management.

The performance between Land and Houses Bank Public Company Limited and the commercial banking system
As of December 31, 2017

(Unit : Million Baht)						
	2017	2016	2015	Growth (YoY)		Growth (YoY)
				2017	2016	Average
						The past 2 years
Commercial Banking System						
Asset	16,677,044	15,941,608	15,546,336	4.6%	2.5%	3.6%
Loan	11,687,205	11,185,891	10,924,484	4.5%	2.4%	3.4%
Deposit	12,136,642	11,427,320	11,222,823	6.2%	1.8%	4.0%
Asset Loan Deposit						
Asset	230,396	209,695	198,039	9.9%	5.9%	7.9%
Loan	154,020	141,145	132,727	9.1%	6.3%	7.8%
Deposit	143,742	149,639	137,300	-3.9%	9.0%	2.5%
Market Share of LH BANK						
Asset (%)	1.38	1.32	1.27	-	-	
Loan (%)	1.32	1.26	1.21	-	-	
Deposit (%)	1.18	1.31	1.22	-	-	

Source Data from Bank of Thailand and 15 Commercial Banks registered in Thailand

Trend of Commercial Banking Industry and Competition in 2018

Office of the National Economic and Social Development Board (NESDB) forecasted that the Thai economy in 2018 will expand in the range of 3.6% - 4.6%, or average at 4.0%. This showed the continual expansion of Thai economic. However, high levels of NPLs in 2017 will be a major concern for Thai banking system to more intensive loan screening and monitoring procedures. In addition, the expected loan growth will expand, forecasted from many Thai commercial banks, by 3.8% that is also close to GDP growth.

The commercial banking system will also focus to lower cost to income ratio. In 2017, many banks closed their branches or delayed new branch openings and decreased the number of branch employees to reduce operating costs. As this reason, digital banking platform, which providing more convenient and faster banking services than a physical branch, have been rapidly developed.

Analysis of Factor Affecting Operation of the Commercial Banking Industry

During periods of intense commercial banking competition, there are various financial innovations offering to increase customer, especially in wealth management client base since their potential financial stability, and this businesses tend to have greater growth. Furthermore, banks tends to stabilize their earnings by focusing balanced participation on interest income, non-interest income and fee income with effective cost

management. In addition, the rapid changes in digital technology are constantly giving rise to new ways of banking. Many financial institutions are actively exploring ways to enhance their digital banking to meet fast-changing customer expectations.

Overall Performance

The analysis of operating results of Land and Houses Bank Public Company Limited performance were comparative performance of the year 2017 compared to the year 2016.

In 2017, the bank had profits Baht 2,312.06 million, decreased by Baht 190.24 million or down to 7.60% compared to the year 2016, mainly from the decrease of other incomes by Baht 886.85 million, while interest income increased by Baht 142.18 million.

Other operating expenses increased by Baht 12.67 million or up to 0.54% compared to the year 2016, mainly from an increase in premises and equipment expenses.

The bank recorded an allowance for doubtful accounts decreased by Baht 407.86 million or down to 39.79% compared to the year 2016.

The profits from operating before bad debts and doubtful accounts to total revenues ratio in 2017 was 59.51%, decreased from the year 2016 which was at 63.96%.

Basic earning per share in 2017 was Baht 1.40 per share, decreased from the previous year which was Baht 1.79 per share. The return on equity ratio for the year 2017 was at 8.79% and the return on assets ratio for the year 2017 was at 1.05%.

Table: Operating Results

Operating Results	Separate Financial Statements			Change	
	2017	2016	2015	(2017 compared to 2016)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,980.22	4,838.04	4,344.06	142.18	2.94
Net fees and service income	325.72	261.15	228.28	64.57	24.73
Total other income	488.25	1,375.10	755.75	(886.85)	(64.49)
Total operating income	5,794.19	6,474.29	5,328.09	(680.10)	(10.50)
Other operating expenses	(2,345.94)	(2,333.27)	(2,210.59)	12.67	0.54
Profits from operation	3,448.25	4,141.02	3,117.50	(692.77)	(16.73)
Bad debts, doubtful accounts and impairment loss	(617.14)	(1,025.00)	(1,089.61)	(407.86)	(39.79)
Profits before income taxes expenses	2,831.11	3,116.02	2,027.89	(284.91)	(9.14)
Income tax expenses	(519.05)	(613.72)	(397.23)	(94.67)	(15.43)
Profits for the years	2,312.06	2,502.30	1,630.66	(190.24)	(7.60)
Earning per share (EPS) (Baht)	1.40	1.79	1.24		
Return on equity ratio (ROE) (%)	8.79	14.93	10.74		
Return on assets ratio (ROA) (%)	1.05	1.23	0.90		

2.1 Structure of Operating Income

Structure of operating income of the bank was as follows:

Operating Income

In 2017, operating income were Baht 5,794.19 million, decreased by Baht 680.10 million or down to 10.50% compared to the year 2016, with the following details:

Table: Operating Income

Operating Income	Separate Financial Statements			Change	
	2017	2016	2015	(2017 compared to 2016) Increase (Decrease)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest income					
Loans to customers	6,395.74	6,459.89	6,259.57	(64.15)	(0.99)
Investments in debt securities	1,626.91	1,664.67	1,470.79	(37.76)	(2.27)
Interbank and money market items	583.59	607.36	633.24	(23.77)	(3.91)
Hire purchase	47.45	84.41	121.58	(36.96)	(43.79)
Total interest income	8,653.69	8,816.33	8,485.18	(162.64)	(1.84)
Interest expenses	(3,673.47)	(3,978.29)	(4,141.12)	(304.82)	(7.66)
Net interest income	4,980.22	4,838.04	4,344.06	142.18	2.94
Fees and service income	400.58	336.90	294.96	63.68	18.90
Fees and service expenses	(74.86)	(75.75)	(66.68)	(0.89)	(1.17)
Net fees and service income	325.72	261.15	228.28	64.57	24.73
Gains on investments	65.77	1,135.62	659.74	(1,069.85)	(94.21)
Dividend income	392.83	210.63	78.08	182.20	86.50
Other operating income	29.65	28.85	17.93	0.80	2.77
Total other income	488.25	1,375.10	755.75	(886.85)	(64.49)
Total operating income	5,794.19	6,474.29	5,328.09	(680.10)	(10.50)

Net Interest Income

In 2017, net interest income were Baht 4,980.22 million, increased by Baht 142.18 million or up to 2.94% compared to the year 2016 due to an decrease of interest income and deposits interest expenses.

Interest expenses were Baht 3,673.47 million, decreased by Baht 304.82 million or down to 7.66%, reflect good efficiency of cost management.

Net Non-Interest Income

Net non-interest income consisted of net fees and service income and other income (which comprised gains on investments, dividend income and other operating income). In 2017, the bank had net non-interest income were Baht 813.97 million, decreased by Baht 822.28 million, or down to 50.25% compared to the year 2016, with the following details.

• Net Fees and Service Income

Net fees and service income were Baht 325.72 million, increased by Baht 64.57 million or up to 24.73% compared to the year 2016, resulted from an increase in 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

Other income were Baht 488.25 million, decreased by Baht 886.85 million or down to 64.49% compared to the year 2016, mainly from the decrease of gains on investments and the increase of dividend income due to increased from invested investments in the year 2017.

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 2017, net interest income after deducting bad debts, doubtful accounts and impairment loss were Baht 4,363.08 million, increased by Baht 550.04 million or up to 14.43% compared to the year 2016.

Bad Debts, Doubtful Accounts and Impairment Loss

In 2017, the bank had bad debts and doubtful accounts and impairment loss were Baht 617.14 million, decreased by Baht 407.86 million or down to 39.79% compared to the year 2016, loan loss reserves based on the guideline of the BoT were 186.08% in 2017 and 185.50% in 2016.

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	
	2017	2016	2015	(2017 compared to 2016) Increase (Decrease)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,980.22	4,838.04	4,344.06	142.18	2.94
Bad debts, doubtful accounts and impairment loss	(617.14)	(1,025.00)	(1,089.61)	(407.86)	(39.79)
Net Interest Income after deducting bad debts, doubtful accounts and impairment loss	4,363.08	3,813.04	3,254.45	550.04	14.43
Loan loss reserves (%)	186.08	185.50	180.42		

Other Operating Expenses

Other operating expenses consisted of employee's expenses, directors' remuneration, premises and equipment expenses, tax and duties, advertising and promotion expenses, amortisation and intangible assets, and other expenses. In 2017, the bank had other operating expenses were

Baht 2,345.94 million, increased by Baht 12.67 million or up to 0.54% compared to the year 2016, mainly from an increase in premises and equipment expenses. The operating expenses to total operating income ratio in 2017 was 40.49%, increased from 2016 which was 36.04%, as the following:

Table: Other Operating Expenses

Other Operating Expenses	Separate Financial Statements			Change	
	2017	2016	2015	(2017 compared to 2016) Increase (Decrease)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employees' expenses	1,167.84	1,159.31	1,056.99	8.53	0.74
Directors' remuneration	17.41	15.31	13.75	2.10	13.72
Premises and equipment expenses	672.97	659.97	667.22	13.00	1.97
Tax and duties	220.09	219.73	217.06	0.36	0.16
Advertising and promotion expenses	89.71	90.12	92.23	(0.41)	(0.45)
Amortisation and intangible assets	58.77	63.09	59.03	(4.32)	(6.85)
Other expenses	119.15	125.74	104.31	(6.59)	(5.24)
Total other operating expenses	2,345.94	2,333.27	2,210.59	12.67	0.54
Total operating expenses to total operating income ratio (%)	40.49	36.04	41.49		

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 2017 and 31 December 2016.

Table: Total Assets

Total Assets	Separate Financial Statements			Change (2017 compared to 2016)	
	2017	2016	2015	Increase (Decrease)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Assets					
Cash	1,994.55	2,109.13	2,242.56	(114.58)	(5.43)
Interbank and money market items - net	20,928.06	17,961.03	17,742.12	2,967.03	16.52
Investments - net	55,236.57	49,978.12	45,965.02	5,258.45	10.52
Investments in a subsidiary	-	-	257.29	-	-
Loans to customers and accrued interest receivables					
Loans to customers	154,067.28	141,236.44	132,906.68	12,830.84	9.08
Accrued interest receivables	257.01	229.43	222.89	27.58	12.02
Total loans to customers and accrued interest receivables	154,324.29	141,465.87	133,129.57	12,858.42	9.09
Less: Deferred revenue	(46.97)	(91.77)	(179.45)	(44.80)	(48.82)
Allowance for doubtful accounts	(3,388.69)	(3,078.63)	(2,555.27)	310.06	10.07
Revaluation allowance for debt restructuring	(14.02)	(15.23)	(8.74)	(1.21)	(7.94)
Loans to customers and accrued interest receivables - net	150,874.61	138,280.24	130,386.11	12,594.37	9.11
Properties foreclosed - net	102.14	107.32	99.34	(5.18)	(4.83)
Premises and equipment - net	258.31	317.88	409.04	(59.57)	(18.74)
Intangible assets - net	170.14	180.24	181.27	(10.10)	(5.60)
Deferred tax assets	210.00	263.45	190.71	(53.45)	(20.29)
Accrued interest receivables on investments	308.02	295.84	305.40	12.18	4.12
Other assets - net	313.87	201.72	259.97	112.15	55.60
Total assets	230,396.27	209,694.97	198,038.83	20,701.30	9.87

Total Assets

Core assets consisted of loans to customer and accrued interest receivables - net 65.48% of total assets, followed by investment - net 23.97% of total assets. As of 31 December 2017, total assets were Baht 230,396.27 million, increased by Baht 20,701.30 million or up to 9.87% compared to the year 2016, mainly from an increase in loans to customers and accrued interest receivables - net and investments - net.

As of 31 December 2017, loans net of deferred revenue (including interbank and money market items) were Baht 173,239.52 million, increased by Baht 15,745.68 million or up to 10.00% compared to the year 2016. Mainly from Big Corporate & Corporate loans 68.37%, followed by Retail loans 16.85% of total loans. When they were classified by type of loans, mainly from public utilities and services loans and manufacturing and commerce at 23.23% and 19.40% of total loans, respectively.

Loans to Customers

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

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

Loans Classified by Business Sector	Separate Financial Statements						Change (2017 compared to 2016)	
	2017		2016		2015		Increase (Decrease)	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Big Corporate & Corporate loans	118,439.54	68.37	100,920.01	64.08	90,053.21	60.43	17,519.53	17.36
SMEs & SSME loans	25,601.25	14.78	25,441.42	16.15	27,143.71	18.22	159.83	0.63
Retail loans	29,198.73	16.85	31,132.41	19.77	31,813.10	21.35	(1,933.68)	(6.21)
Loans net of deferred revenue	173,239.52	100.00	157,493.84	100.00	149,010.02	100.00	15,745.68	10.00
Add : accrued interest receivables	275.94		243.64		236.52		32.30	13.26
Total loans and accrued interest receivables net of deferred revenue	173,515.46		157,737.48		149,246.54		15,777.98	10.00

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

Loans classified by type of loans	Separate financial statements						Change (2017 compared to 2016)	
	2017		2016		2015		Increase (Decrease)	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Housing loans	27,342.41	15.78	29,134.89	18.50	29,812.73	20.01	(1,792.48)	(6.15)
Manufacturing and commerce	33,602.18	19.40	27,844.63	17.68	27,390.76	18.38	5,757.55	20.68
Public utilities and services	40,245.34	23.23	38,074.24	24.18	34,424.60	23.10	2,171.10	5.70
Real estate and construction	21,590.03	12.46	20,789.91	13.20	18,847.74	12.65	800.12	3.85
Agricultural and mining	183.27	0.11	488.40	0.31	386.13	0.26	(305.13)	(62.48)
Financial intermediation	32,856.15	18.96	23,877.22	15.16	21,938.64	14.72	8,978.93	37.60
Saving cooperative	15,469.21	8.93	15,229.17	9.67	14,093.29	9.46	240.04	1.58
Others	1,950.93	1.13	2,055.38	1.30	2,116.13	1.42	(104.45)	(5.08)
Total loans net of deferred revenue	173,239.52	100.00	157,493.84	100.00	149,010.02	100.00	15,745.68	10.00

Quality of Assets

As of 31 December 2017, classified assets consisted of 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 (2017 compared to 2016) Increase (Decrease)	
	2017	2016	2015		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interbank and money market and accrued interest receivables					
• Pass	19,238.14	16,363.39	16,296.41	2,874.75	17.57
Investments					
• Doubtful of loss	21.16	71.72	50.66	(50.56)	(70.50)
Loans and accrued interest receivables					
• Pass	149,492.38	137,462.17	129,150.53	12,030.21	8.75
• Special - mention	1,521.18	1,146.01	984.94	375.17	32.74
• Sub - standard	169.47	912.01	347.08	(742.54)	(81.42)
• Doubtful	211.45	621.85	1,471.27	(410.40)	(66.00)
• Doubtful of loss	2,882.84	1,232.06	996.30	1,650.78	133.99
Other assets					
• Doubtful of loss	60.91	51.17	34.97	9.74	19.03
Total	173,597.53	157,860.38	149,332.16	15,737.15	9.97

Allowance for Doubtful Accounts

As of 31 December 2017, allowance for doubtful accounts were Baht 3,388.69 million, increased by Baht 310.06 million or up to 10.07% compared to the year 2016, following the growth of loans and supporting to uncertainty

of domestic economy. Allowance for doubtful accounts to total loans ratio was 2.22%, increased from 2016 which was at 2.19%. LLR/NPL decreased from 119.62% to 110.15%.

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 (2017 compared to 2016) Increase (Decrease)	
	2017				2016					
	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	149,492.38	96.90	758.69	22.39	137,462.17	97.23	812.38	26.39	(53.69)	(6.61)
Special - mention	1,521.18	0.98	156.99	4.63	1,146.01	0.81	168.48	5.47	(11.49)	(6.82)
Sub - standard	169.47	0.11	77.55	2.29	912.00	0.65	202.31	6.57	(124.76)	(61.67)
Doubtful	211.45	0.14	111.11	3.28	621.85	0.44	49.61	1.61	61.50	123.97
Doubtful of loss	2,882.84	1.87	593.23	17.51	1,232.06	0.87	320.92	10.42	272.31	84.85
Total	154,277.32	100.00	1,697.57	50.10	141,374.09	100.00	1,553.70	50.47	143.87	9.26
Additional provision for specific debtors			750.00	22.13			571.54	18.56	178.46	31.22
General provision			941.12	27.77			953.39	30.97	(12.27)	(1.29)
Total	154,277.32	100.00	3,388.69	100.00	141,374.09	100.00	3,078.63	100.00	310.06	10.07

As of 31 December 2017, loans classified by overdue debtors as follows:

Table: Loans to Customers Classified by Periods to Maturity

Loans to Customers	Separate Financial Statements			Change (2017 compared to 2016) Increase (Decrease)	
	2017	2016	2015		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
At call ¹	18,854.55	15,843.04	10,379.04	3,011.51	19.01
Less than 3 months	32,627.08	27,454.52	21,378.84	5,172.56	18.84
3 - 12 months	16,150.21	19,973.76	17,367.36	(3,823.55)	(19.14)
More than 1 year	86,435.44	77,965.12	83,781.44	8,470.32	10.86
Total	154,067.28	141,236.44	132,906.68	12,830.84	9.08

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 were Baht 14.02 million, decreased by Baht 1.21 million or down to 7.94% compared to the year 2016.

Non-performing loans (net) were Baht 2,471.77 million, or 1.43% of total loans after deducting allowance for doubtful accounts of non-performing loans.

Non-Performing Loans

As of 31 December 2017, non-performing loans (gross) were Baht 3,263.76 million, increased by Baht 497.84 million or up to 18.00% compared to the year 2016. Non-performing loans to total loans ratio 1.88%, increased from 2016 which was at 1.76%.

Total Liabilities

As of 31 December 2017, the bank had total liabilities were Baht 195,273.95 million, increased by Baht 3,076.86 million or up to 1.60% compared to the year 2016, which was mainly from an increase in debts issued and borrowings.

Table: Liabilities Classified by Type of Liabilities

Liabilities	Separate Financial Statements			Change (2017 compared to 2016) Increase (Decrease)	
	2017	2016	2015		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	143,741.92	149,639.50	137,300.10	(5,897.58)	(3.94)
Interbank and money market items	15,415.97	20,053.83	20,665.87	(4,637.86)	(23.13)
Liabilities payable on demand	219.79	75.99	176.52	143.80	189.24
Debts issued and borrowings	32,979.12	20,464.66	21,814.06	12,514.46	61.15
Others	2,917.15	1,963.11	2,069.37	954.04	48.60
Total liabilities	195,273.95	192,197.09	182,025.92	3,076.86	1.60

Deposits

As of 31 December 2017, the bank had deposits were Baht 143,741.92 million, decreased by Baht 5,897.58 million or down to 3.94% compared to the year 2016, which was mainly from the decreased of fixed deposit receipt and the increased of savings deposits.

Table: Deposits Classified by Type of Deposits

Deposits Classified by Type of Deposits	Separate Financial Statements			Change (2017 compared to 2016) Increase (Decrease)	
	2017	2016	2015		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Demand deposits	3,623.02	5,061.09	5,678.02	(1,438.07)	(28.41)
Savings deposits	72,563.33	65,119.72	51,887.27	7,443.61	11.43
Time deposits	49,775.13	50,648.23	41,212.83	(873.10)	(1.72)
Fixed deposit receipt	17,780.44	28,810.46	38,521.98	(11,030.02)	(38.28)
Total deposits	143,741.92	149,639.50	137,300.10	(5,897.58)	(3.94)

Owners' Equity

As of 31 December 2017, owners' equity were Baht 35,122.32 million, increased by Baht 17,624.44 million or up to 100.72% compared to the year 2016, which came from issuance of additional ordinary shares of LH Financial Group Public Company Limited amounted of Baht 16,598.92 million at the end of July 2017, which received from capital increase of CTBC Bank.

2.3 Capital Adequacy

Sources and Uses of Fund

As of 31 December 2017, capital structure according to the separated financial statements consisted of liabilities were Baht 195,273.95 million and owners' equity were Baht 35,122.32 million, or 5.56 times of debt to equity ratio. Sources of fund composition in terms of liabilities were deposits 62.39% of sources of fund, interbank and money market items 6.69%, debts issued and borrowings 14.31%, liabilities payable on demand and others 1.37%, while owners' equity 15.24%.

Relations of Sources and Uses of Fund

As of 31 December 2017, loans to customers (before deducting deferred revenue) were Baht 154,067.28 million. Loans to deposits ratio was 107.33%. The bank invested remaining liquidity in liquid assets such as interbank and money market items, investments and loans to customers.

Significant sources and uses of fund as of 31 December 2017 could be classified by contract maturity date. Deposits less than 1 year were Baht 133,727.68 million, or 93.03% of total deposits. Loans less than 1 year were Baht 67,631.84 million, or 43.90%. Deposits more than 1 year were Baht 10,014.24 million, or 6.97%. Loans more than 1 year were Baht 86,435.44 million, or 56.10%.

Table: Sources and Uses of Fund

Periods	Deposits				Loans to Customers			
	2017		2016		2017		2016	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	133,727.68	93.03	142,298.50	95.09	67,631.84	43.90	63,271.32	44.80
More than 1 year	10,014.24	6.97	7,341.00	4.91	86,435.44	56.10	77,965.12	55.20
Total	143,741.92	100.00	149,639.50	100.00	154,067.28	100.00	141,236.44	100.00

2.4 Change of Cash Flow

As of 31 December 2017, the cash were Baht 1,994.55 million, decreased by Baht 114.58 million compared to the year 2016. Net cash provided by and used in activities as the following:

- Net cash used in operating activities were Baht 13,131.80 million, which was from the profits from operation before changes in operating assets and liabilities were Baht 890.91 million and significant change of assets and liabilities were loans to customers increased by Baht 13,145.50 million, deposits decreased by Baht 5,897.58 million, interbank and money market items (liabilities) increased by Baht 4,637.86 million and short-term debts issued and borrowings increased by Baht 12,504.49 million.

- Net cash used in investing activities were Baht 3,091.87 million, mainly from invested in available-for-sale investments were Baht 3,544.76 million, invested in held-to-maturity investments were Baht 1,483.80 million and cash received on interest income on investments were Baht 1,669.62 million.

- Net cash provided by financing activities were Baht 16,109.09 million, which was from net proceeds from issuance of additional ordinary shares of LH Financial Group Public Company Limited were Baht 16,598.92 million.

2.5 Adequacy of Liquidity

Liquid assets which consisted of cash, interbank and money market net (assets) and net investments continuously increased from Baht 54,957.23 million in the year 2016 to Baht 62,826.27 million in the year 2017, increased by Baht 7,869.04 million.

Items	31 December 2017	31 December 2016
	Amount (Million Baht)	Amount (Million Baht)
Total assets	230,396.27	209,694.97
Deposits	143,741.92	149,639.50
Loan to customers (net deferred revenue)	154,020.31	141,144.67
Liquidity assets	62,826.27	54,957.23
Loan to customers/Deposits (%)	107.33	94.48
Liquidity assets/Total assets (%)	27.27	26.21
Liquidity assets/Deposits (%)	43.71	36.73

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 2017, cash at the cash center and cash at Bank of Thailand totalled Baht 2,149.52 million.

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

As of 31 December 2017, the bank had the ratio of total capital fund to risk assets at 21.857%, higher than the 9.750% minimum rate required by the Bank of Thailand and increased from BIS when compared with 31 December 2016 at 13.706%.

The ratio of Tier 1 - capital fund to risk assets was 18.673%, higher than the 7.250% minimum rate required by the Bank of Thailand.

Table: Capital Fund to Risk Assets Ratio

Capital Fund to Risk Assets Ratio	31 December 2017		31 December 2016		31 December 2015	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Common equity Tier 1 capital fund						
The bank	34,101.44	18.673	16,557.45	10.195	15,202.82	10.18
Minimum rates required by law*		5.750		5.125		4.50
The Difference		12.923		5.070		5.68
Tier 1 capital funds						
The bank	34,101.44	18.673	16,557.45	10.195	15,202.82	10.18
Minimum rates required by law*		7.250		6.625		6.00
The Difference		11.423		3.570		4.18
Total capital funds						
The bank	39,915.64	21.857	22,259.27	13.706	20,936.11	14.01
Minimum rates required by law*		9.750		9.125		8.50
The Difference		12.107		4.581		5.51

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) and the rating on outlook with a positive and also affirms the rating of LH BANK’s hybrid Tier 2 capital securities at “BBB” 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 2017

In Year 2017, SET index continued to edge higher despite the impact of both internal and external factors. SET closed at 1,753.71 points, posting a 2017 return of 13.66%, and almost passed the all time high of 1,753.73 on January 4, 1994. A positive support factor from the government’s policy, the general election is clearer, University of the Thai Chamber of Commerce reported the result of the surveys shown that spending of Thai population during New Year holidays will be Baht 132.5 billion, which is the highest since it has ever been surveyed in 13 years, as clear signal of economic recovery has boosted consumer confidence to spend and optimism over corporate tax cuts have been boosted after Trump signed tax bill.

The average daily trading value at Baht 47,755.4 million, decreased by 4.95% from the trading volume of 2016 per day approximately 50,244.9 million when compared to 2016. Foreign investors were net sellers of shares totaled Baht 25,755 million and institutions were net buyers of shares totaled Baht 103,632 million.

Performance Overview of Year 2017 and Business Targets of Year 2018

In 2018, the target of the company will maintain an emphasis on client-base expansion and diversification together with creating value-added financial and investment products and service differentiation. Moreover, the company continued to improve a more effective of support department and to develop the information technology system continuously for good management and good service to respond the all customer needs. The company will also support our investment consultant to attain the Investment Planner License, to deliver more excellent and efficiency service both in financial consultant and investment consultant to the investors and to build strong relationships between investment consultant and all clients.

Overall Performance

Performance analysis of Land and Houses Securities Public Company Limited and its subsidiaries is the comparison between performance analysis as of 2017 and as of 2016.

In 2017, the company had net profits of Baht 104.83 million, decreased by Baht 1.16 million when compared to 2016, or down 1.09% decreased net profits was the result of income tax expenses increased.

Total expenses of 2017 were Baht 262.91 million baht, increased by Baht 85.61 million when compared to 2016, or up to 48.28% due to an increase in employees and operating expenses following the business growth.

Net profits margin of the operating in the year 2017 was at 27.27% decreased compared to 2016 was at 35.69% due to the increasing of expenses more than revenues.

Basic earnings per share in 2017 was Baht 0.16 per share, decreased compared to 2016 was Baht 0.17 per share due to decreaseing of net profits.

Total Revenue Structure

Total income of the company and the subsidiaries are as follow;

- **Total Income**

The total income included income from brokerage fees income, fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes. The company's main source of income was from securities and derivatives brokerage service and investment port of company.

In 2017, brokerage fees income totalled Baht 143.93 million. Brokerage fees from retail customers accounted for 91%, major customers and institutional customers accounted for 9% of the company's securities trading volume respectively.

Total income totalled Baht 384.41 million, increased by Baht 87.45 million when compared to 2016, or up to 29.45% due to the company had increased customers from branch expansion, sales promotion and the most important is coherence of LH Financial Group Public Company Limited's financial business group. In addition, coordinate offering products and services of the companies in the group which accept very well response.

- **Brokerage Fees Income**

Brokerage fees income in the year 2017 were Baht 143.93 million, increased by Baht 52.62 million when compared to 2016, or up to 57.62%.

- **Other Income apart from Brokerage Fees**

Other income apart from brokerage fees were included fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes amounted Baht 0.85, 30.71, 207.49 and 1.43 million respectively.

Total Expenses Structure

Total expenses of the company and the subsidiaries are as follows;

- **Total Expenses**

Total expenses totalled Baht 262.91 million, increased by Baht 85.61 million when compared to 2016, or up to 48.28% which was the result of employees, premises and equipment expenses, and other expenses due to business expansion.

- **Bad Debt and Doubtful Accounts**

The company uses the Office of the Securities and Exchange Commission's regulations regarding the provision of allowance for doubtful accounts and judgment to establish reserves for estimated loss for each debtor when there is any doubt about the debtor's capability to repay the debt. The allowances for doubtful accounts are determined through combination of specific reviews, probability of default and the value of the securities used as collateral as of 31 December 2017, 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 2017 and as of 31 December 2016

- **Total Assets**

As of 31 December 2017, the company's had the total assets of Baht 3,588.13 million, increased by Baht 1,499.32 million when compared to 2016, or up to 71.78%. Most of the assets were investments, accounting for 56.61% of total assets.

- **Securities and Derivatives Business Receivables**

Securities and derivatives business receivables (included accrued interest receivables) amounted Baht 1,347.13 million, increased by Baht 903.58 million when compared to 2016, or up to 203.71%. Securities and derivatives business receivables included:

Securities business receivables of cash accounts amounted Baht 280.67 million, accounting for 20.83% of securities and derivatives business receivables.

Securities business receivables of credit balance account amounted Baht 1,066.46 million (included accrued interest receivables), accounting for 79.17% of securities and derivatives business receivables.

- **Net Securities Investments**

Net securities investments amounted Baht 2,031.33 million, increased by Baht 593.19 million when compared to 2016, or up to 41.25%. Investments consists of trading investments amounted Baht 0.18 million, available-for-sale investments amounted Baht 2,022.86 million and general investments amounted Baht 8.29 million.

- **Receivables from Clearing House and brokers-dealers**

Receivables from Clearing House and brokers-dealers amounted Baht 40.65 million.

- **Net Equipment and Intangible Assets**

Net equipment amounted Baht 58.82 million.

- **Other Assets**

Other assets amounted Baht 48.05 million.

- **Total Liabilities**

As of 31 December 2017, the company's had the total liabilities of Baht 2,347.73 million, increased by Baht 1,376.65 million when compared to 2016, or up to 141.76%. Most of the liabilities were borrowings from financial institutions, accounting for 80.93% of total liabilities.

- **Borrowings from Financial Institutions**

Borrowings from financial institutions amounted Baht 1,900.00 million.

- **Securities and Derivatives Business Payables**

Securities and derivatives business payables amounted Baht 241.88 million.

- **Owner's Equity**

As of 31 December 2017, the company's had the owner's equity of Baht 1,240.40 million, increased by Baht 122.68 million when compared to 2016, or up to 10.98%.

Capital Adequacy

- **Liquidity**

In 2017, the company and its subsidiaries had net cash used in operating activities Baht 619.44 million. The main reasons were from securities and derivatives business receivables.

Net cash used in investing activities Baht 480.18 million, including cash provided and used from investing activities consists of cash received from sales of available-for-sales investments of Baht 1,202.53 million, cash paid for purchases of available-for-sales investments of Baht 1,661.80 million, cash paid for purchases of leasehold improvements and equipment of Baht 16.34 million and cash paid for purchases of intangible assets of Baht 4.57 million.

Net cash provided by financing activities Baht 1,135.00 million which the resource of cash flow from financing activities were cash received from borrowings from financial institutions of Baht 6,360.00 million and cash repaid on borrowings from financial institutions of Baht 5,225.00 million.

Liquidity considering, the company is able to maintain Net Capital Ratio (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 2017, NCR level was between 43.52% - 152.65%. This ratio may be changed due to various factors including securities trading volume, guarantee of securities underwriting.

- **Sources of Funds**

As of 31 December 2017, the company and its subsidiaries had fund from equity of Baht 1,240.40 million. Debt to equity ratio as of 31 December 2016 and as of 31 December 2017 equaled 0.87 and 1.89 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

1. Economic Outlook in 2018

For the year 2018, expected the thailand's economic will expand 3.6-4.6% due to key support factor which continue from the year 2017 as follows;

1. A favorable growth of the global economy
2. An acceleration of public investment which will be supported by the progress of key investment projects and higher capital budget framework
3. The improving trend of private investment

4. The continual expansion of key production sectors

5. The improvement of employment and household income conditions. In all, it is expected that export value of goods will expand by 5.0%, private consumption and total investment will grow by 3.1% and 5.5% respectively. The headline inflation will be in the range of 0.9% - 1.9% and the current account will register a surplus of 8.1% of GDP.

(Source: Office of the National Economic and Social Development Board)

2. Securities Business Competition

For brokerage business, the competition is still remain intense. Brokers used several strategies to compete with others by enhancing the quality of information technology services, operating service and providing credit limits of margin accounts as well as enhancing online trading applications. Some brokers used a low-price strategy to attract investors.

3. Earnings of listed companies outlook of 2018

Government Stimulus Package especially on infrastructure investment is forecasted to be a main driver towards the domestic economic growth in 2018. The company expects that Monetary Policy Committee (MPC) to consider applying loosened monetary policy to stimulate Thailand's economy in consumptions and investments, which are important factors to drive 2018 earnings per share (EPS) of the listed companies.

4. Fund Management Business

Fund Management Business Conditions and Competition Overview in 2017

In 2017, the net asset value of the fund management business was 5.03 Trillion Thai Baht which represent 8.29% year-on-year growth. The overall of net asset value was separated by fund type which maintain the same portion from last year which the 3 most popular funds were fixed income fund, equity fund, and flexible fund represent 54%, 27%, and 7% respectively. However, investor still prefer to invest in the low to medium risk level which caused the high investment portion in Fixed Income Fund continuously. Moreover, investors had increasing interest on risk diversification which diversified toward foreign assets investment on both fixed income and equity.

Fund Management Business Conditions Trend and Competition Overview in 2018

In 2018, equity investment should offer pleasant benefit to investors due to the late-expansion stage of global economy and growing corporate earnings. Expanding global economy resulted in gradually rising inflation globally which cause many central banks tend to implement tighten monetary policy like interest rate hiking, draining liquidity that ultimately push interest rate higher. The current economy environment; expanding economy, increasing earnings environment and rising interest rate; should have positive impact on return from equity investment but with high volatility from rate hike. For Fixed Income investment, investors have lower interest on the asset class regarding the negative impact from rising interest rate (imply lower price). However, Fixed Income investment in below 3 years securities will have limited impact from rate hike. Moreover, the investment in various type of assets and various regions is considered as investment diversification and might offer attractive return from the investment.

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 were comparative performance of the year 2017 compared to the year 2016 as follows;

In 2017, the company had net profits Baht 83.36 million, increased by Baht 9.16 million or up to 12.35% compared to the previous year due to increasing from fees and service income due to increased of the number funds under management.

In the year 2017, the company had total expenses amounted Baht 223.08 million, increased by Baht 16.89 million compared to the year 2016 or up to 8.19% due to employee benefits expenses, resulting from an increase in salary and compensation of employees according to the number of employees.

Net profits margin of the operating rate at 25.81%, increased from the year 2016 which was 24.97% due to proportion of income increased more than expenses.

Basic earning per share for the year 2017 was Baht 27.79 per share, increased from the year 2016 which was Baht 24.73 per share.

Structure of Total Income

• Total Income

Total income consists of fees and service income which were the company's majority of income 92.06% of total income, gains and returns on financial instruments 7.65%. This portion of income came from investment management of the company and the company has assigned another securities company to manage the mentioned personal fund and other incomes 0.29%.

• Fees and Service Income

Fees and service income were Baht 297.29 million, increased by Baht 29.17 million or up to 10.88% compared to the same period of the previous year, which mainly from mutual funds management and mutual funds registrar were 75.27% of total fees and service income.

Structure of Total Expenses

• Expenses

Total expenses were Baht 223.08 million, increased by 16.89 million or up to 8.19% compared to the year 2016, which from employee benefits expenses, resulting from an increase in salary and compensation of employees.

• 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 2017 and 31 December 2016.

• Total Assets

As of 31 December 2017, the company had assets Baht 446.48 million, core asset was investment 72.13% of total assets, total assets decreased by Baht 87.50 million or down to 16.39% compared to the year 2016.

• Net Asset Value Under Management

As of 31 December 2017, Land and Houses Fund Management Company Limited had 54 funds under management, decreased 1 fund compared to the same period of the year 2016 and net asset value Baht 51,448.82 million, decreased by Baht 12,827.35 million or down to 19.96% compared to the same period of the previous year. The mutual funds under management that present net asset value were consists of:

• Property fund and real estate investment trust	Baht 30,910.21 million
• Fixed Income fund	Baht 9,422.40 million
• Equity fund	Baht 2,133.68 million
• Mixed fund	Baht 2,172.58 million
• Foreign investment fund	Baht 2,686.46 million
• Fund of property fund	Baht 4,123.49 million

The company held 1.02% of the market share, and was ranked at 13 of 23 companies.

However, when included private funds and provident funds, the company had net asset value as of 31 December 2017 at Baht 59,773.55 million, consisting of Baht 5,683.05 million of private funds and Baht 2,641.68 million of provident funds.

• Cash and Cash Equivalents

Cash and cash equivalents were Baht 50.47 million, decreased by Baht 94.87 million or down to 65.28% compared to the year 2016

• Investments

Investments were Baht 322.05 million, increased by Baht 4.15 million or up to 1.31% compared to the year 2016, Investment consists of domestic marketable equity securities - units.

• Leasehold Improvements and Equipment

Leasehold improvements and equipment were Baht 10.42 million.

- **Intangible Assets**

Intangible assets were Baht 27.22 million.

- **Other Assets**

Other assets were Baht 14.97 million.

- **Total Liabilities**

As of 31 December 2017, total liabilities were Baht 30.47 million, decreased by 107.37 million or down to 77.89% compared to the year 2016.

- **Owners' Equity**

As of 31 December 2017, owners' equity were Baht 416.01 million, increased by Baht 19.87 million or up to 5.02% compared to the year 2016.

Capital Adequacy

- **Liquidity**

In 2017, the company had net cash used in operating activities were Baht 36.38 million which came from profits before income tax expenses and other liabilities.

Net cash provided by investing activities Baht 11.53 million. The source of this cash flow were proceeds from disposals of available-for-sale investments Baht 79.91 million, dividends received Baht 21.53 million, cash paid for purchases of available-for-sale investments Baht 74.43 million, cash paid for purchases of leasehold improvements and equipment Baht 2.67 million and cash paid for purchases of intangible assets Baht 12.81 million.

Net cash used in financing activities was Baht 70.02 million, which was from dividend payment.

The company had equity Baht 416.01 million can maintain capital adequacy higher than the criteria of the Securities and Exchange Commission on "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 and have to total equity of fund management company not less than Baht 220 million.

- **Sources of Fund**

As at 31 December 2017, the company had the sources of fund from shareholders' equity amounted Baht 416.01 million which comprise of issued share capital and paid-up capital amounted Baht 300 million, retained earnings about Baht 106.07 million and other components of equity about Baht 9.94 million.

Factors that May Affect the Operation in the Future

- Factors that affect opportunities or limitations of the management business.

In the year 2017, although the world economy will continue to grow from the previous year. But this may result in global inflation accelerating faster than expected that may result in the central banks in major countries around the world adopting more stringent monetary policy. Pushing global interest rates up. The global stock market has been less attractive.

- The business trend of the management business of 2018

As the operation plan of the company in 2018, which still focuses on expanding and interest in investing in equity. If in case the attraction in investing in equity securities is reduced that may impact the company's plans. The finally in this year, the additional company's business plans if the stock market gets less attractive is gradually establishing more other types of funds such as the issuance of mixed funds, or Short-term Fixed Income Fund.



CASH MANAGEMENT

บริการบริหารจัดการการเงิน

จ่ายเงินเดือน
พนักงาน

โอนเงิน

ชำระค่าสินค้า
และบริการ
ผ่านธนาคาร

ตัดบัญชี

โอนเงิน
เข้าบัญชีเงินฝาก
อัตโนมัติ

บริการหัก
บัญชี
นักลงทุน

Cash Management



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. Asso. Prof. Dr. Supriya Kuandachakupt
Member of the Corporate Governance Committee
3. Mr. Sun Vithespongse
Member of the Corporate Governance Committee

And Ms. Chutima Boonmee, Executive Vice President, Control Group of Land and Houses Bank Public Company Limited is the Secretary of the committee.

In addition, Asso. Prof. Dr. Supriya Kuandachakupt and Mr. Sun Vithespongse have been appointed to be the member of the Corporate Governance Committee replacing the former directors who resigned and the appointment is effective from August 1, 2017 onwards.

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 2017, the company arranged the Corporate Governance Committee meeting 5 times and reported the result of the meeting to the Board of Directors. The summary is as follows:

1. Review the 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.
2. Review the Corporate Social Responsibility Policy for Sustainable Business Development to achieve the company sustainable growth and to promote the executives and employees to participate in social responsibility.
3. 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 parties and other benefits, bribes and inducements, charitable contributions, financial sponsorships, political participations and activities as well as receiving reports or complaints.
4. Review the policy of preventing conflict of interest to ensure the trust of business operations and the interests of shareholders and all stakeholders, including protecting against damage that may have an effect on the company's reputation and image
5. Consent the Whistleblower Policy for protecting persons who identify clues or make a complaint to the company in order to ensure that the persons will not be suffered by damage or treated unfairly.
6. Review the company's Code of Conducts, Directors' Ethics and Employees' Ethics for using as the good practices and the working standards for directors and employees at all levels. The mentioned Code of Conducts and Ethics will help support the bank to operate its business with honesty, ensure a balance between earnings and the impact on shareholders and customer, including holding the principles of sustainable business and considering the Social and Environmental
7. Follow up the progress and give suggestion for renewing the Recertification and the Certificate of Thailand's Private Sector Collective Action Coalition Against Corruption
8. Represent the Company in communicating, supervising and promoting 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 in business operation 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 which as a part of the business operation, 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, fair business operation, anti-corruption, respect of human rights, fair treatment of labor, responsibility on the consumers, cooperation in the development of community and society and community, environmental management, and innovation and dissemination of innovative corporate social responsibilities. Including, 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 as the third consecutive. In addition, the company has provided the corporate social responsibility report with the 2017 annual report for communication in the social responsibility operation to all stakeholder.

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 as the subsidiary of the company to create

the benefits to communities and the society by giving the private financial management knowledge and instilling a financial discipline and money saving by participated 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 and other parties such as the Stock Exchange of Thailand, the Bank of Thailand, the Financial Consumer Protection Center, Office of the National Anti-Corruption Commission, and the Friends of Facilitator Networks about money saving project since 2014 including supporting the companies in the Land and Houses financial business group to operate the market conduct according to the official agencies guidelines.

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 the business operation growth together with the world changing in financial system stability and sustainability. 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.

(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.

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. 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.

The Logo of Corporate Social Responsibility



The Corporate Governance of Market Conduct

The companies in LH Financial Group Public Company Limited's financial business group has been emphasizing and supporting to follow the Market Conduct operating of government in order to operate the sustainable business. However, we aim to receive the reliability from our customers as the following details;

1. Receiving sincere and fair services
2. Receiving the appropriate suggestions
3. Receiving the fair prices and conditions
4. Receiving the convenience in services and properly method of solutions
5. Receiving the knowledge and understanding of their own rights and duties

The Operation in Social Responsibility

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.

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.

The Results of the Operation in Social Responsibility

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 for 3 years consecutively which the company has reported to the Corporate Governance Committee and the Board of Directors acknowledged.

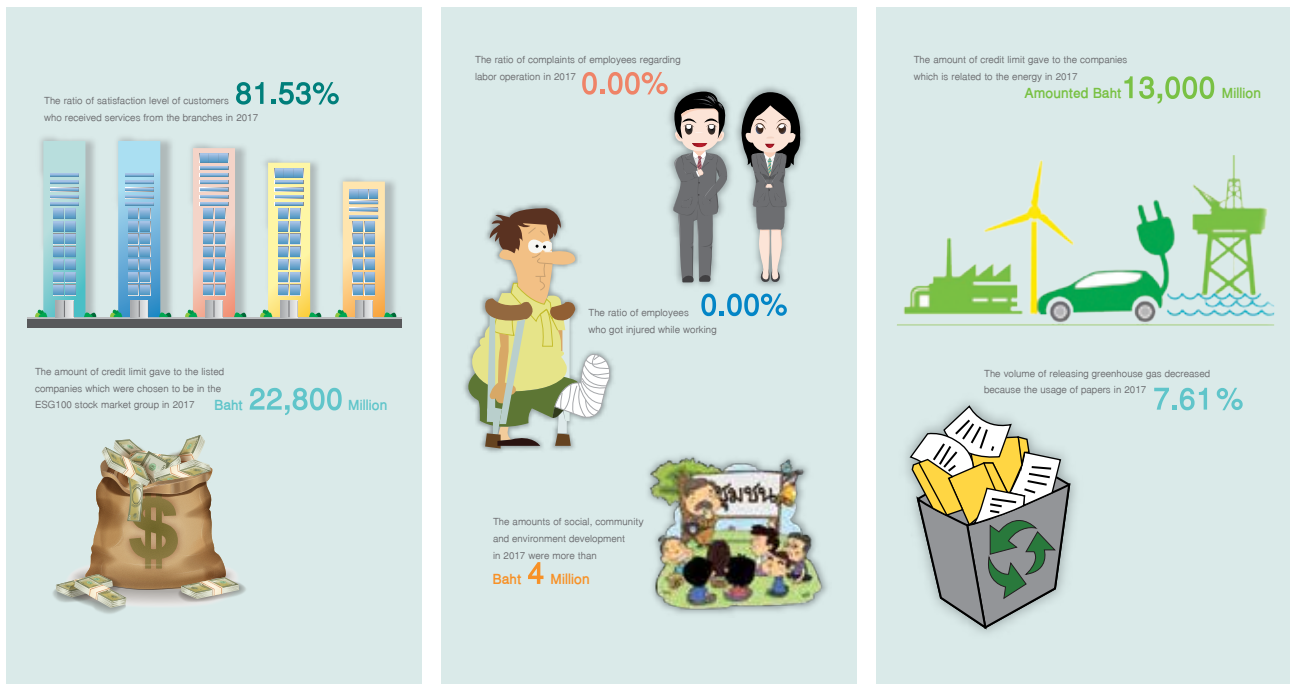


The company aims for operating under the principles of law, integrity and ethical following the good corporate governance guidelines and code of conduct and ethics. Therefore, the directors, the executives and the employees are required to work under the cited principle. The company has provided to participate 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.



Social responsibility performance for sustainable business development in different sides as follows;

Economics	Social	Environment
The ratio of satisfaction level of customers who received services from the branches in 2017 was 81.53	The ratio of complaints of employees regarding labor operation in 2017 was 0.00	The amount of credit limit gave to the companies which is related to the energy in 2017 were 13,000 million.
The amount of credit limit gave to the listed companies which were chosen to be in the ESG100 stock market group in 2017 were Baht 22,800 million.	The ratio of employees who got injured while working was 0.00	The volume of releasing greenhouse gas decreased because the usage of papers in 2017 decreased 7.16% compared to 2016
	The amounts of social, community and environment development in 2017 were more than Baht 4 million.	



The pictures of social responsibility performance for sustainable business development in different sides

Social Responsibility for the Sustainable Development in Business

The company is aware of operating business under the social responsibility making the business to be sustainable. This focuses on paying attention to the stakeholders, economy, society, and environment with morality, ethics, and 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;



1. Analysis the Internal and External Stakeholders' Needs

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 stakeholders group consists of;





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

Analysis of Stakeholders' Needs

Stakeholders	Needs 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 1 times/year. • Provide information in-person for 8 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. • Self assessment for using to improve the working more efficiency.
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. 	<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.

Stakeholders	Needs Analysis	Policy-Compliant Practices	Implementation
3. Employees (Con.)		<ul style="list-style-type: none"> Do not dismiss or terminate any employment which is solely based on the management's decision or based on discrimination. Promote and respect human right protection by not supporting labor coercion, as well as promote employees' work-life balance. Respect right to express opinions of employees, covering their independence in providing comments without intervention, their right to received information or opinions through media, as well the provision of channels to hear employees' opinions. Fair employment condition which allows employees to receive proper compensation based on their competency or agreement made between the employer and each employee in accordance with proper industrial or living standard. Properly arrange working environment for work safety and dignity, allowing employees to work with full capacity and to have time for their family. Protect and do not treat or punish any disciplinary proceedings against an employee who reports with integrity to 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. 	<ul style="list-style-type: none"> 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.
4. Customers	<ul style="list-style-type: none"> Market Conduct 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. To provide My Bank My Love activity



Stakeholders	Needs 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 losses. 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" LH Bank support the Soft Loan project Participate with the project "Soft-Loan Program for SMEs" by Ministry of Finance. Train the trainer 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.
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.

2. Determine the Significant Issues and the Impact of Business Operation Issues

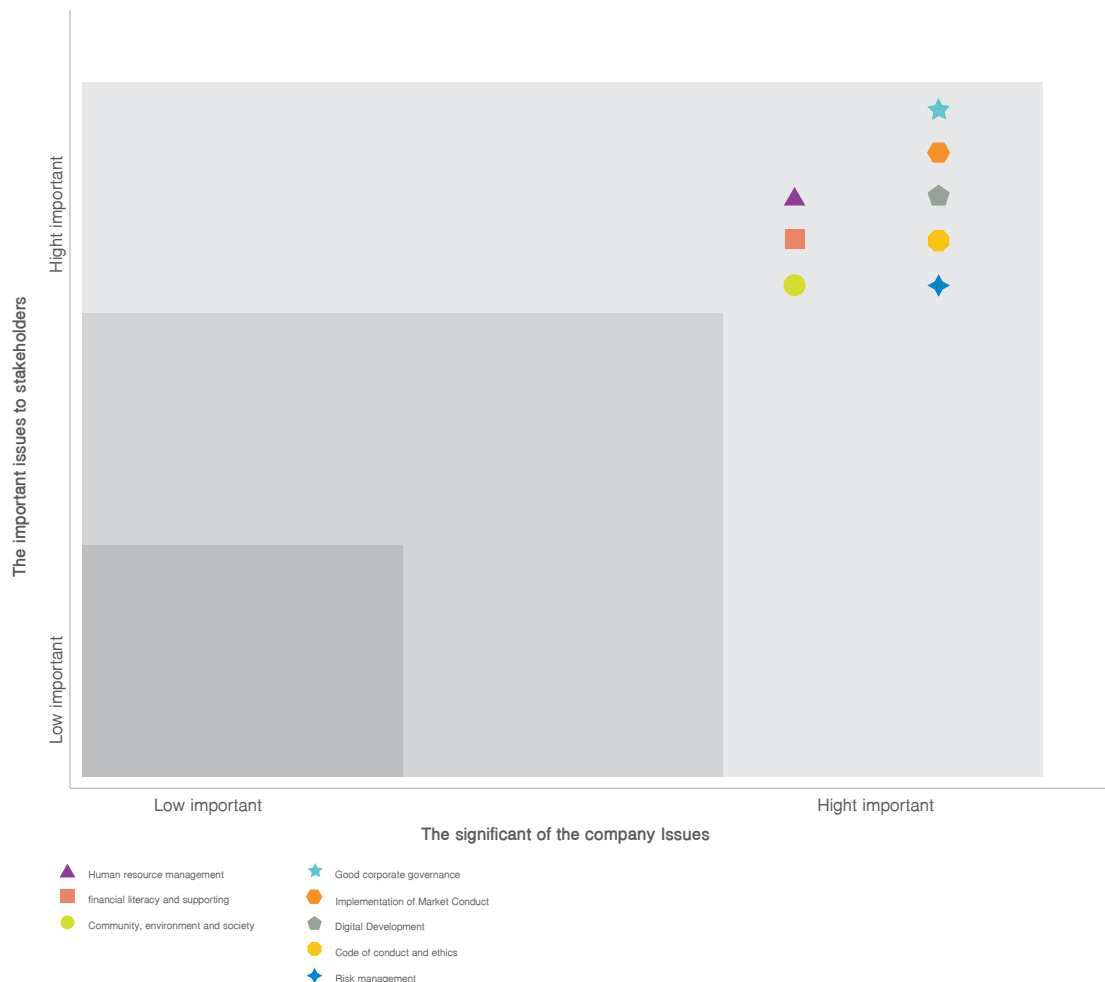
The company has prepared the sustainable business development report. The report would considered from issues, opinions, suggestions and expect in the operating which receive from the analysis of internal and external stakeholders demand comply with Social Responsibilities for Sustainable Development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

- **Internal stakeholder group:** consists of Board of Directors and employees. The company has different kinds of brainstorming such as the discussion in small groups and holding the meeting. Such activities were held to acknowledge the important of sustainable business.
- **External stakeholder group:** consists of shareholders, customers, community, social and environment, trade partners, trade competitors and creditors. The company has been assembled the topics and suggestions in different kinds of discussion and meeting in order to acknowledge the important of sustainable business.

3. Prioritizing the Significant Issues and the Impact of Business Operation Issues

The company analyzes and considers interview from both internal and external shareholders in order to prioritize the important topics and the topics which can be affects to the business operation. Therefore, we can divide to 8 topics in 3 levels; low important levels; medium important level; high important level. The prioritizing was made in Materiality Matrix chart. By the way, the vertical axis shows the important topics in different levels of shareholders and the horizontal axis shows the important topic in different levels of the company.

Materiality Matrix



The Significant Issues and the Impact of Business Operation Issues	Internal stakeholders	External stakeholders	Topics presented in the report
Good Corporate Governance	<ul style="list-style-type: none"> Companies in the financial business group Board of Directors, executive and employees 	<ul style="list-style-type: none"> Shareholders Customers Partners 	<ul style="list-style-type: none"> Good Corporate Governance
Implementation of Market Conduct	<ul style="list-style-type: none"> Companies in the financial business group Board of Directors, executive and employees 	<ul style="list-style-type: none"> Customers 	<ul style="list-style-type: none"> Implementation of sustainable business strategy The responsible for customers
Digital Development	<ul style="list-style-type: none"> Companies in the financial business group 	<ul style="list-style-type: none"> Customers 	<ul style="list-style-type: none"> Innovation and publicize the innovation
Code of Conduct and Ethics	<ul style="list-style-type: none"> Companies in the financial business group 	<ul style="list-style-type: none"> Shareholders Customers Trade Partners 	<ul style="list-style-type: none"> Code of Conduct and Ethics Anti corruption
Risk management	<ul style="list-style-type: none"> Companies in the financial business group 	<ul style="list-style-type: none"> Shareholders Customers Trade Partners 	<ul style="list-style-type: none"> Risk factors Internal control and risk management Good corporate governance
Human resource management	<ul style="list-style-type: none"> Companies in the financial business group 	<ul style="list-style-type: none"> Trade Partners 	<ul style="list-style-type: none"> Fair treatment of labors Respect the human rights
Financial literacy and supporting	<ul style="list-style-type: none"> Companies in the financial business group 	<ul style="list-style-type: none"> Customers Community, Environment and Society 	<ul style="list-style-type: none"> Community and social development
Community, social and environment management	<ul style="list-style-type: none"> Companies in the financial business group 	<ul style="list-style-type: none"> Partners Community, Environment and Society 	<ul style="list-style-type: none"> Community and social development

4. Verify the Significant Issues and the Impact of Business Operation Issues

The company will assemble important topics to propose to the executives and Corporate Governance Committee, therefore they can be acknowledged and give the operational guidelines which reported in business sustainability report and the company's website.

5. Review the Significant Issues and the Impact of Business Operation Issues

The company provided the reviewing information process after published the report. However, the reviewing process was provided in order to get the opinions and suggestions for improving the contents in report in the future.

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.

Invitation the trade partners to join the Anti-corruption association

The company encouraged our customers and sponsors to aware of the important of Anti-corruption community. We invited the partner to join Anti-corruption association by entertaining customers and sending customers the gifts, rewards.

Consider credit by the risk of environment, social and good governance

For credit management, we are aware of the important of environment, social and good governance. However, considering the credit has strict processes. The topics which will be considered are the risks of environment, social and good governance. In case the businesses of customers do not have the good side effects on economics, social and environment, the bank will not supports.

Customer Relationship Management

In 2017, the bank had the intention to raise the quality of services level. We have been researched the satisfaction of customers who received the service experiences at our branches in order to understand the requirement of them. We also have the ways to collect the information through call center service and branches. Thus, we can improve the service quality base on the requirement of customers and can also determine the indicators of service quality. Besides, the bank has provided operating guide books to set the standard of services and meet the satisfaction of customers. Anyway, in 2017, the ratio of customers who were satisfied with services at our branches was 81.53.

Supply chain Management

The company is aware of the importance of growing business without bad side effects with the social and environment thorough the supply chain. We emphasize on the collaboration between each partners to develop the business implementation together with raising the quality of environmental and social performances according to the code of conduct.

In 2017, the company has 800 trade partners. Our partners have been informed to follow the purchasing procurement regulations for understanding and perform according to the regulations accuracy and transparency.

Follow Up, Auditing and Evaluating of the Trade Partners Process

The company has tracking and evaluating performance of partners in different ways, such as the evaluating of satisfaction, the way to acknowledge the suggestions and complaints. However, to ensure that the company has received the products and good services, the company provided the management team to check out the products and services, suggested the partners to improve and develop the quality of products. In case the partners cannot follow the standard, the company will considers not using the service.

Tax Management

The company was listed in the stock market in Thailand and Financial business group. We operate the business with reliability and follow the Thai Revenue law and the regulations of revenue plan strictly.

Tax Management Strategy

The company has planned in revenue tax for highest benefits of the bank and the stakeholders including comply with the regulations of revenue tax.

Tax Risk Management

The company provided the revenue tax risk management system which set the seminar and develop the knowledge to the related employees by considered the risk, responsibilities and fair treatment of stakeholders and related persons.

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 2017 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 2017 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.

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 February 21st, 2018. The good corporate governance policy is based on the principle of the Corporate Governance Code (CG Code) of the Office of the Securities and Exchange Commission. It 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 8 categories as follows;

- Principle 1 Establish clear leadership role and responsibilities of the board
- Principle 2 Define objectives that promote sustainable value creation



- Principle 3 Strengthen board effectiveness
- Principle 4 Ensure effective CEO and people management
- Principle 5 Nurture innovation and responsible business
- Principle 6 Strengthen effective risk management and internal control
- Principle 7 Ensure disclosure and financial integrity
- Principle 8 Ensure engagement and communication with shareholders

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

Compliance with the Principles of Good Corporate Governance

The Board of Directors is aware of the roles and responsibilities of the company in enhancing corporate governance to sustain the company's business growth. The company has complied with the good corporate governance policy by following the guidelines which set by the Stock Exchange of Thailand as follows:

Principle 1 Establish clear leadership role and responsibilities of the board

The Board of Directors has set the objectives and goals through the approval of annual plans and budgets, including the company's business strategy and the allocation of resources to achieve the objectives and goals. In addition, the Board of Directors is responsible for overseeing the management according to the strategies and the require plans by consider the maximum benefit of the company is important. It will monitor the management on a monthly basis to ensure that the strategy is effectively implemented and meet the goals and require plans.

The Board of Directors Meeting

- The Board of Directors and the sub-committee usually held the meetings. The meeting is scheduled in advance for a one-year period, and the additional special meetings are required. The company has informed all the directors in advance so that they can schedule and attend the meeting. The agenda of the Board of Directors' meeting shall be determined by the chairman and the president to jointly consider the matter to be included in the agenda pass through the company secretary. There will be a clear agenda and the important agenda items such as quarterly financial statements, the company's performance in the Financial Business Group.

However, in the Board of Directors meeting, the company's secretary will send the notice of the meeting; the meeting agenda and the documents are to be submitted to the directors at least 5 days prior to the meeting date for the directors to have the time to study the agenda and the supporting documents. Normally, each meeting takes about 2 - 2.30 hours. The company takes the minutes of the meeting is in writing, covering the complete essay at the appropriate time. The minutes of the meeting are certified by the Board of Directors and the meeting documents are kept systematically. The Board of Directors and the related parties can verify the documents and it is easy to find the references.

- The Board of Directors Meeting, the Chairman of the Board allocates sufficient time for the Board to discuss the important matters and in the consideration of certain agenda; the President will invite the executives to attend the meeting to provide more detailed information as it relates to the subject matter presented directly.

- The quorum of the Board of Directors Meeting must be not less than half of the total number of the directors in accordance with the company's regulation and the decision of the meeting requires a majority vote, if the votes are equal, the chairman of the meeting can exercise his casting vote.

- The Board may seek the opinion of the independent consultant or the external professional, if it is necessary; it deems the expense of the company.

- The Non-Executive Directors are able to held the meetings without the President attends the meeting to discuss the issues or the problem about the management is interesting and find the ways to improve or provide the useful suggestions to the management and report the resolutions and summarize the comments received from the meeting to the President to acknowledge.

The company has set the guidelines for its employees to perform their duties with the honesty, the integrity, the regulations and it does not care about its own interests beyond its responsibilities to the company.

Principle 2: Define the objectives that Promote Sustainable Value Creation

The Board of Directors shall define the company's objectives and main goals for the sustainable growth comply with creating value to the company, customers, stakeholders and the whole society. There are supervise and review the plan, budget and strategy are semi-annual to ensure that the plan, budget and strategy for each time correspond to the objectives and the goals.

Principle 3: Strengthen Board Effectiveness

The Board of Directors is at the heart of good corporate governance. There are experts in various fields, experienced, have the leadership, vision, the independence in decision making, dedicate time and perform duties responsibly, cautiously and honestly for the maximum benefit of the company and its shareholders.

Structure, Composition and Qualifications of the Board of Directors

The Board of Directors

The Board of Directors consists of 9 members who are knowledgeable, capable and experienced. The election of directors is in accordance with the resolution of the shareholders' meeting. The rules and procedures of the laws and the regulations of the company is the right amount for the business of the company. The structure of the Board of Directors has been appropriately set. The current directors consist of:

- | | |
|----------------------------|-------------|
| 1. Executive director | 1 position |
| 2. Non-Executive Directors | 5 positions |
| 3. Independent directors | 3 positions |

The Board of Directors structure is proportionate and fair and for the independence of the Chairman, and separates the powers and duties of regular policy oversight and management. The Chairman of the Audit Committee is not the same person as the President. The separation of powers between each other clearly does not allow anyone to have unlimited power to balance and review the management.

- The Boards of Directors are selected based on knowledge, experience, skills, expertise, honesty and using the capabilities for the company. There is the ability to provide the independent comments and understand into the business of the financial sector and not to deprive them of their sexuality.
- The Board of Directors required the qualifications of the Independent Directors are in line with the good corporate governance practice as prescribed in the Notification of the Capital Market Supervisory Board and the Bank of Thailand. The Board of Directors consists of: at least 3 independent directors or at least one-third of the total number of the directors, whichever is higher. The Independent directors must be the directors who are not the employees or the employees who receive salary from the company. The company is independent from the major shareholders of the company. They can also take care of the interests of minority shareholders.

The company reveals the details of the Independent Director Qualifications, the company has disclosed the topic of Management Structure on Independent Directors Qualifications.

- The Board of Directors has set the term of the director position in accordance with the Act of the Public Company Limited. The articles of association of the company in the Annual General Meeting of the shareholders, one third of the directors shall retire. If the number of directors cannot be divided into three parts, the number nearest to one-third must be issued. However, the directors who are in the longest position shall retire from the term and if there is the issue that the directors cannot agree on being able to leave, the committee will use the raffle draw method. The retired director may be re-elected.

- The Board of Directors has set the guidelines for the number of companies that the directors will hold the positions in other companies as follows:

- Director, President will be in the position of not more than 5 listed companies.
- Director, President and the authority to handle will be in the position of Chairman, Executive Director or the authorized director which will be one or more in other companies which is not more than 3 business groups.

The company reveals the details of the director positions in other companies in the topic of the Board of Directors' position on the listed companies in the Stock Exchange of Thailand and holding the positions in companies not listed on the Stock Exchange of Thailand.

The Sub-Committees

The management structure of the company consists of: The Board of Directors who has decentralized the effective management and transparency in management. The Board of Directors has appointed the subcommittees to help to study the details and screen the work so as to ease the burden of the Board of Directors. The sub-committee consists of 4 committees as follows:

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

However, the Chairman of the Audit Committee, the Chairman of the Corporate Governance Committee and the Chairman of the Nomination and Remuneration Committee as the Independent Director who are transparent and independent in performing the duties. There are the separation of the duties and the responsibilities clearly.

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 knowledge and experiences in the verification of the company's financial statements in the Management Structure part, No.3 The Audit Committee.

1. Self-Assessment of the Board of Directors

The board of directors of the company has evaluated its overall performance to review the performance and the trouble last year and provide more efficiency performance because the boards of directors are clearly aware of their responsibilities. The 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 of the Board of Directors and all sub-committees
- Self- Assessment of the Board of Directors and the sub-committees as individual basis
- Corporate Governance Self-Assessment by the Corporate Governance Committee and the Board of Directors
- **Self-assessment of the Board of Directors and all Sub-Committees**

Self-assessment divided into 6 areas as follows;

1. Structure and qualifications of the Board of Directors
2. Roles, duties and responsibilities of the Board of Directors
3. Meeting of the Board of Directors
4. Performance of the Board of Directors
5. Relationship with the management team
6. Self-improvement of the directors and the development of the executives

Scoring 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 2017 whole team self-evaluation, most assessment items were given the score of 4.

- Self -Assessment of the Board of directors and the Sub-Committees as Individual Basis

The Assessment divided into 3 areas as follows;

1. Structure and qualification of the Board of Directors
2. Meeting of the Board of Directors
3. Roles, duties and responsibilities of the Board of Directors

Scoring 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 2017 result of the evaluation the self-assessment of the individual members of committees, most assessment items were given the score of 4.

- Corporate Governance Self-Assessment

The Board of Directors 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. Right of Shareholders 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 the self-assessment of implementation according to the principles of good corporate governance of the year 2017, most assessment items were given "Yes".

2. Annual Performance Self-Assessment of the President

The Board of Directors is assigned to the Nomination and Remuneration Committee to consider the President's performance assessment including the compensation and bonus for the annual performance by considering the responsibilities of the company.

- Evaluation the annual performance of the President, the Chairman evaluated the performance of the Nomination and Remuneration Committee. The indicators are consistent with the company's vision, mission and the long-term goals by realizing of the responsibilities, the accomplishments, the goals, the situations and business conditions at that time. The evaluation form is divided into two main areas: financial performance indicators (KPIs) and non-financial performance indicators. (Non-Financial KPI)

- The Chairman reviewed the annual performance of the President. The results of the assessment were proposed to the Nominating and Remuneration Committee to determine the return and bonus. When the Nomination and Remuneration Committee reviews the performance of the President, the results of the assessment are proposed to the Board of Directors for approval.

The Company Secretary

The Board of Directors has appointed Mr. Vichian Amornpoonchai, the Executive Vice President, Corporate and Legal Affairs to be the Company Secretary of the Land and Houses Bank Public Company Limited since May 15, 2009 to serve as the Company Secretary as required by law. The Board of Directors has encouraged and encouraged the Company Secretary to receive training and development of knowledge in law, accounting, or corporate secretarial duties.

The company has disclosed the profile of the company secretary at the topic of management structure.

Principle 4: Ensure Effective CEO and People Management

The Board of Directors has appointed a Nomination and Remuneration Committee to clearly and transparently nominate and remuneration the directors and the President which consistent with the role. The remuneration of directors must be approved by the shareholders' meeting and disclosed in the annual report and the annual registration statement (Form 56-1).

The Nomination and Remuneration Committee will select and screen the qualified persons with knowledge, ability and experience in various fields. Have a good understanding of the company's business, including the economy, the law and the others by considering the necessity of the organization and the good corporate governance. However, the Nomination and Remuneration Committee will listen to the suggestions of the minority shareholders which nominating the persons who should be nominated by election to be the Directors or Independent Directors of the company. The company has given the opportunity for the shareholders to nominate the candidates to be elected as the Directors at the Annual General Meeting of the shareholders in accordance with the criteria that established by the company.

Nomination of the Directors and the Highest Executive

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 the new directors.

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

The criteria for nomination and appointment of the Independent Director, such person must have the qualifications of the independent director as required by the company which is in accordance with the Notification of the Capital Market Supervisory Board and it is in line with 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.

Regarding to the criteria in nominating the company's top executives, the nomination and remuneration committee will consider nominating the persons with the proper competence and qualification by considering the ethics and the honesty in the positions of the top executives including the president. The basic factors that used for consideration are the qualification, the knowledge, and the 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.

Remuneration of the Directors and the Executives

- The Nomination and Remuneration Committee chaired by the independent directors, to lay down the policies, methods and criteria in remunerating the directors and the president in a fair and transparent manner which links to the company's operating results and the performance of each director in line with industry's standards. The remuneration, which must be high enough to retain the directors with desirable qualifications.

- Directors' remuneration is fixed by the shareholders' meeting in pecuniary and other forms considered and proposed by the Nomination and Remuneration Committee. Remuneration consideration was taken on the basis of general practices of the industry taking in account work experience, knowledge and competencies, duties and responsibilities, including directors' contributions made towards the company, in comparison to SET listed companies in similar industries and businesses and to a listed companies average according to a survey report on remuneration rates for directors of listed companies by the Thai Institute of Directors. The rates of remuneration for the directors approved by the 2017 Annual General Meeting held on April 24, 2017 and remuneration amounts and other compensation for the directors in 2017 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.*

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 2017, the directors attended the training seminars as follows;

Name of Directors	Training Seminars Program
1. Mr. Rutt Phaniiphand Chairman of the Board of Directors	<ul style="list-style-type: none"> • A Review of Mid-Year of 2017 Plan and Budget Meeting Arranged by LH Financial Group Public Company Limited Date: July 22, 2017 Venue: Sukhumvit Room, Sheraton Grande Sukhumvit, Bangkok • Thailand's Eastern Economic Corridor (EEC) Seminar Arranged by Land And House Bank Public Company Limited Date: October 7, 2017 Venue: Mandarin A Room, Mandarin Hotel • Cyber Resilience Leadership Seminar Arranged by the Bank of Thailand Date: November 23, 2017 Venue: Phatara Ruamjai Room, the Bank of Thailand
2. Mr. Adul Vinaiphat Independent Director Chairman of the Remuneration and Nomination Committee Chairman of the Audit Committee Chairman of the Corporate Governance Committee	<ul style="list-style-type: none"> • Thailand's Eastern Economic Corridor (EEC) Seminar Arranged by Land And Houses Bank Public Company Limited Date: October 7, 2017 Venue: Mandarin A Room, Mandarin Hotel • Cyber Resilience Leadership Seminar Arranged by the Bank of Thailand Date: November 23, 2017 Venue: Phatara Ruamjai Room, the Bank of Thailand
3. Asso.Prof.Dr. Supriya Kuandachakupt Independent Director Audit Committee Corporate Governance Committee Nomination and Remuneration Committee	<ul style="list-style-type: none"> • Thailand's Eastern Economic Corridor (EEC) Seminar Arranged by Land And Houses Bank Public Company Limited Date: October 7, 2017 Venue: Mandarin A Room, Mandarin Hotel • Annual Seminar of 2017 "Business in the Age of Variation" Arranged by EY Office Limited Date: November 22, 2017 Venue: Crystal Hall Room, The Athenee Hotel • Cyber Resilience Leadership Seminar Arranged by the Bank of Thailand Date: November 23, 2017 Venue: Phatara Ruamjai Room, the Bank of Thailand
4. Mr. Sun Vitthespongse Independent Director Member of the Audit Committee Member of the Corporate Governance Committee	<ul style="list-style-type: none"> • Thailand's Eastern Economic Corridor (EEC) Seminar Arranged by Land And Houses Bank Public Company Limited Date: October 2, 2017 Venue: Mandarin A Room, Mandarin Hotel
5. Mr. Naporn Sunthornchitcharoen Director	<ul style="list-style-type: none"> • A Review of Mid-Year of 2017 Plan and Budget Meeting Arranged by LH Financial Group Public Company Limited Date: July 22, 2017 Venue: Sukhumvit Room, Sheraton Grande Sukhumvit, Bangkok
6. Mr. Wu Kuo-Chin Director	<ul style="list-style-type: none"> • Cyber Resilience Leadership Seminar Arranged by the Bank of Thailand Date: November 23, 2017 Venue: Phatara Ruamjai Room, the Bank of Thailand
7. Mr. Khunawut Thummapromkul Director	<ul style="list-style-type: none"> • Thailand's Eastern Economic Corridor (EEC) Seminar Arranged by Land And Houses Bank Public Company Limited Date: October 7, 2017 Venue: Mandarin A Room, Mandarin Hotel
8. Mr. Shih Jiing-Fuh Director	<ul style="list-style-type: none"> • Thailand's Eastern Economic Corridor (EEC) Seminar Arranged by Land And Houses Bank Public Company Limited Date: October 7, 2017 Venue: Mandarin A Room, Mandarin Hotel
9. Mrs. Sasitorn Phongsathorn President	<ul style="list-style-type: none"> • A Review of Mid-Year of 2017 Plan and Budget Meeting Arranged by LH Financial Group Public Company Limited Date: July 22, 2017 Venue: Sukhumvit Room, Sheraton Grande Sukhumvit, Bangkok • Thailand's Eastern Economic Corridor (EEC) Seminar Arranged by Land And Houses Bank Public Company Limited Date: October 7, 2017 Venue: Mandarin A Room, Mandarin Hotel • Cyber Resilience Leadership Seminar Arranged by the Bank of Thailand Date: November 23, 2017 Venue: Phatara Ruamjai Room, the Bank of Thailand

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.

Succession 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.

Principle 5: Nurture Innovation and Responsible Business

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 ensure that the stakeholders are protected and treated well.

During the year 2017, the Board of Directors has approved the revised of the Company's Code of Conduct, Directors' Code of Ethics and Employees' Code of Ethics comply with the Banking Industry Code of Conduct which the company has communicated for acknowledge to the executives and the employees via the company's intranet channel by put the various knowledge program via Digital Learning System and the company's website as follows;

Section 1 Intention

The purpose of the company's Code of Conduct, directors' Code of Ethics and Employees' Code of Ethics is to provide good practice guidelines as a working's standard for all employees and directors.

The company is considered the trusted financial institute as a source of funding and emphasizes on operating the business honestly and places important of balancing the operating results, impact on shareholders and customers. It also adheres to conduct the sustainable business operations by considering society and environment together with humanitarian principles.

In addition, the company intends to operate its business under the principles of maintaining the honesty and reliability as well as provides beneficial to customers. The company also performs its business with regard to the good governance principles to ensure the balance between the company and the stakeholders.

The Company's Code of Conduct, Directors' Code of Ethics and Employees' Code of Ethics can be categorized into 4 sections as follows;

Section 1: Intention

Section 2: The Company's Code of Conduct

Section 3: Directors' Code of Ethics

Section 4: Employees' Code of Ethics

Definitions

"Code of Conduct"

Refers to rules of behavior that the financial institution has defined to maintain and improve a good reputation and status of the financial institution's employees

"Ethics"

Refers to the basic behavior rules for controlling physical and verbal behaviors that employees should adhere and practice habitually at work

"Company"

Refers to LH Financial Group Public Company Limited

"Director"

Refers to the Company's Directors

"Employee"

Refers to all types of the Company's employees; trainee, permanent employee and the employee with special contract

Section 2 The Company's Code of Conduct

2. The Company's Code of Conduct can be divided into 10 areas as follows;

2.1 Code of Business Ethics

The company shall ensure that employees comply with the Code of Business Ethics as follows:

2.1.1 Perform duties with honesty, morality and responsibility conform to the laws, the government agencies' regulations and related rules strictly, including Anti-Corruption policies, and Anti-Money Laundering and Combating the Financing of Terrorism policies.

2.1.2 Prevent and avoid any action that may lead to the conflict of interests

2.1.3 Perform duties as the professional who has knowledge, abilities and skills cautiously

2.1.4 Keep confidentiality and shall not use the internal information or the confidential information to seek benefits for his/herself or others improperly

2.2 Director and Executive's Roles

The company's directors and executives shall have conscious minds regard to duties and responsibilities under the morality and ethics' framework to promote a good governance in the company at all levels as follows;

2.2.1 Directors and executives shall perform their duties and operate a good corporate governance with honesty, fairness, morality, responsibility and ethics in business operations for the maximum benefit of the company and stakeholders under the framework and guidelines of Business Judgment Rule, including considering and maintaining the company's benefits by paying attention to the incidents that occur to the company or its operations.

2.2.2 Directors and executives will play an important role in creating the good corporate governance, which will enable the confidence for shareholders, customers, regulators and all stakeholders. It also makes maximum benefits to the company, industry and the nations. For this reason the good corporate governance policies and ethics has been set clearly in writing, as well as ethics to communicate with employees and executives to utilize effectively.

2.2.3 Directors shall follow the principle of good corporate governance and shall be the link between shareholders and management team by determining policies that relevant to business operations and directions. They are also responsible for setting the good corporate governance and supervise executives and management team to perform their duties in accordance with the defined policies efficiently and effectively.

2.2.4 The company operates its business under the laws, regulations, standard rules and practices of the government agencies as well as many other related rules. Consequently, directors as the representatives of shareholders shall set policies while executives as the representatives of management team shall carry forward the policies to be implemented properly, efficiently and effectively. The company shall provide the effective internal control system for governing the company to operate its business appropriately in accordance with laws, rules and regulations strictly.

2.2.5 Directors shall govern that the company has policies and the efficient risk management system to handle the significant risks of the company. They shall supervise the risk management committee to perform its duties properly like an expertise and does not dominate by any business units. In addition, the executives shall be aware of risks that may occur in a business, including protection the company's benefits and limit any damages that may occur to stay at the acceptable level under the effective risk management.

2.2.6 Any actions of directors and executives which link to the company shall be at an appropriate level or shall be considered as the normal business transactions as the transactions with general person who is not special related to the company. The transactions shall adhere to the company's benefits and avoid any conflict of interest that may occur or be expected to occur. In case of conflict of interests, they must be handled fairly and immediately.

2.3 Service Standards

The company will enhance the confidence of its customers and stakeholders by providing service standards as follows.

2.3.1 Manage its business effectively to provide good services to customers and stakeholders

2.3.2 Set a good corporate governance system to provide services comply with the related regulations of the government agencies

2.3.3 Cautiously set an internal management and control system cautiously to prevent service errors

2.3.4 Set the risk management system that agreed with the business to ensure that the company is able to manage risks that may occur and handle them properly

2.4 Employees and Work Environment

In order to support the employees to work effectively, the company will provide them the following facilities;

2.4.1 Provide a good and safe of working environment, therefore employees are ready to service customers

2.4.2 Pay attention to treat all employees fairly and honorably.

2.4.3 Promote and support employees to have the opportunities to improve themselves by attending training regularly

2.4.4 Compensate employees fairly according to their performance evaluation

2.4.5 Keep employees' personal information confidential and do not take their information to find other benefits

2.4.6 In case of employee investigation on his/her operations, the company will supervise its employee to cooperate both internal and external compliance and audit office to ensure fairness

2.4.7 Do not discriminate on the differences of gender, race, age, religion or disability

2.4.8 Supervise to prevent threat by word and behavior that may affect the honor or human dignity of others in the workplace

2.4.9 Provide the appropriate communication channels for complaints and clues

2.5 Customer Responsibility

The Company will pay attention to and treat responsible for treat the customers as follows;

2.5.1 Deliver products and services that meet the customers' needs and capabilities

2.5.2. Disclose the information of the company's products and services covering the relevant conditions and risks, as well as inform the service fee and interest rate correctly, clearly and timely to help customers for more understanding and provide them with the sufficient information for making decisions, moreover, the advertising and public relations must be communicated transparently with clear messages without misleading

2.5.3 Protect the confidential information of customers, except in case that receiving the permission from those customers or in case that the company has to abide by laws

2.5.4 Provide a complaint process and handle the customers' complaint issues clearly and properly.

2.5.5 Keep a sustainable relationship with customers and do not take a bribe and/or benefits, gifts, assets and any reception parties arranged with the intention that could be implied to incorrectly benefit customers incorrectly.

2.6 Conflicts of Interest

The Company will provide measures to manage conflicts of interest in operating the business as follows.

2.6.1 Protection of internal information

- (1) Provide measures to control securities trading and disclose securities trading account of directors, executives, and employees who may have access to internal information, including the related person to protect the use of internal information from their positions, duties or operations for personal interest or other interest inadvertently
- (2) Arrange a separate working area to prevent information leakage between business units by separating the working areas for the business units that may have conflicts of interest.

2.6.2 Transaction with Related Persons and Connected Transaction

- (1) Transaction between the Company and directors, executives, major shareholders and related persons shall not be within the scope of transferring the benefits of the company to related person
- (2) The company's employee who have interest or is involved in any transaction shall not participate in the transactional decision-making process to ensure that the decision-making is considered for the maximum benefits of the company
- (3) Set the regulations regard to connected transactions and also set the process of consideration carefully to ensure the benefits of the Company and its shareholders.

2.6.3 Receiving and giving gifts, receptions and other benefits

- (1) Receiving and giving gifts, receptions and other benefits of the company to promote business relationships, the company shall operate with carefulness, reasonability and proper value suit with the occasion and tradition
- (2) Do not offer a bribe, reward, provide or claim for any other inappropriate benefits either directly or indirectly for customers, a government agencies, a private sector, or a third party to influence their neutral judgment or to influence others on their duties to gain the improper benefits.

2.7 Information Management

The company has appropriately managed and communicated its information as follows;

2.7.1 Information Management

- (1) Protect, keep and maintain customers' information, including the company's information that is not required by laws to disclose by collecting and maintaining and using the customers' personal information appropriately
- (2) Not disclose customers and the company's information, except in case that customer give consent or to with the related laws.

2.7.2 Communication

Communications, statements or providing any information related to the company, the company business and customers shall conduct properly and correctly. Any such action to mass media or any media shall be made by the person assigned to perform on behalf of the Company.

2.8 The overall supervision

The company shall operate its business in accordance with the related laws, regulations, policies, the company's principle and good governance as follows;

2.8.1 Provide employees with knowledge and understanding of laws and regulations, and encourage them to realize about risks that may occur when violate regulations that may affect the company's operations, image, reputation and the responsibilities of the employees.

2.8.2 Establish the department that responsible for compliance according to laws and regulations. The department shall perform its duties independently from the company's management, including allocating human resources and other resources for the department appropriately and sufficiently

2.8.3 Provide the supervision to regularly verify the compliance with the laws, regulations of the related government agencies, policies and regulations of the company by managing and finding solutions and measurement under the framework of laws, principles, good governance, policies and procedures of the company

2.8.4 Provide a disciplinary action against those who do not comply with the laws and regulations appropriately by considering the effect and nature of the offense and the fairness to all parties without discrimination.

2.8.5 Provide communication channels for receiving clues or reporting suspicions about honesty or any action that not comply to the related laws and regulations

2.9 Trade Competition and Dispute resolution

To ensure that the company's operation has been performed efficiently and sustainably, the company shall proceed as follows;

2.9.1 The Company shall operate its business freely and compete fairly without making agreement between the companies to determine the purchase price, selling price, or terms of service that are unfair to customers.

2.9.2 The company shall provide products and services that benefit customers worthily so that customers are able to select products and services freely and shall not obstruct them when they change to use other company's services

2.9.3 The company shall not attack its competitors or perform any action that considered a monopoly or reduce competition or restrict competition in the market.

2.9.4 In case of dispute, the company will provide the appropriate process to settle or mediate a dispute

2.10 Society and Environment

The company adheres to operate its business by considering the responsibility to society and environment and carefully operates any action that may affect the public sentiment and inspires employees to have a conscious mind and sense of the environmental responsibility.

Section 3 Code of Ethics for the directors

Due to the company's the board of directors plays an important role in leading the company to success by determining policies and directing the employees' behavior in the right directions. Consequently, for performing as the good directors under the Code of Conduct and Ethics to serve as a good role model for the executives and all levels of employees, the Board of Directors adhere to the principles and practices as follows;

3. The Directors' Code of Ethics consists of 3 areas as follows;

3.1 Business Management

3.1.1 Supervise the company to operate its business without security risks

3.1.2 Perform the 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

3.1.3 Perform the duties as professionals, with knowledge, skills, determination and caution and apply the existing knowledge and skills to manage duties for the company properly

3.1.4 Refrain from seeking the personal and related persons' interests 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 personal and other person's interests

3.1.5 Supervise the company's operations to in compliance with related laws, regulations and the government's policies, including handling to ensure that no facts are concealed and the information is reported accurately, completely, timely and regularly

3.1.6 Perform the duties according to the laws and regulations relating to the business operations

3.2 Relationship with the Shareholders, Customers, Creditors, Trade Partners and Employees

3.2.1 Directors have responsibilities to shareholders such as disclosing the information, accounting practices, using the internal information and conflicts of interest.

3.2.2 Protect customers' interests, pay attention and take responsibility to them, including providing them with a best and quality products as well as keeping products' standards

3.2.3 Behave within the rules of good competition by refraining from tarnishing the reputation of competitor and do not seek their information dishonestly and unfairly

3.2.4 Supervise to ensure the equal employment opportunities and establish other employee-related principles to build confidence that the employees have the knowledge and skills necessary for the operations.

3.3 Social and Environmental Responsibilities

3.3.1 Operates the business with the responsibilities to the society and the environment.

3.3.2 Take precaution and pay attention to any operations that may affect to the public.

3.3.3 Promoting the environmental awareness and responsibility.

Section 4 Code of Ethics for Employees

4. Code of Ethics for Employees is grouped into categories as follows;

4.1 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, financial systems and the whole 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.

A. Code of Conducts for the Company's Supervisor and Executives

- (1) Understand the important of Code of Ethics for Financial Professionals and companies that they have to adhere to honestly as the first priority

- (2) Be a coordinator for passing on the policies of the government agencies and shareholders to related person to be understood and put into practices
- (3) Be a leader by behaving his/herself as a good role model
- (4) Encourage and support employees to realize the importance and virtue of performing duties honestly and fairly by providing them the related knowledge and understanding as well as appreciation and/or reward employees, executives who work with honesty, sincerity and morality to all related persons
- (5) Build trust, reliability, satisfaction to customers by clarifying about the disadvantage, inaccuracy and impact that derive from giving bribery, reward or other benefits to employees and executives

B. Code of Conducts for the Company's Employees

- (1) Understand that honesty is the foundation of building trust and confidence for customers to achieve the success in operating business and to develop a higher ethics.
- (2) Perform duties with honesty and maintain the company's benefits as his/her own business
- (3) Provide the services to customers with a purpose to maximize their benefits on the basis of honesty and legitimacy.
- (4) Shall not pay attention to personal interests over responsibility to the company and shall not seek to benefits or embezzle the assets that should belong to the company or its customers
- (5) Shall not disclose the information about the customer's project to another person or shall not run a business as the competitor of the customer
- (6) Shall be honest with the customers and shall not use the customer's trust to find personal benefits
- (7) Avoid receiving valuable things or gifts but in case of unavoidable situation, the employee shall receive the gift as a service provider who is the company's representative and shall not hold it for his/her own benefit
- (8) Shall not use his/her company's position for personal benefits and shall not allow another person to seek benefits from his/her own name or position
- (9) Shall not ask for any other assets from customers, except expenses, and fee charged by the company
- (10) Approve loan in line with the scope of authority delegated and uphold the company's regulations
- (11) Give priority to the supervision and follow up of the loan agreement to comply with the agreement and shall not conceal the problem when it arises
- (12) Analyze loan under trusted data and shall not report false statements.
- (13) Analyze loan with the concept of equality and without bias by realizing that the company's business and customer's business depend on each other and have mutual benefits.
- (14) Shall not give hope or pledge to customers with regard to the particular subject that he/she has no authority delegated
- (15) Attempt to resolve customer problems and be ready to assist as much as possible if the case does not contrary to the company's benefits and it shall not cause damage to the company.
- (16) When receiving money from customers to pay to the company, he/she shall submit and deliver the receipt to the customer promptly

4.2 Confidentiality

In the company's business, keeping confidentiality means securing all important information of the company. The important information includes:

- Financial information, name and adress of the customers
- 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 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.

A. Code of Conducts for the Company's Supervisor and Executives

- (1) Receive guidelines and regulations from the coordinator and control the business ethics of the company to apply to the guidelines and policies by setting as the company's practices
- (2) The supervisor shall create the company's environment to support the protection of confidential information
- (3) Set up the department that responsible for control the employees' operations in accordance with the regulations of keeping the confidential information
- (4) When all employees realize about the practice, supervisor and executives are responsible for advising them in case of any interruption, including paying attention to their opinions and suggestions. Consequently, supervisors and executives will use their opinions and suggestions to adjust the company's practices to suit with its operations

B. Code of Conducts for the Company's Employees

- (1) Keeping the confidentiality of the company and its customers is a fundamental principle of the company's business. The company's employees shall maintain customer confidentiality and they shall not disclose the company's information that have not yet been disclosed to the public, except when get permission from the customer or in accordance with the laws or get permission from top executives
- (2) The company's employees shall not use the information obtained or has been prepared by their assigned duties to make personal benefits or other persons' benefits.
- (3) The company's employees shall be aware

of the defined procedures, in case of any obstacle or opinion and suggestion, the employees shall consult with the supervisors and executives to adjust the procedures to suit with the company's operations

- (4) The company's employees shall keep the confidentiality of the customers' information strictly and shall not use customers' information for their own benefits
- (5) In some cases, the company's employees shall not disclose customers' information to other employees or other departments because it may lead to conflicts of interest
- (6) Employees who are responsible for the personal information of all employees such as salary and benefits are able to disclose the information to the internal and external persons when necessary with carefulness and it must be strictly confidential
- (7) The company's employees shall not take personal matters or the customers' information and colleagues' information to criticize in the way.

C. Exceptions

The company may disclose confidential information in some case as follows;

- As required by laws such as court writ
- As the social responsibility and obligation
- As the special request and the customer has given permission in writing

4.3 Professional Ethics

To create a common sense of the company's executives and employees at all levels to be aware of working under the proper framework of procedures by considering the principles of morality, ethics and justice that will result in a positive image of the company.

A. Code of Conducts for the Company's Supervisor and Executives

- (1) Set a guideline or work manuals concisely and clearly as the standards in operating business consistent with ethics, ethics and justice
- (2) Supervise the operations of employees who are controlled and / or in departments related to their duties to comply with the company's

guidelines

- (3) Executives shall place themselves and act as role models to employees at level
- (4) Executives shall develop its employees to have knowledge and expertise in products and services for maximum benefit to customers.
- (5) Shall not induce customers to use the company's products or services through fraudulent propaganda or information that exaggerate facts which will lead to the misunderstanding among customers

B. Code of Conducts for the Company's Employees

- (1) Have a good attitude and loyalty to the company.
- (2) Perform duties with the best knowledge and all abilities efficiently under the standards of their duties attentively
- (3) Provide the important information to customers regard to their benefits and conditions based on the fact completely and clearly
- (4) Avoid the inappropriate behavior, such as temptation, drug, all types of gambling, getting into debts and immoral, which may have a negative effect on their image and company
- (5) Treat all customers with equality be honest and always have good manners
- (6) Cooperate and promote activities that will generate mutual understanding at all levels
- (7) Follow the laws, regulations and standards that related to the company's business strictly
- (8) Provide customers' information adequately for using in performing duties and service customers efficiently
- (9) Manage the business efficiently in accordance with a stable of financial status to ensure that it will not cause damage to customers and the public
- (10) Compete with another person of the company under the defined rules and regulations without blaming and defame others
- (11) Behave properly to external person on behalf of the company representative

4.4 Service to Community

The company's business operations is not only limited to related associates, industries, companies and customers, as a person and a juristic person in the society of the country and a financial professional, the company shall realize of social benefits both in business operation or individual

A. Code of Conducts for the Company's Supervisor and Executives

- (1) Receive guidelines and regulations from coordinating departments or control of business ethics to use as guidelines for setting the company's policies to suit the environment of the company.
- (2) The executives shall behave as an example and encourage the members of the company to realize of the treatment of society.
- (3) Specify the purposes of the business to benefit the society and be aware of not operating any business that cause damage to society.
- (4) Support and follow the government policies and cooperate in the government's activities. Of the government

B. Code of Conducts for the Company's Employees

- (1) Comply with the policies or regulations, according to the scope of social practice as the company has defined strictly
- (2) Participate in social and community activities by cooperating and support suitable for the status and opportunity.
- (3) Preserve the nation's arts and culture
- (4) Shall not cooperate or support any operation that lead to damage on the environment and society.
- (5) Shall not cooperate or support any operations which aim to endanger the morality or to promote vigil.

The Social Responsibility Policy for Business Sustainable Development

The company realizes the business operation under the social responsibility for the sustainability in the business with the focus on supervising the stakeholders, economy, and environment with morality and ethics as well as the

good corporate governance. The business operations must be conducted with honesty, transparency, and fairness with the awareness of negative impact to the economy, society, and environment. The company regulates the policy of social responsibilities for sustainably developing the business in written form following the guideline of Corporate Social Responsibility institute, The Office of The Securities and Exchange Commission and the Stock Exchange of Thailand. The company regulates the policy and guideline for the practice as the Company sees the importance of “dependence”. In all businesses, people in the society are the target group in offering the products and services. Therefore, no matter how the business organization develops their organization in any direction, people in the society will give some support. The regulation on the policy and guideline for the practice will lead the way for people in the organization to operate in relation with social responsibility which are the responsibility in and out the society in the main process of business operation or 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

- **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 refrains from violating the basic rights of others and takes caution in every process with respect to sensitive issues.

The company has encouraged treating the 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.

Principle 6: Strengthen Effective Risk Management and Internal Control

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 Land and Houses Bank Public Company Limited.

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 the responsibilities, transparency and equitable treatment to the stakeholders including the management with the honesty.

Internal Control and Internal Audit

The Board of Directors has promoted and pays attention to internal control and internal audit consists of 5 configurations to ensure the company has the internal control system adequacy and appropriately which will achieve the operation business objective under the good compliance and good internal control consists of;

- Environmental
- Internal control in the organization
- Risk assessment
- Information technology operation control and communication activities
- Follow up and evaluation system

Risk Management

The 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.

Whistleblower Policy

The company has determined the whistleblower policy for protecting the whistleblowers and to ensure that the whistleblowers will not gain the suffering, damage or unfairness after notify to the company. The policy is to protect the right of the complainant and informants, 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.

Informational and Complaints

The company provided 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. Adul Vinaiphat

Chairman of the Audit committee

Email : adulv@lhbanks.co.th

Tel. 08 1834 0104

Prof. Dr. Supreeya Kuandechakupt

Member of the Audit Committee

Email : supriyak@lhbanks.co.th

Tel. 08 5901 5888

Mr. Sun Vithespongse

Member of the Audit Committee

Email : sunv@lhbanks.co.th

Tel. 09 8262 4549

The Company's Website www.lhfg.co.th

The Company's Email Address

presidentoffice@lhbanks.co.th

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.

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 Interests of the Directors

The company has determined that the directors, the top executives or top 4 executives whose ranks are subsequent to the top executives, any person holding the equivalent position of the fourth ranked management, and Accounting department

managers must report their securities holding in the company, as well as the securities holding of their spouse and any minor children, to the Securities and Exchange Commission. This report on securities holding must be filed within 30 days from the date of appointment and within 3 working days from the date of the change.

In addition, the directors and the executives shall file with the company a report on his interest or a related person's interest in relation to management of the Company or the subsidiaries the accordance with the rules, conditions and procedures specified by the company in compliance with the Securities and Exchange Commission and the Stock Exchange of Thailand requirement.

Conflicts of Interest Prevention

The 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 of Conflict of Interest Prevention

1. The transaction of the company shall avoid the conflict of interests deliberately and reasonably. Moreover, the transaction should conduct independently under the good ethical framework for benefits of the company, the shareholders and all the 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 the 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. Trading of the securities must be in accordance with the rules and regulations of trading securities.

The Practical 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 2017, the company has no transaction required to notify the information to the Stock Exchange of Thailand.

- At the meeting of the Board of Directors or shareholders' meeting, the company has determined the 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.

- Any director or the person who may have the conflicts or the conflict of interest, that director does not have the authority to approve the operation of the company or its subsidiaries as required by the Office of the Securities and Exchange Commission and / or the Stock Exchange of Thailand.

- Directors are responsible for reporting the securities trading and changes in the securities holding of the company to the Board of Directors.

Anti-Corruption Policy

The company regulates the anti-corruption policy, 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.

Principle 7: Ensure Disclosure and Financial Integrity

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.

- The company has disclosed the important information to the shareholders, investors and public with transparency, accuracy, completeness, timeliness and accountability comply with the related laws and the regulations including collaborated with the regulatory department by report the information accuracy, completely and timely.

- 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. Send the Notice to shareholders by post mail

8. Newspaper announcement

- The 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 the public accountants and were endorsed by the Audit Committee and the Board of Directors before disclosure.

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 Board of Directors provided the Board of Directors responsibility for financial statement's report and financial information which show together with the auditor's in the annual. The company provided the company's financial statement comply with the Financial Reporting Standards and used the appropriate policy as well as practice regularly.

- The company published the 2017 annual report within 120 days from the end of the fiscal year through the SET website on March 17, 2017 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 5, 2017 and informed the minutes through the SET Community Portal.

The company has the channels of information and contract at:

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

Telephone : 0 2359 0000 ต่อ 2019, 2020, 2021, 2024

Fax : 0 2677 7223

Email : presidentoffice@lhbank.co.th

Website : www.lhfg.co.th

The Appointment and Determine the Remuneration of the Auditors

The Audit Committee considered the qualifications and the performance of the auditors propose to the Board of Directors for approve to the shareholders meeting in appointment the auditors and determine the audit fee of the year. The auditors' name to propose candidate for consider as the company's auditors must to consented by the Bank of Thailand and disclosed in Form 56-1 and annual report.

According to the company's policy, all companies in the LH Financial Group Public Company Limited's financial group have the same audit which currently is EY Office Limited.

The remuneration of the auditors in the year 2017 compared to the year 2016 of the LH Financial Group Public Company Limited and the subsidiaries 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 2017 and 2016

Details of Fee	The Auditor's Remuneration(Baht)		Change Addition (Reduction)	
	2017	2016	Amount (Baht)	Ratio (%)
1. Review Fee				
- The First Quarter as at 31 st March	130,000	130,000	-	-
- The Third Quarter as at 30 th September	130,000	130,000	-	-
2. Audit Fee				
- For the 6-month periods ended 30 th June	295,000	270,000	25,000	9.26
- For the year ended 31 th December	295,000	270,000	25,000	9.26
Total	850,000	800,000	50,000	6.25

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 other inspection expenses to EY Office Limited which is the bank's auditor as follows;

2.1.1 Table representing the remuneration of the auditor in 2017 and 2016

Details of Fee	The Auditor's Remuneration (Baht)		Change Addition (Reduction)	
	2017	2016	Amount (Baht)	Ratio (%)
1. Review Fee				
- The First Quarter as at 31 st March	660,000	650,000	10,000	1.54
- The Third Quarter as at 30 th September	660,000	650,000	10,000	1.54
2. Audit Fee				
- For the 6-month periods ended 30 th June	1,480,000	1,400,000	80,000	5.71
- For the year ended 31 st December	1,480,000	1,400,000	80,000	5.71
3. Review Fee for the Electronic Funds Transfer Services System	220,000	220,000	-	-
Total*	4,500,000⁽¹⁾	4,320,000⁽¹⁾	180,000	4.17

Note ⁽¹⁾ The fee does not include the employee benefit review fee. By Actuarial Experts This will be charged to the bank based on actual costs incurred. Estimated not to exceed 200,000 baht per year and the fee for review or audit to report to the auditor of CTBC Bank.

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 2017 and 2016

Details of Fee	The Auditor's Remuneration (Baht)		Change Addition (Reduction)	
	2017	2016	Amount (Baht)	Ratio (%)
1. Review Fee for financial statement				
- The First Quarter as at 31 st March	40,000	35,000	5,000	14.28
- The Third Quarter as at 30 th September	40,000	35,000	5,000	14.28
2. Audit Fee for financial statement				
- For the 6-month periods ended 30 th June	310,000	180,000	130,000	72.22
- For the year ended 31 th December	310,000	180,000	130,000	72.22
Total	700,000	430,000	270,000	62.79

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 2017 and 2016

Details of Fee	The Auditor's Remuneration (Baht)		Change Addition (Reduction)	
	2017	2016	Amount (Baht)	Ratio (%)
1. Review Fee for financial statement				
- The First Quarter as at 31 st March ^{/1}	20,000	16,000	4,000	25.00
- The Third Quarter as at 30 th September ^{/1}	20,000	16,000	4,000	25.00
2. Audit Fee for financial statement				
- For the 6-month periods ended 30 th June	215,000	174,000	41,000	23.56
- For the year ended 31 th December	215,000	174,000	41,000	23.56
Total	470,000	380,000	90,000	23.68

2.3.2 Other service fees

-None-

- 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 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 2017 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 5, 2017 in accordance with the above paragraph.



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 1 time of the analyst meetings with approximately 32 analysts attended the meeting.
2. To arrange 8 times of giving the information in type one-on-one meeting.
3. To arrange 1 time of the press conferences with approximately 30-40 mass media per time.
4. Sending the media, interviews the senior executives several times.

Principle 8: Ensure Engagement and Communication with Shareholders

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 boards of directors have given the 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 the 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. 2/2017 on February 20, 2017. The resolution of the meeting was to determine the 2016 Annual General Meeting of Shareholders on April 24, 2017. The agenda of the 2017 Annual General Meeting of Shareholders on April 25, 2017 disclosed both in Thai and English via the SET Community Portal on February 20, 2017 including disclosed both in Thai and English documents for the 2017 Annual General Meeting of Shareholders via the SET Community Portal and the company's website on March 17, 2017.

2. Shareholder's Meeting

- Before the Annual General Meeting of Shareholders, to encourage and support all group shareholders and institutional shareholders place the 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 deliver the Notice of the meeting and the documents for meeting in English language for benefit to the 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 the Shareholders' Meeting

- The company has attached the registration form with the notice of the annual general meeting of shareholders for the 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 the shareholders' meeting, the shareholders can register 2 hours before the meeting start. The company provides the convenience for the 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 2017 annual general meeting of shareholders, the company proposed 2 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 whom 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 2017 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 has allocated the appropriate time. 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 2017 Annual General Meeting of Shareholders was conducted according to the Articles of Association and arranged as identified in agenda, no changes in important information 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, the 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 announced 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 2017 shareholders’ meeting and result of the votes in each agenda both in Thai and English versions within the meeting date of 25th April, 2017, 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 2017 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 5th May, 2017 and inform the news via the SET Community Portal.

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 the 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 the explanation and the supporting document for agenda.
2. CD-Rom version of the annual report
3. The profile of the directors who retires by rotation and is proposed for re-election by the shareholder for another term.
4. The guidelines for registration, identification documents required to attend the meeting and the proxy eligible to register, voting and the vote counting at the meeting.
5. Articles of Association of the company, only for those related to the shareholders’ meeting.
6. Proxy form A, form B, and form C
7. The profile of the independent directors to be a proxy to attend the meeting on behalf of the shareholders.
8. Definition of the independent directors
9. Map of the venue of the shareholders’ meeting
10. Requesting form for the annual report in print

2. Protection of Rights of the Minorities

- The Board of Directors is aware of the rights and equity of the shareholders and treats all group shareholders, majority or minority, individual of institutional, foreign or Thai, fairly and equally. All shareholders receive important and accurate information at the same time fairly and to protect the basic rights of shareholders.

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

- The company allocates shareholders and minority shareholders to propose the agenda for the annual general meeting and the persons to be elected as directors.

The company allocates shareholders both in single or group who hold shares 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 the nominations of the 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 2017 Annual General Meeting of Shareholders, the company invited shareholders to propose agenda and qualified candidates as director on September 22, 2017 from October 1, 2017 to December 31, 2017 and on January 23, 2017, 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 Shareholders of the year 2017 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.
- The company has followed the shareholders' meeting process in accordance with the criteria for evaluating the quality of the shareholders' meeting. The Company also conducts corporate governance in accordance with the principles of Corporate Governance Assessment, Listed Companies of the Thai Investors Association and the Thai Institute of Directors Association.

Protection of Internal Information Usage

The company has set up a policy to supervise the use of inside information as a guideline for maintaining confidentiality of the company to ensure equal information disclosure and to prevent the use of internal information for the benefit of directors, executives and employees, including spouses and minor children, and for good corporate governance.

- 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 realized the great importance to the disclosure of information to all the stakeholders. There is the press conference and meet up the securities analysts to report on the company's performance and answer the questions. The disclosure of the information in the annual information form (Form 56-1), the annual report, the notice of the shareholders' meeting, the minutes of the shareholders' meeting, including the discussion and analysis.

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 bring about confidence of relevant sectors, which will in turn long-term benefit of the business. 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 settles 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 6 ways as follows; agree on prices method, check prices method, bidding method, continued method, special method and urgent method. The appropriate method depends on financial amounts of the operation in each time. In addition, the company has determined the criteria for selecting suppliers and service providers in order to have fairness and equity by selecting from the stability of their businesses, the quality of products and services and prices considered by the procurement committee.



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 approved 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.

Practical 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. 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. Providing the company's business operation in corporate governance under better control where there are assessments of significant risks, effective control activities and appropriate segregation of duties. Moreover, the company has provided adequate and reliable information system as well as evaluating the internal control regularly.
6. Providing the channel in receiving the information, suggestion, or claims through the independent directors or the company's website at www.lhfg.co.th, or e-mail at presidentoffice@lhbanks.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.

- The policy 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. The policy 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.
- The policy provided 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.

- The policy provided 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
- The policy provided the mechanism in reporting the financial status transparency and accurately.
- The policy provided 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

- Supporting the initiation of the national project for creating the conditions in fair and transparent competition in business operation including ensuring the good corporate governance.
- Participating 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.
- Participating in the Integrity Pacts with other organizations and government agencies in auctions and purchasing the raw materials, equipment and the construction.
- Cooperating 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.
- Cooperating in regulating the measures and audit system for promoting the transparency and integrity in business operation.
- Cooperating 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.
- Supporting 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 by operating the business following the ethics and elevates 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's board of directors has provided the whistleblower policy for stakeholders to complain any clue 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 and 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 that the executives and the employees must be strictly comply following the anti-corruption policy such as not give or accept gifts and benefits in new year occasion or communicate via any occasion according to the employees Code of Conduct strictly by communicate via any company's channel.

Respect of Human Rights

LH Financial Group Public Company Limited emphasizes on treating with relevant people such as employees, surrounding community and society with fairness and equality. Respect all people and dignity. Refraining from violation of others basis right. and takes caution in every process with respect to sensitive issues. This is considered as the foundation of management and the development of human resource.

The company pays attention to all levels of employees to ensure employees obtain fair return and benefits. It also provides opportunities for the employees to improve their capacity for occupational progress, and encourages 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 has the independence in inspection and decision-making by seeing 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 acts 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 with 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;

- Arranging vacation leaves and holidays in accordance with the requirements of the law or more than the requirements of the law for some holidays, so employees can manage the balancing of working life and private life plan.
- Determining the criteria for investigation and disciplinary action clearly for fair punishment along with the similarly practical guidelines standard.
- Supporting staff's activities for communication and strengthen teamwork in the company.
- Supporting the departments in the company set the Staff Activity according to the bank's policy for promote and support the relationship, connection and harmony in coordinate their activities.



The executive and the employees arranged the Staff Activity "Create a Love for Young People" Project at Wat Phadung Tham School, Phachi, Ayutthaya

Fair Treatment of Labor

Land and Houses Bank Public Company Limited has focused on human resource management by determining the missions of the bank to develop and support the human resource management system both of knowledge and benefit of the employees sides. The bank has been established the Human Resources Development Committee in order to manages and develops the human recourses effectively, efficiently and consistent with the bank's strategic.

Important Principle of Human Resource Management and Development

The bank pays attention to improve human resource management by using innovations comparable to the leading organizations in country as well as to support proactive operation of all departments in order to achieve business goals and continually strives to provide employees with further knowledge and working life improvement , by considering the fair treatment of employees principle and human rights.

For sustainable growth, the bank focused on taking care of the employees in various ways. The bank believes that the skills of development, 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 with clients and stakeholders.

The number of employees of the bank as of 31 December 2017 was 1,504 persons.

Number of employees of 2017 : **1,504** employees



Male

531 Persons
35.3%



Female

973 Persons
64.7%

LH BANK
Pleased invite you

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Employee Recruitment

The bank has provided the employee recruitment policy that focuses on selecting personnel based on abilities, and 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 different channels that can access to the target applicant groups such as "Toward Success Together Day" activity, "Mobile Recruitment" activity, "Friend get Friends" activity. In addition, the bank also announces the recruitment through the bank's website and Social Media, such as LINE and Facebook to reach desired applicant groups.

Employees Selection Criteria

The bank recruit employees, besides considering knowledge, competences and other required criteria, the bank also realizes the importance of recruitment 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 is developed from PRO-Active values, and adopt the test results as one part of recruiting employees to hire the appropriate employees for each departments.

Equality and Diversity

The bank has the regulations 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 of internal and external stakeholders. The bank does not use illegal labor and child labor. These guidelines are 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

Coordinate the project for supporting and developing disabilities people

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. However, the bank has also hire disabled as employees

Sustainable Growth and Human Resources Development

The bank has supported and developed its employees with PRO-ActIVE value, which is a core value, by operating role-playing plans which including creating recognition and perception attitude through communication channels, the Practice Believe & Individual Mindsets activity and the Group Habit Norm & Corporate Value. The bank has consistently encouraged the value to both new employees and existing 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 nearby the office so the new employees could have a good understanding and awareness that will help them to adapt themselves to working life in the bank.

Activities to Support Organization's Core Values in Orientation Program

The bank has arranged the promoting corporate values activity together with the orientation program to promote its core values by providing learning activities. 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 (PAS).

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

1. Compulsory Program
2. Compliance Program
3. Work System Program
4. Leadership Development Program
5. Event & Meeting

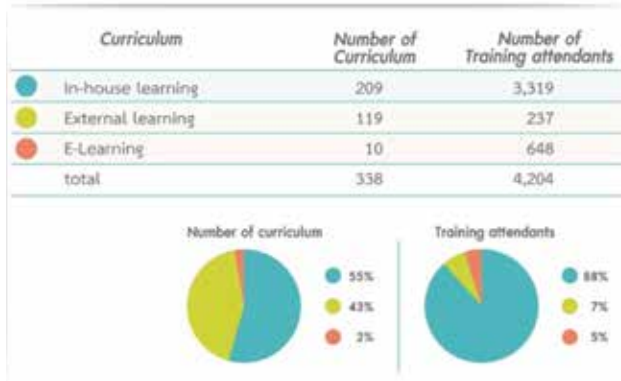
The learning plan starts from the employee's first day of work with the bank until probation period is completed. This includes the development of knowledge, skills, abilities and Soft Skills that important and necessary to work in all positions. For example, the standard course to manage the branches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

Furthermore, the bank 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 2017



Training attendants categorized by levels



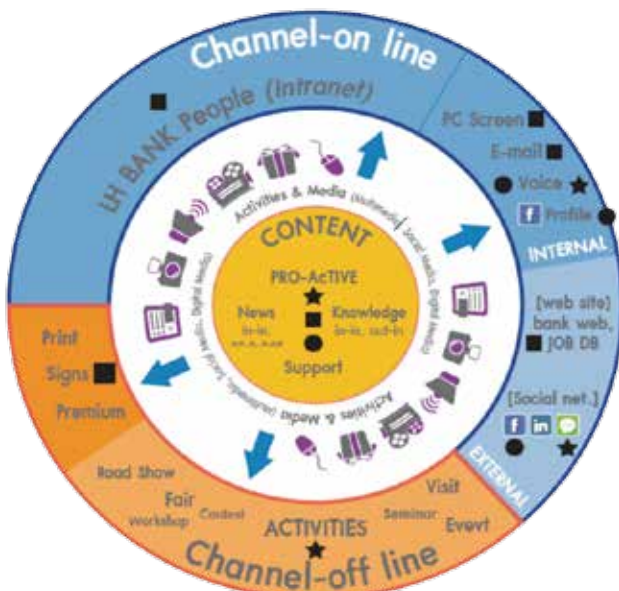
Succession Plan

The bank has prepared the Succession Plan, the nomination remuneration committee determined the policy and the Succession Plan method which covered criteria, guidelines, and methods.

Communication and Building a strong sense of Pride in the Organization

The bank pays attention to the communication and makes the employees proud of 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 provide various activities to create the participation, make the employees proud and promote a good work environment in the organization.

The bank considers that the main factor of driving organization is communication, 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 of internal and external communications as shown in the figure below;



Creating Awareness – Knowledge through Communication Channels

The bank emphasizes on employee potential development through different internal communication channels for convenient access to information and making continuous communications. To create the awareness, the bank uses the guidelines of content and communication channels management to achieve its goal for creating the awareness of knowledge and attitude shared value. However, there can divided the media into 2 types as follows;

1. Online Media consists of LH Bank People Intranet, LH Bank People Voice, LH Bank People TV, Line, Facebook, etc. By the way, the bank has developed and released new channels named LH People LIVE.¹ LH Bank People LIVE



- 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 to build good image for the outsiders to recognize the organization.

2. Offline Media: consists of making the employees proud of the organization, creating the participation and building relationships between the bank and the employees, such as, Zone Visit, Staff Activity, and 10 years pin of honor activity etc.

- Zone Visit: is an activity which aims to gives the knowledge of the policy direction 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.

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



A Part of Passion
The Employees
From the First Step to **10 Years**
Click
LH BANK People

Digital Handbook

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

Digital Learning

The bank has developed training channels and courses to learn 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 permanent 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 taking 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
- Providing 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 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 opinions 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 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 emphasizes the good working environment and safety for the employees. So, we have been 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. However, in 2017 no employees injury while working.
- CARE Project, the activity to support health.

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



Responsibility of the Consumers

As the financial business is the business depending on the economics and financial conditions of the country, the impact on business operation can also affect the economics driving and investment in a wider area than other types of business. Land and Houses 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 is the priority of the bank.

The bank mainly considered 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 services 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 (SEC) and Office of Insurance Commission (OIC) 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.

Responsibility to the Consumers

The bank continually operates the social responsibility in CSR-in-Process by implementing the code of practice following the policy of social responsibility to create the business innovation until it becomes the process occurring in the procedure of work and product development as well as the standard of services for the main objective in reducing the impact possibly occurring to the stakeholders during the procedure of work. This includes creating the awareness of social responsibility among the board of directors, 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 and the standard operating manual, focusing on dividing the duties of employees suitably with clear process of operation, quick system, accuracy, and control of the operation. The transaction evidences can be kept in the 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 services, 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 - 8.00 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 real 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 in order to let the customers know and make the decision by 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 main sectors;

- Off-Line media consists of 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 consists of 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.

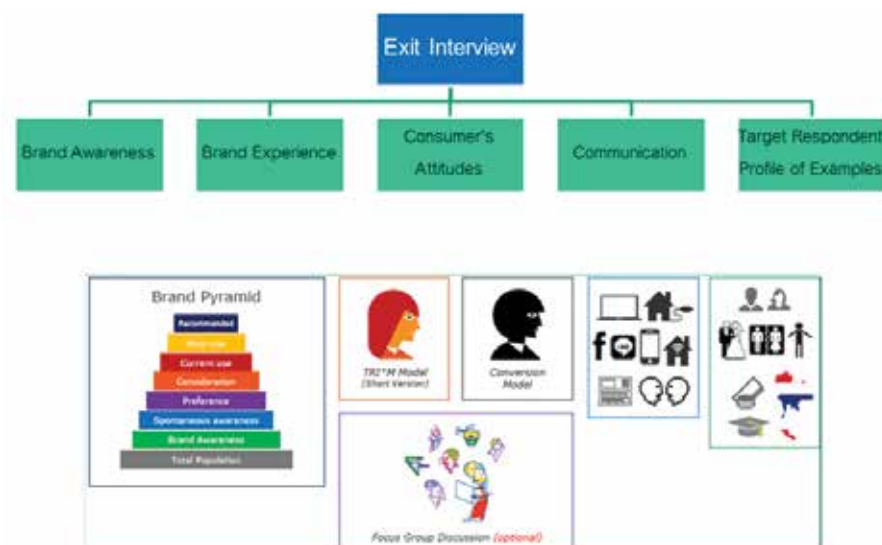
The bank provides the channels in receiving the claims by having the independent bureau to receive the claims and process the solution to the claims. The information is collected for improving the standard of operation and service which the bank provides various channels in receiving the claims as follows;

- 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 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 satisfaction of customer 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 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 customers 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.

- 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

1. Service Types

1. Providing to open 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

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.

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 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, force majeure, unprotected situation and/or the situation must to perform according to the continue support operation plan.

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
- Consideration of revising debt structure and issuing a written confirmation of complete debt payment
- Issuing the debt settlement confirmation letter
- 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 e-wallet such as ATM/CDM/Internet/ Mobile Banking but an error occurred and the system malfunctioned causing the money not to be received, the bank will check the error information, result informing, and improving the information correctly
- Request to check list of transfers to wrong account in the case of transfers to the same bank or other bank or e-wallet, the bank will check the error information and inform the information to the customers. However, this case not include suspected fraud

4. Electronic Cards consists of

- Withhold the electronic cards such as ATM cards and debit cards
- Notice the debit card holder's payment
- Check the debit card's transaction data at the sale place in country and return money to owner

5. General Services consists of

- The bank will inform the information letter for requesting of various information for retail individual customers about the calculation of credit/hire-purchase interest for information not longer than 12 months.
- The bank will inform the information letter to customers for acknowledgement for bank statement information item not longer than 6 months.

Market Conduct

All companies in the LH Financial Group Public Company Limited's financial business group has been emphasizing and supporting to follow the Market Conduct operating of government in order to operate the sustainable business. However, we aim to receive the reliability from our customers as the following details;

1. Receiving sincere and fair services
2. Receiving the appropriate suggestions
3. Receiving the fair prices and conditions
4. Receiving the convenience in services and properly method of solutions
5. Receiving the knowledge and understanding of their own rights and duties

Cooperation in the Development of Community and Society

LH Financial Group Public Company Limited has 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 supporting the scholarship, 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 Development.

The bank operated 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 the 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 Mater also supports the scholarship program throughout the country. The purpose is to promote young people who are well-educated and capable to study at a higher level, but lacking of the money to have the opportunity to study.

• Scholarship Project

The company 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 company has created the scholarship project which offers 89 scholarships across the country for youths for the second consecutive year with the high academic performance, capability, and determination in pursuing higher level education but lack of the money. 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 the human resources.

Project Objectives

- To create educational opportunities for youths with high academic performance, capability, and good behavior with loss of financial.
- 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 (Corporate Social Responsibilities).

The Nature of Scholarship

- To offer the scholarships to high school students that have excellent academic record and good behavior.
- To divide the scholarship area through branch networks of the bank in 6 regions.
- To offer the scholarships total of 89 scholarships.

Scholarship Qualifications

- Thai nationality and hometown is located in Thailand.
- Age between 11 - 18 years old.
- A person who lacks of the opportunities due to the 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 the students that have suitable qualifications and meet the scholarship requirements.

List of schools in the Scholarship Project of 2017 are as follows:

- Satri Si Suriyothai School, Bangkok
- Watsuthiwararam School, Bangkok
- Thammasatkhlongluangwithayakhom School, Pathumthani
- Samut Prakarn School, Samut Prakarn
- Cheun Chom Pittayakarn School, Mahasarakham
- Boonwattana School, Nakornratchasima



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

- Ban Makkhaeng School, Udon Thani
- Wat Piam Nigrodharam School, Chachoengsao
- Thoengwittayakhom School, Chiang Rai
- Sankamphaeng School, Chiang Mai
- Thunghong School, Phrae
- Noenmakuk School, Phitsanulok
- Thairathwittaya (8) School, Phitsanulok

- Watjantawanook School, Phitsanulok
- Watpongmkhaow School, Phitsanulok
- Nongkula School, Phitsanulok
- Pranarai School, Lopburi
- Kannasootsuksalai School, Songkla
- Hatyaiwittayalai School, Songkla
- Hatyaiwittayalai (2) School, Songkla

Scholarship's activity photos



2. Society and Environment

The bank promotes the project to continuously give the 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 the victims including the bank supports anti-corruption activities to encourage Thai society to resist all kinds of corruptions.

• Society

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

Participating in the Soft Loan Project to Help SMEs



As the Ministry of Industry has assisted SMEs, Land and Houses Bank Public Company Limited has joined the SME Support & Rescue Center to support the entrepreneurs for small and medium enterprises which encounter the business development and financial problems to increase the opportunities for SMEs to access more loans including strengthen the investment climate and creating money circulating in Thailand's economy.



Land and Houses Bank Public Company Limited collaborate with the Thai Bankers Association, the Bank of Thailand and the Telecommunications Association of Thailand under the Royal Patronage (Telecommunications Association) jointly signed a memorandum of understanding for enhancing the security of mobile financial services. This project will start with the PromptPay to transfer the money in order to make the payment transactions through the electronic system safely. This will affect to the customers to have the confidence and benefit to the society and economy of the country.

• Environment

As the flooding situation in the southern of Thailand since January 2017, Land and Houses Bank Public Company Limited has been concerned about the people and the customers who live in the flooding area of many southern provinces of Thailand, the bank has provided the various assistance to invite the executives, the employees and the customers who supporting the bank by donating to the Thai Red Cross Society.



• Volunteering activity to develop the social



Blood donation activity with the Thai Red Cross Society



Participating the seminar “Train the Trainer” project in subject “New Thais ... Pay attention to the money” which is one of the five-year strategic plan of the Thai Bankers Association to focus on education about the financial literacy and modify the attitude about the financial discipline to the people. The target group is youth and the students in the university both in Bangkok and the perimeter.

- **Encouraging and Developing the Education of the Thai Youth**

The bank realized about the Thai youth as the future of the nation and how to make the youth to be smart and good. The bank joined the CSR club of the Thai Bankers Association and the Council for the Organization of Children and Youth under the Royal Patronage, her Royal Highness Princess Maha Chakri Sirindhorn the Crown Prince under the project name “Saving for Change” continuously from 2014 to 2018 (Year 1 project) until the year 2016-2017 (Year 2 project) to provide the knowledge of the personal financial management and instill the financial discipline to the undergraduate students in the educational institutions in Nakhon Pathom by collaboration with the social organizations, the council for child and youth development under the Royal Patronage of her Royal Highness Princess Maha Chakri Sirindhorn, and other parties, such as the Stock Exchange of Thailand, the Bank of Thailand and the Financial Services User Protection Center (STC.), the Office of the National Counter Corruption Commission (NCDC) and the Friends of the process network to create a positive change, attitude and behavior to the youth target.

Saving for Change project has the 3 objectives:

- (1) Developing the speakers of the CSR Club of the Thai Bankers' Association to provide the skills to educate the youth.
- (2) Creating the core of students to have the basic knowledge in personal financial planning and can extend the effect to the community.
- (3) Developing the standard curriculum that the financial institutions will use to educate the youth.

Project Implementation Model

- (1) There is the 15 members of the knowledge Bank, the Financial Education, Technique for youth and the financial disaster.
- (2) The lecturer who passed the training in number (1) went to Nakorn Pathom province to provide the basic knowledge about the financial planning to the students.

- (3) The speakers from the Office of National Counter Corruption instill the concept of anti-corruption into the student leaders.

- (4) The trainers from the network of trainers educate the students about the Project Management so that they can develop their projects around the community.

- (5) Evaluation of Phase 1 and Phase 2

- (6) Organize the ceremony to provide a platform for the students to present their work to the public.

“Saving for Change” Project Portfolio

- (1) Improve the financial skills and financial discipline of the 15 banks members, total 133 persons.

- (2) Training for 614 students from 10 higher education institutions and youth councils of these, 206 were able to lead the peer educators, with 34 outreach activities and 6,261 beneficiaries.

- (3) Develop a wealth management curriculum 4 to be used as a standard course for the financial institutions to educate the youth in the university.

- (4) Improve the attitudes of the youth target towards the bank in a better way.

- (5) A prototype project for the financial discipline campaign to commemorate Her Majesty Queen Sirikit on the occasion of the 7th cycle Birthday Anniversary of Her Majesty Queen on 12th August, 2017 initiated by the Federation of Business and Professional Women's Associations of Thailand under The Royal Patronage of H.M. the Queen. It is supported by 5 main partners: Ministry of Social Development and Human Security, The Stock Exchange of Thailand, Thai Chamber of Commerce, and the Thai Bankers' Association and National Council for Child and Youth Development under the Royal Patronage of HRH will organize the financial discipline program for the employees and the 66 employees of corporate organizations in 2016-2018.

(6) The social entrepreneurs recognize the benefits that the banking sector provides to the society in this project. They have a good attitude towards the banking sector and such as the CCF Foundation in the Royal Patronage has expressed the appreciation for the project and bring a program to educate totaled 79 disadvantaged children in the foundation. In addition, the network of the new developers in the east has changed their attitudes and their spending habits since they had attended the training “Train the Trainers” of the club.

Land and Houses Bank Public Company Limited is the 1 of the 15 members of the CSR Club of the Bank of Thailand (BOT) has continuously cooperated in the implementation of the project “Saving for Change” and being aware of the importance of cultivating the knowledge of planning, financial discipline and the moral of anti-corruption integrated into the society from the youth. This is a great way to build a strong and sustainable foundation for the society in the future.

This is a campaign to strengthen the financial discipline for young people who are the leaders from various universities to develop the potential of the leading role in the dissemination of the financial discipline by bringing the knowledge the expertise and the skills of the banking sector. In order to serve the community, the bank realizes the importance of creating the intellectual capital for the society in order to develop the society into the sustainable society.



The bank arranged the activity “My Bank My Love” which is an annual event that aims to build up the good relationship between the customers and the bank on a regular basis. The bank has provided the elderly with the expertise in various fields as a speaker to transfer the knowledge to the customers. As a result, the customers who come to the event can bring their knowledge to the job, such as aromatherapy activity, making perfumes activity, flower arrangement, embroidery activity, soil sculpture activity and making herbal inhalant medicine.



The bank supported the project to promote and improve the quality of life of the disabled person by donating 271 computers to the Association of Persons with Physical Disability International in order to the association can dismantle, recyclable or modified the parts for adding value and to distribute to find the income to help the disabled person.





The bank supported the sport activities which as a part for participating to develop the youth as a strong discipline and healthy by supported the handball clothes to the Institute of Physical Education, Lampang Campus.

3. Art and Culture

The bank has arranged the traditional activities with people who live in the areas located near the bank, for example, supporting the Chinese New Year's activity, supporting for Children's Day activities to strengthen and promoting the traditions, arts and culture with the community around the branches of bank.

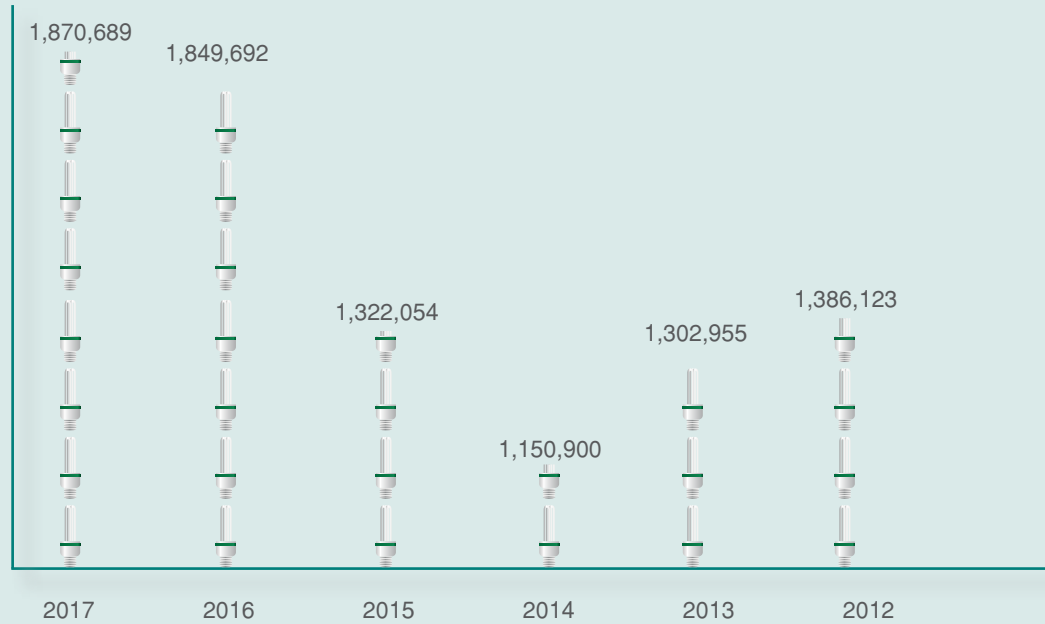


Support children's day activities at Lumpini Discovery Learning Library



LH Bank, Chinatown, join the Chinese New Year Festival, by giving the water of wealth and the sacred oranges to the customers of the bank.

Electricity Usage (Units)

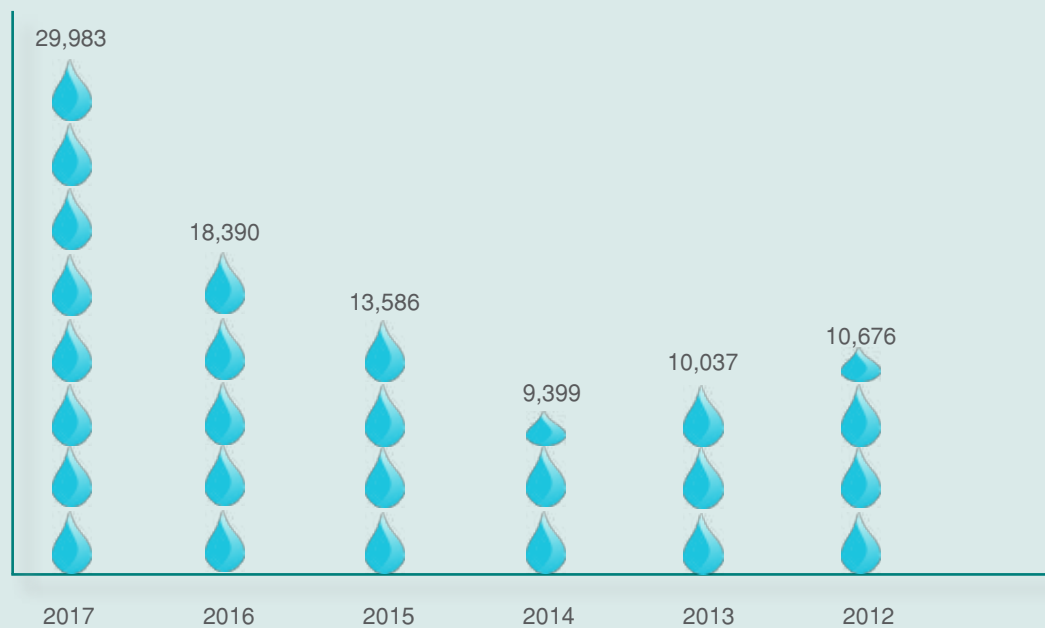


Tap Water Usage

The tap water usage in 2017 totaled 29,983 units, increasing by 18,390 cubic meters of tap water or increasing by 63.04% compared to 2016. The tap water usage in 2017 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

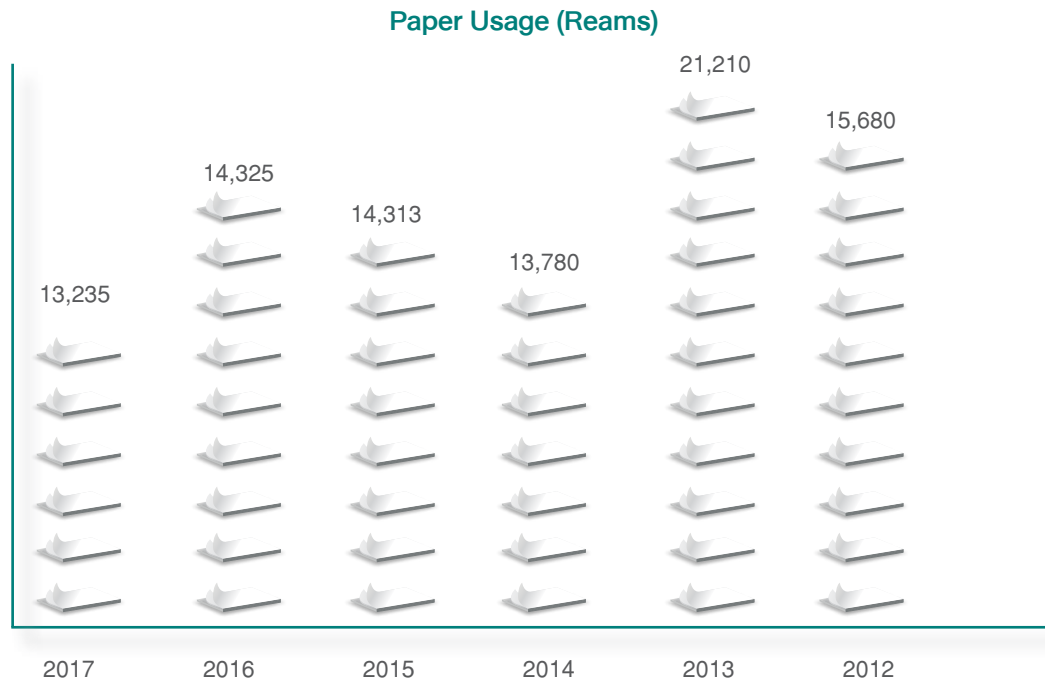
The bank has changed the process of preparing the meeting's materials of the bank's board of directors, the executive committee, the audit committee, the corporate governance committee and the nomination and remuneration committee by changing the meeting's materials from paper to e-documents which recorded 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 2017 was 13,235 reams and decreased by 7.61% compared to the year 2016 which was 14,325 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

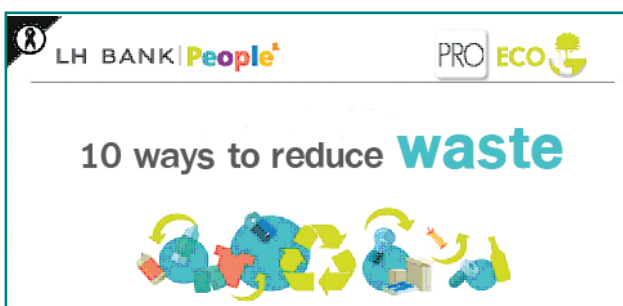
LH BANK ATM Stops Global Warming

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 2017, the bank has totally 204 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".



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 aware to promote the product innovation development and digital financial service in digital banking form for helping customers' save traveling time, reduce their expenses and have more convenient service.

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 and Debit Chip Card Service provides the security card usage 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.

In addition, the customers can use the cards to require the account balance and withdrawal at UnionPay International ATM and purchase the commodities, services or online shopping conveniently as well as the customers will receive the privilege from Union Pay International shop members



Premium Debit Card Service (LH Bank Premium) is a personal accident protection card highest Baht 300,000 which guaranteed by CHUBB, the customers just inform his/her health profile in the application form, this service will be effective immediately by covered medical expenses from the accident. The customers must to show the LH Bank Premium card together with the infirmary following the contract.

LH Bank PromptPay Service is a new service to transfer funds for decreasing 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



LH Bank Business PromptPay Service

is a new choice for the companies or the corporates in fund transfer which requires transferees to link their account and business registration number.

My Portfolio Service is a service for personal information checking to 9 products via online banking (LH Bank M Choice and LH Bank Speedy) consists of safe box, deposit, loan, over draft (OD), securities, mutual fund, debenture, private fund and insurance.

However, the bank has been publicizing these products and services to ensure efficiency and accuracy among customers and society.

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 Fund Management Company Limited and Land and Houses Securities Public Company Limited under the shareholder restructuring plan approved by the Bank of Thailand.

As the company is a non-operating holding company, it has assigned the control group of Land and Houses Bank Public Company Limited to control and report on internal control activities to the company's audit committee periodically. Mr. Vichian Amornpoonchai, the company secretary, is a coordinator between the company and the control group of Land and Houses Bank Public Company Limited.

The Board of Directors is responsible for managing the group's operations to ensure that the financial group's internal and external transactions are controlled adequately. The companies within the financial business group have to report, the internal transactions within the group to the company's board of directors. The company operates its business within the framework of controls based on writing 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 of 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 the operating results compared to targets.

The Audit Committee is responsible for proposing the auditor by considering the auditor's qualifications and performances and the audit fee to the board of director yearly in order to ask the approval in the meetings of shareholders. The audit committee also takes charge of verifying the

company financial statements. The auditor shall be invited to attend at the audit committee meetings to propose the significant issues related to the internal control environment and financial statement. The auditor of the company is an EY Office Limited which is the auditor in fiscal year 2017 and the auditor proposed the financial statement reports with unconditioned opinion. Moreover, the audit committee has to consider the head of the internal audit department's qualification and suitability that had been approved the management. The appointment, dismissal and rotation of the head of internal audit department must have been appointed by the audit committee as mentioned in the audit committee charter.

The control group of Land and Houses Bank Public Company Limited is able to work independently to audit and monitor the company operations, including directly reports to the audit committee. To audit and monitor, the department has to focus on the risks and practice in accordance with 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**

The mentioned department and the office is responsible for audit and evaluate the adequacy of the internal control systems, audit and monitor the company's operations to comply with the company's policies, regulations, working's procedures and code of conduct, together with follow the government agencies' laws and regulations, audit the internal control system for evaluating its adequacy and the suitability of risk management, evaluate the efficiency of human resource management and the validity and reliability of the data, create customer retention and determine the measurement to prevent the disclosure of customer's information together with suggest the guidelines to improve the performances and regularly report the audit results to the Audit Committee and the Board of Directors

• Compliance Office and Information Technology

Compliance Office

The mentioned offices is responsible for controlling the bank's operation to conform with the related laws and regulations of the government agencies, setting the compliance system to comply with the international standards, verifying the operations conform to the prescribed principles, regularly reporting the results of compliance and verification to the audit committee and the board of directors, and pay attention to the revision of the government's laws and governments.

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 Fraud

Profile of the Head of Control Group

Name	Miss Chutima Boonmee
Position	Executive Vice President, Control Group
Age (Years)	65
Education	<ul style="list-style-type: none"> • Master of Public Administration (MPA) 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 5th 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 (Year 2015 and 2017), 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 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: PricewaterhouseCoopers ABAS Ltd. (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 the relevant regulations.

Duties and Responsibilities of Internal Audit and Technology Information System Audit

- Determine objective, goal and scope of internal audit and internal audit planning
- Provide and update the internal audit manual in accordance with the Bank of Thailand's Information Technology Risk framework
- Administrate the internal audit function, Information Technology System Audit function and supervise the internal auditors' performance
- Verify an approval of the audit program, evaluate the sufficiency and efficiency of the internal control system to reduce risk and increase quality of assigned work
- Evaluate the credibility and reliability of financial and operational information
- Consider all the operations to follow the company's policy, goal, objective, plan and operating procedures as well as relevant laws and regulations of the government agencies
- Set the performance standards and verify auditors' performance comply with the audit standard as well as control the implementation of audit plans

- Propose the audit results 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 economy and society.
- Provide job evaluation for all levels of internal audit officers
- Provide advice, opinion and suggestion about the operational work in accordance with rules, announcement and internal control
- Perform other works assigned by the audit committee

Duties and responsibilities for Special Audit and Fraud

- Determine the unusual transaction monitoring of the banking system, especially the high risk transaction of the bank's branch system such as the call center fraud gang etc.
- Propose the results of the special audit analysis to the president to acknowledge and coordinate within the bank to find a solution for working properly.
- Propose the results of the special audit with the crucial evidence to the president and top executives and report to the Audit Committee.
- Follow up the progress of the special audit, such as resolutions of the Discipline Board of the bank and Legal proceedings etc.

The Number of employees in the Internal Audit Department

As the total number of employees who are the internal auditors of 29 persons; 20 persons are the general auditors and branch auditors and other 9 persons are the information technology auditors.

RELATED PARTY TRANSACTIONS

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 2017, 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 2017, 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 40 to the financial statements of the company and its subsidiaries. The details are as follows;

Transactions during the Year 2017

During the year 2017, 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				
	Interest income	Fees and service income	Dividend income	Interest expenses	Other operating expenses
1. The major shareholders	-	-	-	38.37	44.37
2. Related companies	175.05	46.57	41.45	58.31	106.19
3. Directors and executives	0.42	-	-	6.52	-
4. Related persons	1.17	-	-	13.87	-
Total	176.64	46.57	41.45	117.07	150.56

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

(Unit: Million Baht)

Relationship ^{/1}	Separate Financial Statements					
	Interest income	Dividend income	Other operating income	Interest expenses	Other operating expenses	Fees and service expenses
1. The company's subsidiaries	7.63	1,569.82	1.34	14.24	-	0.27
2. Related companies	-	13.69	-	-	0.07	-
Total	7.63	1,583.51	1.34	14.24	0.07	0.27

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

The Outstanding Balances

As at 31 December 2017, the outstanding balances of significant transactions between the company, its subsidiaries and their related parties can be summarized as follows;

(Unit: Million Baht)

Relationship ^{/1}	Consolidated Financial Statements									
	Investments - Cost	Accrued Interest Receivables on Investments	Loans to Customers	Accrued Interest Receivables on Loans to Customers	Other Assets	Deposits	Debts Issued and Borrowings	Accrued Interest Payables	Other Liabilities	Commitments - Bank Guarantee
1. The major shareholders	-	-	-	-	9.96	3,478.62	-	0.44	0.25	-
2. Related companies	2,373.65	15.81	5,557.20	3.84	33.73	5,093.92	-	3.94	2.24	196.89
3. Directors and executives	-	-	18.97	0.02	-	115.57	48.00	0.32	0.04	-
4. Related persons	-	-	27.83	0.01	-	988.16	41.20	1.45	-	-
Total	2,373.65	15.81	5,604.00	3.87	43.69	9,676.27	89.20	6.15	2.53	196.89

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

(Unit: Million Baht)

Relationship ^{/1}	Separate Financial Statements							
	Interbank and money market items (assets)	Investments - cost	Accrued interest receivables on investments	Dividend receivables	Interbank and money market items (liabilities)	Accrued interest expenses on interbank and money market items (liabilities)	Accounts payable on securities trading	Other liabilities
1. The company's subsidiaries	6.10	84.10	0.48	1,000.00	1,398.00	0.16	50.72	0.30
2. Related companies	-	433.64	-	-	-	-	-	-
Total	6.10	517.74	0.48	1,000.00	1,398.00	0.16	50.72	0.30

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

THE AUDIT COMMITTEE'S REPORT

The Audit Committee consists of 3 independent directors as follows;

1. Mr. Adul Vinaiphat
Chairman of the Audit Committee
2. Mr. Sun Vithespongse
Member of the Audit Committee
3. Asso. Prof. Dr. Supriya Kuandachakupt
Member of the Audit Committee

And Ms. Chutima Boonmee, Executive Vice President, Control Group of Land and Houses Bank Public Company Limited is the Secretary of the committee.

In addition, Asso. Prof. Dr. Supriya Kuandachakupt and Mr. Sun Vithespongse have been appointed to be the audit committee members replacing the former directors who resigned and the appointment is effective from August 1, 2017 onwards.

The Audit Committee has performed duties under the scope of responsibilities prescribed in the Audit Committee Charter assigned by the company's board of directors. During the year 2017, the company arranged the Audit Committee meeting 15 times and reported the result of each meeting along with suggestions to the Board of Directors in order to carry out the issues deemed appropriate. The summary is as follows;

1. Financial Report Reviewing

Verifying the company's quarterly and annual financial statements prepared under the financial reporting standards to consider the accuracy and completeness of information, adequacy of disclosure information and the results of significance risk inspection.

In addition, the committee has reviewed 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 the auditors should report the issues that have been identified to the audit committee completely.

2. Internal Control and Internal Audit

Verifying and evaluating the adequacy of the company's internal control system by scrutinizing the issues that have been detected in the reports of internal audit and auditor's report to evaluate the adequacy, suitability and effectiveness of the company's internal audit system. The committee is also responsible for evaluating the independence of the internal audit department and the internal audit charter.

3. Compliance with Regulations

Verifying and evaluating the annual plan and report of the company's corporate governance to comply with the regulations of the Office of the Securities and Exchange Commission and the laws relating to the company's business, including the compliance policy which the company has set as the standards and guidelines for directors, executives and employees to put into practice properly.

4. External Auditor

Selecting the auditor by considering his/her knowledge, ability, experience, reliability and sufficiency of resources along with the results of the auditor's confidence and working quality's evaluation of the last year. In addition, the auditor's fee has been set by considering the scope of auditor's responsibilities.

In the year 2017, the auditor of the company was EY Office the audit of the financial statements for the year 2017 presented the unqualified audit opinion financial statement report.

5. Related Party and Conflict of Interest

Considering the related party or conflict of interest in accordance with laws and regulations of the Stock Exchange of Thailand to ensure transparency, stability and protection of benefits of the financial business group and shareholders as well as considering the accuracy and completeness of the company's information disclosure, especially in the case of related party or conflict of interest.

6. Risk Management

Setting the internal control and risk management both in overall and activity levels to comply with the international standard to ensure that the company will achieve its goal efficiently and effectively along with following the laws properly.

7. Anti-Corruption Measure

Acknowledgement of the company's self-assessment results concerning the anti-corruption measures. At present, the company is in the process of renewal of Thailand's Private Sector Collective Action Coalition Against Corruption's member.

8. Self - Assessment

Managing self-assessment by comparing the important activities of the audit committee with the audit committee charter, the relevant rules and good practices. The assessment results reveal that the committee had performed its duties and responsibilities adequately and efficiently as specified in the audit committee charter, relevant rules and as assigned by the Board of Directors.

In performing its assigned duties, the Audit Committee had the opinion that the company's financial statements have been accurately prepared in accordance with the International Financial Reporting Standards along with the appropriate and adequate information disclosures. The external auditors have independently audited the company's financial statement and performed their duties as the professional. In addition, the company operates its business with the adequate and suitable internal control systems conform to the related laws, rules and regulations.



(Mr. Adul Vinaiphat)

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: Mr. Adul Vinaiphat, Mr. Naporn Sunthornchitcharoen and Asst.Prof.Dr.Supriya Kuandachakupt as the Member of the Nomination and Remuneration Committee, and Mr. Adul Vinaiphat as the Chairman of the Nomination and Remuneration Committee.

During the year 2017, Chinatrust Commercial Bank:Company Limited CTBC Bank has entered the business partner of LH Financial Group Public Company Limited: LHFG. As a result, there is the new modified portion of the Board of Directors.

The Nomination and Remuneration Committee has been assigned to search for directors by their authorization. LHFG and CTBC propose the list of candidates for nomination under the agreement of the business partner.

In the year 2017, the Nomination and Remuneration Committee held the meeting 4 times and all members of the committee attended the meeting.

In addition, the year 2017, the Nomination and Remuneration Committee has considered the core agendas as follows:

- Procure the new directors and replace those whose terms expired.
- Determine the scope of remuneration, meeting allowances and gratuity for the Board of Directors, the Audit Committee, the Corporate Governance Committee and the Nomination and Remuneration Committee for propose to the Board of Directors.
- Performance self-assessment of the Nomination and Remuneration Committee of 2017 according to the governance principle.



(Mr. Adul Vinaiphat)

Chairman of the Nomination and Remuneration Committee

Note : Term position

Mr. Somsak Assavapokee is the member of the Nomination and Remuneration Committee from January 1, 2017 to July 31, 2017

Asso.Prof.Dr.Supriya Kuandachakupt is the member of the Nomination and Remuneration Committee from August 1, 2017 to present

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 were 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, 2017.

(Mr. Rutt Phanijsaphand)
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 w3Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 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 2017, the Group had loans to customers of Baht 153,731 million (accounting for 66% of total assets) and an allowance for doubtful accounts of Baht 3,408 million, which were material amounts. 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 2017 amounted to Baht 6,460 million, accounted for 75% 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 system. I therefore focused my audit on whether interest income on loans to customers is recognised correctly.

I assessed and tested 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.

I am responsible for the audit resulting in this independent auditor's report.



Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951

EY Office Limited
Bangkok: 21 February 2018

FINANCIAL STATEMENT AND NOTES TO FINANCIAL STATEMENTS

LH Financial Group Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2017 and 2016

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
Note		2017	2016	2017	2016
Assets					
Cash		1,994,683	2,109,177	3	1
Interbank and money market items - net	6	19,084,561	17,326,434	6,100	536,976
Derivative assets	7	103,651	2,858	-	-
Investments - net	8	59,622,720	52,675,772	2,118,091	1,079,415
Investments in subsidiaries	9	-	-	31,960,323	15,361,408
Loans to customers and accrued interest receivables	10				
Loans to customers		153,731,338	141,162,067	-	-
Accrued interest receivables		261,255	231,194	-	-
Total loans to customers and accrued interest receivables		153,992,593	141,393,261	-	-
Less : Deferred revenue		(46,971)	(91,770)	-	-
Allowance for doubtful accounts	11	(3,407,686)	(3,086,277)	-	-
Revaluation allowance for debt restructuring	12	(14,023)	(15,232)	-	-
Loans to customers and accrued interest receivables - net		150,523,913	138,199,962	-	-
Investment properties - net	14	-	-	37,117	37,249
Properties foreclosed - net	15	102,137	107,322	-	-
Premises and equipment - net	16	343,224	403,900	-	-
Intangible assets - net	17	295,431	302,393	-	-
Deferred tax assets	18.1	210,002	263,466	-	-
Accrued interest receivables on investments		308,023	295,841	484	793
Securities business receivables - cash accounts	10.4	189,212	96,002	-	-
Dividend receivable		889	-	1,000,000	-
Other assets - net	19	333,006	364,036	3,150	10,789
Total assets		233,111,452	212,147,183	35,125,268	17,026,631

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 2017 and 2016

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Liabilities and owners' equity					
Deposits	21	143,730,685	149,097,146	-	-
Interbank and money market items	22	15,346,145	20,009,851	1,398,000	415,000
Liabilities payable on demand		219,784	75,991	-	-
Debts issued and borrowings - net	23	32,895,578	20,327,489	-	-
Interest payables		434,477	600,284	160	31
Accrued expenses		502,047	483,162	1,241	911
Provisions for liabilities	24	129,293	106,868	-	-
Tax payable		343,518	341,176	75	120
Revenue received in advance		269,010	235,876	-	-
Accounts payable on securities trading		-	112,260	50,722	-
Deferred tax liabilities	18.1	38,409	43,826	12,561	22,667
Payables to Clearing House		149,553	23,723	-	-
Securities business payables		241,881	143,479	-	-
Other liabilities	25	256,125	230,415	1,065	825
Total liabilities		194,556,505	191,831,546	1,463,824	439,554
Owners' equity					
Share capital	26				
Registered					
21,183,660,594 ordinary shares of Baht 1 each (2016: 13,638,705,250 shares of Baht 1 each)		21,183,661	13,638,705	21,183,661	13,638,705
Issued and paid-up					
21,183,660,594 ordinary shares of Baht 1 each (2016: 13,638,699,252 shares of Baht 1 each)		21,183,661	13,638,699	21,183,661	13,638,699
Share premium	26.2	9,627,913	642,556	9,627,913	642,556
Other component of owners' equity					
Revaluation surplus on available-for-sale investments - net of income taxes	8.3	310,130	99,584	50,243	90,669
Retained earnings					
Appropriated - statutory reserve	27	918,910	709,590	315,100	231,300
Unappropriated		6,514,331	5,225,206	2,484,527	1,983,853
Equity attributable to the Company's shareholders		38,554,945	20,315,635	33,661,444	16,587,077
Non-controlling interests of the subsidiaries		2	2	-	-
Total owners' equity		38,554,947	20,315,637	33,661,444	16,587,077
Total liabilities and owners' equity		233,111,452	212,147,183	35,125,268	17,026,631

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 2017 and 2016

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

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Profit or loss:					
Interest income	30	8,646,133	8,810,031	8,000	8,250
Interest expenses	31	(3,667,005)	(3,971,037)	(14,240)	(8,323)
Net interest income (expenses)		4,979,128	4,838,994	(6,240)	(73)
Fees and service income	32	788,281	636,870	-	-
Fees and service expenses	32	(134,646)	(126,270)	(9,536)	(7,481)
Net fees and service income (expenses)		653,635	510,600	(9,536)	(7,481)
Gains (losses) on trading and foreign exchange transactions		(798)	580	-	-
Gains on investments	33	240,772	1,188,489	62,292	36,763
Dividend income		589,310	396,624	1,650,371	994,498
Other operating income		31,386	31,778	1,702	1,328
Total operating income		6,493,433	6,967,065	1,698,589	1,025,035
Other operating expenses					
Employees' expenses		1,380,502	1,310,496	-	-
Directors' remuneration	34	37,138	32,381	16,864	14,770
Premises and equipment expenses		739,026	710,043	132	133
Taxes and duties		221,385	220,645	5	4
Advertising and promotional expenses		116,563	105,485	4,555	1,024
Amortisation on intangible assets		73,009	70,417	-	-
Other expenses		153,013	152,059	1,866	1,624
Total other operating expenses		2,720,636	2,601,526	23,422	17,555
Bad debts, doubtful accounts and impairment loss	35	617,142	1,025,000	-	-
Profits before income tax expenses		3,155,655	3,340,539	1,675,167	1,007,480
Income tax expenses	18.2	(552,212)	(644,101)	-	-
Profits for the years		2,603,443	2,696,438	1,675,167	1,007,480
Other comprehensive income (loss):	36				
Items to be recognised to profit or loss in subsequent periods:					
Gains (losses) on revaluation of available-for-sale investments					
- net of income taxes		210,546	118,333	(40,426)	80,420
Total items to be recognised to profit or loss in subsequent periods		210,546	118,333	(40,426)	80,420
Items not to be recognised to profit or loss in subsequent periods:					
Actuarial gains (losses) - net of income taxes		(14,305)	84	-	-
Total items not to be recognised to profit or loss in subsequent periods		(14,305)	84	-	-
Other comprehensive income (loss) for the years		196,241	118,417	(40,426)	80,420
Total comprehensive income for the years		2,799,684	2,814,855	1,634,741	1,087,900

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 2017 and 2016

(Unit: Thousand Baht except earnings per share expressed in Baht)				
Note	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Profits for the years attributable to:				
The Company's shareholders	2,603,443	2,696,437	1,675,167	1,007,480
Non-controlling interests of the subsidiaries	-	1		
	<u>2,603,443</u>	<u>2,696,438</u>		
Total comprehensive income for the years attributable to:				
The Company's shareholders	2,799,684	2,814,854	1,634,741	1,087,900
Non-controlling interests of the subsidiaries	-	1		
	<u>2,799,684</u>	<u>2,814,855</u>		
Earnings per share of the Company's shareholders:	37			
Basic earnings per share				
Profits for the years (Baht per share)	0.15	0.20	0.10	0.07
Weighted average number of shares (Thousand shares)	<u>16,904,737</u>	<u>13,638,699</u>	<u>16,904,737</u>	<u>13,638,699</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 2017 and 2016

Consolidated financial statements								(Unit: Thousand Baht)
Equity attributable to the Company's shareholders								
Other component of owners' equity - Revaluation surplus (deficit) on available-for-sale investments - net of income taxes								
Note	Issued and paid-up share capital	Share premium	Retained earnings		Total equity attributable to the Company's shareholders	Non-controlling interests of the subsidiaries	Total	
			Appropriated - statutory reserve	Unappropriated				
	13,638,699	642,556	(18,749)	3,159,648	17,950,854	1	17,950,855	
27	-	-	-	(180,890)	-	-	-	
28	-	-	-	(450,073)	(450,073)	-	(450,073)	
Profit for the year	-	-	-	2,696,437	2,696,437	1	2,696,436	
Other comprehensive income for the year	-	-	118,333	84	118,417	-	118,417	
Total comprehensive income for the year	-	-	118,333	2,696,521	2,814,854	1	2,814,855	
Balance as at 31 December 2016	13,638,699	642,556	99,594	5,225,206	20,315,635	2	20,315,637	
Balance as at 1 January 2017	13,638,699	642,556	99,594	5,225,206	20,315,635	2	20,315,637	
Issuance of additional ordinary shares	7,544,962	8,985,357	-	-	16,530,319	-	16,530,319	
27	-	-	-	(209,320)	-	-	-	
Dividends paid	-	-	-	(1,080,693)	(1,080,693)	-	(1,080,693)	
Profit for the year	-	-	-	2,603,443	2,603,443	-	2,603,443	
Other comprehensive income (loss) for the year	-	-	210,546	(14,305)	196,241	-	196,241	
Total comprehensive income for the year	-	-	210,546	2,589,138	2,799,684	-	2,799,684	
Balance as at 31 December 2017	21,183,661	9,627,913	310,130	6,514,331	38,554,945	2	38,554,947	

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 (continued)
 For the years ended 31 December 2017 and 2016

(Unit: Thousand Baht)

		Separate financial statements					
Note		Issued and paid-up share capital	Share premium	Other component of owners' equity - Revaluation		Unappropriated	Total
				surplus (deficit) on available-for-sale investments - net of income taxes	Retained earnings Appropriated - statutory reserve		
	Balance as at 1 January 2016	13,638,699	642,556	10,249	180,900	1,476,846	15,949,250
27	Appropriated to statutory reserve	-	-	-	50,400	(50,400)	-
28	Dividends paid	-	-	-	-	(450,073)	(450,073)
	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
	Balance as at 1 January 2017	13,638,699	642,556	90,669	231,300	1,983,853	16,587,077
26	Issuance of additional ordinary shares	7,544,962	8,985,357	-	-	-	16,530,319
27	Appropriated to statutory reserve	-	-	-	83,800	(83,800)	-
28	Dividends paid	-	-	-	-	(1,090,693)	(1,090,693)
	Profit for the year	-	-	-	-	1,675,167	1,675,167
	Other comprehensive loss for the year	-	-	(40,426)	-	-	(40,426)
	Total comprehensive income (loss) for the year	-	-	(40,426)	-	1,675,167	1,634,741
	Balance as at 31 December 2017	21,183,661	9,627,913	50,243	315,100	2,484,527	33,661,444

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 2017 and 2016

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Cash flows from operating activities				
Profits before income tax expenses	3,155,655	3,340,539	1,675,167	1,007,480
Adjustments to reconcile profits before income tax expenses				
to net cash provided by (paid from) operating activities				
Depreciation and amortisation	217,825	234,886	132	133
Bad debts, doubtful accounts and impairment loss	617,142	1,025,000	-	-
Provisions for employee benefits	26,306	24,138	-	-
Losses on impairment of properties foreclosed	1,660	-	-	-
(Gains) losses on disposals/write-offs of premises and equipment	87	(103)	-	-
(Gains) losses on trading and foreign exchange transactions	16	(14)	-	-
Losses from reclassification of investments	-	827	-	-
Gains on sales of investments	(240,772)	(1,188,489)	(62,292)	(36,763)
Net interest (income) expenses	(4,979,128)	(4,838,994)	6,240	73
Dividend income	(589,310)	(396,624)	(1,650,371)	(994,498)
Cash received on interest income	7,015,280	7,091,101	2,365	941
Cash paid on interest expenses	(3,820,390)	(4,156,238)	(14,111)	(8,292)
Cash paid on income taxes	(552,141)	(647,900)	(505)	(764)
Profits (loss) from operation before changes				
in operating assets and liabilities	852,230	488,129	(43,375)	(31,690)
(Increase) decrease in operating assets				
Interbank and money market items	(1,770,818)	357,596	530,876	(306,774)
Trading investments	(121)	208	-	-
Loans to customers	(12,883,927)	(8,477,825)	-	-
Properties foreclosed	3,525	19,627	-	-
Securities business receivables - cash accounts	(93,210)	(63,948)	-	-
Other assets	23,806	(22,940)	8,143	(8,493)
Increase (decrease) in operating liabilities				
Deposits	(5,366,461)	12,032,826	-	-
Interbank and money market items	(4,663,706)	(628,705)	983,000	415,000
Liabilities payable on demand	143,793	(100,526)	-	-
Short-term debts issued and borrowings	12,504,410	(1,349,479)	-	-
Accrued expenses	6,463	29,741	330	(16)
Provisions for liabilities	(22,033)	(4,683)	-	-
Accounts payable on securities trading	(112,260)	93,444	-	-
Payables to Clearing House	125,830	16,035	-	-
Other liabilities	50,668	111,110	196	85
Net cash provided by (used in) operating activities	(11,201,811)	2,500,610	1,479,170	68,112

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 2017 and 2016

(Unit: Thousand Baht)

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2017	2016	2017	2016
Cash flows from investing activities					
Proceeds from sales of available-for-sale investments		2,320,832	6,257,890	650,663	375,917
Proceeds from held-to-maturity investments		2,646,912	14,691,327	11,812	13,690
Cash received on interest income on investments		1,669,990	1,756,068	5,945	7,384
Cash received on dividend income on investments		588,421	396,624	650,371	994,498
Invested in available-for-sale investments		(7,349,985)	(10,222,619)	(1,638,670)	(684,118)
Invested in held-to-maturity investments		(4,130,000)	(14,955,000)	-	-
Invested in subsidiaries		-	-	(16,598,915)	(325,417)
Proceeds from disposals of equipment		462	1,057	-	-
Cash paid for purchases of leasehold improvements and equipment		(86,798)	(66,584)	-	-
Cash paid for purchases of intangible assets		(75,822)	(55,712)	-	-
Net cash provided by (used in) investing activities		(4,415,988)	(2,196,949)	(16,918,794)	381,954
Cash flows from financing activities					
Long-term debts issued and borrowings		63,679	13,000	-	-
Dividends paid	28	(1,090,693)	(450,073)	(1,090,693)	(450,073)
Net proceeds from issuance of additional ordinary shares	26	16,530,319	-	16,530,319	-
Net cash provided by (used in) financing activities		15,503,305	(437,073)	15,439,626	(450,073)
Net increase (decrease) in cash and cash equivalents		(114,494)	(133,412)	2	(7)
Cash and cash equivalents as at 1 January		2,109,177	2,242,589	1	8
Cash and cash equivalents as at 31 December		1,994,683	2,109,177	3	1

Supplemental cash flows information

Non-cash related items:

Purchases of assets on credit	18,951	31,067	-	-
Transfers of properties foreclosed from debtors to settle debts	-	27,609	-	-
Bad debts written-off	14,509	76,111	-	-
Decrease in loans to customers due to debts forgiven	-	29,084	-	-
Dividend receivable	889	-	1,000,000	-

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 2017 and 2016

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 2017, the Company had 4 major shareholders, which are CTBC Bank Company Limited, Land and Houses Public Company Limited, Quality Houses Public Company Limited and Ms. Piengjai Hampanich and their shareholding percentages in the Company were 35.62%, 21.88%, 13.74%, and 10.43%, respectively (As at 31 December 2016, the Company had 3 major shareholders, which were Land and Houses Public Company Limited, Quality Houses Public Company Limited and Ms. Piengjai Hampanich 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

These financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and with reference to the principles stipulated by the Bank of Thailand ("BoT"). The presentation of the financial statements has been made in compliance with the Bank of Thailand's 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 the 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	
		2017	2016	2017	2016	2017	2016
		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	97.42	98.29	91.77	93.75
Land and Houses Securities Public Company Limited	Securities business	99.80	99.80	1.49	0.98	3.70	2.67
Land and Houses Fund Management Company Limited	Fund management business	99.99	99.99	0.17	0.23	3.13	2.68
<u>Subsidiary indirectly held by the Company</u>							
Land and Houses Advisory Company Limited	Financial advisory business (operation is temporarily ceased)	99.99	99.99	-	-	-	-

- (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 2016) 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 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 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 year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2017) which is effective for fiscal years beginning on or after 1 January 2018. 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.

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 recognised as revenues on the transaction dates.

(d) Gains (losses) on investments

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

(e) Interest and dividends

Interest is recognised as revenues on an accrual basis. 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 takes into consideration debtors' collection history, default experience and the value of the underlying collateral.

Allowance for doubtful accounts additionally set up or reversed is charged to increase or reduce bad debts and doubtful accounts expenses 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 allowance for doubtful account.

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 Receivables/payables to Clearing House

Receivables/payables to Clearing House comprises the net balance receivables/payables 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 (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 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 periods, 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 2017			31 December 2016		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand	1,413,580	318,000	1,731,580	1,562,923	-	1,562,923
Commercial banks	188,038	-	188,038	320,916	-	320,916
Other financial institutions	12,409,211	4,910,000	17,319,211	3,975,000	11,609,172	15,584,172
Total domestic items	14,010,829	5,228,000	19,238,829	5,858,839	11,609,172	17,468,011
Add: Accrued interest receivables	12,670	6,254	18,924	4,987	9,278	14,265
Less: Allowance for doubtful accounts	(124,092)	(49,100)	(173,192)	(39,750)	(116,092)	(155,842)
Interbank and money market items - net	13,899,407	5,185,154	19,084,561	5,824,076	11,502,358	17,326,434

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2017			31 December 2016		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	6,100	-	6,100	536,976	-	536,976
Interbank and money market items - net	6,100	-	6,100	536,976	-	536,976

7. Derivative assets

As at 31 December 2017 and 2016, 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 2017			31 December 2016		
	Carrying value		Notional amounts *	Carrying value		Notional amounts *
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate and interest rate	103,651	-	1,045,789	2,858	-	1,146,582
Total	103,651	-	1,045,789	2,858	-	1,146,582

* 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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 December		31 December	
	2017	2016	2017	2016
Trading investments - fair value				
Domestic marketable equity securities				
- Stocks	179	74	-	-
Total trading investments	179	74	-	-
Available-for-sale investments - fair value				
Private sector debt securities	-	-	85,316	-
Domestic marketable equity securities				
- Stocks	1,122,000	288,455	-	-
- Investment units	11,204,394	6,348,130	2,022,799	894,973
Investment units	136,695	222,098	9,976	46,642
Total available-for-sale investments	12,463,089	6,858,683	2,118,091	941,615
Held-to-maturity investments - cost/ amortised cost				
Government and state enterprise securities	18,221,113	18,313,426	-	-
Private sector debt securities	23,952,936	22,417,366	-	137,800
Other debt securities	4,971,859	5,072,679	-	-
Total held-to-maturity investments	47,145,908	45,803,471	-	137,800
General investments - cost				
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	59,622,720	52,675,772	2,118,091	1,079,415

8.2 Classified by remaining periods to maturity of the debt securities

(Unit: Thousand Baht)

	Consolidated financial statements							
	31 December 2017				31 December 2016			
	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	3,915,613	9,803,814	4,501,686	18,221,113	1,551,094	9,591,900	7,170,432	18,313,426
Private sector debt securities	182,425	15,065,511	8,705,000	23,952,936	267,854	12,174,512	9,975,000	22,417,366
Other debt securities	-	1,926,070	3,045,789	4,971,859	-	1,926,097	3,146,582	5,072,679
Total held-to-maturity investments	4,098,038	26,795,395	16,252,475	47,145,908	1,818,948	23,692,509	20,292,014	45,803,471
Total investments in debt securities	4,098,038	26,795,395	16,252,475	47,145,908	1,818,948	23,692,509	20,292,014	45,803,471

(Unit: Thousand Baht)

	Separate financial statements							
	31 December 2017				31 December 2016			
	Due within				Due within			
	Within 1 year	1 - 5 years	Over 5 years	Total	Within 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments								
Private sector debt securities	-	-	84,100	84,100	-	-	-	-
Add: Allowance for revaluation	-	-	1,216	1,216	-	-	-	-
Total available-for-sale investments	-	-	85,316	85,316	-	-	-	-
Held-to-maturity investments								
Private sector debt securities	-	-	-	-	-	-	137,800	137,800
Total held-to-maturity investments	-	-	-	-	-	-	137,800	137,800
Total investments in debt securities	-	-	85,316	85,316	-	-	137,800	137,800

8.3 Revaluation surplus on available-for-sale investments

As at 31 December 2017 and 2016, revaluation surplus (deficit) on available-for-sale investments consisted of:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 December		31 December	
	2017	2016	2017	2016
Revaluation surplus on the reclassified investments				
Debt securities	533	1,474	-	-
Total	533	1,474	-	-
Revaluation deficit on the reclassified investments				
Debt securities	(136,729)	(150,374)	(928)	-
Total	(136,729)	(150,374)	(928)	-
Revaluation surplus on investments				
Debt securities	-	-	2,144	-
Equity securities	566,247	374,424	68,442	116,491
Total	566,247	374,424	70,586	116,491
Revaluation deficit on investments				
Equity securities	(42,389)	(101,044)	(6,854)	(3,155)
Total	(42,389)	(101,044)	(6,854)	(3,155)
Revaluation surplus on available-for-sale investments	387,662	124,480	62,804	113,336
Less: Income taxes	(77,532)	(24,896)	(12,561)	(22,667)
Revaluation surplus on available-for-sale investments - net of income taxes	310,130	99,584	50,243	90,669

For the years ended 31 December 2017 and 2016, changes in revaluation surplus (deficit) on available-for-sale investments were as follows:

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Balances - beginning of the years	99,584	(18,749)	90,669	10,249
Unrealised gains on revaluation of available-for-sale investments during the years	467,602	326,587	24,638	103,869
Realised gains from sales transferred to be recognised in profit or loss	(217,124)	(29,247)	(73,772)	(782)
Losses from reclassification of investments	-	(152,160)	(1,390)	-
Amortisation of deficit on the reclassified investments	12,704	686	-	-
Total gains (losses) on revaluation of available-for-sale investments	263,182	145,866	(50,532)	103,087
Add (less): Income taxes	(52,636)	(27,533)	10,106	(22,667)
Gains (losses) on revaluation of available-for-sale investments - net of income taxes	210,546	118,333	(40,426)	80,420
Balances - end of the years	310,130	99,584	50,243	90,669

8.4 Investments of 10% or more held by the subsidiary

As at 31 December 2017 and 2016, the following investments of 10% or more held by the subsidiary, which operates banking business, were not treated as investments in subsidiaries and associates, were as follow:

	Consolidated financial statements	
	31 December	
	2017	2016
Infrastructure Fund	371,000	-
	371,000	-

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

	Consolidated financial statements							
	31 December 2017				31 December 2016			
	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

8.6 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 2017: Nil).

8.7 Reclassification of investment types

During the year ended 31 December 2016, the subsidiary reclassified its investments from trading investments to be available-for-sale investments. The fair value and the carrying value of these 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.

During the year ended 31 December 2017, the Company reclassified its investment from held-to-maturity investments to be available-for-sale investments, as approved by the resolution of the meeting of the Company's Board of Directors. The fair value and the carrying value of this investment at the reclassification date amounted to Baht 125 million and Baht 126 million, respectively. Therefore the difference of Baht 1 million was recognised as other comprehensive loss.

9. Investments in subsidiaries

Investments in subsidiaries, as presented in the separate financial statements, were summarised below.

Company's name	Paid-up share capital		Shareholding percentage		(Unit: Thousand Baht)	
	31 December		31 December		Cost	
	2017		2016		31 December	
	2017	2016	2017	2016	2017	2016
			(Percent)	(Percent)		
Subsidiaries directly held by the Company						
Land and Houses Bank Public Company Limited	20,000,000	14,000,000	99.99	99.99	30,598,914	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	300,000	99.99	99.99	325,417	325,417
					<u>31,960,323</u>	<u>15,361,408</u>
Subsidiary indirectly held by the Company via other subsidiary						
Land and Houses Advisory Company Limited	20,000	20,000	99.99	99.99	5,699 ⁽¹⁾	6,262 ⁽¹⁾

⁽¹⁾ As this subsidiary is held by the Company's subsidiary, that amount is carrying value presented in the separate financial statements of the subsidiary.

10. Loans to customers and accrued interest receivables

10.1 Classified by loan types

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	31 December	
	2017	2016
Overdrafts	4,856,319	4,798,901
Loans	104,330,635	98,525,852
Bills	42,869,046	36,336,326
Hire purchase receivables	613,279	1,160,357
Securities and derivatives business receivables	1,062,059	340,631
Total loans to customers	153,731,338	141,162,067
Less: Deferred revenue	(46,971)	(91,770)
Loans to customers net of deferred revenue	153,684,367	141,070,297
Add: Accrued interest receivables	261,255	231,194
Total loans to customers and accrued interest receivables	153,945,622	141,301,491
Less: Allowance for doubtful accounts	(3,407,686)	(3,086,277)
Revaluation allowance for debt restructuring	(14,023)	(15,232)
Loans to customers and accrued interest receivables - net	150,523,913	138,199,982

10.2 Classified by currency and residency of debtors

	(Unit: Thousand Baht)					
	Consolidated financial statements					
	31 December 2017			31 December 2016		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	153,684,367	-	153,684,367	141,070,297	-	141,070,297
	153,684,367	-	153,684,367	141,070,297	-	141,070,297

10.3 Classified by business types and loan classification

	(Unit: Thousand Baht)					
	Consolidated financial statements					
	31 December 2017					
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	183,267	-	-	-	-	183,267
Manufacturing and commerce	32,310,410	459,631	40,881	162,568	628,693	33,602,183
Real estate and construction	20,549,393	217,654	-	-	822,979	21,590,026
Public utilities and services	38,800,549	524,411	73,946	17,580	828,856	40,245,342
Housing loans	26,449,373	240,532	45,054	24,534	582,917	27,342,410
Financial intermediation	27,669,918	38,231	-	-	-	27,708,149
Others	2,948,914	28,328	9,582	6,769	19,397	3,012,990
Loans to customers net of deferred revenue	148,911,824	1,508,787	169,463	211,451	2,882,842	153,684,367

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2016					
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	488,398	-	-	-	-	488,398
Manufacturing and commerce	27,009,922	326,264	41,264	38,757	428,419	27,844,626
Real estate and construction	19,836,069	142,477	131,439	258,518	421,405	20,789,908
Public utilities and services	36,795,085	363,584	624,195	36,729	254,644	38,074,237
Housing loans	28,365,779	262,237	108,099	282,226	116,548	29,134,889
Financial intermediation	22,342,226	-	-	-	-	22,342,226
Others	2,330,366	41,972	7,009	5,622	11,044	2,396,013
Loans to customers net of deferred revenue	137,167,845	1,136,534	912,006	621,852	1,232,060	141,070,297

10.4 Classified by loan classification**(a) Banking business**

As at 31 December 2017 and 2016, 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 2017			
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	148,094,227	74,470,885	744,709
Special-mention	1,521,179	210,670	156,988
Sub-standard	169,463	77,545	77,545
Doubtful	211,451	111,115	111,115
Doubtful of loss	2,882,842	525,999	593,225
Total	152,879,162	75,396,214	1,683,582
Additional provision for specific debtors			750,000
General provision			974,104
Total			3,407,686

⁽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 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	140,959,063	58,883,034		1,549,548
Additional provision for specific debtors				571,544
General provision				965,185
Total				3,086,277

⁽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 2017 and 2016, 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 2017			31 December 2016		
	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	1,066,460	-	1,066,460	342,428	-	342,428
Total	1,066,460	-	1,066,460	342,428	-	342,428

In addition, as at 31 December 2017 and 2016, that subsidiary also had outstanding receivables due from cash account customers totaling Baht 189 million and Baht 96 million, respectively. These receivables were 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 2017 and 2016, the subsidiary, which operates banking business, had the following non-performing loans:

	Consolidated financial statements	
	31 December	
	2017	2016
Non-performing loans (Thousand Baht)	3,263,756	2,765,918
Percentage of non-performing loans to total loans ⁽¹⁾	1.88%	1.76%

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

Non-performing loans calculated based on the notification of the BoT. Those included sub-standard, doubtful and doubtful of loss, and exclude outstanding loans for which debt restructuring agreements had 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 2017 and 2016, the subsidiary had the following loans to customers on which interest income recognition has been ceased on an accrual basis:

	Consolidated financial statements	
	31 December	
	2017	2016
Non-accrued loans (Thousand Baht)		
Banking business	3,288,689	2,796,969
Percentage of non-accrued loans to total loans ⁽¹⁾	1.92%	1.79%

⁽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 2017 and 2016, the subsidiary had loans to customers and accrued interest receivables due from companies and persons, which had repayment problems or defaulted payments, against which allowance for doubtful accounts, was made as follows:

(Unit: Thousand Baht)				
Consolidated financial statements				
31 December 2017				
	Number of debtors	Debt balances	Collateral value	Allowance for doubtful accounts/Revaluation allowance
Companies and persons that have repayment problems or defaulted payments	330	4,784,935	3,847,214	951,044
(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

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 2017 and 2016, the subsidiary had completed restructuring of troubled debts, which were summarised as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
For the year ended 31 December 2017						
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
	Before restructuring	After restructuring				
Modification of terms of payments	63	1,504,204	1,504,204	-	-	1,437
Total restructured debts	63	1,504,204	1,504,204	-	-	1,437

(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
	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	1,274	28,740	-
Total restructured debts	70	2,214,684	2,185,944	1,274	28,740	10,290

For the years ended 31 December 2017 and 2016, 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			
	2017		2016	
	Number of debtors	Debt balances after restructuring	Number of debtors	Debt balances after restructuring
Less than 5 years	25	722,955	17	663,305
5 - 10 years	18	711,877	36	953,913
10 - 15 years	3	11,518	3	510,643
More than 15 years	17	57,854	14	58,083
Total	63	1,504,204	70	2,185,944

Supplemental information for the years ended 31 December 2017 and 2016, relating to the restructured debts, were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Interest income recognised in profit or loss	132,779	139,859
Cash settlement by debtors	757,189	780,586
Transfers of assets from debtors	-	1,274
Losses on debt restructuring	1,437	10,290
Debt hair-cut loss per agreements	-	28,740

As at 31 December 2017 and 2016, 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 2017	12,210	153,945,622	284	4,092,409
31 December 2016	12,900	141,301,491	287	3,622,176

As at 31 December 2017 and 2016, the subsidiary had no outstanding commitments to provide additional loan facilities after restructuring.

10.9 Hire purchase receivables

As at 31 December 2017 and 2016, the subsidiary had hire purchase receivables, on which the terms of the agreements were generally between 2 and 8 years and they carried interest at fixed rates stipulated in the agreements.

	(Unit: Thousand Baht)			
	Consolidated financial statements			
	31 December 2017			
	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	351,346	261,933	-	613,279
Less: Deferred revenue	(25,869)	(14,479)	-	(40,348)
Present value of minimum lease payments	325,477	247,454	-	572,931
Less: Allowance for doubtful accounts				(57,270)
Hire purchase receivables - net				515,661

	(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

11. Allowance for doubtful accounts

(Unit: Thousand Baht)							
Consolidated financial statements							
For the year ended 31 December 2017							
	Provision at BoT's minimum required rates				Additional provision for specific debtors	General provision	Total
	Pass	Special- mention	Sub- standard	Doubtful			
Balances - beginning of the year	808,224	168,479	202,312	49,614	320,919	571,544	965,185
Increase (decrease) during the year	(53,595)	27,332	(114,278)	71,247	473,186	178,456	7,710
Bad debts written off	-	-	-	-	(14,509)	-	-
Decrease as a result of disposals	(9,920)	(38,823)	(10,489)	(9,746)	(181,527)	-	-
Transfer from revaluation allowance for debts restructuring	-	-	-	-	-	1,209	1,209
Transfer to allowance for doubtful accounts for other assets	-	-	-	-	(5,084)	-	-
Others	-	-	-	-	240	-	-
Balances - end of the year	744,709	156,988	77,545	111,115	593,225	750,000	974,104

(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 for 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

12. Revaluation allowance for debt restructuring

(Unit: Thousand Baht)

Consolidated financial statements		
For the years ended 31 December		
	2017	2016
Balances - beginning of the years	15,232	8,740
Increase during the years	4,633	39,030
Decrease during the years	(6,001)	(6,866)
Debt hair-cut loss per agreements	-	(28,740)
Adjustment during the years	159	3,068
Balances - end of the years	14,023	15,232

13. Disposals of non-performing loans

During the years ended 31 December 2017 and 2016, the subsidiary, which operates banking business, entered into the sale and purchase agreements, as a seller, to sell non-performing loans, were summarised as follows:

(Unit: Million Baht)

For the year ended 31 December 2017				For the year ended 31 December 2016			
Batch	Month sold	Outstanding balances (including relevant other assets)		Batch	Month sold	Outstanding balances (including relevant other assets)	
			Selling price				Selling price
1	November	515	259	1	September	534	391
						519	288
		515	259			1,053	679

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 November 2018 (for the first batch of 2017) 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. During the year ended 31 December 2017, the buyer cancelled the transfer of non-performing loans 1 debtor (for the first batch sale in 2016) with booked outstanding balance (including relevant other assets) of Baht 5 million.

14. Investment properties

As at 31 December 2017 and 2016, the carrying values of investment properties were presented below.

(Unit: Thousand Baht)			
Separated financial statements			
	Land	Office building for rent	Total
Cost			
1 January 2016	35,358	2,642	38,000
31 December 2016	35,358	2,642	38,000
31 December 2017	35,358	2,642	38,000
Accumulated depreciation			
1 January 2016	-	618	618
Depreciation charged for the year	-	133	133
31 December 2016	-	751	751
Depreciation charged for the year	-	132	132
31 December 2017	-	883	883
Net book value			
31 December 2016	35,358	1,891	37,249
31 December 2017	35,358	1,759	37,117
Depreciation for the years			
2016			133
2017			132
Fair values			
31 December 2016	36,640	3,248	
31 December 2017	36,640	3,124	

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 2017				
	31 December 2016	Increase	Disposal/ decrease	Change of appraisers	31 December 2017
Properties foreclosed - Immovable assets					
Appraised by external appraisers:					
Cost	24,487	36	(2,614)	(12,485)	9,424
Allowance for impairment	-	-	-	-	-
Net book value	24,487	36	(2,614)	(12,485)	9,424
Appraised by internal appraisers:					
Cost	79,275	5,231	(6,178)	12,485	90,813
Allowance for impairment	-	-	-	-	-
Net book value	79,275	5,231	(6,178)	12,485	90,813
Properties foreclosed - Immovable assets	103,762	5,267	(8,792)	-	100,237
Properties foreclosed - Movable assets					
Appraised by external appraisers:					
Cost	3,560	-	-	-	3,560
Allowance for impairment	-	(1,660)	-	-	(1,660)
Net book value	3,560	(1,660)	-	-	1,900
Properties foreclosed - Movable assets	3,560	(1,660)	-	-	1,900
Total properties foreclosed	107,322	3,607	(8,792)	-	102,137

(Unit: Thousand Baht)

	Consolidated financial statements				
	For the year ended 31 December 2016				
	31 December 2015	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

As at 31 December 2017 and 2016, 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							Total
	Land	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicles	Assets in progress	
Cost								
1 January 2016	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
Additions	-	-	14,406	8,573	58,383	-	3,096	84,458
Written-offs/disposals	-	-	(3,315)	(903)	(39,796)	(1,435)	-	(45,449)
Transferred in (out)	-	-	3,930	153	419	-	(4,502)	-
31 December 2017	75,947	12,853	449,762	161,050	625,393	19,778	147	1,344,930
Accumulated depreciation								
1 January 2016	-	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
Accumulated depreciation on written-offs/disposals	-	-	(2,840)	(809)	(39,778)	(1,435)	-	(44,862)
Depreciation charged for the year	-	642	53,008	16,925	70,016	3,956	-	144,547
31 December 2017	-	3,381	374,528	132,692	479,526	11,579	-	1,001,706
Net book value								
31 December 2016	75,947	10,114	110,381	36,651	157,099	12,155	1,553	403,900
31 December 2017	75,947	9,472	75,234	28,358	145,867	8,199	147	343,224
Depreciation for the years								
2016								164,311
2017								144,547

As at 31 December 2017 and 2016, the subsidiaries had 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 620 million and Baht 468 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 2016	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
Additions	26,472	-	-	39,575	66,047
Transferred in (out)	39,520	-	-	(39,520)	-
31 December 2017	670,566	36,784	80,041	47,176	834,567
Accumulated amortisation					
1 January 2016	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
Amortisation charged for the year	69,358	3,651	-	-	73,009
31 December 2017	517,797	21,339	-	-	539,136
Net book value					
31 December 2016	156,135	19,096	80,041	47,121	302,393
31 December 2017	152,769	15,445	80,041	47,176	295,431
Amortisation for the years					
2016					70,417
2017					73,009
Remaining amortisation periods (years)	0 - 5	1, 3, 7 and 8	-	-	

As at 31 December 2017 and 2016, the subsidiaries had 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 Baht 397 million and Baht 257 million, respectively.

18. Deferred tax assets/liabilities and income taxes

18.1 Deferred tax assets/liabilities

The components of deferred tax assets/liabilities included deferred income taxes arose from the following transactions:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Changes in deferred income taxes for the years ended	
	31 December		31 December	
	2017	2016	2017	2016
Deferred tax assets (liabilities) arose from:				
Allowance for doubtful accounts				
- general provision	188,225	190,677	(2,452)	46,195
Allowance for doubtful accounts				
- other assets	12,182	10,235	1,947	3,931
Allowance for impairment on investments	-	-	-	(2,640)
Non-accrued interest income	10,409	9,690	719	(791)
Assets written off	816	1,082	(266)	(1,189)
Bad debts written off	11,505	11,505	-	-
Provisions for employee benefits	24,599	20,147	4,452	4,127
Vacation leave accruals	1,200	1,200	-	-
Tax losses from prior year as recognised				
deferred tax assets during the years	-	-	-	6,501
Utilised tax losses during the years	-	-	-	(6,501)
Unrealised gains on revaluation of				
available-for-sale investments	(77,532)	(24,896)	(52,636)	(27,533)
Others	189	-	189	-
Total	171,593	219,640	(48,047)	22,100
Presented separately in statements of financial position:				
Deferred tax assets	210,002	263,466		
Deferred tax liabilities	(38,409)	(43,826)		
Total	171,593	219,640		
Changes in deferred income taxes:				
Recognised in profit or loss			1,013	49,654
Recognised in other comprehensive income (loss)			(49,060)	(27,554)
Total			(48,047)	22,100

	(Unit: Thousand Baht)			
	Separate financial statements		Changes in deferred income taxes for the years ended	
	31 December		31 December	
	2017	2016	2017	2016
Deferred tax liabilities arose from:				
Unrealised gains on revaluation of available-for-sale investments	(12,561)	(22,667)	10,106	(22,667)
Total	(12,561)	(22,667)	10,106	(22,667)
Presented separately in statements of financial position:				
Deferred tax assets	-	-		
Deferred tax liabilities	(12,561)	(22,667)		
Total	(12,561)	(22,667)		
Changes in deferred income taxes:				
Recognised in profit or loss			-	-
Recognised in other comprehensive income (loss)			10,106	(22,667)
Total			10,106	(22,667)

As at 31 December 2017 and 2016, the Company and certain subsidiary did not recognise deferred income taxes on tax-deductible temporary differences and unused tax losses totaling Baht 65 million and Baht 52 million, respectively (the Company only: Baht 58 million and Baht 41 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 2018 to 2022.

18.2 Income taxes

Income tax expenses reported in profit or loss for the years ended 31 December 2017 and 2016 were as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2017	2016	2017	2016
Current income taxes:				
Corporate income taxes for the years	(553,225)	(693,755)	-	-
Deferred income taxes:				
Deferred income taxes from temporary differences and reversal of temporary differences	1,013	49,654	-	-
Income tax expenses reported in profit or loss	(552,212)	(644,101)	-	-

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2017 and 2016 multiplied by the applicable tax rate were as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Accounting profits before income tax expenses	3,155,655	3,340,539	1,675,167	1,007,480
Applicable tax rate	20%	20%	20%	20%
Income taxes calculated based on accounting profits	(631,131)	(668,108)	(335,033)	(201,496)
Tax effects of:				
Tax-exempted revenues	48,551	28,684	321,661	192,454
Expenses with additional privilege for more tax-deductible	23,638	3,573	13,719	-
Non-tax deductible expenses	(2,080)	(3,523)	-	(1,000)
Tax losses for the years, for which deferred income taxes are not recognised	(478)	9,990	(419)	10,042
Unused tax losses of prior years, which had not recognised for deferred tax assets, but were utilised during the years	-	6,466	-	-
Others	9,288	(21,183)	72	-
Income tax expenses reported in profit or loss	(552,212)	(644,101)	-	-

The amounts of income tax recognised in other comprehensive income (loss) for the years ended 31 December 2017 and 2016 were summarised below:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Deferred taxes relating to:				
(Gains) losses on revaluation of available-for-sale investments	(52,636)	(27,533)	10,106	(22,667)
Actuarial (gains) losses	3,576	(21)	-	-
Income tax reported in other comprehensive income (loss)	(49,060)	(27,554)	10,106	(22,667)

19. Other assets

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	31 December		31 December	
	2017	2016	2017	2016
Deposits and guarantees	90,535	84,127	1	1
Suspense accounts - debtors	63,531	62,425	-	8,461
Receivables from Clearing House	40,650	74,499	-	-
Prepaid expenses	40,156	41,017	1,520	1,563
Accrued income	35,966	32,576	-	-
Deferred expenses	32,804	28,913	-	-
Contribution and deposit for Securities Clearing Fund	30,712	28,781	-	-
Token money	26,328	19,891	-	-
Income tax awaiting refund	14,018	10,972	1,629	764
Receivables on disposals of properties foreclosed through auctions	9,244	20,244	-	-
Security deposits	5,036	5,017	-	-
Others	5,343	7,157	-	-
Total	394,323	415,619	3,150	10,789
Less: Allowance for doubtful accounts/ allowance for impairment	(61,317)	(51,583)	-	-
Other assets - net	333,006	364,036	3,150	10,789

20. Quality of assets

As at 31 December 2017 and 2016, 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 2017				
	Interbank and money market items and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets	Total
Classification of assets					
Pass	17,338,040	-	148,094,227	-	165,432,267
Special-mention	-	-	1,521,179	-	1,521,179
Sub-standard	-	-	169,463	-	169,463
Doubtful	-	-	211,451	-	211,451
Doubtful of loss	-	21,159	2,882,842	60,907	2,964,908
Total	17,338,040	21,159	152,879,162	60,907	170,299,268

(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
Classification of assets					
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

21. Deposits

21.1 Classified by type of deposits

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December	
	2017	2016
Demand deposits	3,623,020	5,061,089
Savings deposits	72,552,095	64,577,369
Time deposits	49,775,132	50,648,233
Fixed deposit receipts	17,780,438	28,810,455
Total deposits	143,730,685	149,097,146

21.2 Classified by currency and residency of depositors

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2017			31 December 2016		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	143,730,685	-	143,730,685	149,097,146	-	149,097,146
Total	143,730,685	-	143,730,685	149,097,146	-	149,097,146

22. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2017			31 December 2016		
	At call	Term	Total	At call	Term	Total
Domestic:						
Bank of Thailand	-	359,985	359,985	-	4,451,250	4,451,250
Commercial banks	1,364	3,501,000	3,502,364	5	2,001,000	2,001,005
Specialised financial institutions	-	7,304,577	7,304,577	-	9,445,053	9,445,053
Other financial institutions	1,567,718	2,611,501	4,179,219	1,194,208	2,918,335	4,112,543
Total interbank and money market items	1,569,082	13,777,063	15,346,145	1,194,213	18,815,638	20,009,851

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2017			31 December 2016		
	At call	Term	Total	At call	Term	Total
Domestic:						
Commercial banks	1,398,000	-	1,398,000	415,000	-	415,000
Total interbank and money market items	1,398,000	-	1,398,000	415,000	-	415,000

23. Debts issued and borrowings

(Unit: Thousand Baht)

	Consolidated financial statements									
	31 December 2017					31 December 2016				
	Interest rate per annum	Matured in year	Domestic	Overseas	Total	Interest rate per annum	Matured in year	Domestic	Overseas	Total
Bills of exchange	1.35%-1.625%	2018	29,011,000	-	29,011,000	1.50%-1.75%	2017	14,064,151	-	14,064,151
Subordinated debentures ⁽¹⁾	5.125%	2025	3,915,900	-	3,915,900	5.125%	2025	3,862,200	-	3,862,200
Unsubordinated and unsecured debentures	-	-	-	-	-	1.95%	2017	2,400,000	-	2,400,000
Borrowings from Department of Alternative Energy Development and Efficiency	0%	2021-2022	16,377	-	16,377	0%	2021	6,398	-	6,398
Total			32,943,277	-	32,943,277			20,332,749	-	20,332,749
Less: Deferred expenses			(47,699)	-	(47,699)			(5,260)	-	(5,260)
Debts issued and borrowings - net			32,895,578	-	32,895,578			20,327,489	-	20,327,489

⁽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 2017			
	Provisions for employee benefits	Provisions for decommissioning cost	Provisions for other liabilities	Total
As at 1 January 2017	100,869	5,654	345	106,868
Increase during the year	44,187	265	6	44,458
Decrease as a result of payment	(21,922)	-	(111)	(22,033)
As at 31 December 2017	123,134	5,919	240	129,293

(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

24.1 Provisions for employee benefits

Movements of provisions for employee benefits were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Provisions for employee benefits at the beginning of the years	100,869	81,519
Current service costs	23,331	21,684
Interest costs	2,975	2,454
Actuarial (gains) losses arose from:		
Demographic assumption changes	2,379	-
Financial assumption changes	6,815	(137)
Other changes	8,687	32
Benefits paid during the years	(21,922)	(4,683)
Provisions for employee benefits at the end of the years	123,134	100,869

Employee benefit expenses recognised in profit or loss are as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Current service costs	23,331	21,684
Interest costs	2,975	2,454
Total employee benefit expenses	26,306	24,138

As at 31 December 2017 and 2016, the subsidiaries expected to pay approximately Baht 13.1 million and Baht 1.2 million, respectively, on employee benefits within the next 1-year period.

As at 31 December 2017 and 2016, the subsidiaries' weighted average durations of employee benefit payments were estimated to be 10 years and 9 - 10 years, respectively.

The principal assumptions used in actuarial valuation as at the revaluation dates were summarised below.

	Consolidated financial statements	
	31 December	
	2017	2016
	(% per annum)	(% per annum)
Future salary incremental rates	5 - 5.50	4 - 5.50
Turnover rates	0 - 30	0 - 30
Discount rates	2.44 and 2.54	2.65, 2.67 and 3.00

The impacts from changes in significant assumptions on provisions for employee benefits as at 31 December 2017 and 2016 were summarised below.

	(Unit: Thousand Baht)			
	Consolidated financial statements			
	31 December 2017		31 December 2016	
	Increase (decrease)		Increase (decrease)	
	in provisions for employee benefits		in provisions for employee benefits	
	+ 0.5%	- 0.5%	+ 0.5%	- 0.5%
Future salary incremental rates	6,326	(5,928)	5,527	(5,164)
Discount rates	(6,070)	6,552	(4,407)	4,745

25. Other liabilities

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	31 December		31 December	
	2017	2016	2017	2016
Suspense accounts - creditors	223,741	183,621	765	525
Accounts payable on acquisition of equipment and intangible assets	18,952	31,069	-	-
Deposits received	6,495	6,558	300	300
Account payable - Revenue Department	5,926	7,100	-	-
Others	1,011	2,067	-	-
Total other liabilities	256,125	230,415	1,065	825

26. Share capital/share premium

26.1 Increase/decrease in registered share capital

On 12 July 2017, the Extraordinary General Meeting No. 1/2560 of the Company's shareholders passed resolutions approving the following:

- (a) Decrease the Company's registered share capital from Baht 13,638,705,250 to Baht 13,638,699,252 by cancelling the 5,998 unissued shares with a par value of Baht 1 each.
- (b) Increase the Company's registered share capital from Baht 13,638,699,252 to Baht 21,183,660,594 by issuing new 7,544,961,342 ordinary shares with a par value of Baht 1 each for offering to CTBC through a private placement.
- (c) Issuance and allotment of additional 7,544,961,342 ordinary shares with a par value of Baht 1 each to CTBC through a private placement for Baht 2.20 per share totaling Baht 16,598,914,952.40. The Company received payment of such additional share capital and registered the increase of its capital with the Ministry of Commerce on 27 July 2017 and they also incurred cost of offering and issuance ordinary shares amounting to Baht 68,596,464 (present net of share premium).

26.2 Reconciliations of share capital/share premium

	Consolidated and separate financial statements				
	For the years ended 31 December				
	2017		2016		
	Share capital		Share capital		
	Number of shares	Baht	Number of shares	Baht	
Registered share capital					
Ordinary share capital at beginning of the years	13,638,705,250	13,638,705,250	13,638,705,250	13,638,705,250	
Add: Increase in the registered share capital during the years	7,544,961,342	7,544,961,342	-	-	
Less: Decrease in the registered share capital during the years	(5,998)	(5,998)	-	-	
Ordinary share capital at end of the years	21,183,660,594	21,183,660,594	13,638,705,250	13,638,705,250	
Issued and paid-up share capital					
Ordinary share capital at beginning of the years	13,638,699,252	13,638,699,252	13,638,699,252	13,638,699,252	
Add: Issuance of additional ordinary shares during the years	7,544,961,342	7,544,961,342	-	-	
Less: Cost of offering and issuance of additional ordinary shares	-	-	-	-	
Ordinary share capital at end of the years	21,183,660,594	21,183,660,594	13,638,699,252	13,638,699,252	

26.3 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 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.

Later on 27 July 2017, CTBC already paid Baht 16,598,914,952.40 to the Company for the additional 7,544,961,342 ordinary shares and the Company already registered such capital increase with the Ministry of Commerce on the same day.

27. Statutory reserve

Pursuant to Section 116 of the Public Company Limited Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net 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.

28. Dividends paid

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.

On 24 April 2017, 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 2016. Dividend payments were to be made in cash at a rate of Baht 0.052 per share, or equivalent to Baht 708.95 million. The Company already paid cash dividends on 19 May 2017.

On 12 July 2017, the Board of Director's Meeting No.8/2560 of the Company passed a resolution approving an interim cash dividend payment of Baht 0.028 per share from its operating results for the six-month period ended 30 June 2017, or a total of Baht 381.74 million, to its shareholders. The Company already paid cash dividends on 10 August 2017. The interim dividend payment will be notified in the next Annual General Meeting of the Company's shareholders for acknowledgement.

29. Capital funds

The primary objectives of the Group's capital management are to maintain its ability to continue as a going concern and to maintain a capital adequacy ratio in accordance with the Act on Undertaking of Banking Business B.E. 2551.

As at 31 December 2017 and 2016, capital funds of the financial business group and Land and Houses Bank consisted of the following:

	Financial business group		(Unit: Thousand Baht)	
	31 December		LH Bank	
	2017	2016	2017	2016
		(Revised)		(Revised)
<u>Common Equity Tier 1 capital fund</u>				
Issued and fully paid up share capital	21,183,661	13,638,699	20,000,000	14,000,000
Share premium	9,627,913	642,556	10,598,915	-
Statutory reserve	918,910	709,590	588,700	473,000
Retained earnings after appropriation	4,511,665	2,709,573	3,107,128	2,490,646
Revaluation surplus (deficit) on available-for-sale investments	331,921	147,233	166,890	(34,603)
Deduction items on Common Equity Tier 1 capital fund	(439,278)	(433,246)	(360,194)	(371,592)
Total Common Equity Tier 1 capital fund	36,134,792	17,414,405	34,101,439	16,557,451
Total Tier 1 capital fund	36,134,792	17,414,405	34,101,439	16,557,451
<u>Tier 2 capital fund</u>				
Subordinated debentures	3,838,100	3,862,200	3,922,200	4,000,000
Reserve for assets classified as pass and general reserve	1,892,005	1,701,823	1,892,005	1,701,823
Total Tier 2 capital fund	5,730,105	5,564,023	5,814,205	5,701,823
Total capital funds	41,864,897	22,978,428	39,915,644	22,259,274

	31 December 2017			31 December 2016		
	Financial business group	LH Bank	Minimum and additional rates required by law *	Financial business group (Revised)	LH Bank (Revised)	Minimum and additional rates required by law *
The ratio of Common Equity Tier 1 capital fund to risk assets	19.304	18.673	5.750	10.537	10.195	5.125
The ratio of Tier 1 capital fund to risk assets	19.304	18.673	7.250	10.537	10.195	6.625
The ratio of total capital fund to risk assets	22.366	21.857	9.750	13.904	13.706	9.125

* 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 2016 through the Company's website at www.lhfg.co.th on 26 April 2017 and the Company will disclose capital adequacy and capital risk exposure information as of 31 December 2017 within April 2018.

30. Interest income

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Interbank and money market items	556,933	586,120	2,365	941
Investments in debt securities	1,629,460	1,666,087	5,635	7,309
Loans to customers	6,412,179	6,473,296	-	-
Hire purchase	47,449	84,416	-	-
Others	112	112	-	-
Total interest income	8,646,133	8,810,031	8,000	8,250

31. Interest expenses

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	For the years ended		financial statements	
	31 December		For the years ended	
	2017	2016	2017	2016
Deposits	2,152,466	2,464,437	-	-
Interbank and money market items	95,303	206,000	14,240	8,323
Contributions to the Deposit Protection Agency and the Bank of Thailand	807,513	761,966	-	-
Debts issued			-	-
- Subordinated debentures	200,237	198,794	-	-
- Unsubordinated and unsecured debentures	42,312	28,080	-	-
Borrowings	364,982	309,824	-	-
Others	4,192	1,936	-	-
Total interest expenses	3,667,005	3,971,037	14,240	8,323

32. Fees and service income

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	For the years ended		financial statements	
	31 December		For the years ended	
	2017	2016	2017	2016
Fees and service income				
Acceptances, avals and guarantees	41,109	46,048	-	-
Commission income	337,150	237,863	-	-
Others	410,022	352,959	-	-
Total fees and service income	788,281	636,870	-	-
Fees and service expenses				
Fees and charges	58,852	56,677	-	-
Others	75,794	69,593	9,536	7,481
Total fees and service expenses	134,646	126,270	9,536	7,481
Net fees and service income (expenses)	653,635	510,600	(9,536)	(7,481)

33. Gains on investments

	Consolidated		(Unit: Thousand Baht)	
	financial		Separate	
	statements		financial statements	
	For the years ended		For the years ended	
	2017	2016	2017	2016
Gains on sales:				
Available-for-sale investments	238,434	311,784	61,579	36,073
Held-to-maturity investments	2,338	876,705	713	690
Total gains on investments	240,772	1,188,489	62,292	36,763

During the years ended 31 December 2017 and 2016, the Company sold held-to-maturity investments, for prices approximated to their amortised costs of Baht 11 million and Baht 13 million, respectively.

During the year ended 31 December 2016, the subsidiary sold held-to-maturity investments with amortised costs Baht 10,337 million, by approvals resolved by the meetings of the Board of Directors of the subsidiary, and incurred net realised gains on sales of investments Baht 876 million.

During the year ended 31 December 2017, the subsidiary sold held-to-maturity investments with amortised costs Baht 650 million because the issuer called debentures prior to the maturity date, and incurred net realised gains on sales of investments Baht 2 million.

34. Directors' remuneration

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

35. Bad debts, doubtful accounts and impairment loss

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Bad debts and doubtful accounts (reversal)		
Loans to customers ⁽¹⁾	590,058	1,015,783
Interbank and money market items	17,350	(6,986)
Other assets	9,734	16,203
Total bad debts, doubtful accounts and impairment loss	617,142	1,025,000

⁽¹⁾ For the year ended 31 December 2016, such amount included a debt hair-cut loss per agreements of Baht 28.7 million.

36. Components of other comprehensive income (loss)

Components of other comprehensive income (loss) for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2017	2016	2017	2016
(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	467,602	326,587	24,638	103,869
(Gains) losses transferred to be recognised in profit or loss for the years due to				
- Sales of available-for-sale investments	(217,124)	(35,955)	(74,242)	(782)
- Sales of available-for-sale investments, reclassified from other types	-	6,708	470	-
Losses from reclassification of investments	-	(152,160)	(1,398)	-
Amortisation of revaluation deficit on the reclassified investments	12,704	686	-	-
Total gains (losses) on revaluation of available-for-sale investments	263,182	145,866	(50,532)	103,087
Add (less): Income taxes	(52,636)	(27,533)	10,106	(22,667)
Gains (losses) on revaluation of available-for-sale investments - net of income taxes	210,546	118,333	(40,426)	80,420
(b) Items not to be recognised in profit or loss in subsequent periods:				
Actuarial gains (losses)	(17,881)	105	-	-
Add (less): Income taxes	3,576	(21)	-	-
Actuarial gains (losses) - net of income taxes	(14,305)	84	-	-
Other comprehensive income (loss) for the years	196,241	118,417	(40,426)	80,420

37. 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 which issue during the years.

38. Provident fund

The subsidiaries and its employees have jointly established provident funds as approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. The fund is 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 fund will be paid to employees upon termination in accordance with the rules of the funds. During the years ended 31 December 2017 and 2016, the subsidiaries contributed Baht 41.2 million and Baht 37.0 million, respectively, to the provident fund.

39. Commitments and contingent liabilities

39.1 Commitments

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2017			31 December 2016		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	149,598	-	149,598	23,953	-	23,953
Under unmatured import bills	-	-	-	8,021	-	8,021
Guarantee - others	3,642,226	-	3,642,226	4,020,780	-	4,020,780
Letters of credit	10,823	-	10,823	6,927	-	6,927
Undrawn bank overdrafts	4,773,906	-	4,773,906	4,871,743	-	4,871,743
Other commitments	26,066,197	-	26,066,197	17,225,401	-	17,225,401
Total	34,642,750	-	34,642,750	26,156,825	-	26,156,825

39.2 Commitments under long-term lease agreements

- (a) As at 31 December 2017 and 2016, the subsidiaries entered into a number of long-term leases and service agreements for office building, equipment and motor vehicles. The terms of the agreements were between 1 and 8 years, which future minimum rental and service fees, which are to payable by the subsidiaries, can be summarised as follows:

(Unit: Million Baht)

Payable within	Consolidated financial statements	
	31 December	
	2017	2016
Up to 1 year	340	315
Over 1 and up to 5 years	337	305
Over 5 years	3	8

As at 31 December 2017 and 2016, the above commitments of the subsidiaries included rental and service agreements with related parties amounted to Baht 298 million and Baht 130 million, respectively.

- (b) Three subsidiaries entered into various consultancy service agreements relating to software development and installation services. As at 31 December 2017 and 2016, the subsidiaries are obligated to pay further Baht 51 million and Baht 20 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 2 million for the year 2017 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 2017 and 2016, 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.

39.3 Service commitments

39.3.1 As at 31 December 2017 and 2016, 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 of last working day or month-end net asset value (NAV) of the fund.
- Registrar fee charged at a rate of 1 percent of registrar fee income.

As at 31 December 2017 and 2016, the minimum total fee is Baht 100,000 per annum and Baht 500,000 per annum, respectively.

39.3.2 As at 31 December 2017 and 2016, the subsidiary, who operates securities business, has committed (a) to pay various fees related to its securities business, securities brokerage, securities trading, investment advisory and securities underwriting to the Stock Exchange of Thailand, Thailand Securities Depository Company Limited, Thailand Clearing House Company Limited and the Office of the Securities and Exchange Commission, and (b) 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, which can be summarised as follows:

		Fee rates	
		31 December 2017	31 December 2016
(a)	Fees for securities business		
	Securities brokerage fee	0.001% of its trading volume	0.0007% to 0.0018% of its trading volume
	Securities dealing fee	1% of net capital gain from debt securities	1% of net capital gain from debt securities and units trust
	Securities underwriting fee	1% of fees for securities underwriting licenses, but excluded units trust	1% of fees for securities underwriting licenses
	Floor and ceiling of fees	The minimum total fee is Baht 100,000 per annum and the maximum total fee is Baht 10,000,000 per annum	The minimum total fee is Baht 500,000 per annum
		Fee rates	
		31 December 2017	31 December 2016
(b)	Fees for derivatives business		
	Derivatives agent fee	Baht 0.10 of futures contracts, in case of single stock futures contracts less than 100 Baht, will be charged Baht 0.01 each contract	Baht 500,000 per annum
	Floor and ceiling of fees	The minimum total fee is Baht 100,000 per annum and the maximum total fee is Baht 1,000,000 per annum	-

39.4 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 2017 and 2016 of Baht 6.8 million and Baht 7.1 million, respectively.

39.5 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.

39.6 Litigation

As at 31 December 2017 and 2016, the subsidiaries were sued in many litigation cases being claimed for compensations totaling Baht 1,196 million and Baht 848 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.

40. 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)

2. Any persons or companies who hold more than 10 percent of shares in the Company ("the major shareholders") are as follows:
 - 2.1 CTBC Bank Company Limited
 - 2.2 Land and Houses Public Company Limited
 - 2.3 Quality Houses Public Company Limited
 - 2.4 Ms. Piengjai Harnpanich
3. Related companies include companies related by way of the following:
 - 3.1 The subsidiaries of the major shareholders of the Company (shareholders as stated in No. 2 above).
 - 3.2 The associates of the major shareholders of the Company (shareholders as stated in No. 2 above).
 - 3.3 The companies that are related to the Company's and the subsidiaries' directors.
 - 3.4 The companies that are related to the major shareholders of the Company (shareholders as stated in No. 2 above).
 - 3.5 The companies that are controlled by the Company's and subsidiaries' related persons.
4. Directors and executives who are the Company's directors, president, senior executive vice president, first executive vice president, executive vice president, first senior vice president and equivalent.
5. Related persons who are the directors of the subsidiaries, the directors of the major shareholders of the Company (shareholders as stated in No. 2 above) and persons with close relationship with related persons and directors and executives.

40.1 Transactions during the years

During the years, the Company and its subsidiaries had significant business transactions with its related parties. Such transactions, which were 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)

(Unit: thousand Baht)

	Consolidated financial statements		Separate financial statements		
	For the years ended 31 December		For the years ended 31 December		
	2017	2016	2017	2016	Pricing policy
Interest income					
The Company's subsidiary	-	-	7,631	8,181	The same rates that a subsidiary paid to general depositors and as specified in prospectus
Related companies	175,052	134,004	-	-	The same rates that a subsidiary charged to general customers and as specified in prospectus
Directors and executives	420	446	-	-	The same rates that a subsidiary charged to general customers
Related persons	1,173	1,475	-	-	The same rates that a subsidiary charged to general customers
	<u>176,645</u>	<u>135,925</u>	<u>7,631</u>	<u>8,181</u>	
Fees and service income					
Related companies	46,572	41,410	-	-	At the percentage of net asset value of the fund under the subsidiary's management
	<u>46,572</u>	<u>41,410</u>	<u>-</u>	<u>-</u>	
Dividend income					
The Company's subsidiary	-	-	1,569,820	932,400	As announced by the subsidiary
Related companies	41,446	21,330	13,688	1,544	As announced by the funds
	<u>41,446</u>	<u>21,330</u>	<u>1,583,508</u>	<u>933,944</u>	
Other operating income					
The Company's subsidiary	-	-	1,342	1,320	As specified in the agreements
	<u>-</u>	<u>-</u>	<u>1,342</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		
	2017	2016	2017	2016	Pricing policy
Interest expenses					
The Company's subsidiary	-	-	14,239	8,323	The same rates that a subsidiary charged to general customers
The major shareholders	38,366	24,966	-	-	The same rates that a subsidiary paid to general depositors
Related companies	58,311	51,950	-	-	The same rates that a subsidiary paid to general depositors
Directors and executives	6,516	10,263	-	-	The same rates that a subsidiary paid to general depositors and as specified in prospectus
Related persons	13,874	13,236	-	-	The same rates that a subsidiary paid to general depositors and as specified in prospectus
	<u>117,067</u>	<u>100,415</u>	<u>14,239</u>	<u>8,323</u>	
Other operating expenses					
The major shareholders	44,369	40,433	-	-	As specified in the agreements
Related companies	106,189	102,136	69	46	As specified in the agreements and the same rates as charged to general customers
	<u>150,558</u>	<u>142,569</u>	<u>69</u>	<u>46</u>	
Fees and service expenses					
The Company's subsidiary	-	-	265	126	The same rates that a subsidiary charged to general customers
	<u>-</u>	<u>-</u>	<u>265</u>	<u>126</u>	

40.2 The outstanding balances

As at 31 December 2017 and 2016, the outstanding balances of significant transactions between the Company, its subsidiaries and its related parties can be summarised as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	31 December	
	2017	2016
Investments - cost		
Related companies/persons		
Related companies	2,373,651	1,799,875
	<u>2,373,651</u>	<u>1,799,875</u>
Accrued interest receivables on investments		
Related companies/persons		
Related companies	15,806	15,806
	<u>15,806</u>	<u>15,806</u>
Loans to customers		
Related companies/persons		
Related companies	5,557,200	1,389,601
Directors and executives	18,976	8,107
Related persons	27,828	33,205
	<u>5,604,004</u>	<u>1,430,913</u>
Accrued interest receivables on loans to customers		
Related companies/persons		
Related companies	3,840	861
Directors and executives	23	4
Related persons	10	9
	<u>3,873</u>	<u>874</u>
Other assets		
The major shareholders		
Quality Houses Public Company Limited	9,959	8,348
Related companies/persons		
Related companies	33,732	31,197
	<u>43,691</u>	<u>39,545</u>

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		31 December	
		2017	2016
Deposits			
<u>The major shareholders</u>			
Land and Houses Public Company Limited		1,400,753	599,947
Quality Houses Public Company Limited		1,972,397	961,933
Ms. Piengjai Harnpanich		105,471	35,424
<u>Related companies/persons</u>			
Related companies		5,093,924	6,316,396
Directors and executives		115,569	755,320
Related persons		988,157	1,015,777
		<u>9,676,271</u>	<u>9,684,797</u>
Debts issued and borrowings			
<u>Related companies/persons</u>			
Directors and executives		48,000	28,000
Related persons		41,200	12,500
		<u>89,200</u>	<u>40,500</u>
Accrued interest payables			
<u>The major shareholders</u>			
Land and Houses Public Company Limited		128	-
Quality Houses Public Company Limited		93	-
Ms. Piengjai Harnpanich		224	28
<u>Related companies/persons</u>			
Related companies		3,940	5,582
Directors and executives		320	1,623
Related persons		1,448	1,765
		<u>6,153</u>	<u>8,998</u>
Other liabilities			
<u>The major shareholders</u>			
Quality Houses Public Company Limited		253	203
<u>Related companies/persons</u>			
Related companies		2,233	2,943
Directors and executives		39	27
		<u>2,525</u>	<u>3,173</u>
Commitments - letters of bank guarantees			
<u>Related companies/persons</u>			
Related companies		196,887	220,434
		<u>196,887</u>	<u>220,434</u>

		(Unit: Thousand Baht)	
		Separate financial statements	
		31 December	
		2017	2016
Interbank and money market items (assets)			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		6,100	536,976
		<u>6,100</u>	<u>536,976</u>
Investments - cost			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		84,100	137,800
<u>Related companies/persons</u>			
Related company		433,642	31,958
		<u>517,742</u>	<u>169,758</u>
Accrued interest receivables on investments			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		484	793
		<u>484</u>	<u>793</u>
Dividend receivables			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		1,000,000	-
		<u>1,000,000</u>	<u>-</u>
Interbank and money market items (liabilities)			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		1,398,000	415,000
		<u>1,398,000</u>	<u>415,000</u>
Accrued interest expenses on interbank and money market items (liabilities)			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		160	31
		<u>160</u>	<u>31</u>
Accounts payable on securities trading			
<u>The Company's subsidiary</u>			
Land and Houses Securities Public Company Limited		50,722	-
		<u>50,722</u>	<u>-</u>
Other liabilities			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		300	300
		<u>300</u>	<u>300</u>

40.3 Movements of related party 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 their related parties during the year ended 31 December 2017 were as follows:

(Unit: Thousand Baht)				
Consolidated financial statements				
For the year ended 31 December 2017				
	Beginning balances	Increase	Decrease	Ending Balances
Loans to customers				
<u>Related companies/persons</u>				
Related companies	1,389,601	13,436,410	(9,268,811)	5,557,200
Directors and executives	8,107	18,317	(7,448)	18,976
Related persons	33,205	41,079	(46,456)	27,828
	<u>1,430,913</u>	<u>13,495,806</u>	<u>(9,322,715)</u>	<u>5,604,004</u>
Deposits				
<u>The major shareholders</u>				
Land and Houses Public Company Limited	599,947	111,407,473	(110,606,667)	1,400,753
Quality Houses Public Company Limited	961,933	38,534,752	(37,524,288)	1,972,397
Ms. Piengjai Harnpanich	35,424	302,440	(232,393)	105,471
<u>Related companies/persons</u>				
Related companies	6,316,396	208,299,423	(209,521,895)	5,093,924
Directors and executives	755,320	1,820,189	(2,459,940)	115,569
Related persons	1,015,777	1,888,306	(1,915,926)	988,157
	<u>9,684,797</u>	<u>362,252,583</u>	<u>(362,261,109)</u>	<u>9,676,271</u>
Debts issued and borrowings				
<u>Related companies/persons</u>				
Directors and executives	28,000	20,000	-	48,000
Related persons	12,500	28,700	-	41,200
	<u>40,500</u>	<u>48,700</u>	<u>-</u>	<u>89,200</u>
(Unit: Thousand Baht)				
Separate financial statements				
For the year ended 31 December 2017				
	Beginning balances	Increase	Decrease	Ending Balances
Interbank and money market items (assets)				
<u>The Company's subsidiary</u>				
Land and Houses Bank Public Company Limited	536,976	20,735,149	(21,266,025)	6,100
	<u>536,976</u>	<u>20,735,149</u>	<u>(21,266,025)</u>	<u>6,100</u>
Interbank and money market items (liabilities)				
<u>The Company's subsidiary</u>				
Land and Houses Bank Public Company Limited	415,000	2,181,000	(1,198,000)	1,398,000
	<u>415,000</u>	<u>2,181,000</u>	<u>(1,198,000)</u>	<u>1,398,000</u>

40.4 Directors' and executives' compensation

During the years ended 31 December 2017 and 2016, 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	
	2017	2016	2017	2016
Short-term employee benefits	216	161	10	10
Post-employment benefits	17	14	-	-
Total	233	175	10	10

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

41. 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 2017 and 2016, 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 were approximately Baht 20,539 million and Baht 37,024 million, respectively.

The subsidiaries' interest in those funds are shown below.

	(Unit: Million Baht)	
	Consolidated financial statements	
	31 December	
	2017	2016
Accrued fees and service income from asset management business	14	16

	(Unit: Million Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Fees and service income - mutual fund management	224	206
Fees and service income - commission income on securities trading	3	6
Interest expenses	3	3

The maximum risk exposure of the subsidiaries are equal to the interest as shown above.

42. 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 was as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2017								
		Banking business							
	Investment	Lending				Fund	Other		
	holding	Housing	Other	Other		management	businesses	Eliminations	Total
	business	and retail	loans	segments	Total	business			
Interest income from external customers	369	1,357,767	5,624,284	1,630,611	8,612,662	3	33,099	-	8,646,133
Inter-segment interest income	7,631	-	41,028	-	41,028	404	2,548	(51,611)	-
Net interest income (expenses)	(6,240)				4,980,219	407	4,666	76	4,979,128
Net fees and service income (expenses)	(9,536)				325,723	219,606	121,532	(3,690)	653,635
Gains (losses) on trading and foreign exchange transactions	-				989	-	(1,787)	-	(798)
Gains on investments	62,292				65,774	2,760	109,383	563	240,772
Dividend income	1,650,371				392,829	21,537	94,393	(1,569,820)	589,310
Other operating income	1,702				28,659	950	1,431	(1,356)	31,386
Other operating expenses	(23,422)				(2,345,939)	(145,399)	(208,683)	2,807	(2,720,636)
Bad debts, doubtful accounts and impairment loss	-				(617,142)	-	-	-	(617,142)
Income tax expenses	-				(519,047)	(16,502)	(16,663)	-	(552,212)
Profit for the year	1,675,167				2,312,065	83,359	104,272	(1,571,420)	2,603,443

(Unit: Thousand Baht)

For the year ended 31 December 2016

		Banking business							
	Investment	Lending				Fund	Other		
	holding	Housing and	Other loans	Other		management	businesses	Eliminations	Total
	business	retail		segments	Total	business			
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 (expenses)	(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)

As at 31 December 2017

As at 31 December 2017									
		Banking business							
	Investment	Lending				Fund			
	holding	Housing and		Other		managemen	Other		
	business	retail	Other loans	segments	Total	t business	businesses	Eliminations	Total
Loans to customers/ interbank and money market items	-	28,667,723	144,571,796	-	173,239,519	-	1,062,059	(3,298,000)	171,003,578
Cash	3				1,994,550	10	120	-	1,994,683
Interbank and money market items - net	6,100				20,928,063	50,458	62,098	(1,962,158)	19,084,561
Investments - net	2,118,091				55,236,564	322,052	2,031,329	(85,316)	59,622,720
Investments in subsidiaries	31,960,323				-	-	5,699	(31,966,022)	-
Loans to customers and accrued interest receivables - net	-				150,874,613	-	1,066,460	(1,417,160)	150,523,913
Other assets	1,040,751				1,362,480	73,960	431,259	(1,022,875)	1,885,575
Total assets	35,125,268				230,396,270	446,480	3,596,965	(36,453,531)	233,111,452
Deposits	-				143,741,919	-	-	(11,234)	143,730,685
Interbank and money market items	1,398,000				15,415,970	-	1,900,000	(3,367,825)	15,346,145
Debts issued and borrowings - net	-				32,979,124	-	-	(83,546)	32,895,578
Other liabilities	65,824				3,136,936	30,468	450,867	(1,099,998)	2,584,097
Total liabilities	1,463,824				195,273,949	30,468	2,350,867	(4,562,603)	194,556,505

(Unit: Thousand Baht)

As at 31 December 2016									
	Banking business				Total	Fund management			Total
	Investment holding business	Lending		Other segments		business	Other businesses	Eliminations	
		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	(17,203,466)	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 - net	-				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

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 2017 and 2016, the Company and its subsidiaries had no major customer with revenue of 10 percent or more of total revenues.

43. 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, investments, loans to customers, deposits, liabilities payable on demand, debts issued and borrowings, accounts payable on securities trading and securities business payables.

Risk management policies mainly focus on the banking business of its subsidiary whereby the subsidiary manages and controls 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.

43.1 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.

43.2 Market risk

Market risk is the risk that changes in interest rate, foreign exchange rate and securities prices in money market/equity market which may negative affect the revenues and capital funds of the Company and its subsidiaries. The Company 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 2017 and 2016, financial assets and liabilities, classified by types of interest rate, were as follows:

(Unit: Thousand Baht)

Descriptions	Consolidated financial statements			
	31 December 2017			
	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
Financial assets				
Cash	-	-	1,994,683	1,994,683
Interbank and money market items	26,190	17,637,211	1,575,428	19,238,829
Derivative assets	-	-	103,651	103,651
Investments	1,045,789	46,100,119	12,476,837	59,622,745
Loans to customers ⁽¹⁾	90,021,565	60,442,479	3,267,294	153,731,338
Financial liabilities				
Deposits	76,180,121	67,429,968	120,596	143,730,685
Interbank and money market items	1,405,429	13,837,063	103,653	15,346,145
Liabilities payable on demand	-	-	219,784	219,784
Debts issued and borrowings	-	32,926,900	16,377	32,943,277
Securities business payables	-	-	241,881	241,881

⁽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 2016				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
Financial assets				
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
Financial liabilities				
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 payables	-	-	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)

Separate financial statements				
31 December 2017				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
Financial assets				
Cash	-	-	3	3
Interbank and money market items	6,100	-	-	6,100
Investments	-	85,316	2,032,775	2,118,091
Financial liabilities				
Interbank and money market items	-	1,398,000	-	1,398,000
Accounts payable on securities trading	-	-	50,722	50,722

(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

The remaining periods counting from 31 December 2017 and 2016 to the repricing dates or maturity dates (whichever are sooner) of financial instruments carrying interest at fixed rates were as follows:

(Unit: Thousand Baht)

Consolidated financial statements							
31 December 2017							
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							
Interbank and money market items	12,409,211	5,228,000	-	-	-	17,637,211	1.00 - 4.50
Investments	-	1,046,018	3,052,020	26,795,395	15,206,686	46,100,119	1.83 - 5.35
Loans to customers	8,498,256	22,041,518	9,297,688	19,639,824	965,193	60,442,479	1.80 - 5.75
Financial liabilities							
Deposits	2,340,435	19,361,225	36,716,337	9,011,971	-	67,429,968	0.80 - 3.00
Interbank and money market items	60,000	11,056,540	1,524,426	866,362	329,735	13,837,063	0.01 ⁽¹⁾ , 0.1 ⁽²⁾ , 0.75 - 1.50
Debts issued and borrowings	-	20,777,000	8,234,000	-	3,915,900	32,926,900	1.35 - 5.125

⁽¹⁾ The interest rate of 0.01% is charged on the balance of Baht 360 million obtained for financial assistance to debtors affected by the floods in 2011.

⁽²⁾ The interest rate of 0.1% is charged on the balance of Baht 3,305 million obtained for financial assistance to SMEs' debtors that lack of liquidity.

(Unit: Thousand Baht)

Consolidated 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							
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⁾ The interest rate of 0.01% is charged on the balance of Baht 4,451 million obtained for financial assistance to debtors affected by the floods in 2011.

⁽²⁾ The interest rate of 0.1% is charged on the balance of Baht 3,466 million obtained for financial assistance to SMEs' debtors that lack of liquidity.

(Unit: Thousand Baht)

Separate financial statements							
31 December 2017							
Remaining periods to repricing dates or maturity dates							
Descriptions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
Financial assets							
Investments	-	-	-	-	85,316	85,316	5.125
Financial liabilities							
Interbank and money market items	1,398,000	-	-	-	-	1,398,000	2.20

(Unit: Thousand Baht)

Separate 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							
Investments	-	-	-	-	137,800	137,800	5.125
Financial liabilities							
Interbank and money market items	415,000	-	-	-	-	415,000	2.75

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 2017 and 2016 were as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
For the years ended 31 December						
	2017			2016		
	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	17,108,450	583,593	3.41	15,300,554	607,357	3.97
Investments in debt securities	46,711,562	1,626,905	3.48	46,644,251	1,664,666	3.57
Loans to customers	143,155,160	6,443,192	4.50	141,178,835	6,544,304	4.64
Performing financial liabilities						
Deposits	145,236,925	2,837,639	1.95	147,250,628	3,117,058	2.12
Interbank and money market items	13,418,863	112,062	0.84	23,470,346	226,568	0.97
Debts issued and borrowings	28,111,019	723,770	2.57	18,607,682	634,663	3.41

(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.

As at 31 December 2017 and 2016, foreign currency positions of the subsidiary, which operates banking business, were as follows:

(Unit: Thousand Baht)					
Consolidated financial statements					
31 December 2017					
	USD	EUR	JPY	CNY	Others
<u>Foreign currency in the statements of financial position</u>					
Cash	478	156	155	27	166
Investments	1,045,789	-	-	-	-
Total assets	1,046,267	156	155	27	166

(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	1,146,734	52	12	16	55

In addition, the subsidiary had commitments in respect of cross currency and interest rate swap contracts held for banking book, which were to settle in foreign currencies as follows:

(Unit: Thousand Baht)					
Consolidated financial statements					
31 December 2017					
	USD	EUR	JPY	CNY	Others
Cross currency and interest rate swap contracts					
- Sold	1,045,789	-	-	-	-

(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	-	-	-	-

(c) Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities or stocks 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.

43.3 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 conducts 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 cover the effect of liquidity management of the subsidiary. The Risk Management Department is responsible for carrying out the study and reporting the results to Asset and Liability Committee, which measures liquidity requirements under each scenario, and provides 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 2017 and 2016 were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2017					
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
Financial assets						
Cash	1,994,683	-	-	-	-	1,994,683
Interbank and money market items	14,010,829	5,228,000	-	-	-	19,238,829
Derivative assets	-	-	-	103,651	-	103,651
Investments	-	1,046,018	3,052,020	43,047,870	12,476,837	59,622,745
Loans to customers ⁽¹⁾	17,456,553	32,627,077	16,150,213	86,435,436	1,062,059	153,731,338
Financial liabilities						
Deposits	76,175,115	19,942,663	37,598,670	10,014,237	-	143,730,685
Interbank and money market items	1,569,082	11,056,540	1,524,426	1,196,097	-	15,346,145
Liabilities payable on demand	219,784	-	-	-	-	219,784
Debts issued and borrowings	-	20,777,000	8,234,000	3,932,277	-	32,943,277
Securities business payables	-	241,881	-	-	-	241,881

⁽¹⁾ Loans to customers maturing at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)

Consolidated financial statements						
31 December 2016						
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
Financial assets						
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
Financial liabilities						
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 payables	-	143,479	-	-	-	143,479

⁽¹⁾ Loans to customers maturing at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)

Separate financial statements						
31 December 2017						
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
Financial assets						
Cash	3	-	-	-	-	3
Interbank and money market items	6,100	-	-	-	-	6,100
Investments	-	-	-	85,316	2,032,775	2,118,091
Financial liabilities						
Interbank and money market items	1,398,000	-	-	-	-	1,398,000
Accounts payable on securities trading	-	50,722	-	-	-	50,722

(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
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

Moreover, as at 31 December 2017 and 2016, 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 report dates, of the contracts:

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2017			31 December 2016		
	No more than 1 year	Over 1 year	Total	No more than 1 year	Over 1 year	Total
Avals to bills	149,598	-	149,598	23,953	-	23,953
Under unmatured import bills	-	-	-	8,021	-	8,021
Guarantee - other	2,861,132 ⁽¹⁾	781,094	3,642,226	3,678,406 ⁽¹⁾	342,374	4,020,780
Letters of credit	10,823	-	10,823	6,927	-	6,927
Undrawn bank overdrafts	4,773,906	-	4,773,906	4,871,743	-	4,871,743
Other commitments	-	26,066,197	26,066,197	-	17,225,401	17,225,401

⁽¹⁾ As at 31 December 2017 and 2016, these amount included contracts with no maturity date amounting to Baht 1,073 million and Baht 1,241 million, respectively.

44. Fair value of financial instruments

44.1 Assets and liabilities measured at fair value

As at 31 December 2017 and 2016, 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 2017				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Assets measured at fair value</u>					
Trading investments					
Domestic marketable equity securities	179	179	-	-	179
Total trading investments	179	179	-	-	179
Available-for-sale investments					
Domestic marketable equity securities	12,326,394	12,326,394	-	-	12,326,394
Investment units	136,695	-	136,695	-	136,695
Total available-for-sale investments	12,463,089	12,326,394	136,695	-	12,463,089

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2016				
	Carrying value	Fair 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)

	Separate financial statements				
	31 December 2017				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value</u>					
Available-for-sale investments					
Private sector debt securities	85,316	-	85,316	-	85,316
Domestic marketable equity securities	2,022,799	2,022,799	-	-	2,022,799
Investment units	9,976	-	9,976	-	9,976
Total available-for-sale investments	2,118,091	2,022,799	95,292	-	2,118,091

(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

During the current year, there was no transfers within the fair value hierarchy.

44.2 Financial assets and liabilities for which fair values are disclosed

As at 31 December 2017 and 2016, the Company and its subsidiaries had financial assets and liabilities that were measured at cost, and for which fair values were disclosed using different levels of inputs as follows:

(Unit: Thousand Baht)

Consolidated financial statements					
31 December 2017					
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets for which fair values were disclosed</u>					
Cash	1,994,683	1,994,683	-	-	1,994,683
Interbank and money market items - net	19,065,637	1,919,619	-	17,145,097	19,064,716
Derivative assets	103,651	-	110,418	-	110,418
Investments - net	47,159,452	-	48,594,517	13,544	48,608,061
Loans to customers - net	150,262,658	-	1,062,059	149,796,747	150,858,806
<u>Financial liabilities for which fair values were disclosed</u>					
Deposits	143,730,685	76,300,717	67,435,666	-	143,736,383
Interbank and money market items	15,346,145	1,509,082	13,846,457	-	15,355,539
Liabilities payable on demand	219,784	219,784	-	-	219,784
Debts issued and borrowings	32,943,277	16,377	32,982,114	-	32,998,491
Securities business payables	241,881	-	241,881	-	241,881

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2016				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets for which fair values were 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 were 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 payables	143,479	-	143,479	-	143,479

(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2017				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets for which fair values were disclosed</u>					
Cash	3	3	-	-	3
Interbank and money market items - net	6,100	6,100	-	-	6,100
<u>Financial liabilities for which fair values were disclosed</u>					
Interbank and money market items	1,398,000	1,396,737	-	-	1,396,737
Accounts payable on securities trading	50,722	-	50,722	-	50,722

(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2016				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets for which fair values were 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 were disclosed</u>					
Interbank and money market items	415,000	415,031	-	-	415,031

The methods and assumptions used by the Company and its subsidiaries in estimating the fair values of financial instruments are as follow:

- 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 securities trading and securities business payables), approximate their carrying values.
- The fair values of investments in debt securities are determined based on the yield rates quoted by the Thai Bond Market Association.
- The fair values of investment units, which are not listed securities, are determined using the net asset value per unit announced by fund managers.
- The fair values of non-marketable equity securities are determined based on generally accepted pricing models.
- 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.
- 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 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.

45. Events after the reporting period

45.1 Issuance and offering of debt securities of the Company

On 21 February 2018, the Board of Director's Meeting No.2/2561 of the Company passed a resolution approving issuance and offering of short term and/or long term bills of exchange and/or debentures with a limit of not exceeding Baht 5,000 million and a term of not over 10 years and 6 months. Issuance and offering of short term and/or long term bills of exchange and/or debentures must be approved by the 2018 Annual General Meeting of shareholders to be held on 23 April 2018 and the Securities and Exchange Commission.

45.2 Issuance and offering of debt securities of the subsidiary

On 21 February 2018, the Board of Director's Meeting No.2/2561 of the subsidiary passed a resolution approving issuance and offering of short term and/or long term debt securities with a limit of not exceeding Baht 10,000 million and a term not over 10 years and 6 months. Issuance and offering of short term and/or long term debt securities must be approved by the 2018 Annual General Meeting of shareholders to be held on 19 March 2018 and the Securities and Exchange Commission.

45.3 Dividend payments of the Company

On 21 February 2018, the Board of Director's Meeting No.2/2561 of the Company passed resolutions to propose to the Annual General Meeting of shareholders for approval of the 2017 dividend payments in cash of Baht 0.03 per share, or a total of not exceeding Baht 635.51 million from its operating results for the year ended 31 December 2017.

46. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 21 February 2018.

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BRANCH INFORMATION



	BRANCH	TELEPHONE
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
Thonglo 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 2853 3930-2
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 Wat Yak, Charoen Krung Road	0 2235 7463-5, 0 2639 6103
The Old Siam Branch	1 floor, Burapha Road	0 2223 9866-8
Pakkhlong Talat Branch	Opposite Thai Agriculture Promotion Market	0 2225 4932-4, 0 2623 7316
Sena Fest (Charoen Nakorn) Branch	1 floor, Sena Fest, Charoen Nakorn Road	0 2437 0038-41, 0 2108 9040
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 Saphankhwai 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



	BRANCH	TELEPHONE
	Big C Onnut Branch	3 floors, Food Court
	Big C Tiwanon Branch	1 floor, next to Bangkok Bank
	Big C Rattanaibetch Branch	1 floor, gold shop area
	Tesco Lotus Rama I Branch	3 floors, Tesco Lotus Rama I
	Tesco Lotus Rama 4 Branch	2 floors, Near the escalator
	Tesco Lotus Bangna-Trad Branch	1 floor, Banking Zone
	Tesco Lotus Srinakarin Branch	2 floors, near the cinema
	Home Pro Phet Kasem Branch	1 floor, Plaza Zone, on the same side of HomePro area
	Home Pro Suvarnaphumi Branch	3 floors, Banking Zone
	Home Pro Ekamai-Ramindra Branch	Near Maesriuen Restaurant
	Home Pro Prachachuen Branch	1 floor, HomePro Prachachuen
	HomePro Phutthamonthon Sai 5 Branch	1 floor, HomePro Phutthamonthon
	Megahome Rangsit Branch	1 floor, Mega Home Rangsit
	Central Rama 9 Branch	5 floors, Banking Zone
	Central Pinklao Branch	4 floors, Banking Zone
	The Mall Thapra Branch	B floor, in front of the supermarket
	The Mall Bangkai Branch	3 floors, Banking Zone
	The Mall Bangkok Branch	2 floors, opposite Nokia shop, on the same side of Plaza
	The Mall Ngamwongwan Branch	1 floor, opposite DTAC shop
	Seacon Bangkok Branch	3 floors, Banking Zone
	Seacon Square Branch	3 floors Banking Zone
	Nakhonpathom Branch	Ratchawithi Road
	Samutsakhon Branch	Opposite Mahachai Christian School
	Central Plaza Chaengwattana Branch	4 floors, near True Move Shop
	HomePro Rama 3 Branch	1 floor, HomePro Rama 3
	The Paseo (Ladkabang) Branch	Near McDonald's



	BRANCH	TELEPHONE
	HomePro Chiangrai Branch	1 floor, HomePro Chiangrai
	HomePro Phrae Branch	1 floor, HomePro Phrae
	HomePro Lampang Branch	1 floor, HomePro Lampang
	Tesco Lotus Ruamchok (Chiang Mai) Branch	2 floors, Tesco Lotus Ruamchok
	Big C Hangdong Branch	1 floor, Banking Zone
	Talat Warorot Branch	Entrance Warorot Market
	Chiangrai Branch	Thanalai Road



	BRANCH	TELEPHONE
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)	044 920530-1
Mega Home Nongkhai Branch	1 floor, Mega Home Nongkhai	042 990453-4, 042 464229
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, 0 4234 3788, 0 4223 0308
Ubon Ratchathani Branch	Chayangkun Road	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



	BRANCH	TELEPHONE
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
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	Baromatriloakanart 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



	BRANCH	TELEPHONE
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 Khiri Khan	0 3265 2151-2
Robinson Ratchaburi Branch	1 floor, Robinson Ratchaburi	0 3232 8025-7, 0 3231 0330
Hua Hin Branch	Opposite Prachuap Khiri Khan Highway District	0 3251 3420-2
Megahome Mae Sot Branch	1 floor, Mega Home Mae Sot	0 5550 6993-4



	BRANCH	TELEPHONE
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



	BRANCH	TELEPHONE
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
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 76340 0801, 0 7629 2013
Krabi Branch	Maha Rat Road	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





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