LHFG

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

We are family



Annual 2018 Report
รายงานประจำ 2561

LH BANK LH Fund LH Securities LH Advisory

mark

Symbolic of CHANGE

“จุดเริ่มต้น...ของการเปลี่ยนแปลง”

LHFG

กลุ่มการเงินแลนด์ แอนด์ เฮ้าส์

LH BANK LH Fund LH Securities LH Advisory



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MESSAGE FROM THE CHAIRMAN



Mr.Rutt Phanijphand
Chairman

Thai economy in the year 2018 grew from the previous year, which grew at 4.1%. This was the highest level since 2013 supported from the accelerated expansion of private consumption, the government expenditure and the total investment in the country, while the value of the export decelerated by the economy of the important partner countries slow down and the impact of trade barriers between the United States and China. For the tourism sector which is a key driver of economic growth in Thailand can expand by the number of tourist from almost all nationalities, particularly ASEAN.

During the past year, Land and Houses financial business group has developed in many aspects, For example, modern technology development in order to facilitate and develop new products that meet the lifestyle of customers such as stock trading, fund trading and new account opening via LH Bank M Choice application. Moreover, the company launched of the Mark Symbolic of CHANGE, which was a remarkable change in terms of service channel, branch model and staff uniform to create a modern and active personality under the concept "We Are Family" but still maintain the sobriety, warmth and friendliness.

Financial services of LH Financial Group Public Company Limited are the collaboration to develop diversity products which completely meet the need of all groups of customers, for the 2018 financial performance as follows:

The company has the total assets of Baht 245,933 million or 5.5% growth compared to the previous year and has total net profit of Baht 3,108.2 million or 19.4% growth compared to the previous year.

Land and Houses Bank Public Company Limited had the total assets of Baht 238,658 million or 3.6% growth compared to the previous year. The total loans to customers were Baht 182,142 million or 5.1% growth compared to the previous year. In addition, the bank's loan was considered good quality loans and non-performing loan (NPL) were 1.93% of total 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 and in January 2019, the bank will launch the E-Wallet Payment via QR Code and Trade Finance service which will be supported by the expertise and strengths of CTBC Bank, a partner from Taiwan whose operations cover 111 outlets in 14 countries in order to facilitate users and to support import and export business of Thailand that is expanding continuously.

Land and Houses Fund Management Company Limited had the funds under management, total assets valued Baht 66,183 million, and had the market share at 1.1%. 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 had 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, creating a new products, sales promotion activities, and encouragement the investment channel via LH Bank branches to expand the customer base and allow investors to easily open a trading account through LH Bank branches that are available nationwide.

The Board of Directors 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 2018, Thai Institute of Directors (IOD) evaluated the result of the good corporate governance and rated in the top level of "Excellent : 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 4 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 with quality and fairly.

Finally, the company would like to 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.

COMPANY PROFILE

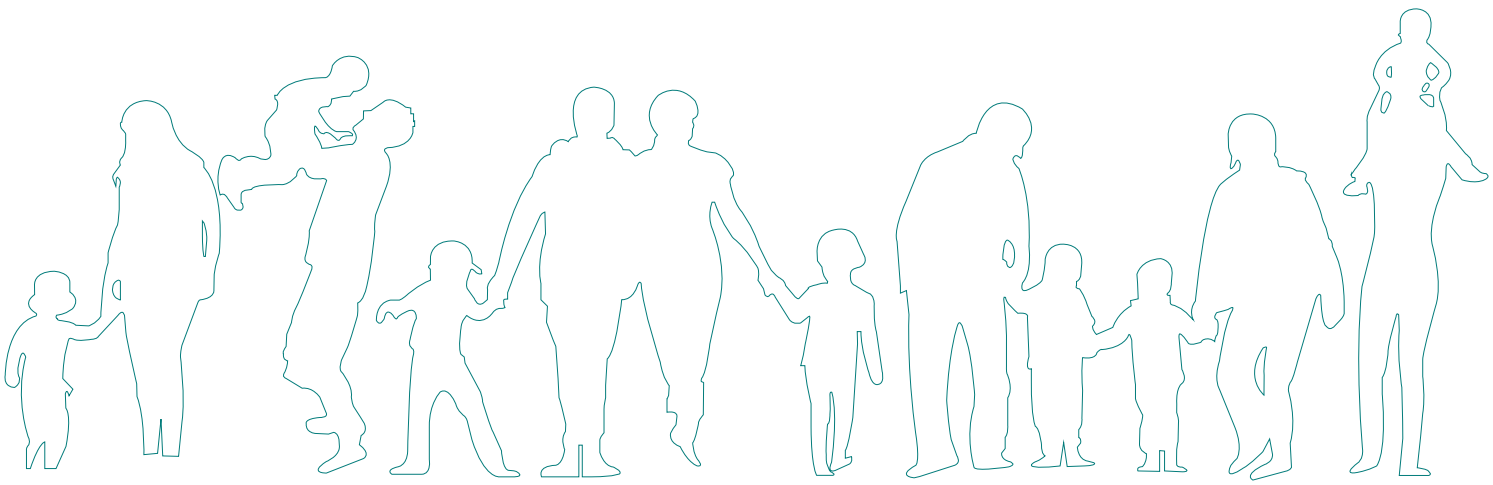
LH Financial Group Public Company Limited is a non-operating holding company established with compliance's guideline on the Bank of Thailand's Notification, which has been requiring that the financial institutions have to restructure the shareholding structure of its group to be in line with the guideline 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 Limited. 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. And on 24 April 2018, the company has changed the securities symbol to LHFG.



On 22 January 2014, the company purchased a 99.80% paid-up capital of CIMB Securities International (Thailand) Public Company Limited and also purchased a 99.99% paid-up capital of CIMB Advisory (Thailand) Company Limited via CIMB Securities 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 LH Financial Group Public Company Limited financial business group 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 LH Financial Group Public Company Limited financial business group, on 1 March 2016, LH Financial Group Public company Limited purchased ordinary shares of Land and Houses Bank 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 Houses Public Company Limited and Quality Houses 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	LHFG
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, 5th 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 E-mail : presidentoffice@lhbank.co.th

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

The Audit Committee	**Mr. Adul**	**Vinaiphat**	**Chairman of the Audit Committee**
	Telephone : 08 1834 0104		Email : adulv@lhbank.co.th
	Mr. Pradit	**Sawattananond**	**Member of the Audit Committee**
	Telephone : 08 1868 1487		E-mail : pradits@lhbank.co.th
	Dr. Supriya	**Kuandachakupt**	**Member of the Audit Committee**
	Telephone : 08 5901 5888		E-mail : supriyak@lhbank.co.th
	Mr. Somsak	**Assavapokee**	**Member of the Audit Committee**
	Telephone : 08 5485 4269		Email : somsaka@lhbank.co.th
Auditors	Miss Ratana	Jala	Certified Public Accountant (Thailand), No.3734 and/or
	Miss Somjai	Khunapasut	Certified Public Accountant (Thailand), 4499 and/or
	Miss Rachada	Yongsawadvanich	Certified Public Accountant (Thailand), No. 4951
	EY Office Limited		
	193/136-137, 33rd Floor, Lake Rajada Office Complex,		
	Rajadapisek Road, Klongtoey, Bangkok 10110		
	Telephone : 0 2264 0777		
	Fax : 0 2264 0789-90		
	Website : www.ey.com/th		

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, 1st, 5th, 6th, 32nd Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registration Number	0107548000234
Registered Share Capital	Baht 20,000,000,000
Paid-up Share Capital	Baht 20,000,000,000
Telephone	0 2359 0000
Fax	0 2677 7223
Website	www.lhbank.co.th
Auditors	EY Office Limited 193/136-137, 33rd Floor, Lake Rajada Office Complex, 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, 10th 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, 33rd Floor, Lake Rajada Office Complex, Rajadapisek Road, Klongtoey, Bangkok 10110 Telephone : 0 2264 0777 Fax : 0 2264 0789-90 Website : www.ey.com/th

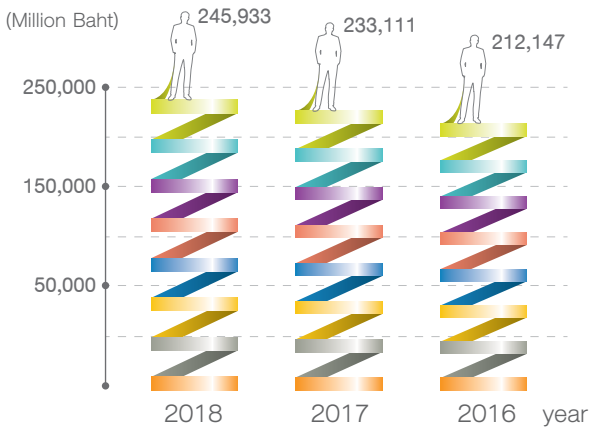
Land and Houses Fund Management Company Limited	
Head Office	11 Q. House Sathon Building, 14th Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registration Number	0105551006645
Registered Share Capital	Baht 300,000,000
Paid-up Share Capital	Baht 300,000,000
Telephone	0 2286 3484 , 0 2679 2155
Fax	0 2286 3585 , 0 2679 2150
Website	www.lhfund.co.th
Auditors	EY Office Limited 193/136-137, 33rd Floor, Lake Rajada Office Complex, 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, 10th 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, 33rd Floor, Lake Rajada Office Complex, Rajadapisek Road, Klongtoey, Bangkok 10110 Telephone : 0 2264 0777 Fax : 0 2264 0789-90 Website : www.ey.com/th

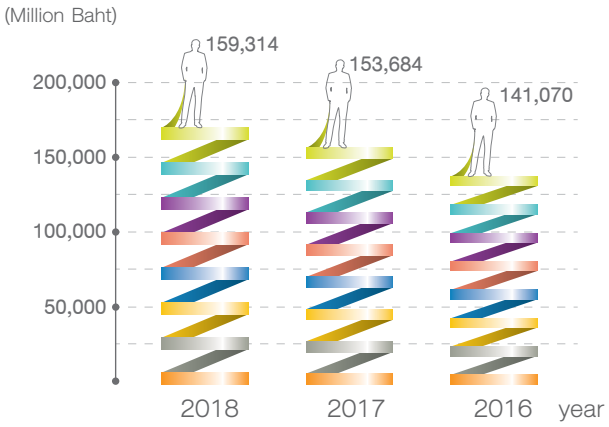
FINANCIAL HIGHLIGHTS

Items	Consolidated Financial Statements		
	2018	2017	2016
Statements of financial position : Million Baht			
Total assets	245,933	233,111	212,147
Loans to customers	159,314	153,684	141,070
Allowance for doubtful debts	3,801	3,422	3,102
Non-performing loans (Gross NPLs)	3,520	3,264	2,766
Deposits	168,164	143,731	149,097
Debts issued and borrowings	26,203	32,896	20,327
Total liabilities	206,224	194,556	191,831
Total owners' equity	39,709	38,555	20,316
Registered share capital	21,184	21,184	13,639
Issued and Paid-up share capital	21,184	21,184	13,639
Statements of comprehensive income : Million Baht			
Interest income	8,500	8,646	8,810
Interest expenses	(3,695)	(3,667)	(3,971)
Net interest income	4,805	4,979	4,839
Non-interest income	2,255	1,514	2,128
Total operating income	7,060	6,493	6,967
Non-interest expenses	(2,768)	(2,721)	(2,602)
Bad debts and doubtful accounts	(570)	(617)	(1,025)
Profits before income tax expenses	3,722	3,155	3,340
Net profits	3,108	2,603	2,696
Comparing per share : Baht			
Basic earnings per share	0.147	0.154	0.198
Dividend rate per share	0.0800	0.0580	0.0520
Book value per share	1.8745	1.8200	1.4896
Financial ratio (%)			
Return on average assets (ROA)	1.30	1.17	1.31
Return on average owners' equity (ROE)	7.94	8.84	14.09
Non-interest income to total income	31.94	23.32	30.54
Non-interest expenses to total income	39.21	41.90	37.34
Dividend payout ratio	78.18	60.73	70.39

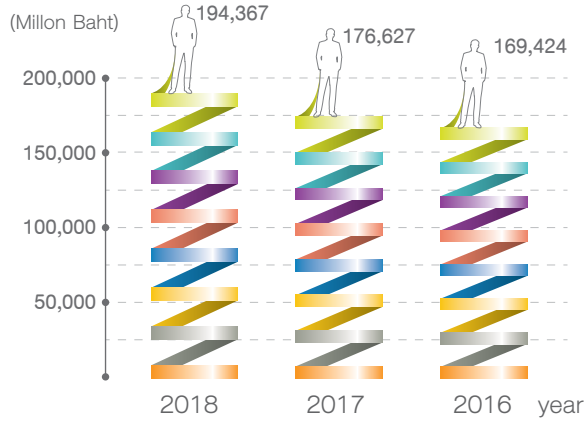
Total Assets



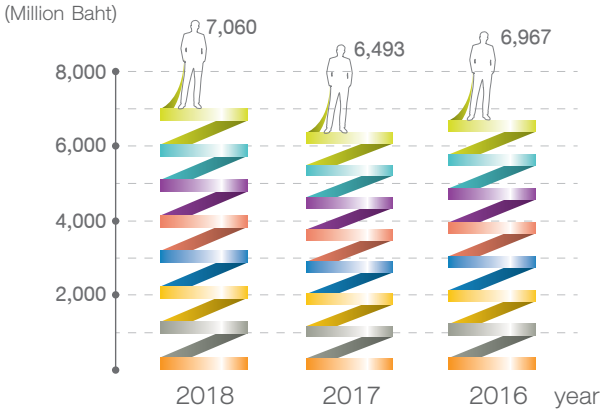
Loans to Customers



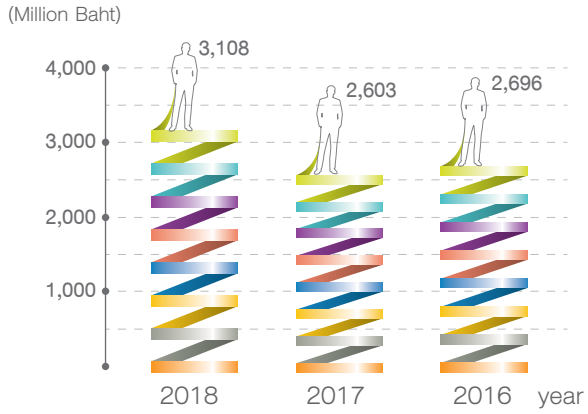
Deposits & Debts Issued and Borrowings



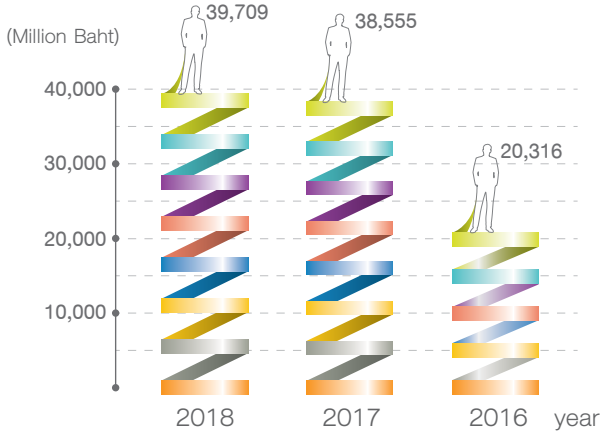
Operating Income



Net Profit



Owners' Equity



BOARD OF DIRECTORS



Name: Mr. Rutt Phanijphand

Position: Chairman

Age (Years): 71

Education:

- 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
- Information Security Awareness Training 2018: LH Bank

Number of direct holding of shares: None

Number of spouse and minor child holding of shares: None

Relationship with executives: None

Work experiences in the past 5 years

Current Position in 3 Listed Companies on the Stock Exchange of Thailand

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 Nomination and Remuneration 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 on the Stock Exchange of Thailand

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 - 2008	Director	Kasetsart University Council
2002 - 2008	Chairman	The Activities Promotion Committee, Kasetsart University
Aug. 2001 - Dec. 2009	Director	Centerpoint Management Co., Ltd.
2000 - 2005	Chairman	United Advisory service Co., Ltd.



Name: Mr. Adul Vinaiphat

Position: Independent Director, Chairman of the Audit Committee
Chairman of the Corporate Governance Committee

Age (Years): 72

Education:

- Master of Arts (Economics), University of Texas at Austin, USA
- Bachelor of Economics, Thammasat University
- National Defense College Class 388
- Senior Administrator Course, Office of the Civil Service Commission
- 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
- Information Security Awareness Training 2018: LH Bank

Number of direct holding of shares: None

Number of spouse and minor child holding of shares: None

Relationship with executives: None

Work experiences in the past 5 years

Current Position in 3 Listed Companies on the Stock Exchange of Thailand

Period	Position	Organization/Company
Apr. 2018 - Present	Independent Director and Member of the Audit Committee	Quality Houses PLC
May 2015 - Apr. 2017	Consultant	
Dec. 2010 - Apr. 2015	Member of the Nominating 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. 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	
Jul. 2018 - Sep. 2018	Member of the Nomination and Remuneration Committee	
Apr. 2009 - Jul. 2018	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	
Aug. 2005 - Dec. 2005	Member of the Audit Committee	Book Club Finance PLC

Current Position in 4 Non-Listed Companies on the Stock Exchange of Thailand

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 - 2008	Vice President	
Feb. 2013 - Feb. 2018	Member of the Corporate Governance Committee	Land and Houses Bank PLC
Dec. 2005 - Feb. 2018	Independent Director and Member of the Audit Committee	
Dec. 2005 - Feb. 2018	Chairman of the Nomination and Remuneration Committee	
Oct. 2014 - Jun. 2016	Independent Director and Chairman of the Audit Committee	Land and Houses Securities PLC
2008 - Oct. 2013	Director	The Tapioca Development Institute (Huay Bong)
Mar. 2010 - 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: Mr. Pradit Sawattananond

Position: Independent Director
Member of Audit Committee
Member of Corporate Governance Committee

Age (Years): 70

Education:

- Master of Business Administration, Central State University, USA
- Bachelor of Commerce, Chulalongkorn University
- Director Certification Program (DCP) 3/2000 : IOD
- Audit Committee Program (ACP) 3/2004 : IOD
- Chief Financial Officer Certification Program 1/2004 : ICAAT
- Improving the Quality of Financial Reporting Program 4/2006 : IOD
- Monitoring the Quality of Financial Reporting Program 5/2007 : IOD
- Monitoring the Internal Audit Function Program 5/2008 : IOD
- Monitoring the System of Internal Control and Risk Management Program 2/2008 : IOD
- Role of the Compensation Committee Program 6/2008 : IOD
- Advance Audit Committee Program (AACP) 13/2013 : IOD
- How to Develop a Risk Management Plan (HRP) 4/2013 : IOD
- Corporate Governance for Capital Market Intermediaries Program (CGI) 1/2014 : IOD
- Information Security Awareness Training 2018: LH Bank

Number of direct holding of shares: None

Number of spouse and minor child holding of shares: None

Relationship with executives: None

Work experiences in the past 5 years:

Current Position in 5 Listed Companies on the Stock Exchange of Thailand

Period	Position	Organization/Company
Apr. 2018 - Present	Independent Director Member of the Audit Committee Member of Corporate Governance Committee	LH Financial Group PLC
Jul. 2018 - Sep. 2018	Member of the Nomination and Remuneration Committee	
2004 - Present	Independent Director Chairman of the Audit Committee	Asia Sermkij Leasing PLC
2015 - Present	Independent Director Chairman of the Audit Committee	Nusasiri PLC
2004 - Present	Independent Director Member of the Audit Committee	Thai Film Industries PLC
2000 - Present	Independent Director Member of the Audit Committee	KGI Securities (Thailand) PLC

Current Position in 1 Non-Listed Companies on the Stock Exchange of Thailand

Sep. 2018 - Present	Member of the Risk Oversight Committee	Land and Houses Bank PLC
Jul. 2018 - Present	Member of the Nomination and Remuneration Committee	
Mar. 2018 - Present	Independent Director Member of the Audit Committee Member of the Corporate Governance Committee	
2005 - 2006	Advisor to the Committee on Economic Development	The House of Representatives
2001 - 2006	Academic to the Committee on Monetary, Finance, Banking and Financial Institutions	
2003 - 2006	Director	Thailand Securities Depository Co., Ltd.



Name: Dr.Supriya Kuandachakupt

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

Age (Years): 65

Education:

- Doctor of Philosophy in Economics, University of Hawaii, USA
- Master of Arts (Economics) (English Program), Thammasat University
- Bachelor of Economics, University of Tasmania, Australia
- Diploma of Tertiary Education University of New England, Australia
- 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
- Audit Committee Effectiveness (ACE) 2012 : 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) (CGI) 7/2015 : IOD
- Advance Audit Committee Program (AACP) 31/2018 : IOD
- Information Security Awareness Training 2018: LH Bank

Number of direct holding of shares: None

Number of spouse and minor child holding of shares: None

Relationship with executives: None

Work experiences in the past 5 years:

Current Position in 2 Listed Companies on the Stock Exchange of Thailand

Period	Position	Organization / Company
Sep 2018 - Present	Member of the Risk Oversight Committee	LH Financial Group PLC
Aug. 2017 - Present	Independent Director, Member of the Audit Committee	
	Member of the Corporate Governance Committee	
	Member of the Nomination and Remuneration Committee	
2006 - Present	Independent Director, Member of the Audit Committee	Asia Sermkij Leasing PLC

Current Position in 3 Non-Listed Companies on the Stock Exchange of Thailand

Aug. 2017 - Present	Independent Director, Member of the Audit Committee,	Land and Houses Bank PLC
	Member of the Corporate Governance Committee	
Jul. 2018 - Aug. 2018	Member of the Nomination and Remuneration Committee	
Aug. 2017 - Feb. 2018	Member of the Nomination and Remuneration Committee	
2012 - Present	Advisor	Destination Resorts Co., Ltd.
2002 - Present	Director	P.A.K. Supply Co., Ltd.
2013 - Sep. 2018	Special Senior Fellows, Faculty of Economics	Kasetsart University
1986 - Sep. 2018	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	
2010 - 2012	Director, The Government Lottery office	The Government Lottery Office
2004 - 2006	Advisor, Director of the Fiscal Policy Office	Fiscal Policy Office



Name: Mr. Somsak Assavapokee

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

Age (Years): 66

Education:

- Master of Business Administration, New York University, USA
- Bachelor of Commerce (Commerce and Accountancy), Thammasat University
- Director Certification Program (DCP) 157/2012 : IOD

Number of direct holding of shares: None

Number of spouse and minor child holding of shares: None

Relationship with executives: None

Work experiences in the past 5 years

Current Position in 1 Listed Company on the Stock Exchange of Thailand

Period	Position	Organization/Company
Dec. 2018 - Present	Independent Director	LH Financial Group PLC
	Chairman of the Nomination and Remuneration Committee	
	Member of the Corporate Governance Committee	
	Member of the Audit Committee	
	Member of the Risk Oversight Committee	
Oct. 2014 - Aug. 2017	Independent Director	
	Member of the Audit Committee	
	Member of the Corporate Governance Committee	
	Member of the Nomination and Remuneration Committee	

Current Position in 1 Non-Listed Company on the Stock Exchange of Thailand

Sep. 2018 - Present	Member of the Risk Oversight Committee	Land and Houses Bank PLC
Jul. 2018 - Present	Chairman of the Nomination and Remuneration Committee	
Oct. 2012 - Present	Independent Director	
	Member of the Audit Committee	
	Member of the Corporate Governance Committee	
Oct. 2012 - Aug. 2017	Member of the Nomination and Remuneration Committee	
2003 - Sep. 2012	Director and Executive Director	Secondary Mortgage Corporation
Oct. 2005 - Sep. 2012	First Senior Executive Vice President	Government Housing Bank
Nov. 2000 - Oct. 2005	Senior Executive Vice President	
Apr. 2000 - Oct. 2000	Senior Executive Vice President and Acting President	
Oct. 1998 - Apr. 2000	Senior Executive Vice President	
Nov. 1994 - Oct. 1998	Executive Vice President	



Name: Mr. Naporn Sunthornchitcharoen
Position: Director
Member of the Nomination and Remuneration Committee
Age (Years): 60
Education:

- Master of Business Administration, Thammasat University
- Bachelor of Civil Engineering, Chiangmai University
- Stanford Executive Program (SEP), Graduate School of Business Stanford University, USA
- 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
- Information Security Awareness Training 2018 : LH Bank

Number of direct holding of shares: None
Number of spouse and minor child holding of shares: None
Relationship with executives: None

Work experiences in the past 5 years

Current Position in 5 Listed Companies on the Stock Exchange of Thailand

Period	Position	Organization/Company
Aug. 2017 - Present	Chairman of the Board of Directors, Chairman of the Executive Board	Land and Houses PLC
1992 - Present	Director	
May 2013 - Aug. 2017	Executive Director, President (Operations)	
2002 - Apr. 2013	Executive Director, Senior Executive Vice President (Operations)	
1991 - 2001	Executive Vice President	
Jun. 2017 - Present	Director	Quality Houses PLC
Sep. 2018 - Present	Member of the Nomination and Remuneration Committee	LH Financial Group PLC
May 2011 - Present	Director	
May 2011 - Jul. 2018	Member of the Nomination and Remuneration Committee	
May 2011 - Jun. 2017	Member of the Executive Committee	
2015 - Present	Nomination and Remuneration Committee	Home Product Center PLC
2001 - Present	Executive Director	
1995 - Present	Director	
1994 - Present	Director	Quality Construction Products PLC
1994 - Mar. 2011	Director	Bangkok Chain Hospital PLC
Aug. 2005 - Dec. 2005	Director	Book Club Finance PLC
Current Position in 13 Non-Listed Companies on the Stock Exchange of Thailand		
Dec. 2013 - Present	Director	Land and Houses Securities PLC
2012 - Present	Director	Land and Houses USA, INC.
2005 - Present	Director and Member of the Executive Director	Land and Houses Bank PLC
2005 - Jul. 2018	Member of the Nomination and Remuneration Committee	
2012 - Present	Director	Land and Houses Property and Loan Fund II
2004 - Present	Director	LH Asset Co., Ltd.
2003 - Present	Director	LH Real Estate Co., Ltd.
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.
1990 - Present	Director	Siam Tanee Property Co., Ltd.
1987 - Present	Director	Atlantic Real Estate Co., Ltd.
1986 - Present	Director	LH Mall & Hotel Co., Ltd.
2005 - Sep. 2018	Director	Phuket Future Plan Co., Ltd.
2005 - Aug. 2017	Director	Double Three Co., Ltd.
2001 - 2016	Director	Muang Mai Guthrie PLC



Name: Mr. Li, Ming-Shieh

Position: Director

Age (Years): 62

Education

- Bachelor of Arts in Economics, National Taiwan University, Taiwan
- Kaohsiung Municipal Kaohsiung Senior High School
- Financial institutions' CSR, Sustainab Business Strategy and Governance 2017 : Taiwan Corporate Governance Association
- How to assist company to cope with risk and crisis 2017 : Taiwan Corporate Governance Association
- Fraud Detection and Prevention 2017 : Taiwan Corporate Governance Association
- M & A in Legal Practice 2017 : Taiwan Corporate Governance Association
- Information Security Awareness Training 2018 : LH Bank

Number of direct holding of shares: None

Number of spouse and minor child holding of shares: None

Relationship with executives: None

Work experiences in the past 5 years

Current Position in 1 Listed Company on the Stock Exchange of Thailand

Period	Position	Organization/Company
Apr. 2018 - Present	Director	LH Financial Group PLC
Current Position in 4 Non-Listed Companies on the Stock Exchange of Thailand		
Mar. 2018 - Present	Director	Land and Houses Bank PLC
2017 - Present	Chairman	CTBC Bank Corp. (USA)
2017 - Present	Chairman	CTBC Capital Corp.
2016 - Present	Vice Chairman	CTBC Bank Co., Ltd.
2010 - 2016	President and Executive Director	China Guanfa Bank
2005 - 2010	Country Officer	Citigroup Taiwan
2007 2010	Chairman	Citi Bank Taiwan Ltd.
2003 - 2005	Country Treasurer	
1989 - 2000	Head of Sales and Trading for Taiwan	
2000 - 2003	Senior Executive Vice President	Chinatrust Commercial Bank



Name: Mr. Shih, Jiing-Fuh

Position: Director
Chairman of the Risk Oversight Committee

Age: (Years): 54

Education:

- Master of Business Administration, University of Texas at Austin, USA
- Bachelor of Economics, National Taiwan University, Taiwan
- ABN AMRO Bank Credit Training 1994 : ABN AMRO Bank
- CTBC Executive Program 2016 : CTBC Bank & Wharton Business School
- Director Accreditation Program (DAP) 146/2018 : IOD
- Information Security Awareness Training 2018 : LH Bank

Number of direct holding of shares: None

Number of spouse and minor child holding of shares: None

Relationship with executives: None

Work experiences in the past 5 years

Current Position in 1 Listed Company on the stock Exchange of Thailand

Period	Position	Organization/Company
Sep. 2018 - Present	Chairman of the Risk Oversight Committee	LH Financial Group PLC
Aug. 2017 - Present	Director	

Current Position in 2 Non-Listed Companies on the stock Exchange of Thailand

Sep. 2018 - Present	Member of the Nomination and Remuneration Committee	Land and Houses Bank PLC
Sep. 2018 - Present	Chairman of the Risk Oversight Committee	
Aug. 2017 - Present	Director	
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 - 2011	Head of North America Division	
2007 - 2007	Head of Corporate Baking 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 - 2018	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. Wu, Kuo-Chin

Position: Director

Member of the Nomination and Remuneration Committee

Age (Years): 64

Education:

- Master of Business Administration, University of San Francisco, USA
- Bachelor of Arts in Business Administration, National Cheng Kung University, Taiwan
- Director Accreditation Program (DAP) 146/2018 : IOD
- Information Security Awareness Training 2018 : LH Bank

Number of direct holding of shares: None

Number of spouse and minor child holding of shares: None

Relationship with executives: None

Work experiences in the past 5 years

Current Position in 1 Listed Company on the Stock Exchange of Thailand

Period	Position	Organization / Company
Sep. 2018 - Present	Member of the Nomination and Remuneration Committee	LH Financial Group PLC
Aug. 2017 - Present	Director	
Feb. 2018 - Jul. 2018	Member of the Nomination and Remuneration Committee	

Current Position in 2 Non-Listed Companies on the Stock Exchange of Thailand

Aug. 2017 - Present	Director	Land and Houses Bank PLC
	Member of the Executive Committee	
Feb. 2018 - Jul. 2018	Member of the Nomination and Remuneration Committee	
2017 - Present	Chief Representative, Bangkok Representative Office	CTBC Bank Co., Ltd.
2016 - 2017	Senior Advisor, Bangkok Representative Office	
2015 - 2016	Executive Officer, Office of the Chairman	
2014 - 2015	Senior Advisor, Bangkok Representative Office	
2000 - 2013	Chief Representative, Bangkok Representative Office	
1994 - 2000	Vice President of International Banking Group	



Name: Mr. Khunawut Thumpomkul

Position: Director

Age (Years): 61

Education:

- Master of Business Administration, National Institute of Development Administration
- Bachelor of Economics, Ramkhamhaeng University
- Director Certification Program (DCP) 8/2001 : IOD
- IT Governance and Cyber Resilience Program (ITG) 8/2018 : IOD

Number of direct holding of shares: None

Number of spouse and minor child holding of shares:

- 2018 hold by spouse = 2,700,066 shares : Shareholding 0.013%
- 2017 hold by spouse = 2,700,066 shares : Shareholding 0.013%

Relationship with executives: None

Work experiences in the past 5 years

Current Position in 2 Listed Companies on the Stock Exchange of Thailand

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

Current Position in 4 Non-Listed Companies on the Stock Exchange of Thailand

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	Member of the Executive Committee	Land and Houses Bank PLC
Jul. 2016 - Jan. 2017	Director	Land and Houses Fund Management Co., Ltd.



Name: Mrs. Sasitorn Phongsathorn

Position: Chief Executive Officer and President

Age (Years): 61

Education:

- Master of Business Administration, Nortre Dame de Namur University, 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 : IODD
- Financial Institutions Governance Program (FGP) 3/2011: IOD
- Corporate Governance for Capital Market Intermediaries Program (CGI) 17/2016 (English Program) : IOD
- Information Security Awareness Training 2018 : LH Bank

Number of direct holding of shares:

- 2018 = 1,983,622 shares : shareholding 0.009%
- 2017 = 1,983,622 shares : shareholding 0.009%

Number of spouse and minor child holding of shares: None

Relationship with executives: None

Work experiences in the past 5 years

Current Position in 1 Listed Company on the Stock Exchange of Thailand

Period	Position	Organization / Company
Jan. 2018 - Present	Chief Executive Officer	LH Financial Group PLC
Apr. 2009 - Present	President	
	Chairman of the Risk Management Committee	
Apr. 2009 - Jun. 2017	Member of the Executive Committee	
Nov. 2005 - Sep. 2017	Independent Director	Pico (Thailand) PLC
	Member of the Audit Committee	
	Member of the Nomination and Remuneration Committee	
Jul. 2005 - 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

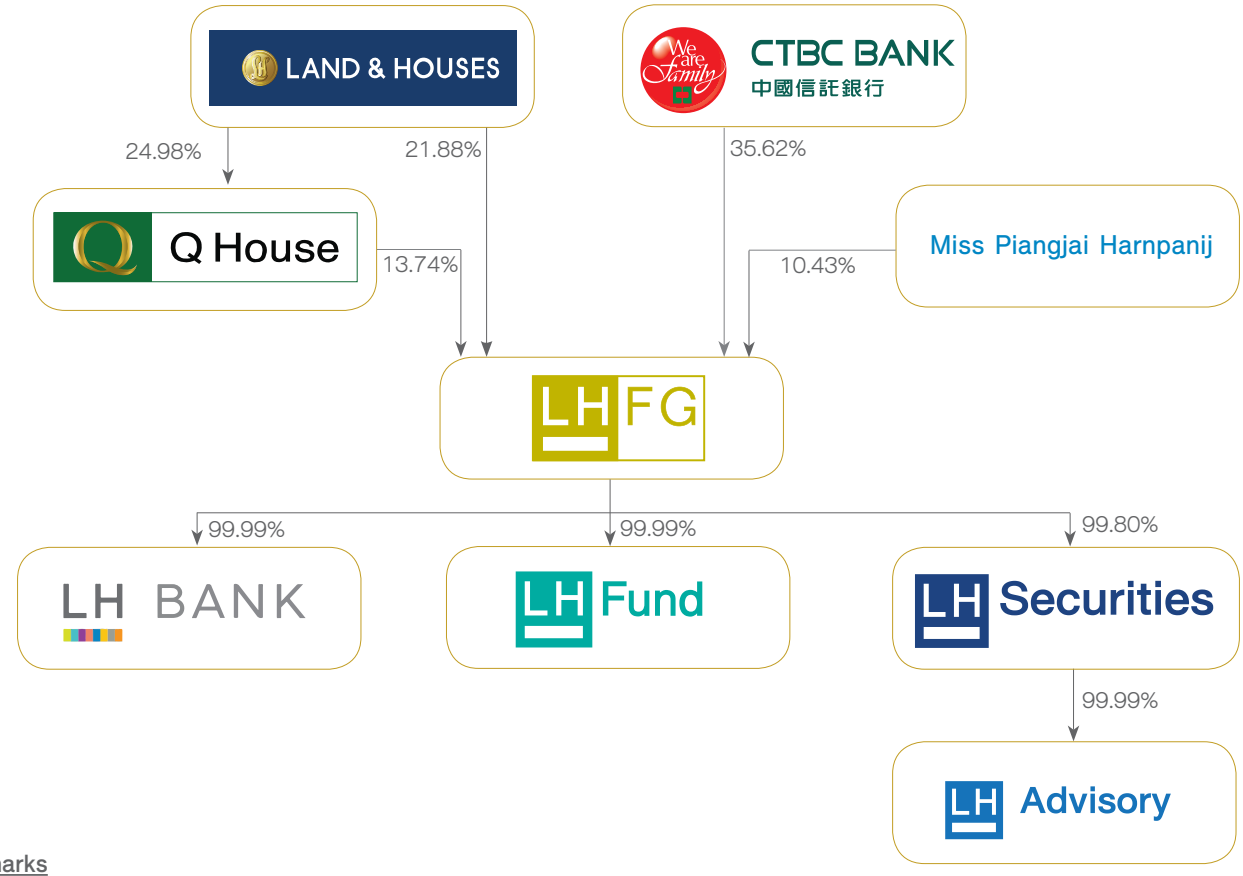
Current Position in 4 Non-Listed Companies on the Stock Exchange of Thailand

Jan. 2018 - Present	Chief Executive Officer	Land and Houses Bank PLC
Dec. 2005 - Present	President	
	Chairman of the Risk Management Committee	
	Member of the Executive Committee	
Jan. 2014 - Present	Director	Land and Houses Securities PLC
Dec 2016 - Apr. 2017	Chairman of the Executive Committee	
Feb. 2015 - Present	Director	Land and Houses Fund Management Co., Ltd
Jan. 2014 - Present	Director	Land and Houses Advisory Co., Ltd
Aug. 2012 - Aug. 2014	Director	The Stock Exchange of Thailand
	Sub-Committee of the Building Construction	
	Sub-Committee of the Nomination and Corporate Governance	
	Committee Sub-Committee of the Remuneration	
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 LH Financial Group Public Company Limited Financial Business Group



Remarks

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

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

CTBC BANK 中國信託銀行 : CTBC Bank Company Limited is the largest private banking in Taiwan

Miss Piangjai Harnpanij : Mother of Mr. Anant Asavabhokhin

LH FG : LH Financial Group Public Company Limited is a listed company in the Stock Exchange of Thailand

LH BANK : Land and Houses Bank Public Company Limited

LH Fund : Land and Houses Fund Management Company Limited

LH Securities : Land and Houses Securities Public Company Limited

LH Advisory : Land and Houses Advisory Company Limited

Business Operations in the Financial Business Group

LH Financial Group Public Company Limited 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 is a non-operating holding company and a parent company of the financial business group, the company holds shares in other companies, presently, the company 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 Fund Management 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

Therefore, Land and Houses Bank Public Company Limited, Land and Houses Fund Management Company Limited, and Land and Houses Securities Public Company Limited are core companies.

The business operation objectives are as follow

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

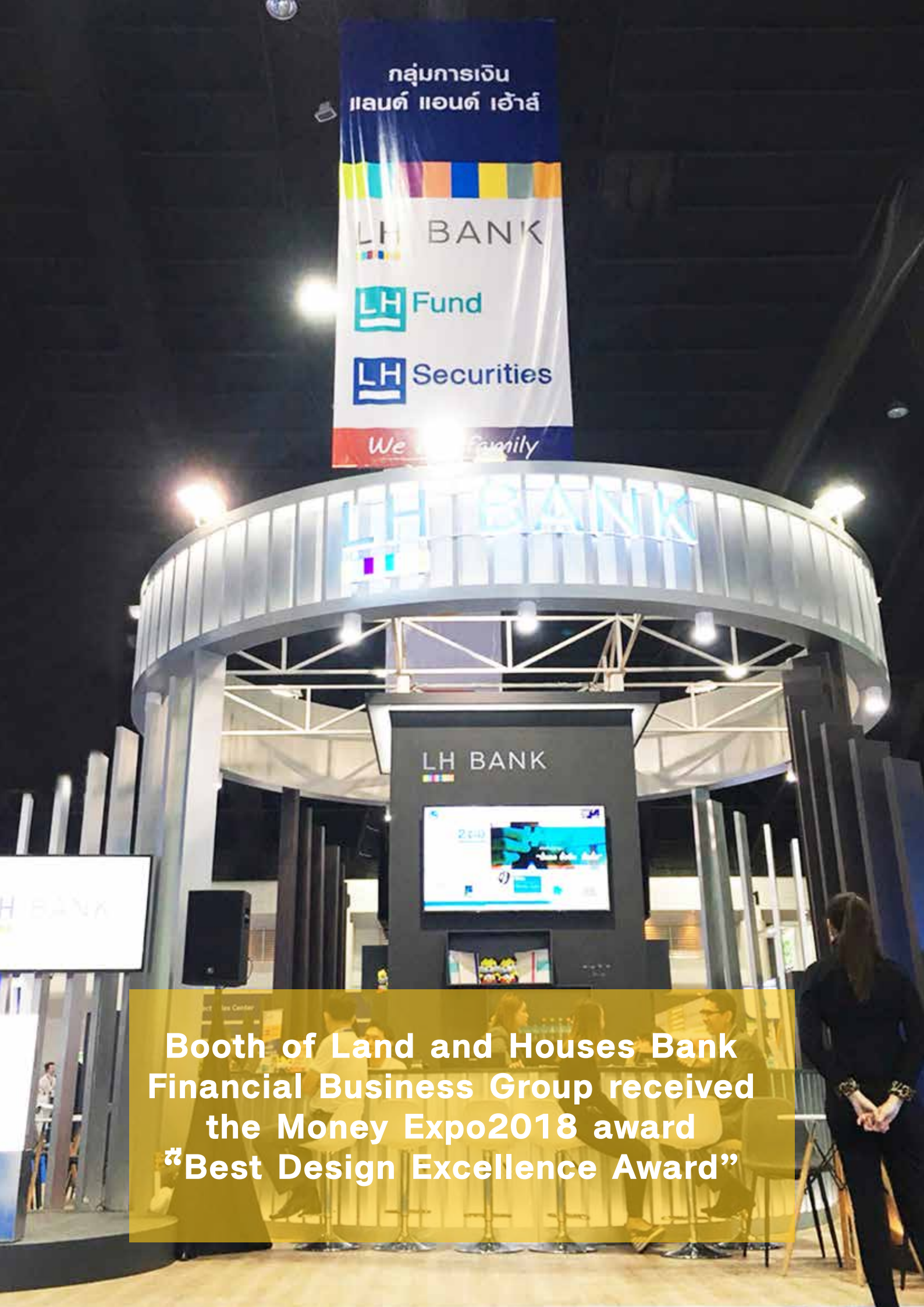
Vision, Mission, Corporate Value, and Operation Target of the Financial Business Group

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 the core company and the core business of the financial business group, for determine the same vision and mission of Land and Houses Bank Public Company Limited. Including determines the ultimate goal of the organization and wish to achieve according to the vision and the mission determines duties and practices that the organization holds to operate the business. Corporate value encompasses principles utilized by the executives and the employees operate the business to achieve the 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 the business to achieve the target and reviewed the vision and the missions annually.

In the year 2018, the Board of Directors of Land and Houses Bank Public Company Limited reviewed the vision and the missions as follows:





Booth of Land and Houses Bank Financial Business Group received the Money Expo2018 award "Best Design Excellence Award"

Core Values

The knowledge development supports their working behavior and coexistence, the bank created the corporate value in order to appoint the same core value for employees to have the knowledge, the understanding and the behavior through communication, learning and working according to the PRO-AcTIVE so that all employee 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 of the employees which was shown through the working behavior, coexistence and treating the customers and stakeholders.



PRO – Professional: "Self-development, proactive creativity and flexibility"

The bank supports employees to have the ability of professionalism by knowing about the description of their jobs and the working system, continuous self-development, strictly following rule and regulations, proactive creativity and flexibility in order to change the working style as presently to meet the needs of customers.



Ac – Accountability: "All-dimension responsibility, promise keeping and endeavor"

The bank supports the employees to have a soul of corporate ownership and take responsibility to their work such as to finish on time, promise keeping and keep on the commitments and heading to the goal and the achievement according to the bank's vision and mission.



T – Teamwork: "Open-minded, team player and mutual target"

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



I – Integrity: "Honesty, morality and transparency"

The bank supports the working with loyalty to the bank, their occupation and the stakeholders. The employees can maintain as a role model at work in all process and working with transparency, accountability and justice.



V – Visioning: "Think out of the box, Broaden the vision and commitment to goal"

The bank supports the working 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 and considers to the bank's benefits and responsibility to stakeholders in the long term.



E – Excellence Service: "Service-minded, value people and volunteer spirit"

The bank supports 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.

Operational Targets of Financial Business Group

The business operation goal of LH Financial Group Public Company Limited has been determined the strategy as the financial business group for operating the financial business completely. Currently, the financial business group has provided various financial products and various services respond to the customer needs including to deposit, loan, fund, securities, financial advisory and other services such as Bancassurance, payment service, revenue tax payment service, foreign currency exchange service, internet banking service, trade finance service and cash management etc. as well as develop the quality of services and information technology systems for rapid operation and respond to the customer needs.

In addition, the business operation target, the financial business group emphasizes on business operation in accordance with good corporate governance, prevention of payment for corruption, strengthening of risk management coverage, and social responsibility. In October 2014 the companies 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 has signed the commitment of Thailand Collective Action Coalition Against Corruption and is on the process of acquiring for a certificate as a member of the Thailand Collective Action Coalition Against Corruption.

2.2 Commercial Banking Business

Land and Houses Bank Public Company Limited

Land and House Bank Public Company Limited operated the business as officially on December 19, 2005 which the Bank of Thailand approved the banks operate the business as the retail commercial bank.

On December 16, 2011, the Ministry of Finance, by the recommendation of the Bank of Thailand, approved and upgraded of Land and Houses Retail Bank Public Company Limited from the retail bank into a commercial bank on December 19, 2011.

Land and Houses Bank Public Company Limited has determined strategic and business plan for the next 3 years in accordance with the 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. We shall consider all factors to determine the organization guideline annually and constantly reviewed the operation plan to be updated with the changing situation and environment.

Credit Rating

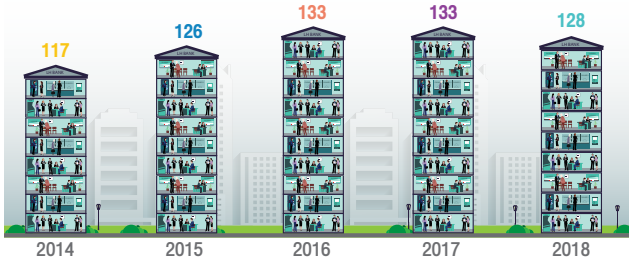
Land and Houses Bank Public Company Limited is ranked at a level of "A-" with "positive" outlook and affirms the rating of LH BANK's hybrid Tier 2 capital securities at "BBB" by Tris Rating. The company rating reflects bank's continual improvements in the business and financial profiles including good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

Branches of the Bank

Land and Houses Bank Public Company Limited has the branch networks to thoroughly provide services to the customers. 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 customer base expansion. Presently, the bank has 128 branches, as follows:

- Bangkok and Boundary 61 branches
- Central 6 branches
- North 11 branches
- North East 17 branches
- East 11 branches
- West 7 branches
- South 15 branches

Number of branches expanded in each year



Products and Services

Land and Houses Bank Public Company Limited has continuously developed products and services to respond a variety of customer needs. 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 enterprises, funds, cooperatives, and domestic financial institutions. There are various types of deposits, as follows:

- **Saving Deposit**

- Saving deposit with high interest rate and anytime unlimited deposits and withdrawals, this saving account is filled with convenience and receive added the interest everyday.

- Biz Saving Account for juristic persons with high interest rate and Bonus + 0.10% when the outstanding balance per month is more than Baht 1,000,000, pay the interest monthly, 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 of death from accident in 24 hours and worldwide. For deposit a minimum is Baht 1,000 and more deposit, more 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 Baht 5,000 must be maintained in this account at all times. This account is allowed for deposit and withdrawal anytime for the convenience.

- **Current Deposit** is the account to increase business agility, daily interest earnings and easy to make a deposit and withdrawal via ATM and cheques.

- **Fixed Deposit and Fixed Deposit Receipt (FDR)** are the account to assure for the future financial stability through our offer of multiple tenors and repaid upon maturity.

- **Tax Free Deposit** is the account that needs to be deposited in equal amount every month with the period according to the bank determined such as 24 months or 36 months and total deposit amount is not more than Baht 600,000.

- **Foreign Currency Deposit** is the account to support more convenience the businesses with high interest and reducing risks of currency fluctuations and also convenient for foreign transactions which deposit both savings account and fixed deposit.

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 customers, to provide saving alternatives and meet different customers' demand thoroughly, with attractive returns and various benefits which will increase competitive advantage. In addition, the bank arranged various activities to reward customers for maintenance the 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 transactions, and giving advices to customers for their convenience and satisfaction. The bank has launched the new promotions include a benefit project, and customer relationship project to respond the customer needs for increase the customers to use our bank branches. This's an opportunity for present the product and service (Cross-selling) 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 the loan services into 3 business sectors consists of loan for big corporate & corporate, loan for SMEs & SSME, and loan for retail as follows:

1. Loan for Big Corporate & Corporate

Big Corporate & Corporate loan is targeted to serving business purposes for 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 and the customer needs.

2. Loan for SMEs & SSME

SMEs & SSME loan is targeted to serving business purposes for 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 and the customer needs.

By classifying loans under purpose of the lending are as follows:

- *Short-Term Loan*

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).

- *Long-Term Loan*

Long-term loan is a lending service to develop medium term and long term business with clear purposes for 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*

Factoring loan is a financial service, for working capital and increase the financial liquidity. 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 collateral. Upon receipt of payment from your customers you receive the remaining balance back.

- *Commercial Hire Purchase*

Commercial hire purchase is a loan for purchasing vehicles for commercial in logistic business, car-rent business, etc.

- *Issuance of Bank Guarantee, Aval and Acceptance*

Issuance of Bank Guarantee, Aval and Acceptance is a service 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*

Consulting service and Other loans service such as financial structure consulting service, syndicated loan, facility agent, and security agent.

3. Loan for Retail

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

- Housing Loans
  - **Housing loan** is a Loan for enables customers to get their new house through buying in all projects.
  - **Housing Loan Refinance** is a loan for borrowers to refinance the loan from another bank, with the offer of additional loan for renovation, decoration, and furniture purchase with special offers.
  - **Home for Cash** is a multi-purpose loan for fulfill the life, the assets and the convenience. And this loan required the collateral is the house which free from obligation.
- Trade Finance

  Trade Finance is the service to support import and export business for increasing a business opportunity and enhancing a strengthen negotiation with business partners through bank network over the world with the national standard wich have the various and the comprehensive services such as:
  - Letter of Credit
  - Bills for Collection
  - Trust Receipt
  - Shipping Guarantee
  - Packing Credit
  - Standby L/C

Competitive Strategy of Loans Service

The bank categorizes customers into different groups to respond the needs and 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 long term. For new customers, the bank targets to extend loans to customer group with good financial status. The banks are used strategy by the bank's branches might introduce bank's SME loans and giving the existing customers of banks offering loans to friends or business partner.

The bank applied the strategy of housing loan to get access to target groups by pays attention the good and fast service with quality, good relationship with business owners and salesperson of housing projects, and arrangement of promotional programs on special occasions. Including, the bank learned the behavior of customers' financial service and increased the marketing channels via media online in order to reach more customer for the bank can present the products and services to the customers appropriately and meets the needs of market conduct.

3. Electronic Services

The bank focuses on electronic services due to presently, Thailand and Thai society is entering the digital age. Therefore, the transactions or services from now on will focus on primarily digital and continuously develop and improve the electronic services to support the financial transactions in the digital age such as:

- Internet Banking on Mobile (LH Bank M Choice) is a service to convenience for conducting financial transactions everyday, everywhere, anytime, via mobile phone, including fund purchasing and selling, and deposit account opening.
- Internet Banking (LH Bank Speedy) is a service available for convenience in conducting financial transactions everyday, everywhere, anytime. 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, PromptPay fund transfer and payment for commodities and services, loan payment, checking the cheque status, stop cheque, insurance checking that purchase through the bank, account status checking and searching the bank branches. The bank immediately send message to confirm results of all transactions to the customers for increasing security.
- LH Bank Debit Chip Card is a card to apply via all ATM of all bank with securities by Chip Card information recording, the customer trust in their financial transactions and the customers can use to inquire the balance account and withdrawal at the UnionPay International (UPI) 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 their health profile in the application form without health checking, 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 identification card and infirmary following the contract.

- SMS Alert is a service for alert the transactions via the mobile phone by send the message to the customers, this is to inform account status and raise confidence in conducting financial transactions. The customers can set the amount of Baht 500 or more to trigger the alert. The customers just apply the service of LH Bank SMS Alert at the bank's branches or call center 0 2359 0000 or 1327, or ATM or internet banking.

- Revenue Tax Payment Service is a service to provide convenience and various channels to customers and public in tax payment via any channels such as the branches, the ATM and internet banking (LH Bank Speedy).

- Automatic Teller Machine (ATM) is a withdrawal services, payment for commodities and PromptPay fund transfer service. The bank's ATM can accept ATM card and ATM Debit card of all banks including UnionPay International (UPI) chip card to provide service for business people, traveler and public in Thai Baht cash withdrawal.

As of 31 December 2018, there are 199 Automatic Teller Machines.

- Cash Deposit Machine (R-ATM) is a service for deposit without ATM card and account book which the customers can make the transactions everyday and anytime including the customers can deposit money within the bank account or other bank account.

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

- Funds Transfer Service is a service for providing the convenience which can transfer money between one's own accounts, to other accounts of the bank, to the accounts of other banks, automatic transfer system (ATS), and large value interbank funds transfer (BAHTNET).

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

1. Salary payroll, to transfer large amounts items with single command.
2. Bulk payment, to transfer large amounts items with single command.
3. Bill payment
4. Direct debit and direct credit

- Mobile Payment Service is a service for store that world like to sevice for bill payment by using QR Colde via E-Wallet in nationwide.

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

- LH Bank Business PromptPay is a fund transfer service for new choice of the companies or the corporates 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 replace the account number.
- 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 the increasing of value and benefits when customers apply PromptPay together with the saving account or current account of LH Bank, the customers will receive more benefits as follows:

1. **Saving** without fee for using the bank's ATM card and debit 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 of death, without premium insurance Payment and without health checking with high benefit up to 25 times of current deposit saving account balances when link to Saving Super Shield 1 with PromptPay.

4. Other Services

4.1 Insurances Service is a service to provide various insurance products based on the needs of customers both in life insurance and non-life insurance, which the bank provide the insurance of various companies as follows:

- Insurance Brokerage Services for:
  - Muang Thai Life Assurance Co.,Ltd.
  - Ocean Life Insurance Co., Ltd.
  - AIA Co., Ltd.
- Non-life Insurance Brokerage Services for:
  - Chubb Samaggi Insurance PLC
  - Charan Insurance PLC
  - Syn Mun Kong Insurance PLC
  - Krungthai Panich Insurance
  - Dhipaya Insurance PLC
  - Viriyah Insurance PLC

4.2 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) 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.
- Innotech 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.

4.3 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.

4.4 Credit Bureau Inspection Service via the Bank's Counters is a service to provide more convenience for customers and general public, who would like to check their own credit information at all bank's branches nationwide.

4.5 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, and product and service payment.

4.6 Financial Products Services such as cashier's cheque and gift cheque.

4.7 Goods and Services Payment Service such as, utility bills, credit card payments, life insurance premiums, other expenses and automatic transfer system.

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

4.9 Other services such as safe deposit box service.

Factors Influencing Opportunities or Constraints to Business Operations

Customer base of the companies in the group of Land and Houses Public Company Limited and Quality Houses Public Company Limited which the companies are the leader of real estate in Thailand. There's beneficial for loan extension of the bank, especially housing loan and 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 the companies in the group 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 customer base, increase of service channels for fee income expansion, personnel development to have knowledge and expertise in the financial products, develop the products and the services to respond the customer needs and also develop the Information technology system for rapid operation and advance towards Digital Banking. The bank has provided the internet banking service and has continued developing and the 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, the bank's target of business expansion, the bank also emphasizes on business operation 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 managed mutual fund, property fund, real estate investment trust, provident fund, and private fund business. The company set the 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 business operation in accordance with good corporate governance, prevention of payment for corruption, strengthening of risk management coverage, and social responsibility.

The company received the licenses for operate the business as follows:

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

Vision

Land and Houses Fund Management Company Limited is a company with standard for business operation, by considering good corporate governance and focusing on protecting best benefits 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 customer needs in purpose terms of both saving and investing purposes, and increases effectiveness of business operation for the financial business group to have various financial services as alternatives for the interesting persons to invest in investment in mutual fund, property 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 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. The company supervised the employees strictly operate their duties comply with the laws and regulations. The company offers the products and services as follows:

- Mutual Funds The company provides mutual fund management services by offer the mutual fund units to the public investors and the institutional investors by considering each of investor's needs. The company focuses on the management of efficient investment, the employees study and analyze of investment information regularly including risk management of investment, report the investment market conditions and risk investment to the investors regularly.
- Property Funds The company provides property fund management services focusing on investment in real estates, which generate steady incomes such as office building, and service apartment. Revenue from property funds shall be paid to investors in the form of dividend including report to net asset value of the mutual funds regularly and submitted the annual report to the unit holders.
- 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 benefits for their employees and the employees save their money to provident fund when the employees resign or retire, the employees will receive the tax benefits. However, the company will bring their money to invest in the appropriate period in order to get sufficiently accumulated benefits for the living after retirement or resignation. The provident funds has two types consists of the employees make decision to select the investment policy by themself for respond their needs and risk appetite or Provident Fund Committee's will select the fund for employees. In addition, the company will provide the total investment report and evaluate the returns for the employees and employer regularly.
- Private Funds The company provides private fund management services for individuals and juristic person. Private fund covers investment management in various types of securities such as bonds, debentures, shares and investment units, by considering proper risk management for customers and reports fund performance to the customers regularly.

- Real Estate Investment Trust (REIT) The company as the trustee for real estate investment trust, provides the service for customers to invest in various types of real property including real estate in abroad. The REIT manager will invest and manage REIT for making return for investors and report net assets regularly and arrange the meeting of unit holders annually.
- Trustee of Real Estate Investment The company provides the service as trustee for investing the trust assets which the trustee shall control REIT management of REIT manager according to REIT established agreement, related laws and high benefits of trust unit holders.

Factors Influencing Opportunities or Constraints to Business Operations

In the year 2019, global economic growth has slowed when compare to the previous year. This could lead to lower investor demand in risk asset and foreign fund with high volatility like global equity, especially, foreign capital markets which will be trouble to propose the funds to customers that have generated income during the past year 2018 regarding their high fee product feature. In addition, the international political issues, especially, trade conflicts that expected to be prolonged which affecting the uncertainty and increase more volatility to the market. For another factor to be aware the new regulations of the Securities and Exchange Commission relating to the re-classification of a group of customers who allow invest in accredited fund that might be limitation or advantages to the company. However, there must be followed the summaries from the Securities and Exchange Commission.

Operational Targets

Strategic business plan to be consistent with the 2019 situation consists of focus on adjustment the investment portfolio of funds under management to support the volatility, focus on proposing the funds that invest in Thailand market both of Thai equity and fixed income for reduce of risk from foreign investment and also focus on proposing the funds that have the income growth opportunity consists of Property Fund / REITs, and Fund of REITs/ Property Funds, this strategy will apply for mutual funds, and private funds. Moreover, the company pays attention the development of investment advisory process to customers with Land and Houses Bank Public Company Limited and Land and Houses Securities Public Company Limited such as development the Asset Allocation process platform and looking for an opportunity on the other services under the framework such as registrar services etc.

For customer base expansion, the company will increase the market share of private fund and provident fund management. The company had the target for increasing the channel of distribution the unit investment selling of the mutual funds via the commercial banks who're the selling supporters (Open Architecture) that had the policy for proposing the mutual funds of other fund management companies. In addition, the company continued develop the information technology for support the customers' convenience and increasing the selling channels via internet trading which will increase the working potential and support the customers for easy approaching the mutual funds under management of the company.

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 the business as follows:

Securities Business License Type A

1) Securities Brokerage Service
2) Securities 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 individuals, juristic persons, and institutional. Types of account provided by the company as follows:

1. Cash Account
2. Cash Balance Account
3. Credit Balance Account

The customers can make the trading transactions via two channels consists of marketing officers or internet trading or PROMPT TRADE system which the company developed the channels for customer's convenience. 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 information and technology system is one of the important factors for innovation culture, the company applied the information and technology for enhance the customers' experience comply with the customers' behavior that adjusted follow online medias that more important of their life and urban conditions which have to spend more time outside the residence. Therefore, the company focused on online communication for approaching more customers and reduced the operation costs.

The company has determined the policy for customer selection and the guideline for securities trading limit considering as follows:

1. Individual is considered from the financial status, occupation, age, source of income, knowledge in securities investment and ability to take risks.
2. Juristic person is considered from type of business, source of income, business performance, financial stability, liability, major shareholders, executives, age, occupation, financial source, investment objectives and ability to take risks

However, the company gets a good cooperation from the customers to provide their information for KYC and suitability test which the employees will evaluate the risk and review the trading limit regularly.

- **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. Presently, the company provides derivative trading services as follows;

- SET50 Index Futures
- SET50 Index Options
- Single Stock Futures
- Gold Futures
- Interest Rate Futures
- Currency Futures
- Sector Futures
- 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 and equity including public offering and rights offering to 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 customers to invest. Customers will receive services and advices from our experienced staff in investment and tax planning. The company provided the services in accordance with maximum benefits of customers. Consequently, the company focused on conflict of interest and internal control to ensure the fairness in the company's investment and customer's investment.

Presently, the company offered the supporting selling and redemption agent services 2 types as follows:

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 the company, customers can manage transactions for investment units of all relevant asset management companies. This minimizes trouble to prepare documents and helps customers 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 customer to borrow securities for short selling through cash balance with the company. Presently, 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.

- **Fixed Income Business**

The company is a member of Thai Bond Market Association (ThaiBMA), and provides trading fixed income securities services to the company's customers in November 2018. Investors can open an account for fixed income trading together with opening an account for securities trading. The company's employees had knowledge that are proficient in providing services and advice of fixed income securities investment that allow customers to make investment decisions in their best return.

Factors Influencing Opportunities or Constraints to Business Operations

Thai economy conditions and global economy in the year 2019 is likely to slow down following the downturn of cycle economy of US, China, Eurozone and Japan, and increasing of trade barriers which affect to the Thai economy. Moreover, the changing of economic policy of the government, regulations, rules, laws, political changing, interest rate changing, exchange rate changing that may cause the volatility in the financial markets and capital markets, market trading volume lower than the company forecasted. These factors may affect the business operations and the revenue.

Business Operation Targets of 2019

The company still focus on building a stronger relationship between customers can offer the products and services that respond the customers in risk appetite and controlling customers are served by the investment consultant who has good experienced and ready to provide the finest and most effective financial solutions and advisory services for each customer. In the year 2019, the company expected the trading volume growth as well, to facilitate products or services to better match our custome needs, to expand our customer base, 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 operates financial advisory services, the services cover complete financial advisory including initial public offering, company listing on the Stock Exchange of Thailand, merger and acquisition, stock valuation, loan sources, debt restructuring, project feasibility analysis, security valuation and 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 2018, 2017 and 2016 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 2018		31 December 2017		31 December 2016	
			Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
Interest income								
Investment holding business	LHFG/1		-	-	0.37	-	0.07	-
Banking business	LH Bank/2	99.99	8,451.81	119.72	8,612.66	132.64	8,786.66	126.12
Fund management business	LH Fund/3	99.99	-	-	-	-	0.03	-
Securities business	LH Securities/4	99.80	48.16	0.68	33.10	0.51	23.27	0.33
Advisory business	LH Advisory/5	99.99	-	-	-	-	-	-
Total interest income			**8,499.97**	**120.40**	**8,646.13**	**133.15**	**8,810.03**	**126.45**
Total interest expenses			**(3,694.75)**	**(52.33)**	**(3,667.00)**	**(56.47)**	**(3,971.04)**	**(57.00)**
Net interest income			**4,805.22**	**68.06**	**4,979.13**	**76.68**	**4,838.99**	**69.45**
Fees and service income								
Banking business	LH Bank	99.99	289.89	4.11	346.78	5.34	276.25	3.96
Fund management business	LH Fund	99.99	371.95	5.27	297.29	4.58	268.12	3.85
Securities business	LH Securities	99.80	164.95	2.33	144.21	2.22	92.50	1.33
Advisory business	LH Advisory	99.99	-	-	-	-	-	-
Total fees and service income			**826.79**	**11.71**	**788.28**	**12.14**	**636.87**	**9.14**
Total fees and service expenses			**(145.57)**	**(2.06)**	**(134.65)**	**(2.07)**	**(126.27)**	**(1.81)**
Net fees and service income			**681.22**	**9.65**	**653.63**	**10.07**	**510.60**	**7.33**
Total other income			**1,573.58**	**22.29**	**860.67**	**13.25**	**1,617.47**	**23.22**
Total operating income			**7,060.02**	**100.00**	**6,493.43**	**100.00**	**6,967.06**	**100.00**

Remarks

LHFG/1 : LH Financial Group Public Company Limited

LH Bank/2 : Land and Houses Bank Public Company Limited

LH Fund/3 : Land and Houses Fund Management Company Limited

LH Securities/4 : Land and Houses Securities Public Company Limited

LH Advisory/5 : Land and Houses Advisory Company Limited

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

Income structure of the financial business group of LH Financial Group Public Company Limited for the year 2018, 2017 and 2016 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 2018		31 December 2017		31 December 2016	
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
Interest income						
Loans to customers	6,333.59	89.71	6,412.18	98.75	6,473.30	92.91
Investments in debt securities	1,548.34	21.93	1,629.46	25.09	1,666.09	23.92
Interbank and money market items	593.36	8.40	556.93	8.58	586.12	8.41
Hire Purchase	24.28	0.35	47.45	0.73	84.41	1.21
Others	0.40	0.01	0.11	-	0.11	-
Total interest income	**8,499.97**	**120.40**	**8,646.13**	**133.15**	**8,810.03**	**126.45**
Interest expenses						
Deposits	(2,129.47)	(30.16)	(2,152.47)	(33.15)	(2,464.44)	(35.37)
Debts issued and borrowings	(611.00)	(8.65)	(607.53)	(9.36)	(536.70)	(7.70)
Interbank and money market items	(107.21)	(1.52)	(95.30)	(1.47)	(206.00)	(2.96)
Contributions to the Deposit Protection Agency and the Bank of Thailand	(840.45)	(11.91)	(807.51)	(12.44)	(761.97)	(10.94)
Others	(6.62)	(0.09)	(4.19)	(0.06)	(1.93)	(0.03)
Total interest expenses	**(3,694.75)**	**(52.33)**	**(3,667.00)**	**(56.47)**	**(3,971.04)**	**(57.00)**
Net interest income	**4,805.22**	**68.06**	**4,979.13**	**76.68**	**4,838.99**	**69.45**
Fees and service income						
Acceptances, avals and guarantees	42.40	0.60	41.11	0.63	46.05	0.66
Commission income	301.14	4.27	337.15	5.19	237.86	3.41
Others	483.25	6.84	410.02	6.31	352.96	5.07
Total fees and service income	**826.79**	**11.71**	**788.28**	**12.14**	**636.87**	**9.14**
Fees and service expenses						
Fees and charges	(60.27)	(0.85)	(58.85)	(0.91)	(56.68)	(0.81)
Others	(85.30)	(1.21)	(75.80)	(1.17)	(69.59)	(1.00)
Total fees and service expenses	**(145.57)**	**(2.06)**	**(134.65)**	**(2.07)**	**(126.27)**	**(1.81)**
Net fees and service income	**681.22**	**9.65**	**653.63**	**10.07**	**510.60**	**7.33**
Other income						
Gains on investments	342.00	4.84	240.77	3.71	1,188.49	17.06
Gains (losses) on trading transactions and foreign exchange	1.71	0.02	(0.80)	(0.01)	0.58	0.01
Other operating income	1,229.87	17.42	620.70	9.56	428.40	6.15
Total other income	**1,573.58**	**22.29**	**860.67**	**13.25**	**1,617.47**	**23.22**
Total operating income	**7,060.02**	**100.00**	**6,493.43**	**100.00**	**6,967.06**	**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 2018, the company and its subsidiaries had interest income amounted of Baht 8,499.97 million, decreased by Baht 146.16 million or down to 1.69% from year 2017

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 2018, the company and its subsidiaries had interest expenses amounted of Baht 3,694.75 million, increased by Baht 27.75 million or up to 0.76% from year 2017 mainly from increase of contributions to the Deposit Protection Agency and the Bank of Thailand.

Net interest income had amounted of Baht 4,805.22 million or 68.06% of total operating income. Net interest income decreased from year 2017 was Baht 173.91 million or down to 3.49%.

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 2018, the company and its subsidiaries had fees and service income amounted of Baht 826.79 million, increased by Baht 38.51 million or up to 4.89% from year 2017.

Fees and service expenses had amounted of Baht 145.57 million, increased by Baht 10.92 million or up to 8.11% from year 2017.

Net fees and service income had amounted of Baht 681.22 million or 9.65% of total operating income, increased by Baht 27.59 million or up to 4.22% from year 2017.

3. Other Income

Other income consists of gains on investments, gains (losses) on trading transactions and foreign exchange and other operating income. In 2018, the company and its subsidiaries had other incomes amounted of Baht 1,573.58 million, increased by Baht 712.91 million or up to 82.83% from year 2017 mainly from dividend income increased by Baht 619.07 million.

SECURITIES AND SHAREHOLDERS INFORMATION

1. Securities Information

1.1 Ordinary Shares

As at 31 December 2018 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

The 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 26 November 2018 as follows:

No.	Names of Shareholders	Number of Shares	%
1	CTBC Bank Company Limited	7,544,961,342	35.617
2	Land and 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	251,621,223	1.188
6	Mr. Wiroj Engpaiboon	185,010,134	0.873
7	Mr. Pairoj Paisarnsrisomsuk	118,000,098	0.557
8	Mr. Anuphong Assavabhokhin	97,986,233	0.463
9	Thai NVDR Company Limited	74,131,064	0.350
10	EAST FOURTEEN LIMITED-EMERGING MARKETS SMALL CAP SERIES	54,342,339	0.257
	Total Shareholdings of Top 10 Major Shareholders	**18,081,064,254**	**85.354**
	Other Minority Shareholders	**3,102,596,340**	**14.646**
	Total	**21,183,660,594**	**100.00**

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, 32rd 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	Baht 10		
All Type of Shares and	Include	Ordinary share	2,000,000,000 shares
Issued Share Capital		Preferred share	-None-
Telephone	0 2359 0000 or 1327		
Fax	0 2677 7223		
Website	www.lhbank.co.th		
Major Shareholders	The major shareholders of the bank as at 31 December 2018 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		

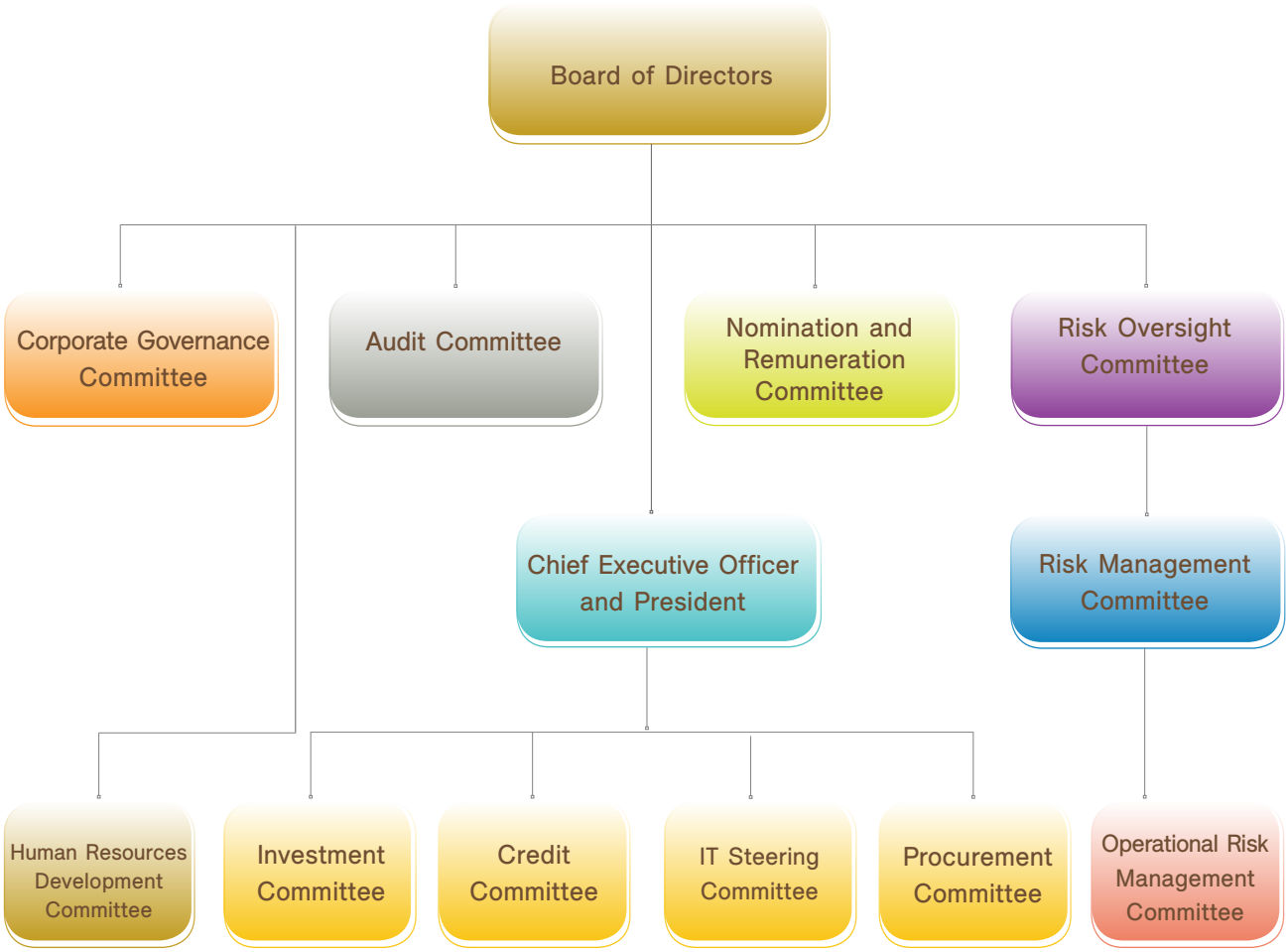
The Company Name	Land and Houses Securities Public Company Limited		
Head Office	11 Q. House Sathon Building, M, 10th Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120		
Registration Number	0107542000038		
Registered Capital	Baht 637,215,030		
Paid-up Capital	Baht 637,215,030		
Par value	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 2018 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	Baht 300,000,000		
Paid-up Capital	Baht 300,000,000		
Par value	Baht 100		
All Type of Shares and	Include	Ordinary share	3,000,000 shares
Issued Share Capital		Preferred share	-None-
Telephone	0 2286 3484, 0 2679 2155		
Fax	0 2286 3585		
Website	www.lhfund.co.th		
Major shareholders	The major shareholders of the bank as at 31 December 2018 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 Nomination and Remuneration Committee, and the Risk Oversight Committee. The Board of Directors and the sub-committees have clearly separated duties and responsibilities among them as follows:

1. The Board of Directors

The Board of Directors consists of 11 directors as follows:

1.	Mr. Rutt	Phanijphand	Chairman
2.	Mr. Adul	Vinaiphat	Independent Director
3.	Mr. Pradit	Sawattananond	Independent Director
4.	Dr. Supriya	Kuandachakupt	Independent Director
5.	Mr. Somsak	Assavapokee	Independent Director
6.	Mr. Li	Ming-Shieh	Director
7.	Mr. Shih	Jiing-Fuh	Director
8.	Mr. Naporn	Sunthornchitcharoen	Director
9.	Mr. Wu	Kuo-Chin	Director
10.	Mr. Khunnawut	Thumpomkul	Director
11.	Mrs. Sasitorn	Phongsathorn	Director
	Mr. Vichian	Amornpoonchai	Company Secretary

Authorized Signatory of the Company

Mr. Naporn Sunthornchitcharoen, Mr. Wu, Kuo-Chin and Mrs. Sasitorn Phongsathorn 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 organization without conflicts of interest of shareholders which has duties and responsibilities as follows:

1. Perform duties in compliance with the laws, objectives, Articles of Association and regulations of the related agencies, as well as the resolutions of the shareholders' meetings, with integrity and care in the interests of the company.
2. Determine direction and strategic goals for the company, consider approving the policies and operation direction proposed by the management team and supervise the management team to ensure the effective and efficient execution of the approved policies and to protect the interests of the company and the shareholders.
3. Supervise to provide provisions on the Code of Conduct and Ethics, as well as the Codes of Ethics for the directors, executives and employees as the organization guidelines.
4. Monitor 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 the management team is capable of managing the company's operations, including the nomination of top executives.
6. Supervise the company has efficient internal control, organization chart that support the Three Lines of Defense and independently.
7. Supervise the management team reports important matters of the company to the Board of Directors and the procedure for the Board of Directors receiving adequate information from the management team to be able to perform the duties within its authority and responsibilities completely.
8. Supervise the financial business group has the risk governance framework, the risk culture and the market conduct.
9. Consider approval the roles and duties of the sub-committees and changes in their elements, including significant changes that may affect the operations of the sub-committee that was appointed.
10. Supervise the company has determined the policy on related party transactions.
11. Supervise the procedure of the management letter from external auditors and the management team's opinions for the Board of Directors within an appropriate timeframe.
12. Supervise to provide check-and-balance 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. Ensure that the directors attend the meeting at least 75% of all meetings held each year except the directors has the reasonably and the necessity.
14. Approve any issues, a quorum shall consist of two-thirds of the total number of directors.

In case of any director or related person who has interests or conflicts of interest, they will not be authorized to approve the transaction with the company or the subsidiaries 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 summaries scope of the Board of Directors' authorities as follows:

- Consider the administration
- Approve of the operation plan and strategies in business operation
- Approve the annual budgets
- Approve the vision and mission
- Approve any matters and decision making
- Consider the operation matters
- Approve the policies
- Approve the permission to the official agencies
- Approve any matters under the Public Limited Companies Act.

In addition, the approval of any matter by the Board of Directors must be approved and considered by not less than two-thirds of all directors.

The Roles and Duties of the Chairman as follows:

1. Supervise, monitor and ensure that the performance of the Board of Directors having effective and achieve the objectives and main goals of the organization.
2. Encourage the organization culture with ethics and the good corporate governance.
3. Arrange the appropriate time for matters proposing of the management team, significant matters clarifying and independent expression their opinions.

4. Strengthen the good relations of the directors and the management team.

5. Has the duty to be the Chairman in the Board of Directors, calling the Board of Directors meeting and determine the Board of Directors agenda.

6. Has the duty to be the Chairman of shareholders' meeting, supervise the shareholders' meeting comply with the laws, related rules and Articles of Association, arrange the appropriate time for the shareholders' meeting agenda that determined in the invitation letter, give an opportunity to shareholders for opinion expression and question to the shareholders' meeting that related with the company.

2. The Audit Committee

The Audit Committee consists of 4 directors as follows:

1. Mr. Adul	Vinaiphat	Chairman of the Audit Committee
2. Mr. Pradit/1	Sawattananond	Member of the Audit Committee
3. Dr. Supriya/1	Kuandachakupt	Member of the Audit Committee
4. Mr. Somsak/1	Assavapokee	Member of the Audit Committee
Mrs. Wilawan	Sutthibutr	Secretary

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

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 and ensure that the company has accuracy and adequacy financial statements.
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 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. Supervise 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 supervise the executives provide 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, control and monitor of risk from corruption in the company, and communicate and train the employees hold to practice.
9. Update the risk management committee's report regularly in improving operation matter of the company according to the policies and strategies of the company.
10. Share the opinions between the Audit Committee and the Risk Oversight Committee in case of reviewing the adequacy and the efficiency of risk management policies and strategy and risk appetite for evaluate the policies and the strategy covered all risk and emerging risk and also implement the policies and the strategy effectively and efficiently.
11. Provide the corporate governance report of the Audit Committee and disclose the annual report.
12. Report the operation report to the Board of Directors
13. Perform any tasks assigned by the Board of Directors with consenting of the Audit Committee.

3. The Corporate Governance Committee

The Corporate Governance Committee consists of 4 directors as follows:

1. Mr. Adul Vinaiphat
   Chairman of the Corporate Governance Committee
2. Mr. Pradit Sawattananond
   Member of the Corporate Governance Committee
3. Dr. Supriya Kuandachakupt
   Member of the Corporate Governance Committee
4. Mr. Somsak Assavapokee
   Member of the Corporate Governance Committee

Mr. Weeravej Sirichatchai
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. Consider the good corporate governance policy for propose to the Board of Directors approval.
2. Consider the anti-corruption policy for propose to the Board of Directors approval.
3. Supervise the compliance with the policies and give recommendations and necessary supports to related working team in order to achieve the operation plan.
4. Evaluate the performance of the company according to the corporate governance policy and the anti-corruption policy with the corporate governance criteria for determine the improvement matters.
5. Evaluate the compliance with laws, regulations, rules, standard and operation guidelines applicable to the company.
6. Represent the company in communication and execution of corporate governance activities and corruption prevention with the executives, employees and external agencies.
7. Perform any tasks assigned by the Board of Directors with consenting of the Corporate Governance Committee.

4. The Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of 4 directors as follows:

1. Mr. Somsak Assavapokee
   Chairman of the Nomination and Remuneration Committee
2. Mr. Naporn Sunthornchitcharoen
   Member of the Nomination and Remuneration Committee
3. Dr. Supriya Kuandachakupt
   Member of the Nomination and Remuneration Committee
4. Mr. Wu Kuo-Chin
   Member of the Nomination and Remuneration Committee

   Mr. Ruangsak Vitavaskarnvej
   Secretary

Scope of Authority and Duties of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee has the authorities and duties which were approved by the Board of Directors as follows:

1. Determine the policies, the regulations, the qualifications, and the nomination method of directors and the top executives that must to approve from the official agencies, and the executives from the position of the First Senior Vice President and higher or others in equivalent positions when retire by rotation, vacancy or addition which adhere to the Bank of Thailand's notifications regard to criteria of consider to appoint director, manager, authorized person or consultant appointment.
2. Select and propose the names of qualified candidates as follows:
   2.1 Directors
   2.2 Authorized person consists of Chief Executive Officer, President, Senior Executive Vice President, Executive Vice President and First Senior Vice President
   2.3 The consultant or the person acting as director, Chief Executive Officer, President, Senior Executive Vice President, Executive Vice President and First Senior Vice President which has the position name as the consultant only.
3. Supervise the Board of Directors has the size and the composition that appropriate with the organization, adjustment according to the environment changing, support the process of nomination and propose the person to be the director for support the composition of the Board of Directors consists of persons with good behavior, knowledge, abilities and various experiences which have the benefits to long term operation and appropriate with the directions and the strategies.
4. Determine the policy of the remuneration, other benefits, remuneration amount and other benefits to the directors and the authorized person (reference no. 2) which reflect the related of objectives, duties, responsibilities and risk, must have clearly and transparency criteria for propose to the Board of Directors approval and submit the such policies to the Bank of Thailand if required.
5. Supervise the directors and the authorized persons (reference no. 2) received the appropriate remuneration with their duties and responsibilities.

6. Consider the budget for annual salary increasing, annual bonus or other special 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 the local staffs as well as the expatriates remuneration which as the business partner such as fees or service charges etc. that 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 authorized persons (reference no. 2)
8. Consider the policy framework, the criteria and the fixed employment.
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 policy and the detail of the nomination procedure for the directors and the authorized persons in the annual report.
11. Determine the performance evaluation guideline and the authorized persons (reference no. 2) for consider the adjustment of annual remuneration by considered the duties, the responsibilities, and the related risk including pays attention the value increasing of shareholders' equity in long term.
12. Disclosure the policy of the remuneration determination and any remuneration, and provide the remuneration determination report at least must have the factors that use evaluate the performance, goal and operation result as well as the Nomination and Remuneration Committee recommendations, method, and equipment for remuneration payment procedure method which reflect the risk (if any) in the annual report.
13. Perform other tasks assigned by the Board of Director.

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

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 banking, finance, economics, laws, etc., taking into consideration of organization necessity and good corporate governance. The Nomination and Remuneration Committee shall listen to suggestions of minor shareholders, nominating persons who should be elected as the director and independent director. The company has given opportunities for shareholders to nominate persons to be considered for election as director in the Annual General Meeting of Shareholders according to 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 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 directors is determined by the shareholders' meeting which shall not be less than 5 directors consists of executive director not more than one-third and the independent directors 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 according to the rules and the 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' meeting has the resolution for resignation with a vote of not less than three-quarters of all attended shareholders with voting rights and not less than half of their shares which held by shareholders attended the meeting and entitled to vote.

(F) Court order

3. If a vacancy of the directors occurs for reasons other than the normal rotation.

The Board of Directors shall elect a qualified person with no forbidden qualifications under the law on public companies to be the director to replace the vacancy position in the 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 that 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 Board of Directors for the operation to achieve targets successfully. The top executives and the Board of Directors must have trustworthiness, and closely coordinate with one another. The nomination and remuneration committee shall nominate selected persons to the Board of Directors for further appointment.

For the case of other executive positions, the Chief Executive Officer and 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 good corporate governance policy according to the regulations by the Capital Market Supervisory Committee, the qualifications of independent directors as follows:

1. Holding not more than 0.5% 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 Oversight Committee

The Risk Oversight Committee consists of 3 members as follow:

1. Mr. Shih Jiing-Fuh
   Chairman of the Risk Oversight Committee
2. Dr. Supriya Kuandachakupt
   Member of the Risk Oversight Committee
3. Mr. Somsak Assavapokee
   Member of the Risk Oversight Committee

Head of Risk Management Department
Secretary or assigned person
Land and Houses Bank Public Company Limited

Scope of Authorities and Duties of the Risk Oversight Committee

The Risk Oversight Committee has the authorities and duties which were approved by Board of Directors as follows:

1. Supervise the companies in the financial group as follows:

1.1 Supervise to provide the various of important risk management policies such as credit risk, marketing risk, liquidity risk, operational risk, and reputation risk including determine the framework of information and technology risk management adequately and according to the international standards.

1.2 Supervise to provide the system of assessment and to manage the risk management of management team in appropriate level and acceptable according to the bank's policies including supervise the management team provide the appropriate measures of the protection, the solution, and the risk limit especially the concentration of one type of risk.

1.3 Supervise to provide the system or the procedure of policy reviewing, risk management strategy and overall risk management system at least once a year or significant changing that may affect the bank's stability by consider the risk profile in overall, acceptable risk level, and risk management strategy.

1.4 Supervise to provide the Stress Test by determine the scenario according to characteristics, volume and complexity of transactions.

1.5 Supervise to provide the organization structure determination for support the risk governance.

1.6 Supervise to provide the information and technology risk management and the procedure of risk management that covered the follow up assessment of information and technology risk, cyber risk and cyber security continuously including report the important of information and technology risk and cyber risk to the Board of Directors for acknowledge.

1.7 Supervise to provide the information and technology risk awareness culture in organization for encourage the employees aware the information and technology risk and the cyber risk, and knowledge the risk protection adequately and continuously.

1.8 Supervise to provide the development and creating the persons of information and technology risk and cyber security adequately.

1.9 Supervise to provide the risk management of conduct risk, procedure in controlling the business operation according to the principle and guideline of market conduct, procedure in risk protection from the errors caused by the services, procedure in provide the complaints of customers, and the management of bank's impact comply with the regulations of compliance department.

1.10 Supervise the top executives and head of risk management department to operate comply with the policies and the strategies of risk management and acceptable risk level.

1.11 Supervise to provide the strategy of fund management and liquidity for support the various risks of the bank and compliance with acceptable risk level that approved.

1.12 Report to the Board of Directors in risk position, risk management potential, operation position according to the risk awareness culture, significant factors and problems, and the solutions according to the policies and the strategies of the bank's risk management.

2. Suggest to the Board of Directors regarding the framework of risk supervision.
3. Consult and share the ideas to the Audit Committee for evaluate the policies and the strategies in risk management cover all type of risks and emerging risk including operation comply with the policies and the strategies efficiently and effectively.
4. Give the ideas or participate the evaluation of efficiency and effectiveness in operation of head of risk management department.

The Board of Directors Meetings

LH Financial Group Public Company Limited regularly holds the Board of Directors meetings. At each meeting, clear agenda is determined in advance which contains important agenda items such as the consideration of the financial statements of each quarter, monitor the company's performances and the financial business group's performance, which the company sent the invitation letter and the meeting agenda not less than 7 days before the meeting including sent the documents to the directors at least 5 business days before the meeting for 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 Board of Directors accountability.

In 2018, the meeting of the 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 of the Directors in the Year 2018

Name of Directors	Boarde of Directors		Audit Committee		Corporate Governance Committee		Nomination and Remuneration Committee		Risk Oversight Committee/7	
	Number of meetings attended	%	Number of meetings attended	%	Number of meetings attended	%	Number of meetings attended	%	Number of meetings attended	%
Total Meetings (Times)	12		13		10		5		No meeting	No meeting
1. Mr. Rutt Phanijphand	12	100								
2. Mr. Adul/1 Vinaiphat	12	100	13	100	10	100	3 (จาก 3 ครั้ง)	100		
3. Mr. Pradit/2 Sawattananond	8 (from 8 times)	100	8 (from 9 times)	88.89	6 (from 7 times)	85.71	2 (from 2 times)	100	/5	/5
4. Dr. Supriya Kuandachakupt	12	100	13	100	10	100	5	100	/5	/5
5. Mr. Somsak/3 Assavapokee	-	-	-	-	-	-	-	-	/5	/5
6. Mr. Li/4 Ming-Shieh	7 (from 8 times)	88.89								
7. Mr. Shih Jiing-Fuh	12	100							/5	/5
8. Mr. Naporn/5 Sunthornchitcharoen	12	100					3 (from 3 times)	100		
9. Mr. Wu/6 Kuo-Chin	12	100					2 (from 2 times)	100		
10. Mr. Khunnawut Thumpomkul	12	100								
11. Mrs. Sasitorn Phongsathorn	12	100								

Note:

/1 Mr. Adul Vinaiphat ended his term for the Chairman of the Nomination and Remuneration Committee which hold the member of the Nomination and Remuneration Committee on July 16, 2018 and ended on September 3, 2017.

/2 Mr. Pradit Sawattananond hold the position of the director, the member of the Audit Committee and the member of the Corporate Governance Committee on April 23, 2018, the member of the Nomination and Remuneration Committee on July 16, 2018 and ended the term of member of the Nomination and Remuneration Committee on September 3, 2018. He attended the Board of Directors meeting since No. 5/2018 on May 14, 2018, the Audit Committee meeting since No. 5/2018 on May 10, 2018, the Corporate Governance Committee since No. 4/2018 on June 14, 2018, and the Nomination and Remuneration Committee meeting since No. 2/2018 on August 6, 2018.

/3 Mr. Somsak Assavapokee hold the position of the director, the Chairman of the Nomination and Remuneration Committee, the member of the Audit Committee, the member of the Corporate Governance Committee, and the member of the Risk Oversight Committee on December 19, 2018 to replace Mr. Sun Vithespongse resigned.

/4 Mr. Li Ming-Shieh hold the position of the director on April 23, 2018 which attended the Board of Directors meeting since No. 5/2018 on May 14, 2018.

/5 Mr. Naporn Sunthornchitcharoen ended his term for the member of the Nomination and Remuneration Committee on July 16, 2018 and hold the position of the member of the Nomination and Remuneration Committee on September 3, 2018. He attended the Nomination and Remuneration meeting since No. 4/2018 on November 6, 2018

/6 Mr. Wu Kuo-Chin hold the position of the member of the Nomination and Remuneration Committee on February 21, 2018 and ended his term for the member of the Nomination and Remuneration Committee on July 16, 2018 and hold the position of the member of the Nomination and Remuneration Committee on September 3, 2018. He attended the Nomination and Remuneration meeting since No. 4/2018 on November 6, 2018

/7 The Risk Oversight Committee has been appointed by the Board of Directors meeting No. 9/2018 on September 17, 2018 without meeting.

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	Chief Executive Officer and President	Chief Executive Officer and President	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 Chief Executive Officer the President

1. Manage the company in line with the policies, strategies and objectives determined 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 the operations of the company such as financial, risk management, internal control, operation, support and 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. Perform any tasks assigned by the Board of Directors and the subcommittees appointed by the Board of Directors.

In case of the Chief Executive Officer and the President or person who may have a conflict of interest, she will not be authorized to approve the transaction with the company or the subsidiaries as stipulated by the Securities and Exchange Commission and/or the Stock Exchange of Thailand.



8. Company Secretary

The Board of Directors has appointed Mr. Vichian Amornpoonchai, 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 the laws. The Board of Directors has supported and encouraged the company secretary to join training and develop knowledge continuously in the area of law, accounting or performing duty of the company secretary, the profile details as follows:



Name Mr. Vichian Amornpoonchai

Position The company secretary

Age: (Years) 57

Education

- MBA Mahanakorn University of Technology
- Bachelor of Accounting Dhurakijpundit University

Training

- 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
- Director Accreditation Program (DAP) 153/2018 : IOD

Number of direct holding of shares: 82 shares, shareholding 0.0000%

Number of spouse and minor child holding of shares: 120,000 shares, shareholding 0.0005%

Relationship with executives: - None -

Work experiences in the past 5 years:

Current Position in 1 Listed Company on the Stock Exchange of Thailand

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 on the Stock Exchange of Thailand		
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 the 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	
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.
   - 1.3 Notice of Annual General Meeting of Shareholders and minutes of Annual General Meeting of Shareholders
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 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. Perform any tasks prescribed by the Capital Market Supervisory Board.

9. The Remuneration of the Directors and the Executives

Remuneration of the Directors and the Executives Policy

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

Determination of remuneration must be approved in order of authority, to avoid conflict of interest and for transparency, i.e., shareholders approve remuneration of the Board of Directors, the Audit Committee, the Corporate Governance Committee, the Nomination and Remuneration Committee, and the Risk Oversight 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 shareholders' meeting, in the form of monetary, such as monthly remuneration and meeting allowances. In addition, the remuneration of directors has passed the Board of Directors' approval, which had been presented by the Nomination and Remuneration Committee. The remuneration of directors will be clearly defined and transparently based on the general practice in the industry, by considering from experience, knowledge, ability 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 the shareholders.

The 2018 Annual General Meeting of Shareholders of LH Financial Group Public Company Limited, on 23 April 2018, had approved the monthly remuneration, meeting allowances and gratuity as follows:

Table: The Remuneration of the Directors for the Year 2018 and 2017

Position	Remuneration (per month)		Allowance (per time)									
			The Board of Directors		The Audit Committee		The Corporate Governance Committee		The Nomination and Remuneration Committee		The Risk Oversight Committee	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Chairman	60,000	60,000	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	-
Executive Directors	40,000	40,000	-	-	-	-	-	-	-	-	-	-

Directors' Gratuity

The Board of Directors supported the policies, and decision-making are important for the company together with management team as a result, the company has continuously the good performance and good image.

The shareholder meeting has determined the directors' gratuity which the Board of Directors consented by the proposal of the Nomination and Remuneration Committee. In the year 2018, the Board of Directors has determined the directors' gratuity total Baht 10,000,000 which appropriate their duties, responsibilities and workload.

Table: The Directors' Gratuity for the Year 2018 and 2017

The Directors' Gratuity (Baht)	
2018	2017
10,000,000	7,000,000

The Remuneration of the Executives

- None-

Other Remuneration

Other remuneration or other remuneration benefits refers to shares, debentures and other 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 of the Directors

In the year 2018, the company has paid the remuneration total Baht 18,484,841.86 and the year 2017 was total Baht 16,864,000.

Table: The Remuneration of the Directors for the Year 2018

Name of the Directors		Date appointed as Director	2018		
			Remuneration/ Meeting Allowances/ Pensions (Baht)	Bonus (Baht)	Other Remuneration Benefits/1 (Baht)
1. Mr. Rutt	Phanijphand	22 April 2009	2,415,255.95	-None-	-None-
2. Mr. Adul	Vinaiphat	22 April 2009	2,592,631.58	-None-	-None-
3. Mr. Pradit	Sawattananond	23 April 2018	849,333.33	-None-	-None-
4. Dr. Supriya	Kuandachakupt	1 August 2017	1,778,596.49	-None-	-None-
5. Mr. Sun/2	Vithespongse	1 August 2017	2,012,631.58	-None-	-None-
6. Mr. Somsak/2	Assavapokee	19 December 2018	-None-	-None-	-None-
7. Mr. Li	Ming-Shieh	23 April 2018	504,333.33	-None-	-None-
8. Mr. Shih	Jiing-Fuh	1 August 2017	1,218,596.49	-None-	-None-
9. Mr. Naporn	Sunthornchitcharoen	3 May 2011	1,892,631.58	-None-	-None-
10. Mr. Wu	Kuo-Chin	1 August 2017	1,258,596.49	-None-	-None-
11. Mr. Khunnawut	Thumpomkul	14 August 2013	1,832,631.58	-None-	-None-
12. Mrs. Sasitorn	Phongsathorn	22 April 2009	1,532,631.58	-None-	-None-
13. Mr. Anant/3	Asavabhokhin	22 April 2009	596,971.88	-None-	-None-
Total			**18,484,841.86**		

Note:

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

/2 Mr.Somsak Asavapokee hold the position of the director, the Chairman of the Nomination and Remuneration Committee, the Audit Committee, the Corporate Governance Committee, and the Risk Oversight Committee on December 19, 2018 to replace Mr. Sun Vithespongse resigned.

/3 Mr. Anant Asavabhokhin has resigned from the director on MaY 19, 2017.

Table: Board of Directors' Shareholding Proportion in LH Financial Group Public Company Limited and subsidiaries as at December 31, 2018 and December 31, 2017

	Name of the Directors	Position	31 December 2018				31 December 2017			
			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 Phanijphand	Chairman								
	Number of direct holding of shares:		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
	Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
2.	Mr. Adul Vinaiphat	Independent Director								
	Number of direct holding of shares:		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
	Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
3.	Mr. Pradit Sawattananond	Independent Director								
	Number of direct holding of shares:		-None-	-None-	-None-	-None-				
	Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-				
4.	Dr. Supriya Kuandachakupt	Independent Director								
	Number of direct holding of shares:		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
	Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
5.	Mr. Somsak Assavapokee	Independent Director								
	Number of direct holding of shares:		-None-	-None-	-None-	-None-				
	Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-				
6.	Mr. Li Ming-Shieh									
	Number of direct holding of shares:		-None-	-None-	-None-	-None-				
	Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-				
7.	Mr. Shih Jiing-Fuh	Director								
	Number of direct holding of shares:		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
	Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
8.	Mr. Naporn Sunthornchitcharoen	Director								
	Number of direct holding of shares:		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
	Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
9.	Mr. Wu Kuo-Chin	Director								
	Number of direct holding of shares:		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
	Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
10.	Mr. Khunnawut Thumpomkul	Director								
	Number of direct holding of shares:		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
	Number of spouse and minor child holding of shares :		2,700,066 shares 0.013%	-None-	-None-	-None-	2,700,066 shares 0.013%	-None-	-None-	-None-
11.	Mrs. Sasitorn Phongsathorn	Director								
	Number of direct holding of shares:		1,983,622 shares 0.009%				1,983,622 shares 0.009%			
	Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-

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



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 the financial business group conform to the guideline on consolidated supervision.

A type of business can be categorized into 5 sectors according to the nature of business as follows;

1. **Investment Business** consists of LH Financial Group Public Company Limited
2. **Commercial Banking Business** consists of Land and Houses Bank Public Company Limited
3. **Fund Management Business** consists of Land and Houses Fund Management Company Limited
4. **Securities Business** consists of Land and Houses Securities Public Company Limited
5. **Financial Advisory Business** consists of 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 company determined the operation guidelines conform to the Bank of Thailand's regulations.



Risk Management Policies

The purpose of the risk management policy is to supervise and oversee internal and external transactions of the financial business group to have the risk appetite 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 the risk appetite with good and effective internal control system. Subsidiaries within the financial business group are required to fully report transactions within the financial business group to the Board of Directors 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 risk appetite, the good corporate governance policy and good internal control, as follows;

1. **The Board of Directors** has its duty to set policies and strategy plan for operating the business of the financial group, including setting the risk management policy. This will also include the transactions within the financial business group, the business continuity management, and the availability of adequate and appropriate internal control system. All companies within the financial business group will be ensured to operate in line with the transaction supervision within the group according to the Bank of Thailand's regulations.

2. **The Audit Committee** has its duty to review the financial business group report the financial report to ensure that they have been disclosed properly and adequately. It will ensure that the information disclosure according to the accounting standard and the Bank of Thailand's regulations. Moreover, the Audit Committee has reviewed the financial business group to ensure the appropriate internal control system. It will also supervise and follow up the policy of the financial business group.

3. **The Corporate Governance Committee** has its duty to set the Good Corporate Governance Policy by supervise the practice conform to the policy and being the company representative to communicate and operate activities regard to the corporate governance.

4. The Risk Oversight Committee has its duty to control, follow up and monitor all companies within the financial business group to ensure that they do business properly in line with the established risk management policy. It will also evaluate the risk management of the financial business group.

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. Risk from the Business Operation

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 internal control system and risk management.

1.1 Market Risk

The market risk is the 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.

Most of the company's investment is the long term investment, the company emphasize to invest in the equity instruments for large investment units with low volatility and the consistent return.

As of December 31, 2018, the company had net investment value at the amount of Baht 67,360.38 million, classified as held for trading investments with fair value of Baht 25.33 million, available-for-sale investments with fair value of Baht 24,080.39 million and held-to-maturity securities at the amount of Baht 43,240.86 million. There are also general investments in non-marketable equity instruments at the amount of Baht 13.80 million.

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

The shareholders of the company must comply with the shareholding criteria 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 5% or more of the total issued shares, must report the shareholding to the Bank of Thailand (Reference to Section 17)

- **Prohibition or Restriction of the Shareholding**

Any person is prohibited from holding or having shares of any financial institution, exceeding 10% of the total issued shares, unless permitted by the Bank of Thailand. (Reference to Section 18)

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

Any person holding or having shares in excess of those prescribed in Section 18 , such person shall offer for sale the exceeding shares within 90 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. (Reference to Section 19)

1.3 Risk from Insufficient Capital

The criteria changing of capital supervision under Basel III in accordance with the Basel Committee on Banking Supervision (BCBS), which covering capital 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 position and determine the framework for the effective liquidity risk management.

The capital supervision under Basel III framework determined the financial business group maintain the minimum total capital ratio not less than 10.375% consists of the tier 1 ratio not less than 7.875% and the common equity tier 1 not less than 6.375%

Moreover,The Bank of Thailand has regulated the financial business group maintain the Capital Buffer in order to support their loss in a crisis (Conservation buffer) as a commercial bank which determined the financial



business group maintain the common equity tier 1 added from the minimum total capital ratio at the rate 0.625% per year, starting from January 1, 2016 until complete to 2.5% on January 1, 2019.

As of December 31, 2018, the financial business group had the total capital ratio at 20.23%, the tier 1 ratio at 17.50%, and the common equity tier 1 at 17.50%, which is higher than the minimum capital ratio required by the Bank of Thailand.

The capital under the basel III total Baht 42,552.09 million consists of the common equity tier 1 amount of Baht 36,794.88 million or 86.47% of total capital and the capital tier 2 amount of Baht 5,757.21 million or 13.53% 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 operate the policy, the rules and the regulations that determined by the official agencies, namely, the Bank of Thailand, the Securities and Exchange Commission, the Stock Exchange of Thailand, the Anti-Money Laundering Office and the related official agencies.

1.5 Reputation Risk

Reputation Risk means the risk that may derive from business operation of the companies within the financial business group or unintentionally obeying the laws and regulations of the official agencies which could damage the reputation of the companies and the financial business 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 the other companies in the financial business group.

The company has determined a reputation risk management framework by assigning companies within the financial business 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 2018, 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 performance of subsidiaries. Despite the past operating profit 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 from Land and Houses Bank Public Company Limited (Subsidiary)

Risk Management in Perspective

Land and Houses Bank Public Company Limited sets the framework and strategies of the business operation in growing based on the efficient risk management along with creating the sustainable profits. The bank controls and supervises the risk management systematically. The risk management structure and policies have been defined clearly for risk 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 the guidelines of the Bank of Thailand.

Risk Management Policies

The 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 the risk appetite and adequate internal control system. In conducting transactions, 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 policy for determine bank business operation guidelines, 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** is the policy for determine the criteria in the credit consideration for controlling, preventing, and mitigating the risk possibly occurring from the credit transactions 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 in the operation and the flexibility in improving the policy within the risk appetite.

3. **Country Risk Management Policy** is the policy for determine the guidelines of 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 foreign counterparties, including determining the maximum limit on the transactions of the partner country.

4. **Counterparty Credit Risk Management Policy** is the policy to ensure that the bank has the standard and potential management process of counterparty Credit risk and universally accepted including covered the risk level measurement process, monitor, control and report the credit risk level of counterparty has the risk appetite.

5. **Market Risk Policy** is the policy for risk management of the interest rate changing, exchange rate, equity instrument price and commodities price appropriately under all situation and environment condition and also the bank can manage the net interest income, fee income and trading profit according to the goal under the risk appetite.

6. **Liquidity Risk Management Policy** is the policy for appropriate liquidity management for serving the repayment of due liabilities and obligations, the process of the improvement of risk management and liquidity 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 under the risk appetite.

7. **Operational Risk Management Policy** is the policy that covered the information technology risk management, outsourcing, launching new products, business continuity plan, and the incident report occurred from the operations in accordance with the practice guidelines of the Bank of Thailand and Basel Committee on Banking Supervision (BCBS).

8. **Outsourcing Policy** is the policy for the practice guideline standard of outsourcing using and set a guideline to regulate and control the outsourcing tightly. The bank also determines the process to identify, evaluate and monitor the risk to be used as the information for decision making to select the service effectively.

9. **New Product Policy** is the policy for determine the operating procedures for launching new products by setting the risk identification and risk assessment, including the guideline for controlling in launching new products with risk appetite. This is for a good internal control complied with the relevant regulations and laws.

10. Risk Assessment and Capital Adequacy Policy and Stress Test Policy is the policy for determine the guidelines of 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.

11. Disclosure Information to the Stakeholders Policy is the policy for determine the guideline in disclosure the capital maintenance and risk management to shareholders, public, related persons and stakeholders with transparency, correctly and completely according to the notifications, regulations and rules of the related official agencies.

Risk Supervision Structure

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

1. The Board of Directors has the duty to setting policies and business strategy plan of the bank, 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 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 according to the financial reporting standards and the Bank of Thailand's regulations. The committee also reviews the adequacy of the internal control system supervise and follow the bank's policies.

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

5. The Risk Oversight 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.

Moreover, the bank also has other committees for supervising and controlling specific risks, for example, the Information Technology Steering, the Credit Committee, and the Credit Monitoring Committee, etc. The Credit Risk Management and Capital Department, and the Operation and Market Risk Management Department are responsible for managing the risk in the entire picture of the bank. The General Audit Department and the Branch Audit Department are responsible for assessing the sufficiency of internal control system, including the verification and reliability of financial reports conform to the regulations and rules of the official agencies.

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 busiess, 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, goal, organization chart, competition and organization's human resources as a result of internal and external factors. It may affect the competitiveness, revenue and capital 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 and budget. The business plan and budget will be proposed to the Board of Directors for approval and the plan will be semi- annual reviewed to be in line with the changing of economic conditions. The Board of Directors will regularly follow up the bank's performance compared to the business plan.

1.2 Risk from Inadequacy of Capital

The criteria changing of capital supervision under Basel III in accordance with the Basel Committee on Banking Supervision (BCBS), which covering capital and liquidity risk management to control with both quantity and quality. The bank is required to maintain sufficient capital to cover the potential damage in both normal and critical circumstances as well as to strengthen the capital.

The capital supervision under Basel III framework determined the bank maintain the minimum total capital ratio not less than 10.375% consists of the tier 1 ratio not less than 7.875% and the common equity tier 1 not less than 6.375%.

Moreover, the Bank of Thailand has regulated the commercial bank maintain the Capital Buffer in order to support their loss in a crisis (Conservation buffer) which determined the commercial bank maintain the common equity tier 1 added from the minimum total capital ratio at the rate 0.625% per year, starting from January 1, 2016 until complete to 2.5% on January 1, 2019.

As of December 31, 2018, the bank maintain the total capital ratio at 20.045%, the tier 1 ratio at 17.131%, and the common equity tier 1 at 17.131%, which is higher than the minimum capital ratio required by the Bank of Thailand.

The bank had the capital under the basel III total Baht 40,185.53 million consists of the common equity tier 1 amount of Baht 34,344.23 million or 85.46% of total capital and the capital tier 2 amount of Baht 5,841.30 million or 14.54% of total capital, which is sufficient to operate business and support growth under normal and critical circumstances as well as the economic uncertainty.

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

2. Credit Risk

The credit risk refers to the risk arised from the debtors or counter-party cannot fulfill the agreed obligation, including the risk from chance which the debtors or the counter-parties cannot repayment until the reason for debtors will be downgraded the credit rating. These scenarios may affect earnings and capital 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 investment transactions for debt instruments.

Credit Risk Management Tools

The bank has developed tools to screen and classify the risk levels of debtors, both individuals and juristic persons, to facilitate efficient credit approval. These tools are;

- **Credit Scoring Model** is the tool to classify and designate the risk levels of individual borrower as well as consider the credits. The model was developed based on the fundamental statistics of the bank's 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 for considering to approve the loans. 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. The bank had the Credit Review Office independently for review the accuracy approved credits, monitoring compliance with the loan terms, make the understanding and provide credit training for the 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 per the total bank's capital 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 avoid the use of discretion by officers, 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 or loans that began to have problems and NPLs, therefore, the bank appoints the department for monitor and supervise the credits.

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 43.01% of total loans and the real estate collateral is 84.89% 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 doubtful loss, 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 prices of securities which will result in income fluctuations of the bank. At present, the bank is exposed to minimal price risk since it has no policy to invest in high-risk securities.

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 risk appetite. 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, characteristic items of assets and liabilities, and shareholders' equity which refer to the bank'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 that 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 interest rate in maturity period with the risk appetite.

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 approved condition by the Bank of Thailand, 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 income and capital of 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, review the policy and develop the 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 launched the new products for 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, systems or external factors including legal risk but not including the strategic risk and reputation risk. The operational risk is an unavoidable risk and 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 including financial and non-financial loss, near-missed 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 identify its risky points of the operation and 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 monitor 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 new product policy by assigning the units that need to use the outsourcing or launch the new products to do the data analysis and risk assessment regard to the value of new product. The Operational and Market Risk Management Department is responsible for consenting before using the outsourcing or launch the 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 with the risk appetite. All departments have been involved in the preparation of the plan and revised the plan including BCP testing annually. Moreover, the bank has rehearsed the banking system restoration and the 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 the operational risk management in the form of E-Leaning so that the executives and employees will understand and aware of the operational risk. The employees also have an oppotunites to attend external trainings. However, internal trainings are also held as needed by inviting conductors with expertise and knowledge to educate and enhance the skills of the employees.

6. Information Technology Risk

Information technology risk refers to risk from using the information technology in business operations that may affect to the system and the operation of the bank and also the risk from cyber threat.

The bank pays attention the supervising of information technology risk by determine the information technology governance, the security, the risk management, legal compliance, and the related criteria of auditing including the information technology project management effectively and concisely under the framework consists of 3 important principles as follows:

1. Confidentiality of system and information
2. Integrity of system and information
3. Availability of information technology

In case of problems or significant situations in using the information technology that may affect to the sevices, the system or the bank's reputation including the significant information technology attacked or cyber threat, the bank provided the incident report to the Bank of Thailand immidiatey.

2.2 Risk of Land and Houses Fund Management Company Limited (Subsidiary)

Overview of Risk Management

Land and Houses Fund Management Company Limited operate fund management business which is the business that involve in client's money and assets. Therefore, the company may encounter with different risks such as market risk, credit risk, liquidity risk, operational risk, strategic risk and legal risk. The company pays attention to risk management of the whole organization to support the organization's goal, reliability, valuable and sustainable for all related counterparty consists of unitholders, regulators, employees and related persons. The company also set a policy and practice on risk management, including establishing the structure and framework for risk management to ensure that the systematic risk is managed 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 specifies rules and duties clearly. The adequate risk management system consists of risk identification, the model selection for risk evaluation, determining, monitoring, follow up 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 their decision making to achieve the goal of the company and funds under management.

Risk Management Structure

The company has the risk management structure according to the good corporate governance policy 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 monitoring the risk management operation of the company.

2. **Audit Committee** has the duty and responsibility in controlling, monitoring and linking to the internal control conform to the company's instruction and official agencies' regulations.

3. **Risk Management Committee** has the duty and responsibility in determining policy framework, strategy and operation guideline and monitoring the risk management operation to comply with strategies and risk management policy that the board of directors has assigned. The committee also has responsibility to report to the Board of Directors.

4. **Investment Committee** has the duty and responsibility in setting the scope and the strategy of the investment management, the investment policy and the fund investment plan, approval the investment of securities as well as the monitoring of investment according to the scope, the policy and the rules.

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 regarding the investment management and approving real estates which the Trusts interested as well as monitoring and evaluation of fund operation.

Moreover, the company has appointed many sub committees such as the Management Committee, and Business Development Committee for monitoring and controlling the specific risk. The company determined the Risk Management Department responsibility in risk management, assessment tools development, monitor and create a risk management report in all aspects for controlling the risk appetite and report to Risk Management Committee, Investment Committee and 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.

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 uncertainty of the investment value of funds those results from volatility of interest rate, currency exchange rates, stock prices and commodity prices.

The company has managed risks regarding 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 which changing in each asset in portfolio has no correlation or less relation or respond differently in the same situation as well as evaluate the value of market risk (VAR, Beta, Duration and Tracking error) and determine risk limit for each funds. The limit will be proposed and approved by the Risk Management Committee and inform to Board of Directors and acknowledged by Investment Committee. In addition, 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 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 securities which funds invested in reach maturity date, the issuer of the financial instrument cannot 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 counterpartys 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 regulator 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

In addition, Risk Management Department has reviewed debt instruments limit and deposit in the financial institutions (Fixed income universe) including quarterly limit of the business partners and propose to the Investment Committee.

3. Liquidity Risk

Liquidity risk refers to 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 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 daily comply with the regulations of the Securities and Exchange Commission including examine the crisis when had the unitholders redeem the funds higher than normal condition for evaluate the adequacy liquidity level of funds comparison the annual liquidity.

4. Operational Risk

Operational risk refers to risk arising from damages due to lack of good corporate governance and good control. It may involve internal processes, human resource, working system, or external situations which will impact the company's income and profit.

The company has developed the tools used for operational management, for example, collecting the Incident report which specifies details including guidelines to solve and prevent incidents and provide the Risk and Control Self Assessment for all department and also determine the report on risk management plan and Key Risk Indicator for follow up the risk at least once a month and annually reviewing. Moreover, the company provided the human development plan and information technology investment which can reduce the opportunity for risk.

In addition, the company provided the business continuity policy as the guideline for business continuity management and the framework for create the business continuity plan to support the business operations under emergency circumstances such as disasters which may occur and the company can provide the services continuously as well as reduce the operational disruption with the risk appetite 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 risk from determination of strategic plan, operational plan 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 top executives must have an appropriate experience, independent, business operation policy, strategic plan, clearly operational plan, high-potential and quality of employee, training course, risk management system and obtaining adequate information. The Board of Directors will to approve the business operation plan, the budget and review for semi-annual conform to the changing of economic condition.

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

Overview of Risk Management

Land and Houses 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 good corporate governance.

Risk Management Policy

Risk Management Policy has main objectives in determining basic policies and controlling procedure in risk management of the organization by controlling activities and operations in order to conduct risk management process to run properly and effectively which can reduce the cause of damage. 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
8. Information technology risk

Risk Management Structure

The company has risk management structure which conforms to good corporate governance policy 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. Audit Committee has the duty to supervise and monitor the risk and link to the internal control according to the regulations of official agencies and instruction of the company.

3. Risk Management Committee has the duty to determine the 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, and information technology are the factors influenced the business. 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 and fastly growing of new business on financial technology. 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 Houses Financial Group and also continuously developing the employees' ability for competition, information technology system for support the convenience and security in transaction of customers including using the various dimensions, such as, operation, and service respond the customers' convenience.

2. Risk Incurred by Distribution of Customer Base

This risk is a part of securities business due to the customers had the concentration of the large customers base or the institutional customers if the company lost such customers, it will affect to the fee income of brokerage.

The company had the brokerage fee from the variety customers type and the good relationship customers, the company realize this risk and provide the policy for expansion the new customers both of institution customers and individual customers annually and also develop the transaction order system via internet to expand the customers who submit orders by themselves which had the high proportion in the industry.

3. Risk Incurred by Reliance Personnel

Securities business relies on marketing personnel possessing knowledge and experience, the personnels is the important factor of the business, especially, human resource of investment, marketing, information technology and securities analysts. For the high competition business condition, the company compete for experience personnels and experience for investment product which affect to company's operation and performance. However, the company provided the guideline of remuneration and benefits management appropriate with the industrial competition condition and encouraged the employees for training and sport activities that arranged by Association of Thai Securities Companies and the company's activities for crate harmoniousness and relationship of the organization's employees.

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 the 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 limit for each customer must be proper and consistent with such customer's financial status, and must not over 25 percent of the total capital. The proportion of loan against fund by debt balance must not exceed 5 time of the total capital and there must be a control to prevent concentration of purchasing one of securities.



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

Changes of policies, regulations, rules and laws which related to the government agencies, such as 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 such as 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 conform to the plan efficiently .


LH BANK
Choice

MANAGEMENT DISCUSSION AND ANALYSIS

2018 Economic Overview and Outlook in 2019

2018 Economic Overview

The Thai economy in 2018 expanded by 4.1% accelerating from the previous year and was recorded as the fastest growth in 6 years. The expansion was supported by the speed up in private consumption expenditure, government consumption expenditure, and total investment. Meanwhile, the value of merchandise exports expanded at a slower pace as a result of the economic slowdown in key trading partners and the effect of trade protectionism measures between the US and China. The tourism sector, which is a key driver of the Thai economy in recent period, grew moderately owing to the growth in the number of tourists of most nationalities.

Economic Outlook for 2019

In 2019, the Office of the National Economic and Social Development Council forecasts the Thai economy would continue to expand in the range of 3.5% - 4.5% (with the midpoint of 4.0%) supported by

1. Private consumption expenditure tends to continue expanding due to improvement of overall income base in both manufacturing sector and tourism-related service sector.
2. The gradual improvement of total investment to the acceleration of public investment supporting by an increase in the fiscal year 2019 annual capital budget framework and the progress of key infrastructure projects as well as a continual expansion of private investment due to high capacity utilization rates in key industries.
3. A recovery in tourism sector after the government promptly enhanced safety standards in the tourism sector and put in place marketing incentives such as the extension of the temporary waiver on the visa-on-arrival fee.
4. The redirection of global trade, production base, and investment of foreign investors especially those affected by trade protection measures to relocate their production base to Thailand.

While the key risk factors for the Thai economy in 2019 are global financial market turmoil from the tighter monetary policies of the major advanced economies, the impacts of the U.S. and China trade protectionism measures, the lower-than-expected growth of Thailand's trading partners, risk of U.K. leave from EU without agreement (No-Deal Brexit) and the volatility of exchange rate.

Source: The Office of the National Economic and Social Development Council 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:

Overall Performance

The analysis of operating results of LH Financial Group Public Company Limited and its subsidiaries performance were comparative performance of the year 2018 compared to the year 2017.

In 2018, profits before income tax expenses were Baht 3,721.73 million, increased by Baht 566.08 million or up to 17.94 % compared to the year 2017. After deducting income tax expenses were Baht 613.54 million, resulting the company had profits were Baht 3,108.19 million, increased by Baht 504.75 million or up to 19.39% compared to the year 2017. The company and its subsidiaries had profits from operating before bad debts and doubtful accounts totalled Baht 4,291.89 million, increased by Baht 519.10 million or up to 13.76% compared to the year 2017.

The profits from operating before bad debts and doubtful accounts to total revenues ratio in 2018 was 60.79%, increased from the year 2017 which at 58.10%.

Basic earnings per share for the year 2018 was Baht 0.147 per share decreased from the year 2017 which was Baht 0.154 per share. The return on equity for the year 2018 was 7.94% and the year 2017 was 8.84%.

Table: Operating Results

Operating Results	Consolidated Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,805.22	4,979.13	4,838.99	(173.91)	(3.49)
Net fees and service income	681.22	653.63	510.60	27.59	4.22
Total other income	1,573.58	860.67	1,617.47	712.91	82.83
Total operating income	7,060.02	6,493.43	6,967.06	566.59	8.73
Other operating expenses	(2,768.13)	(2,720.64)	(2,601.52)	47.49	1.75
Profits from operation	4,291.89	3,772.79	4,365.54	519.10	13.76
Bad debts, doubtful accounts and impairment loss	(570.16)	(617.14)	(1,025.00)	(46.98)	(7.61)
Profits before income tax expenses	3,721.73	3,155.65	3,340.54	566.08	17.94
Income tax expenses	(613.54)	(552.21)	(644.10)	61.33	11.11
Profits for the years	3,108.19	2,603.44	2,696.44	504.75	19.39
Earning per share (EPS) (Baht)	0.147	0.154	0.198		
Return on equity ratio (ROE) (%)	7.94	8.84	14.09		
Return on assets ratio (ROA) (%)	1.30	1.17	1.31		

1.1 Structure of Operating Income

Structure of operating income of the company and its subsidiaries were as follows:

Operating Income

In 2018, operating income were Baht 7,060.02 million, increased by Baht 566.59 million or up to 8.73% compared to the year 2017. The details were as follows:

Table: Operating Income

Operating Income	Consolidated Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest income	8,499.97	(Million Baht)	8,810.03	(146.16)	(1.69)
Interest expenses	(3,694.75)	(3,667.00)	(3,971.04)	27.75	0.76
Net interest income	**4,805.22**	**4,979.13**	**4,838.99**	**(173.91)**	**(3.49)**
Fees and service income	826.79	788.28	636.87	38.51	4.89

Table: Operating Income (Continued)

Operating Income	Consolidated Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Fees and service expenses	(145.57)	(134.65)	(Million Baht)	10.92	8.11
Net fees and service income	**681.22**	**653.63**	**510.60**	**27.59**	**4.22**
Gains (losses) on trading and foreign exchange transactions	1.71	(0.80)	0.58	2.51	313.75
Gains on investments	342.00	240.77	1,188.49	101.23	42.04
Dividend income	1,208.38	589.31	396.62	619.07	105.05
Other operating income	21.49	31.39	31.78	(9.90)	(31.54)
Total other income	**1,573.58**	**860.67**	**1,617.47**	**712.91**	**82.83**
Total operating income	**7,060.02**	**6,493.43**	**6,967.06**	**566.59**	**8.73**

Net Interest Income

Net interest income were Baht 4,805.22 million, decreased by Baht 173.91 million or down to 3.49% compared to the year 2017 due to an decrease of interest income of investments in debt securities and loans to customers.

Interest expenses were Baht 3,694.75 million, increased by Baht 27.75 million or up to 0.76% compared to the year 2017.

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 on investments, dividend income and other operating income). Net non-interest income was Baht 2,254.80 million, increased by Baht 740.50 million or up to 48.90% whencompared to the year 2017.

- ***Net Fees and Service Income***

Net fees and service income were Baht 681.22 million, increased by Baht 27.59 million or up to 4.22% compared to the year 2017, 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 1,573.58 million, increased by Baht 712.91 million or up to 82.83% compared to the year 2017, mainly from the increase of dividend income due to increased invested in investments 12.98% in the year 2018.

Other Operating Expenses

Other operating expenses were Baht 2,768.13 million, increased by Baht 47.49 million or up to 1.75% compared to the year 2017, 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 (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employees' expenses	1,439.47	1,380.50	1,310.50	58.97	4.27
Directors' remuneration	42.74	37.14	32.38	5.60	15.08
Premises and equipment expenses	750.07	739.03	710.04	11.04	1.49
Tax and duties	219.88	221.39	220.64	(1.51)	(0.68)
Advertising and promotion expenses	91.41	116.56	105.48	(25.15)	(21.58)
Amortisation and intangible assets	64.97	73.01	70.42	(8.04)	(11.01)
Other expenses	159.59	153.01	152.06	6.58	4.30
Total other operating expenses	2,768.13	2,720.64	2,601.52	47.49	1.75
Total other operating expenses to total operating income ratio	39.21%	41.90%	37.34%		

- *Employees' Expenses*

Employees' expenses were Baht 1,439.47 million, increased by Baht 58.97 million or up to 4.27% compared to the year 2017, resulting from an increase in salary and compensation which paid to employees.

As of 31 December 2018, LH Financial Group Public Company Limited financial business group had 1,681 employees, decreased by 68 employees or down to 3.89% compared to the year 2017 were consist of:

- LH Financial Group Public Company Limited had 2 employees.
- Land and Houses Bank Public Company Limited had 1,436 employees, decreased by 68 employees compared to the year 2017.
- Land and Houses Securities Public Company Limited had 162 employees, decreased by 15 employees compared to the year 2017.
- Land and Houses Fund Management Company Limited had 81 employees, increased by 13 employees compared to the year 2017.

Table: The Number of Employees

LH Financial Group Public Company Limited's Financial Business Group	The Number of Employees (Person)		
	31 December 2018	31 December 2017	31 December 2016
LH Financial Group Public Company Limited	2	-	-
Land and Houses Bank Public Company Limited	1,436	1,504	1,692
Land and Houses Securities Public Company Limited	162	177	98
Land and Houses Fund Management Company Limited	81	68	60
Land and Houses Advisory Company Limited	-	-	-
Total	**1,681**	**1,749**	**1,850**

- *Premises and Equipment Expenses*

Premises and equipment expenses were Baht 750.07 million, increased by Baht 11.04 million or up to 1.49% compared to the year 2017.

- *Advertising and Promotion Expenses*

Advertising and promotion expenses were Baht 91.41 million, decreased by Baht 25.15 million or down to 21.58% compared to the year 2017, mainly from promotion expenses of the bank and sale various fund of the subsidiaries 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 2018 and 31 December 2017.

Table: Total Assets

Total Assets	Consolidated Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	31 December 2018	31 December 2017	31 December 2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Assets					
Cash	1,839.71	1,994.68	2,109.18	(154.97)	(7.77)
Interbank and money market items - net	18,991.51	19,084.56	17,326.43	(93.05)	(0.49)
Investments - net	67,360.38	59,622.72	52,675.77	7,737.66	12.98
Loans to customers and accrued interest receivables					
Loans to customers	159,347.77	153,731.34	141,162.07	5,616.43	3.65
Accured interest receivables	227.33	261.25	231.19	(33.92)	(12.98)
Total loans to customers and accrued interest receivables	159,575.10	153,992.59	141,393.26	5,582.51	3.63
Less: Deferred revenue	(33.82)	(46.97)	(91.77)	(13.15)	(28.00)
Allowance for doubtful accounts	(3,789.50)	(3,407.69)	(3,086.28)	381.81	11.20
Revaluation allowance for debt restructuring	(11.99)	(14.02)	(15.23)	(2.03)	(14.48)
Loans to customers and accrued interest receivables - net	155,739.79	150,523.91	138,199.98	5,215.88	3.47
Properties foreclosed - net	87.95	102.14	107.32	(14.19)	(13.89)
Premises and equipment - net	291.71	343.23	403.90	(51.52)	(15.01)
Intangible assets - net	461.17	295.43	302.39	165.74	56.10
Deferred tax assets	282.76	210.00	263.47	72.76	34.65
Accrued interest receivables on investments	290.82	308.02	295.84	(17.20)	(5.58)
Other assets - net	587.39	626.76	462.90	(39.37)	(6.28)
Total assets	**245,933.19**	**233,111.45**	**212,147.18**	**12,821.74**	**5.50**

Total Assets

As of 31 December 2018, total assets were Baht 245,933.19 million, increased by Baht 12,821.74 million or up to 5.50% compared to the year 2017. Core assets consisted of loans to customer and accured interest receivables - net 63.33% of total assets, followed by investments - net 27.39% of total assets.

Investments - Net

As of 31 December 2018, investments in securities - net which had book value Baht 67,360.38 million, increased by Baht 7,737.66 million or up to 12.98% compared to the year 2017, 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 (2018 compared to 2017) Increase (Decrease)	
	31 December 2018	31 December 2017	31 December 2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Trading investments					
Domestic listed equity securities	25.33	0.18	0.08	25.15	13,972.22
Total trading investments	**25.33**	**0.18**	**0.08**	**25.15**	**13,972.22**
Available-for-sale investments					
Government and state enterprise securities	180.52	-	-	180.52	n/a
Private sector debt securities	1,033.76	-	-	1,033.76	n/a
Domestic marketable equity securities	22,736.77	12,326.39	6,636.59	10,410.38	84.46
Investment units	129.34	136.70	222.09	(7.36)	(5.38)
Total available-for-sale investments	**24,080.39**	**12,463.09**	**6,858.68**	**11,617.30**	**93.21**
Held-to-maturity investments					
Government and state enterprise securities	17,308.65	18,221.11	18,313.43	(912.46)	(5.01)
Private sector debt securities	20,467.77	23,952.94	22,417.36	(3,485.17)	(14.55)
Other debt securities	5,464.44	4,971.86	5,072.68	492.58	9.91
Total held-to-maturity investments	**43,240.86**	**47,145.91**	**45,803.47**	**(3,905.05)**	**(8.28)**
General investments - cost					
Domestic non-marketable equity securities	13.83	13.57	13.57	0.26	1.92
Less: Allowance for impairment	(0.03)	(0.03)	(0.03)	-	-
General investments - net	**13.80**	**13.54**	**13.54**	**0.26**	**1.92**
Investments - net	**67,360.38**	**59,622.72**	**52,675.77**	**7,737.66**	**12.98**

Total Liabilities

As of 31 December 2018, total liabilities were Baht 206,224.11 million, increased by Baht 11,667.60 million or up to 6.00% compared to the year 2017, mainly from deposits and debts issued and borrowings 81.54% and 12.71% of total liabilities, respectively.

Table: Liabilities Classified by Type of Liabilities

Liabilities Classified by Type of Liabilities	Consolidated Financial Statement			Change (2018 compared to 2017) Increase (Decrease)	
	31 December 2018	31 December 2017	31 December 2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	168,164.03	143,730.69	149,097.14	24,433.34	17.00
Interbank and money market items	9,231.49	15,346.14	20,009.85	(6,114.65)	(39.84)
Liabilities payable on demand	172.82	219.78	75.99	(46.96)	(21.37)
Debts issued and borrowings	26,202.97	32,895.58	20,327.49	(6,692.61)	(20.35)
Others	2,452.80	2,364.32	2,321.07	88.48	3.74
Total liabilities	**206,224.11**	**194,556.51**	**191,831.54**	**11,667.60**	**6.00**

Owners' Equity

As of 31 December 2018, owners' equity were Baht 39,709.08 million, increased by Baht 1,154.14 million or up to 2.99% compared to the year 2017.

1.3 Capital Adequacy

Sources and Uses of Fund

As of 31 December 2018, capital structure according to the consolidated financial statements consisted of liabilities were Baht 206,224.11 million and owners' equity were Baht 39,709.08 million, or 5.19 times of debt to equity ratio. Sources of fund composition in terms of liabilities were deposits 68.38% of sources of fund, interbank and money market items 3.75%, debts issued and borrowings 10.65% and others 1.07%, while owners' equity 16.15%.

Relations of Sources and Uses of Fund

As of 31 December 2018, loans to customers (before deducting deferred revenue) were Baht 159,347.77 million. Loans to deposits ratio was 94.87%. 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 158,906.00 million, or 94.49% of total deposits. Loans receivable less than 1 year were Baht 68,241.32 million, or 42.82% of total loans. Deposits more than 1 year were Baht 9,258.03 million, or 5.51% of total deposits. Loans more than 1 year were Baht 90,297.72 million, or 56.67% of total loans and Loans no maturity were Baht 808.72 million, or 0.51% of total loans

Table: Sources and Uses of Fund

Periods	Deposits				Loans to Customers			
	31 December 2018		31 December 2017		31 December 2018		31 December 2017	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	158,906.00	94.49	133,716.45	93.03	68,241.32	42.82	66,233.84	43.08
More than 1 year	9,258.03	5.51	10,014.24	6.97	90,297.73	56.67	86,435.44	56.23
No maturity	-	-	-	-	808.72	0.51	1,062.06	0.69
Total	**168,164.03**	**100.00**	**143,730.69**	**100.00**	**159,347.77**	**100.00**	**153,731.34**	**100.00**

1.4 Change of Cash Flow

As of 31 December 2018, the cash were Baht 1,839.71 million, decreased by Baht 154.97 million compared to the year 2017. Net cash provided by and used in activities as the following:

- Net cash used in operating activities were Baht 1,217.56 million, which was from the profits from operation before changes in operating assets and liabilities were Baht 976.18 million and significant change of assets and liabilities were deposits increased by Baht 24,433.34 million and short-term debts issued and borrowings decreased by Baht 14,684.49 million.
- Net cash used in investing activities were Baht 5,552.36 million, mainly from invested in available-for-sale investments - net were Baht 9,446.13 million.
- Net cash provided by financing activities were Baht 6,614.95 million, which was from issue long-term debts were Baht 7,991.89 million.

1.5 Adequacy of Liquidity

Liquid assets which consisted of cash, interbank and money market net (assets) and net investments, liquid assets were Baht 73,360.31million, increased by Baht 7,991.25 million when compared to the year 2017.

Table: Liquid Assets

Items	31 December 2018	31 December 2017
	Amount (Million Baht)	Amount (Million Baht)
Total assets	245,933.19	233,111.45
Deposits	168,164.03	143,730.69
Loans to customers (net deferred revenue)	159,313.95	153,684.37
Liquidity assets	73,360.31	65,369.06
Loans/deposits (%)	94.87	107.11
Liquidity assets/total assets (%)	29.83	28.04
Liquidity assets/deposits (%)	43.62	45.48

1.6 Factors that might affect the operation in the future

The main factor that might affect the operation in the future is the trade barrier policy between the United States of America and China, which might cause fluctuations in the money market, capital market, and the future product exportation. Also, the domestic political factor during the transitional period to the election might affect the reliability and the continuity of the policy, project, and many important measures.

2. Commercial Banking Business

Overview of Commercial Banking Industry and Competition in 2018 and Outlook in 2019

Overview of Commercial Banking Industry and Competition in 2018

In 2018, the perspective of commercial bank industry has grown continuously according to the trend of the Thai economy. The loan money has increased by 5.5 percent from the end of the previous year. However, the commercial bank system has faced a high increase in the non-performing loans, especially from the loan debtors in SME business and retail loans, which has led the commercial bank system to emphasize giving loans concisely and placing an importance on the growth of loans more carefully. Moreover, the potential business sector has found the source of investment fund by issuing both domestic and foreign debentures by relying less on loan money from commercial banks

According to the fundraising for the deposit from the upswing interest trend, many commercial banks have competed to launch the products in order to accelerate the fundraising for the deposit before the increase of the interest rate.

The profitability is being pressured from more reserves, the increase in the non-performing loans, and the preparation to support the new accounting standard (IFRS 9), which affects the growth of net profit to slow down. The commercial bank has made an adjustment by emphasizing effective cost management in terms of the interest and management.

The performance between Land and Houses Bank Public Company Limited and the commercial banking system
As of December 31, 2018

(Unit : Million Baht)

	2018	2017	2016	Growth (YoY) 2018	Growth (YoY) 2017	Growth (YoY) Average The past 2 years
Commercial Banking System						
Asset	18,489,768	17,835,277	16,927,740	3.7%	5.4%	4.5%
Loan	12,734,956	12,072,440	11,490,828	5.5%	5.1%	5.3%
Deposit	12,687,379	12,198,916	11,454,019	3.9%	6.5%	5.2%
Land and Houses Bank Public Company Limited						
Asset	238,658	230,396	209,695	3.6%	9.9%	6.7%
Loan	161,893	154,020	141,145	5.1%	9.1%	7.1%
Deposit	168,171	143,742	149,639	17.0%	-3.9%	6.5%
Market Share of Land and Houses Bank Public Company Limited						
Asset (%)	1.29	1.29	1.24			
Loan (%)	1.27	1.28	1.23			
Deposit (%)	1.33	1.18	1.31			

Source Data from the financial statement of the 15 commercial banks registered in Thailand

Trend of Commercial Banking Industry and Competition in 2019

The expected loan growth will expand by 5.5%. The amount of non-performing loans or NPL is likely to increase especially SMEs and retail loans. In addition, the pressure on the new accounting standards (IFRS 9) which will be enforced in early 2020 might affect commercial banks in reserving doubtful depts which might be increased and the competition to develop financial products in order to increase customer base especially the Wealth Management customers. Moreover, the competition in the technology development to enter a full digital banking service will influence customers because it is convenient for making transactions anywhere, anytime and safe.

Overall Performance

The analysis of operating results of Land and Houses Bank Public Company Limited performance were comparative performance of the year 2018 compared to the year 2017.

In 2018, the profits were Baht 2,569.23 million, increased by Baht 257.17 million or up to 11.12% compared to the year 2017, mainly from the increase of other incomes by Baht 383.11 million.

Other operating expenses were Baht 2,362.08 million, increased by Baht 16.14 million or up to 0.69% compared to the year 2017, mainly from an increase in employee's expenses

The bank recorded an allowance for doubtful accounts were Baht 570.16 million, decreased by Baht 46.98 million or down to 7.61% compared to the year 2017.

The profits from operating before bad debts and doubtful accounts to total revenues ratio in 2018 was 61.01%, increased from the year 2017 which was at 59.51%.

Basic earning per share in 2018 was Baht 1.285 per share, decreased from the previous year which was Baht 1.399 per share. The return on equity ratio for the year 2018 was at 7.27% and the return on assets ratio for the year 2018 was at 1.10%.

Table: Operating Results

Operating Results	Separate Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,903.60	4,980.22	4,838.04	(76.62)	(1.54)
Net fees and service income	283.11	325.72	261.15	(42.61)	(13.08)
Total other income	871.36	488.25	1,375.10	383.11	78.47
Total operating income	6,058.07	5,794.19	6,474.29	263.88	4.55
Other operating expenses	(2,362.08)	(2,345.94)	(2,333.27)	16.14	0.69
Profits from operation	3,695.99	3,448.25	4,141.02	247.74	7.18
Bad debts, doubtful accounts and impairment loss	(570.16)	(617.14)	(1,025.00)	(46.98)	(7.61)
Profits before income taxes expenses	3,125.83	2,831.11	3,116.02	294.72	10.41
Income tax expenses	(556.60)	(519.05)	(613.72)	37.55	7.23
Profits for the years	**2,569.23**	**2,312.06**	**2,502.30**	**257.17**	**11.12**
Earning per share (EPS) (Baht)	**1.285**	**1.399**	**1.787**		
Return on equity ratio (ROE) (%)	**7.27**	**8.79**	**14.93**		
Return on assets ratio (ROA) (%)	**1.10**	**1.05**	**1.23**		

2.1 Structure of Operating Income

Structure of operating income of the bank was as follows:

Operating Income

In 2018, operating income were Baht 6,058.07 million, increased by Baht 263.88 million or up to 4.55% compared to the year 2017, with the following details:

Table: Operating Income

Operating Income	Separate Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest income					
Loans to customers	6,343.58	6,395.74	6,459.89	(52.16)	(0.82)
Investments in debt securities	1,547.17	1,626.91	1,664.67	(79.74)	(4.90)
Interbank and money market items	659.65	583.59	607.36	76.06	13.03
Hire purchase	24.27	47.45	84.41	(23.18)	(48.85)
Total interest income	**8,574.67**	**8,653.69**	**8,816.33**	**(79.02)**	**(0.91)**
Interest expenses	(3,671.07)	(3,673.47)	(3,978.29)	(2.40)	(0.07)
Net interest income	**4,903.60**	**4,980.22**	**4,838.04**	**(76.62)**	**(1.54)**

Table: Operating Income (continued)

Operating Income	Separate Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Fees and service income	356.25	400.58	336.90	(44.33)	(11.07)
Fees and service expenses	(73.14)	(74.86)	(75.75)	(1.72)	(2.30)
Net fees and service income	**283.11**	**325.72**	**261.15**	**(42.61)**	**(13.08)**
Gains on investments	191.74	65.77	1,135.62	125.97	191.53
Dividend income	658.74	392.83	210.63	265.91	67.69
Other operating income	20.88	29.65	28.85	(8.77)	(29.58)
Total other income	**871.36**	**488.25**	**1,375.10**	**383.11**	**78.47**
Total operating income	**6,058.07**	**5,794.19**	**6,474.29**	**263.88**	**4.55**

Net Interest Income

Net interest income were Baht 4,903.60 million, decreased by Baht 76.62 million or down to 1.54% compared to the year 2017 due to an decrease of interest income of Investments in debt securities.

Interest expenses were Baht 3,671.07 million, decreased by Baht 2.40 million or down to 0.07%, 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). The bank had net non-interest income were Baht 1,154.47 million, increased by Baht 340.50 million, or up to 41.83% compared to the year 2017, with the following details:

- *Net Fees and Service Income*

Net fees and service income were Baht 283.11 million, decreased by Baht 42.61 million or down to 13.08% compared to the year 2017, resulted from an decrease in commission from selling agent fee from sales of financial products.

- *Other Income*

Other income were Baht 871.36 million, increased by Baht 383.11million or up to 78.47% compared to the year 2017, mainly from the increase of of dividend income due to increased from invested investments.

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

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

In 2018, net interest income after deducting bad debts, doubtful accounts and impairment loss were Baht 4,333.44 million, decreased by Baht 29.64 million or down to 0.68% compared to the year 2017.

Bad Debts, Doubtful Accounts and Impairment Loss

In 2018, the bank had bad debts and doubtful accounts and impairment loss were Baht 570.16 million, decreased by Baht 46.98 million or down to 7.61% compared to the year 2017, loan loss reserves based on the guideline of the BoT were 201.52% in 2018 and 186.08% in 2017.

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 (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,903.60	4,980.22	4,838.04	(76.62)	(1.54)
Bad debts, doubtful accounts and impairment loss	(570.16)	(617.14)	(1,025.00)	(46.98)	(7.61)
Net Interest Income after deducting bad debts, doubtful accounts and impairment loss	**4,333.44**	**4,363.08**	**3,813.04**	**(29.64)**	**(0.68)**
Loan loss reserves (%)	201.52	186.08	185.50		

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 2018, the bank had other operating expenses were Baht 2,362.08 million, increased by Baht 16.14 million or up to 0.69% compared to the year 2017, mainly from an increase in employee's expenses. The operating expenses to total operating income ratio in 2018 was 38.99%, decreased from 2017 which was 40.49%, as the following:

Table: Other Operating Expenses

Other Operating Expenses	Separate Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employees' expenses	1,200.88	1,167.84	1,159.31	33.04	2.83
Directors' remuneration	20.83	17.41	15.31	3.42	19.64
Premises and equipment expenses	671.06	672.97	659.97	(1.91)	(0.28)
Tax and duties	217.49	220.09	219.73	(2.60)	(1.18)
Advertising and promotion expenses	78.67	89.71	90.12	(11.04)	(12.31)
Amortisation and intangible assets	50.99	58.77	63.09	(7.78)	(13.24)
Other expenses	122.16	119.15	125.74	3.01	2.53
Total other operating expenses	**2,362.08**	**2,345.94**	**2,333.27**	**16.14**	**0.69**
Total operating expenses to total operating income ratio (%)	**38.99**	**40.49**	**36.04**		

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 2018 and 31 December 2017.

Table: Total Assets

Total Assets	Separate Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Assets					
Cash	1,839.57	1,994.55	2,109.13	(154.98)	(7.77)
Interbank and money market items - net	21,566.86	20,928.06	17,961.03	638.80	3.05
Investments - net	55,312.91	55,236.57	49,978.12	76.34	0.14
Loans to customers and accrued interest receivables					
Loans to customers	161,927.06	154,067.28	141,236.44	7,859.78	5.10
Accured interest receivables	224.14	257.01	229.43	(32.87)	(12.79)
Total loans to customers and accrued interest receivables	162,151.20	154,324.29	141,465.87	7,826.91	5.07
Less: Deferred revenue	(33.82)	(46.97)	(91.77)	(13.15)	(28.00)
Allowance for doubtful accounts	(3,763.23)	(3,388.69)	(3,078.63)	374.54	11.05
Revaluation allowance for debt restructuring	(11.99)	(14.02)	(15.23)	(2.03)	(14.48)
Loans to customers and accrued interest receivables - net	158,342.16	150,874.61	138,280.24	7,467.55	4.95
Properties foreclosed - net	87.95	102.14	107.32	(14.19)	(13.89)
Premises and equipment - net	216.42	258.31	317.88	(41.89)	(16.22)
Intangible assets - net	345.07	170.14	180.24	174.93	102.82
Deferred tax assets	260.77	210.00	263.45	50.77	24.18
Accrued interest receivables on investments	290.82	308.02	295.84	(17.20)	(5.58)
Other assets - net	395.45	313.87	201.72	81.58	25.99
Total assets	**238,657.98**	**230,396.27**	**209,694.97**	**8,261.71**	**3.59**

Total Assets

Core assets consisted of loans to customer and accured interest receivables - net 66.35% of total assets, followed by investment - net 23.18% of total assets. As of 31 December 2018, total assets were Baht 238,657.98 million, increased by Baht 8,261.71 million or up to 3.59% compared to the year 2017, mainly from an increase in loans to customers and accured interest receivables - net.

Loans to Customers

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

As of 31 December 2018, loans net of deferred revenue (including interbank and money market items) were Baht 182,142.25 million, increased by Baht 8,902.73 million or up to 5.14% compared to the year 2017. Mainly from Big Corporate & Corporate loans 75.15%, followed by Retail loans 13.50% of total loans. When they were classified by type of loans, mainly from public utilities and services loans and manufacturing and commerce at 22.25% and 21.91% of total loans, respectively.

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

Loans Classified by Business Sector	Separate Financial Statements						Change (2018 compared to 2017) Increase (Decrease)	
	2018		2017		2016			
	Amount (MillionBaht)	Ratio (%)	Amount (MillionBaht)	Ratio (%)	Amount (MillionBaht)	Ratio (%)	Amount (MillionBaht)	Ratio (%)
Big Corporate & Corporate loans	136,881.71	75.15	118,439.54	68.37	100,920.01	64.08	18,442.17	15.57
SMEs & SSME loans	20,671.28	11.35	25,601.25	14.78	25,441.42	16.15	(4,929.97)	(19.26)
Retail loans	24,589.26	13.50	29,198.73	16.85	31,132.41	19.77	(4,609.47)	(15.79)
Loans net of deferred revenue	**182,142.25**	**100.00**	**173,239.52**	**100.00**	**157,493.84**	**100.00**	**8,902.73**	**5.14**
Add : accrued interest receivables	240.55		275.94		243.64		(35.39)	(12.83)
Total loans and accrued interest receivables net of deferred revenue	**182,382.80**		**173,515.46**		**157,737.48**		**8,867.34**	**5.11**

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

Loans Classified by Business Sector	Separate Financial Statements						Change (2018 compared to 2017) Increase (Decrease)	
	2018		2017		2016			
	Amount (Million Baht	Ratio (%)	Amount (Million Baht	Ratio (%)	Amount (Million Baht	Ratio (%)	Amount (Million Baht	Ratio (%
Housing loans	22,883.50	12.56	27,342.41	15.78	29,134.89	18.50	(4,458.91)	(16.31)
Manufacturing and commerce	39,909.85	21.91	33,602.18	19.40	27,844.63	17.68	6,307.67	18.77
Public utilities and services	40,526.97	22.25	40,245.34	23.23	38,074.24	24.18	281.63	0.70
Real estate and construction	22,893.77	12.57	21,590.03	12.46	20,789.91	13.20	1,303.74	6.04
Agricultural and mining	867.92	0.48	183.27	0.11	488.40	0.31	684.65	373.57
Financial intermediation	38,401.38	21.08	32,856.15	18.96	23,877.22	15.16	5,545.23	16.88
Saving cooperative	14,962.00	8.22	15,469.21	8.93	15,229.17	9.67	(507.21)	(3.28)
Others	1,696.86	0.93	1,950.93	1.13	2,055.38	1.30	(254.07)	(13.02)
Total loans net of deferred revenue	**182,142.25**	**100.00**	**173,239.52**	**100.00**	**157,493.84**	**100.00**	**8,902.73**	**5.14**

Quality of Assets

As of 31 December 2018, 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 (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interbank and money market and accrued interest receivables					
- Pass	20,265.43	19,238.14	16,363.39	1,027.29	5.34
Investments					
- Doubtful of loss	285.57	21.16	71.72	264.41	1,249.57
Loans and accrued interest receivables					
- Pass	156,792.81	149,492.38	137,462.17	7,300.43	4.88
- Special - mention	1,804.37	1,521.18	1,146.01	283.19	18.62
- Sub - standard	314.81	169.47	912.01	145.34	85.76
- Doubtful	26.57	211.45	621.85	(184.88)	(87.43)
- Doubtful of loss	3,178.81	2,882.84	1,232.06	295.97	10.27
Other assets					
- Doubtful of loss	69.76	60.91	51.17	8.85	14.53
Total	**182,738.13**	**173,597.53**	**157,860.38**	**9,140.60**	**5.27**

Allowance for Doubtful Accounts

As of 31 December 2018, allowance for doubtful accounts were Baht 3,763.23 million, increased by Baht 374.54 million or up to 11.05 % compared to the year 2017, following the growth of loans and supporting to uncertainty of domestic economy. Allowance for doubtful accounts to total loans ratio was 2.33%, increased from 2017 which was at 2.20%. LLR/NPL increased from 110.15% to 112.74%.

Table: Allowance for Doubtful Accounts Calssified 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									
	2018				2017				Change (2018 compared to 2017) Increase (Decrease)	
	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	156,792.81	96.72	857.78	22.80	149,492.38	96.90	758.69	22.39	99.09	13.06
Special - mention	1,804.38	1.11	1.78	0.05	1,521.18	0.98	156.99	4.63	(155.21)	(98.87)
Sub - standard	314.81	0.19	109.91	2.92	169.47	0.11	77.55	2.29	32.36	41.73
Doubtful	26.57	0.02	3.89	0.10	211.45	0.14	111.11	3.28	(107.22)	(96.50)
Doubtful of loss	3,178.81	1.96	755.42	20.07	2,882.84	1.87	593.23	17.51	162.19	27.34
Total	**162,117.38**	**100.00**	**1,728.78**	**45.94**	**154,277.32**	**100.00**	**1,697.57**	**50.10**	**31.21**	**1.84**
Additional provision for specific debtors			1,180.62	31.37			750.00	22.13	430.62	57.42
General provision			853.83	22.69			941.12	27.77	(87.29)	(9.28)
Total	**162,117.38**	**100.00**	**3,763.23**	**100.00**	**154,277.32**	**100.00**	**3,388.69**	**100.00**	**374.54**	**11.05**

As of 31 December 2018, loans classified by overdue debtors as follows:

Table: Loans to Customers Classified by Periods to Maturity

Loans to Customers	Separate Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
At call/[1]	19,212.33	18,854.55	15,843.04	357.78	1.90
Less than 3 months	35,695.27	32,627.08	27,454.52	3,068.19	9.40
3 - 12 months	16,721.73	16,150.21	19,973.76	571.52	3.54
More than 1 year	90,297.73	86,435.44	77,965.12	3,862.29	4.47
Total	**161,927.06**	**154,067.28**	**141,236.44**	**7,859.78**	**5.10**

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 11.99 million, decreased by Baht 2.03 million or down to 14.48% compared to the year 2017.

Non-Performing Loans

As of 31 December 2018, non-performing loans (gross) were Baht 3,520.19 million, increased by Baht 256.43 million or up to 7.86% compared to the year 2017. Non-performing loans to total loans ratio 1.93%, increased from 2017 which was at 1.88%.

Non-performing loans (net) were Baht 2,634.35 million, or 1.45% of total loans after deducting allowance for doubtful accounts of non-performing loans.

Total Liabilities

As of 31 December 2018, the bank had total liabilities were Baht 203,053.74 million, increased by Baht 7,779.79 million or up to 3.98% compared to the year 2017, which was mainly from an increase in deposits and decreased in debts issued and borrowings.

Table: Liabilities Classified by Type of Liabilities

Liabilities Classified by Type of Liabilities	Separate Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	168,171.00	143,741.92	149,639.50	24,429.08	17.00
Interbank and money market items	9,277.43	15,415.97	20,053.83	(6,138.54)	(39.82)
Liabilities payable on demand	172.82	219.79	75.99	(46.97)	(21.37)
Debts issued and borrowings	23,290.46	32,979.12	20,464.66	(9,688.66)	(29.38)
Others	2,142.03	2,917.15	1,963.11	(775.12)	(26.57)
Total liabilities	**203,053.74**	**195,273.95**	**192,197.09**	**7,779.79**	**3.98**

Deposits

As of 31 December 2018, the bank had deposits were Baht 168,171.00 million, increased by Baht 24,429.08 million or up to 17.00% compared to the year 2017.

Table: Deposits Classified by Type of Deposits

Deposits Classified by Type of Deposits	Separate Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Demand deposits	6,072.79	3,623.02	5,061.09	2,449.77	67.62
Savings deposits	74,918.47	72,563.33	65,119.72	2,355.14	3.25
Time deposits	55,585.08	49,775.13	50,648.23	5,809.95	11.67
Fixed deposit receipt	31,594.66	17,780.44	28,810.46	13,814.22	77.69
Total deposits	**168,171.00**	**143,741.92**	**149,639.50**	**24,429.08**	**17.00**

Owners' Equity

As of 31 December 2018, owners' equity were Baht 35,604.24 million, increased by Baht 481.92 million or up to 1.37% compared to the year 2017.

2.3 Capital Adequacy

Sources and Uses of Fund

As of 31 December 2018, capital structure consisted of liabilities were Baht 203,053.74 million and owners' equity were Baht 35,604.24 million, or 5.70 times of debt to equity ratio. Sources of fund composition in terms of liabilities were deposits 70.46% of sources of fund, interbank and money market items 3.89%, debts issued and borrowings 9.76%, liabilities payable on demand and others 0.97%, while owners' equity 14.92%.

Relations of Sources and Uses of Fund

As of 31 December 2018, loans to customers (before deducting deferred revenue) were Baht 161,927.06 million. Loans to deposits ratio was 96.40%. 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 2018 could be classified by contract maturity date. Deposits less than 1 year were Baht 158,912.97 million, or 94.49% of total deposits. Loans less than 1 year were Baht 71,629.33 million, or 44.24%. Deposits more than 1 year were Baht 9,258.03 million, or 5.51%. Loans more than 1 year were Baht 90,297.73 million, or 55.76%.

Table: Sources and Uses of Fund

Periods	Deposits				Loans to Customers			
	2018		2017		2018		2017	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	158,912.97	94.49	133,727.68	93.03	71,629.33	44.24	67,631.84	43.90
More than 1 year	9,258.03	5.51	10,014.24	6.97	90,297.73	55.76	86,435.44	56.10
Total	**168,171.00**	**100.00**	**143,741.92**	**100.00**	**161,927.06**	**100.00**	**154,067.28**	**100.00**

2.4 Change of Cash Flow

As of 31 December 2018, the cash were Baht 1,839.57 million, decreased by Baht 154.98 million compared to the year 2017. Net cash provided by and used in activities as the following:

- Net cash used in operating activities were Baht 4,006.96 million, which was from the profits from operation before changes in operating assets and liabilities were Baht 1,090.68 million and significant change of assets and liabilities were loans to customers increased by Baht 8,060.42 million, deposits increased by Baht 24,429.08 million, interbank and money market items (liabilities) decreased by Baht 6,138.55 million and short-term debts issued and borrowings decreased by Baht 14,684.61 million.
- Net cash provided by investing activities were Baht 1,696.03 million, mainly from invested in available-for-sale investments - net were Baht 1,661.10 million, invested in held-to-maturity investments were Baht 1,368.26 million and cash received on interest income on investments were Baht 1,615.32 million.
- Net cash provided by financing activities were Baht 2,155.95 million, which was from issue long-term debts issued and borrowings were Baht 4,995.95 million and dividends paid were Baht 2,840 million.

2.5 Adequacy of Liquidity

Liquid assets which consisted of cash, interbank and money market net (assets) and net investments, liquidity assets was Baht 63,882.63 million, increased by Baht 1,056.36 million or up to 1.68% when compared to the year 2017.

Table: Liquidity Assets

Items	31 December 2018	31 December 2017
	Amount (Million Baht)	Amount (Million Baht)
Total assets	238,657.98	230,396.27
Deposits	168,171.00	143,741.92
Loan to customers (net deferred revenue)	161,893.24	154,020.31
Liquidity assets	63,882.63	62,826.27
Loan to customers/Deposits (%)	96.40	107.33
Liquidity assets/Total assets (%)	26.77	27.27
Liquidity assets/Deposits (%)	37.99	43.71

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 2018, cash at the cash center and cash at Bank of Thailand totalled Baht 1,936.90 million.

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

As of 31 December 2018, the bank had the ratio of total capital fund to risk assets at 20.045 %, higher than the 10.375% minimum rate required by the Bank of Thailand and decreased from BIS when compared with31 December 2017 at 21.857%.

The ratio of Tier 1 - capital fund to risk assets was 17.131%, higher than the 7.875% minimum rate required by the Bank of Thailand.

Table: Capital Fund to Risk Assets Ratio

Capital Fund to Risk Assets Ratio	31 December 2018		31 December 2017		31 December 2016	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Common equity Tier 1 capital fund						
The bank	34,344.23	17.131	34,101.44	18.673	16,557.45	10.195
Minimum rates required by law*		6.375		5.750		5.125
The Difference		10.756		12.923		5.070
Tier 1 capital funds						
The bank	34,344.23	17.131	34,101.44	18.673	16,557.45	10.195
Minimum rates required by law *		7.875		7.250		6.625
The Difference		9.256		11.423		3.570
Total capital funds						
The bank	40,185.53	20.045	39,915.64	21.857	22,259.27	13.706
Minimum rates required by law*		10.375		9.750		9.125
The Difference		9.670		12.107		4.581

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 ranked at a level of "A-" with "positive" outlook and affirms the rating of LH BANK's hybrid Tier 2 capital securities at "BBB" by Tris Rating. The company rating reflects bank's continual improvements in the business and financial profiles including good quality assets and the strengthening of capital base.

2.8 Factors Influencing Future Operating Results

The key factors which may affect the future operation are; the trade barrier policy between the United States and China may affect the volatility in the money market, capital markets and product exports in the future, as well as domestic political factors during the transition to the election that might affect the continuity and confidence in project policy. These may result in loan demand and loan quality and affected to interest income of commercial banking system to declease, including high level of NPLs problem and have to set more doubtful debt.

3. Securities Business

Overview of Securities Business and Competition in 2018 and Outlook in 2019

Overview of Securities Business and Competition in 2018

In line with global equities, Thai stocks saw another year of unusual volatility in 2018 of which investor confidence was affected by the trade war between the United States and China. SET index that skyrocketed to make record high at 1,852.51 on 27 February 2018 subsequently nosedived to mark its annual low at 1,546.62 on 27 December 2018 before bouncing back slightly to end the year at 1,563.88, which was down by 10.8% from previous year.

However, average daily turnover in year 2018 was 15.1% more active from Baht 47,755 million per year in 2017 to Baht 57,673 million. This was record high level in The Stock Exchange of Thailand's history. Local institutional and retail investors were net buyers with net accumulation totaled Baht 181,549 million and Baht 120,800 million, respectively. Foreign investor was net seller totaled Baht 287,696 million.

Business trends and Securities Business Competition in 2019

In the year 2019, expected the SET index to close at 1,800 points by the stock market highly volatility due to uncertain economic conditions both the domestic and international that may affect to capital moving and investors stability accompany with technology changing. The company developed various application about financing investment which affects the behavior changing of investors and affects the creation of a customer base as well as having a new business model such as Initial Coin Offering (ICO) and Block Chain Business that may affect the brokerage business as well.

Overall Performance

The analysis of operating results of the company and its subsidiaries were comparative performance as of the year 2018 compared to the year 2017.

In 2018, the company had net profits were Baht 209.12 million, increased by Baht 104.29 million , or up to 99.48% compared to the year 2017, result of brokerage fees income, interest income on margin loan and gain and return on financial instrument increased.

Total expenses of 2018 were Baht 322.43 million, increased by Baht 59.52 million, or up to 22.64% compared to the year 2017 due to an increase in employee's expenses and financial costs following the business growth.

Net profits margin of the operating in the year 2018 was at 36.99% increased from 2017 which was 27.27% due to the increasing of revenues more than expenses.

Basic earning per share in 2018 was Baht 0.33 per share, increased from 2017 which was Baht 0.16 per share due to increaseing of net profits.

Total Revenue Structure

Total revenue structure of the company and the subsidiaries as follows:

- *Total Income*

Total income consist of 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 2018, total brokerage fees income were Baht 165.34 million. Brokerage fees from retail customers accounted for 87% of the company's securities trading volume major customers and institutional customers accounted for 13%.

Total income were Baht 565.40 million, increased by Baht 181.00 million, or up to 47.09% compared to the year 2017 due to the company expanded its customer base, sales promotion increased in invest 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 2018 were Baht 165.34 million, increased by Baht 22.00 million, or up to 15.35% compared to the year 2017.

- *Other Income apart from Brokerage Fees*

Other income apart from brokerage fees were fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes were Baht 1.25, 46.56, 351.66 and 0.59 million, respectively.

Structure of Total Expenses

Structure of Total Expenses of the company and the subsidiaries were as follows:

- *Total Expenses*

Total expenses were Baht 322.43 million, increased by Baht 59.52 million, or up to 22.64% compared to the year 2017, which was the result of employees benefit expenses, financial costs, 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 2018, no receivables that allowance for doubtful accounts.

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 2018 and 31 December 2017.

- **Total Assets**

As of 31 December 2018, the total assets were Baht 4,103.36 million. Manily from investments, accounting for 70.27% of total assets. Total assets increased by Baht 515.23 million, or up to 14.36% compared to the year 2017.

- **Securities and Derivatives Business Receivables**

Securities and derivatives business receivables (included accrued interest receivables) were Baht 1,039.96 million, decreased by Baht 307.17 million, or down to 22.80% compared to the year 2017. Securities and derivatives business receivables consist of:

Securities business receivables of cash accounts were Baht 227.81 million, or 21.91% of securities and derivatives business receivables.

Securities business receivables of credit balance account included accrued interest receivables were Baht 812.15 million, or 78.09% of securities and derivatives business receivables.

- **Net Investments**

Net investments were Baht 2,883.30 million, increased by Baht 851.97 million, or up to 41.94% compared to the year 2017. Investments consists of trading investments were Baht 25.33 million, available-for-sale investments were Baht 2,849.42 million and general investments were Baht 8.55 million.

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

Receivables from Clearing House and brokers-dealers were Baht 6.61 million.

- **Net Equipment and Intangible Assets**

Net equipment and intangible assets were Baht 39.51 million.

- **Other Assets**

Other assets were Baht 57.27 million.

- **Total Liabilities**

As of 31 December 2018, total liabilities were Baht 2,839.52 million, increased by Baht 491.79 million, or up to 20.95% compared to the year 2017. Manily from borrowings from financial institutions, or 91.56% of total liabilities.

- **Borrowings from Financial Institutions**

Borrowings from financial institutions were Baht 2,600.00 million.

- **Securities and Derivatives Business Payables**

Securities and derivatives business payables were Baht 81.27 million.

- **Owner's Equity**

As of 31 December 2018, the company's had the owner's equity were Baht 1,263.84 million, increased by Baht 23.44 million, or up to 1.89%. compared to the year 2017.

Capital Adequacy

- **Liquidity**

In 2018, the company and its subsidiaries had net cash provided by operating activities were Baht 201.61 million. The main reasons were from securities and derivatives business receivables decreased.

Net cash used in investing activities were Baht 909.04 million, which cash provided by and used in from investing activities mainly from invested in available-for-sale investments - net were Baht 906.49 million.

Net cash provided by financing activities were Baht 700.00 million which the resource of cash flow from financing activities were cash received from borrowings from financial institutions were Baht 10,975.00 million and cash repaid on borrowings from financial institutions were Baht 10,275.00 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 2018, NCR level was between 34.25% - 83.78%. This ratio may be changed due to various factors including securities trading volume, guarantee of securities underwriting etc.

- **Sources of Funds**

As of 31 December 2018, the company and its subsidiaries had fund from equity were Baht 1,263.84 million. Debt to equity ratio as of 31 December 2017 and as of 31 December 2018 equaled 1.89 time and 2.25 time, 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 2 working days of each accounting period.

Factors that Might Affect the Performance in the Future

The economic condition of Thailand and the World Economy in 2019 has the tendency to slow down according to the adjustment into the downturn of the economic cycle of the United States of America, China, Euro Zone, and Japan as well as the increase of the trade barrier policy, which might affect the Thai economy. Moreover, the change of policy in terms of the economy of the government, regulations, requirements, and laws; the political change; interest rate, and exchange rate might cause fluctuations in the money market and capital market. Therefore, the trading volume might become lower than the company's forecast.

4. Fund Management Business

Overview of Fund Management Business and Competition in 2018 and Outlook in 2019

Overview of Fund Management Business and Competition in 2018

In 2018, the total asset value of the fund management business was 5.06 Trillion Thai Baht which represent 0.77% 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 49.60%, 28.40%, and 6.97% respectively. However, During the past year Investors have avoided investing in risky assets from the volatile market conditions 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 2019

In 2018, the capital markets both in domestic and overseas were affected by the trade war between the United States and China, as well as the trend of central banks in developed countries such as the United States who want to raise basic interest rates to be in line with the Inflation and economic growth. For this reson, most investors have changed to invest in Bond which has lower risk.

In 2019, the competition is expected to remain strong in order to maintain market share. The banks have implementd technology related to financial and investment services (Fintech) to increase access of customers. However, the market conditions in 2019 are clearer than the previous year because the United States and China have made progress in negotiations to find a solution. The result is not as severe as the market has anticipated that will affect the global GDP 0.15%-0.30%. With clarity on domestic elections and economic stimulus policies of the new government causing the capital market in Thailand to anticipate new investments, which will allow the Fund to increase at a greater rate than the previous year and the large financial institution still has more advantage in the industry.

Overall Performance

The analysis of operating results of Land and Houses Fund Management Company Limited were comparative performance of the year 2018 compared to the year 2017 as follows:

In 2018, the company had net profits Baht 109.4 million, increased by Baht 26.04 million or up to 31.24% compared to the year 2017 due to the increase of fees and service income.

Basic earning per share for the year 2018 is Baht 36.47 per share, increased from the year 2017 which was Baht 27.79 per share.

Structure of Total Income

- *Total Income*

Total income amounted to Baht 397.51 million, increased by Baht 74.57 million or up to 23.09%, compared to year 2017. The total income consists of fees and service incomes which are the company's majority of income, gains and returns on financial instruments and other incomes.

- *Fees and Service Income*

Fees and service income were Baht 371.95 million, increased by Baht 74.66 million or up to 25.11% compared to the same period of the year 2017.

Stucture of Total Expenses

- *Expenses*

Total expenses were Baht 265.02 million, increased by 41.94 million or up to 18.80% compared to the year 2017.

- *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 2018 and 31 December 2017.

- *Total Assets*

As of 31 December 2018, the company had assets Baht 484.55 million, increased by Baht 38.07 million or up to 8.53% compared to the year 2017, core assets was investment by 80.15 of total assets.

- *Net Asset Value Under Management*

As of 31 December 2018, Land and Houses Fund Management Company Limited had 63 funds under management, increased 9 fund compared to the year 2017. The company had net asset value Baht 56,283.91 million, increased by Baht 4,835.09 million or up to 9.40% compared to the year 2017.

The company held 1.1% of the market share, and was ranked at 12 of 24 companies. It has mutual funds under management consisting of:

- Property fund and real estate investment trust Baht 31,881.75 million
- Fixed Income fund Baht 10,697.63 million
- Equity fund Baht 1,535.55 million
- Mixed fund Baht 3,494.05 million
- Foreign investment fund Baht 4,256.51 million
- Fund of property fund Baht 4,418.42 million

However, when included private funds and provident funds, the company had net asset value as of 31 December 2018 at Baht 66,183.47 million, consisting of Baht 7,001.37 million of private funds and Baht 2,898.19 million of provident funds.

- *Cash and Cash Equivalents*

Cash and cash equivalents were Baht 21.28 million, decreased by Baht 29.19 million or down to 57.84% compared to year 2017.

- *Investments*

Investments amounted to Baht 388.37 million, increased by Baht 66.32 million or up to 20.59% compared to year 2017. Investment consists of domestic marketable equity securities - units.

- *Leasehold Improvements and Equipment*

Leasehold improvements and equipment were Baht 14.15 million.

- *Intangible Assets*

Intangible assets were Baht 24.13 million.

- *Other Assets*

Other assets were Baht 8.21million.

- *Total Liabilities*

As of 31 December 2018, total liabilities were Baht 51.61 million, increased by 21.14 million or up to 69.38% compared to year 2017.

- *Owners' Equity*

As of 31 December 2018, owners' equity were Baht 432.94 million, increased by Baht 16.93 million or up to 4.07% compared to the year 2017.

Capital Adequacy

- **Liquidity**

The company had net cash received from operating activities amounted to Baht 120.84 million which was from operating profit.

Net cash used in investing activities amounted to Baht 50.03 million. The sources of using cash flow in investing activities were cash paid for the purchase of available-for-sale investments for Baht 62.51 million, cash paid for the purchase of leasehold improvements and equipment for Baht 7.45 million and cash paid for the purchase of intangible assets for Baht 3.56 million and dividends received for Baht 23.49 million

Net cash used in financing activities amounted to Baht 100.0 million, which was from dividend payment.

The company had equity for Baht 432.94 million which 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**

The company had the sources of fund from shareholders' equity amounted Baht 432.94 million which comprise of issued share capital and paid-up capital amounted Baht 300 million, retained earnings about Baht 116.7 million and other components of equity about Baht 16.25 million.

Factors that May Affect the Operation in the Future

For year 2019, the global economy has slowed down compared with the previous year, causing investors to hesitate to invest in high risk fund including the foreign funds which are highly volatile, especially foreign capital markets. This would be a barrier to offering funds which can generate high income in 2018. The trade conflict issues tend to prolonged which are instability and create volatility of investment. The new Securities and Exchange Commission's regulations about the qualification of Accredited Investors may be either a limitation or an advantage for the asset management company.

THE CORPORATE GOVERNANCE COMMITTEE'S REPORT

The Corporate Governance Committee of LH Financial Group Public Company Limited consists of 4 members as follows;

1.	Mr. Adul	Vinaiphat	Chairman of the Corporate Governance Committee
2.	Dr. Supriya	Kuandachakupt	Member of the Corporate Governance Committee
3.	Mr. Pradit	Sawattananond	Member of the Corporate Governance Committee
4.	Mr. Somsak	Assavapokee	Member of the Corporate Governance Committee

Mr. Weeravej Sirichatchai, Executive Vice President, Compliance Group of Land and Houses Bank Public Company Limited is the secretary.

In addition, the Board of Directors has appointed Mr. Pradit Sawattananond and Mr. Somsak Assavapokee to be the member of the Corporate Governance Committee on April 24, 2018 and December 19, 2018 respectively, and during the year Mr. Sun Vithespongse resigned from the member of the Corporate Governance Committee on September 30, 2018.

The Corporate Governance Committee has performed duties under the scope of responsibilities prescribed in the Corporate Governance Committee appointment announcement assigned by the Board of Directors. During the year 2018, the Corporate Governance Committee had total 10 meetings 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 the corporate governance code of the Securities and Exchange Commission to build the confidence to the shareholders, the investors, the stakeholders and all related persons that the company conducts its business with integrity, efficiently, transparency and trustworthy.
2. Review the corporate social responsibility policy for sustainable business development by the directors, the executives and all employees in the financial business group to adhere the guideline in practical, participating, volunteering, and cultivating social responsibility for sustainable business development.
3. Review the anti-corruption policy to enable the directors, the executives and the employees holding it as an operational guideline in business operation to promote effective management, business code of conduct and ethics.
4. Review the prevention of conflict of interest policy to adhere as the good management, transparency, and fairly as well as all employees in the financial business group operate with the principle for accuracy, discreetness, public benefits and consider the benefits of shareholders and all related persons.
5. Review 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 which the company support the whistleblower efficiently and pays attention the protection.
6. Review the internal trading policy to ensure that there is no information of the company which is not yet publicly seeking to personal benefits from directors, executives and employees of the company.
7. Represent the company in communicating, supervising and promoting to comply with the good corporate governance policy and the anti-corruption policy.

LH Financial Group Public Company Limited recognizes the importance of the good corporate governance and business ethics in business operation under the guidelines of the supervisory authorities as a listed company, which is a cornerstone of sustainable growth of the organization and it is one of the factors which initiates the efficient and transparent business operation and helps build confidence with all stakeholders, as well as added the business value in the long term.

(Mr. Adul Vinaiphat)
Chairman of the Corporate Governance Committee

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER AND THE PRESIDENT



LH Financial Group Public Company Limited is committed to conducting business in accordance with good corporate governance principles along with adhering to the code of conduct and business ethics, in order to build confidence among all steakholders continuously, which is considered a part of business operation, especially, the good corporate governance at all of work contexts. In addition, all performances must based on the standards, honesty, transparency and accountability as well as the corporate social responsibilities, such as, fair business operation, anti-corruption, respect of human rights, fair treatment of labors, responsibility on the consumers, cooperation in the development of community and society, environmental management, and innovation and dissemination of innovative. 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 listed companies which outstanding performance in terms of environmental, social and governance (ESG) ranked by Thaipat Institute for the fourth consecutive year. In addition, the company has provided the business sustainability report and the 2018 annual report for commununication in the social responsibility to all stakeholder.

The company has promoted the knowledgement of financial discipline by passing the knowledge, proficiency and skills in the banking sector consists of Land and Houses Bank Public Company Limited as the subsidiary of the company to create the benefits to communities and society by collaborate with the Thai Bankers' Association to create a project "Train the Trainer" to educate and promote financial literacy for the public sector by focusing on changing attitudes and cultivate the saving discipline. The main target group is youth , university students,in Bangkok and boundary. Including supporting the companies in the Land and Houses financial business group to operate the market conduct according to the official agencies guidelines.

LH Financial Group Public Company Limited sincerely hope that the business sustainability report 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 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


Sustainable Business Development

BUSINESS SUSTAINABILITY REPORT

The Logo of Corporate Social Responsibility

LH Financial Group Public Company Limited has the intention in operating the business in conformity with the good corporate governance principle as the guideline along with the operation on social responsibility focusing on the code of conduct and 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 visioning 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 organization and shareholders including the confident creation to shareholders.

Guidelines for the Operation in Social Responsibility for Sustainable Business Development

The 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 employees to participate and adhere to the code of conduct and ethics strictly. The bank also instill the consciousness of operation with responsibility. The Chairman and the President perform their duties as the representatives for driving the organization to sustainable development, the Corporate Governance Committee has responsible for social responsibilities operation, consider, gives suggestions and monitoring in social responsibilities operation plan and report to the Board of Directors. The President has duties for encouraging and supporting in operation following the Board of Directors' guidelines.

The Board of Directors has determined the social responsibility for sustainable development following the guidelines of the Corporate Social Responsibility Institute, the Securities and Exchange Commission, and the Stock Exchange of Thailand for the directors, the executives and all 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 business, stakeholders, economy, society, and environment.

The Business Operation Sustainability Strategy

The companies in LH Financial Group Public Company Limited financial business group operate the business following the corporate governance principle, responsible to economy, social and environment, and risk management in all dimensions. Including, the company pays attention to operate the business following the market conduct which aim to customers receive the reliability from customers as follows:

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 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.



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.

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 Operation Results of Corporate Social Responsibility

The company intends to operate the business with the good corporate governance principle together with the corporate social responsibility which is a part of the company's operation. Especially, good corporate governanc 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 4 years consecutively which the company has reported to the Corporate Governance Committee and the Board of Directors acknowledged.



Received the Certificate of Collective Action Coalition Against Corruption

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 for acknowledge and adhere as the practical guideline. However, 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 first time and second time, the company renewal the certificate on June 7, 2018

Social responsibility performance for sustainable business development in 3 dimensions as follows:

Economic	Social	Environment
The ratio of satisfaction level of customers who received services from the branches in 2018 was 89.68, increased by 8.15% when compared to the year 2017 was 81.53%.	The ratio of complaints of employees regarding labor operation in 2018 was 0.00 which same the year 2017.	The amount of credit limit gave to the companies which is related to the energy in 2018 were 16,000 million, increased by 23.08% when compared to the year 2017 at Baht 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 2018 were Baht 23,530 million, increased 3.20 % when compared to the year 2017 at Baht 22,800 million.	In the year 2018, the ratio of employees who got injured while working was 0.00 which same the year 2017.	The volume of releasing greenhouse gas decreased because ● **Water management** The usage of water in 2018 decreased 33.22% compared to 2017 ● **Used paper management** number of trees that replace to cut-down trees for making papers per old papers amount 1 ton, in the year 2018 replace to 131 trees, increased 106 trees from the year 2017.
	The amounts of social, community and environment development in 2017 valued Baht 3.5 million.	

Social Responsibility for Sustainable Business Development Policy

The company is aware of operating business under the social responsibility making the business to be sustainable. This focuses on paying attention to the stakeholders, economy, society, and environment with morality, ethics, and business operation along with the honesty, transparency, and fairness. The negative impact on the economy, society, and environment must be well-aware. The company regulates the policy on social responsibility for the sustainably business development for the practice so that the directors, the executives and the employees adhere as the practical guideline 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 company's website (www.lhfg.co.th)

The Guideline of Sustainable Business Development Report

The company pays attention the sustainable business development report as a part of the annual report for communicating with all groups of stakeholders to acknowledge the policy guidelines, management guidelines and the outcome of social and environmental responsibilities clearly under the report framework 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 department from 1 January to 31 December 2018.

The company has proposed the content of the sustainable business development 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 business development policy as follows:

1. Analysis the internal and external stakeholders' needs

2. Determine the significant issues and the impact of business operation issues

3. Priories the significant issues and the impact of business operation issues

4. Verify the significant issues and the impact of business operation issues

5. Review the significant issues and the impact of business operation issues



Stakeholders' Group

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 various activities and many communication channels. The company also determines the frequency of operation clearly such as arranging the meeting and surveying the employees' relationship toward the company. In addition, the company will use these information determine the practice guidelines consistent with practical guideline of the good corporate governance policy and social responsibilities for sustainable business development policy. 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.

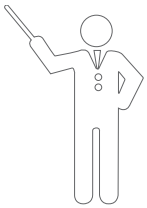
Practical Guideline for Stakeholders

The company has determined the practical guideline for 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 which separated the stakeholders into 2 groups for acknowledge their needs and response for each group of stakeholders correctly, including encourages participation of the 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	Practical Guidelines that Operate Following the Policies	Implementation
1. Shareholders 	• Appropriate compensation and sustainable growth. • Good business performance under appropriate risk. • Work with transparency, fairness, and accountability.	• Perform business under good corporate governance principle.	• 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 4 times. • Present information through all channels with correctness, equality, and transparency. • Receive suggestions and petitions through channels provided by the company. • 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: 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 Board of Directors 	• 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	• Perform business under good corporate governance principle.	• 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. 1. Self-assessment of the Board of Directors and all sub-committees 2. Self- Assessment of the Board of Directors and the sub- committees as individual basis 3. Cross- Assessment of directors 4. Good Corporate Governance Self-Assessment
3. Employees 	• Appropriate remuneration, positions and benefits • Prepare good hygiene workplace which is clean and safe • Arrangement the seminars for knowledge and potential development.	• Non-discrimination recruitment without any concern regarding ethnic, race, gender, status, religion, political views, or age used for recruitment consideration and decision making. • Promote employment for vulnerable labors, such as provide opportunities by employing people with disability. • Develop human resources by providing skill training and capacity building by creating learning and promotion opportunities for career progress. • Do not dismiss or terminate any employment which is solely based on the management's decision or based on discrimination.	• 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	Practical Guidelines that Operate Following the Policies	Implementation
3. Employees (continued) 		• 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.	• Succession plan replacement executives and key positions. • 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 	• Relationship management with customers. • 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.	• Survey the Customers' satisfaction of branch service. • Focus on presenting products which can satisfy customers' requirements, develop employees' competency to be able to offer customers with well-integrated products and services meets 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.	• Apply the survey results of customers' satisfaction of branch service for service improvement. • 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. • Arrange My Bank My Love activity for create good relationship between customers and bank annually.

Stakeholders	Needs Analysis	Practical Guidelines that Operate Following the Policies	Implementation
5. Community, Environmental and Social 	• Support communities activities. • Encouragement and development in knowledge. • Encouragement and supporting to governance department policies. • Preserving environment.	• Perform business with ethics in parallel with environmental and social responsibilities. • Support social activities benefiting communities and encourage employees to participate in activities. • Support and promote education, as well as participation in improving educational quality and accessibility. • Promote cultural activities in accordance with local culture, tradition, and religion. • Promote effective use of resources by concerning capability in maximizing value of resources. • Prepare emergency plan suitable for reducing loses. • Promote 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.	• 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 • Project “LH Bank Support Scholarship” • Participate with the project “Soft-Loan Program for SMEs” by Ministry of Finance. • Project “Train the Trainer” • Donate the used computers project • Lend a hand by giving consumer goods, money and also providing restructuring debt for customers who are affected by natural disaster.
6. Trade Partners	• 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.	• Comply with trade conditions and agreements. • Creating partnerships with potential customers • Fair business • No barrier for partners	• Meet with trade partners. • Take marketing together with the trade partners of Land and Houses financial business group. • 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 	• Perform business with transparency.	• Operate following the good competition rules and do not use any dishonest method.	• Determine mutual fair competition conditions.
8. Creditors 	• Pay interest and payback as determined. • Continuously communications.	• Operate following the agreement or conditions in the agreement and their duties.	• To perform following the contract or any conditions agreements and duties. • Receive suggestion or complaint.

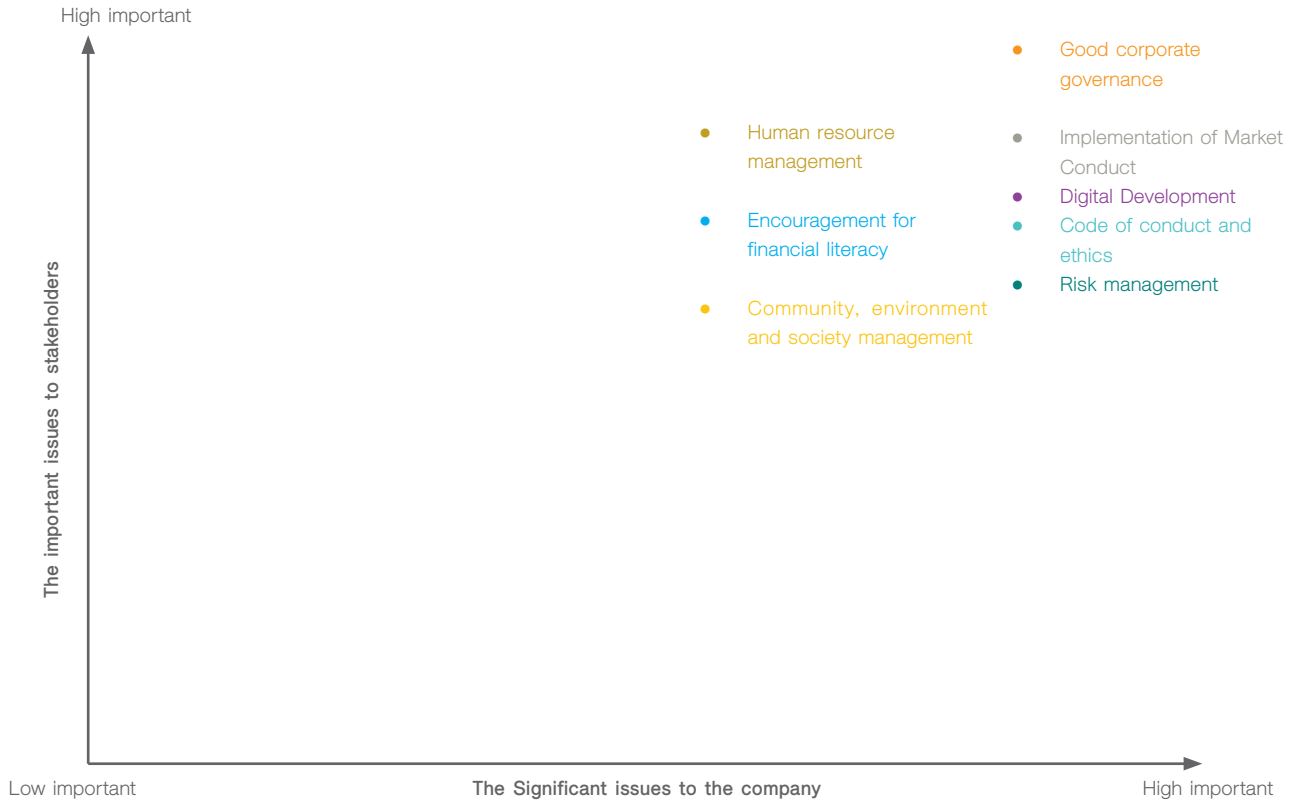
2. Determine the Significant Issues and the Impact of Business Operation

- The company applied issues, opinions, suggestions and expect in sustainable operation which important and affect to the business operation, the company received the analysis from internal and external stakeholders demand comply with social responsibilities for sustainable business development policy for determine the important issues and affect to the business as follows:
- **Internal stakeholder group:** consists of Board of Directors, executives and employees. The company has brainstorming such as the discussion in small groups and holding the meeting. Such activities were held to acknowledge the sustainable issue which the stakeholders give an important.
- **External stakeholder group:** consists of shareholders, customers, community, social and environment, trade partners, trade competitors and creditors. The company has been assembled issues and suggestions in discussion and meeting in order to acknowledge the sustainable issue which the stakeholders give an important.

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

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 stakeholders 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	Internal Stakeholders	External Stakeholders	Topics Presented in the Report
Good corporate governance	• Companies in the financial business group • Directors, executive and employees	• Shareholders • Customers • Trade partners	• Good corporate governance
Implementation of market conduct	• Companies in the financial business group • Directors, executives and employees	• Customers	• sustainable business operation strategy • Responsible for customers
Digital development	• Companies in the financial business group	• Customers	• Innovation and dissemination of innovative corporate social responsibilities
Code of conduct and ethics	• Companies in the financial business group • Directors, executives and employees	• Shareholders • Customers • Trade Partners	• Code of conduct and ethics • Anti - corruption
Risk management	• Companies in the financial business group • Directors, executives and employees	• Shareholders • Customers • Trade Partners	• Risk factors • Internal control and risk management • Good corporate governance
Human resource management	• Companies in the financial business group • Directors and executives	• Trade Partners	• Fair treatment of labors • Respect the human rights
Encouragement for financial literacy	• Companies in the financial business group	• Customers • Community, environment and society	• Community and social development
Community, social and environment management	• Companies in the financial business group	• Customers • Community, environment and society	• Community and social development

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

The company will assemble important topics to propose to the executives and the 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

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 the next report.

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 practical guideline of social responsibilities for sustainable business development policy in business guidelines.

Invitation the Trade Partners to Join the Anti-Corruption Association

The company encouraged customers and sponsors to aware of the important of anti-corruption community. The company invited to join for preventing fraud, bribery and corruption by send letters to customers and sponsors to ask for cooperation of refrain from giving gifts, rewards, other benefits or reception to employees.

Consider Credit Following the Issues of Environment, Social and Corporate 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

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.

The bank applied the satisfaction survey result of branch service to improve the quality services by implementation as follows:

1. Communicate to the branches' employees pays attention to quality services.
2. Determine for making Role Play of service and verifying of quality services continuously.

As a result, in the year 2018, the ratio for customers' satisfaction of branches' services was 89.68%, increased 8.15% when compared to the year 2017 was 81.53%.

Supply Chain Management

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

The bank has determined the procurement and the services practical method for quality of materials and services, and appropriate price, the procurement and the services process consists of 6 methods as follows:

1. Pricing method
2. Pricing examination method
3. Bidding method
4. Continuous method
5. Special method
6. Emergency method

The selection of the methods depends on cost of operation for each time and must passed for consideration by the Procurement Committee. For fairness and equality, the selection for suppliers or facilitators, the company has determined the criteria for selection from business stability, product qualification, service and pricing

Selection of suppliers or facilitators, there are steps as follows:

1. Provide the lists of suppliers and facilitators to meet the needs of buyers.
2. Select the suppliers and the facilitators according to the selection criteria of business stability, product qualification, service and pricing which conform to the procurement guideline of the company. The bank also provided the good quality products, appropriate price, sellers without history of corruption or operate illegal

business, without illegal labor policy, treat the trade partners with transparency, fairness, take care of occupational safety in the workplace and saving environment in order to create a supply chain for mutual business operations which will benefits to employees, community, society and environment as well.

3. When received a list of suppliers or facilitators which passed from selection, the next step is evaluation to find suppliers or facilitators for good quality, appropriate cost and appropriate price.

In the year 2018, the bank had 797 trade partners, decreased 0.375% when compared to the year 2017 at 800 trade partners. The trade partners acknowledged for operate following the bank's code of conduct and ethics. And the bank informed the trade partners acknowledged of procurement rules for understanding, accuracy and transparency.

Monitoring, Auditing and Result Evaluating of the Trade Partners

The bank 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 product 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 or the Stock Exchange of Thailand and was the financial business group that operate the business with transparency and stability according to the corporate governance principle. The company is committed to operate the business conform to the regulations and the rules of tax law.

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 adhere the good corporate governance principle as the guideline for business operation along with the sustainably social and environmental sustainable development. The company emphasizes on creating the culture of corporate governance in the organization which the company established the Corporate Governance Committee to have the duties in determine and review the corporate governance policy and represent the company in communication and operate the corporate governance activities as the same standard in the organization, the ethics in business operation for creating the competitiveness and trust worthy among shareholders, investors, stakeholders, and all related parties. This will be the important main factor in business operation with the efficiency, transparency, and trustworthy. This includes the encouragement on management with honesty, increase of value in business, stability, 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 according to the regulations of the official agencies, adequate disclosure of information while considering risks and appropriate risk management.

The Board of Directors has approved to appoint the sub-committees for supervision on the operation for ensuring efficient, the sub-committees consists of:

- The Audit Committee
- The Corporate Governance Committee
- The Nomination and Remuneration Committee
- The Risk Oversight Committee

The sub-committees will supervise the business operation following the vision, the mission, the operation plan and the 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 Board of Directors, the executives, and the 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, **as a result, the company received the score from the Corporate Governance Report of Thai Listed Companies 2018 in the level of "Excellence : 5 Stars" for fourth consecutive year by Thai Institute of Directors Association.** In addition, the company has reported the result to the Corporate Governance Committee and the Board of Directors for acknowledge and give recommendations for develop and improve the good corporate governance of the company.

In addition, the company aware of the rights and equality of all shareholder groups and intents 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 2018 by the Thai Investors Association, the Thai Listed Companies Association and the Securities and Exchange Commission which the company scored 100 points for sixth consecutive years since the year 2013.

Good Corporate Governance Policy

The company has defined the good corporate governance policy within writing by referring to the Corporate Governance Code of the Securities and Exchange Commission. This consists of the principles and guidelines in relation to the good corporate governance for the Board of Directors to use as the guidelines for the business operation and for the executives and the employees adhere to the operational guideline. This is for ensuring that the company will perform the business operation with 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 Board of Directors meeting on November 12, 2018. The good corporate governance policy 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 Good Corporate Governance Principle

The Board of Directors is aware of the roles and responsibilities in enhancing corporate governance to sustain the business growth and to manage the operations effectively, transparency and fairness as follows:

Principle 1 Establish clear leadership role and responsibilities of the board

1. The Board of Directors has set the objectives and goals through the approval of annual plans and budgets, including the business operation strategy and the allocation of resources to achieve the objectives and goals. In addition, the Board of Directors is responsible for supervise 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.

2. The Board of Directors supervise the Governance Outcome in the matters as follows:

- Competitive ability and good performance considered the long-term effects
- Ethical business operations
- Beneficial to society and development or reducing the environment impact
- Adaptability under risk factors

3. The Board of Directors supervised the executives perform their duties with responsibilities, carefully and honesty and supervised the operation conform to the laws, the regulations and the shareholders' meeting resolution and also determined the assignment scope of duties and responsibilities for the President clearly including monitored the President perform the duties following the assigned and not giving priority to self-interest over the responsibilities towards the company.

4. The Board of Directors Meeting

- The company has determined the meeting schedule for the Board of Directors and the sub-committees in advance for a one-year period for the special meetings, we will arrange the additional meetings with appropriately and necessity. The company has informed all directors in advance so that they can schedule and attend the meeting and disclose the meeting schedule on Intranet system of the company. For each meeting, the company secretary will inform to the departments for acknowledge the meeting date in advance at least 14-21 days and propose the matters to put as the agenda.
- The directors are responsible for attending the meetings at least 75% of all Board of Directors meeting each year except in case of having appropriate reasons and necessities. In the meeting, the directors will explain for significant matters and for some agenda, the directors will invite the executives to attend the meeting for explain the details as direct related of each agenda.
- The Board of Directors meeting agenda shall be determined by the Chairman, and the Chief Executive Officer and the President to jointly consider the matters to be included in the agenda. The agenda shall be clear specified that for acknowledgement, for consenting or for approval depends on each agenda such as approval the financial statements or acknowledgement the operation report etc.
- The Board of Directors assigned the company secretary to submit the notice of the meeting not less than 7 days before the meeting date and submitted the supporting documents at least 5 days before the meeting date with accuracy, completely, and sufficiently information for the directors to have the time to study the agenda and the supporting documents.
- 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 Articles of Association 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. In the event that there is an agenda requires a resolution with a vote of not less than two-thirds of the total number of the directors and the directors who interested in the agenda shall abstain from voting, refrain from giving comments on that agenda or leave the meeting.
- The Board of Directors meeting takes about 2 - 2.30 hours for each meeting. The Chairman allocates sufficient time for each agenda, after completed meeting, the company secretary has duties to provide the meeting minutes in written covered details, opinions and significant information completely within the appropriate

time when the meeting certified by the Board of Directors, the company secretary will keep the minutes and the meeting document systematically for accountability and convenience in reference.

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

6. The Chairman supported the Non-Executive Directors are able to hold the meetings 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 Executive Director for acknowledgement. In the year 2018, have such meeting 1 time.

7. The annual performance appraisal of the Chief Executive Officer and the President

The board of directors assigned the Nomination and Remuneration Committee to consider the method for the performance appraisal of the Chief Executive Officer and the President which includes the remuneration and bonus for their annual performance with consideration of their responsibilities in the company as follows:

- The performance appraisal of the Chief Executive Officer and the President were evaluated by the Chairman following the guidelines of the Nomination and Remuneration Committee against the indicators which are aligned with the vision, mission and long-term goal of the company. It also considered the responsibilities, achievement of objectives and the situation, as well as the business environment during that period. The appraisal was divided into 2 parts which consist of financial key performance indicators (Financial KPI) and non-financial key performance indicators (Non-Financial KPI).
- The Chairman evaluated the annual performance appraisal of the Chief Executive Officer and the President and proposed the assessment result to the Nomination and Remuneration Committee meeting to consider the remuneration and bonus. After the Nomination and Remuneration Committee considered and assessed the such performance, the assessment results were proposed to the Board of Directors meeting for approval.

Principle 2: Define the objectives that Promote Sustainable Value Creation

1. 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.

2. The Board of Directors supervise and review the business plan, the budget and the strategies are semi-annual to ensure that the business plan, the budget and the strategies for each time correspond to the objectives, the core goals, the economic conditions and the competitiveness.

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 the shareholders.

1. Structure, composition and qualifications of the Board of Directors

- The Board of Directors is composed of well qualified persons who have expertise, leadership, visioning, independent for making decision, experiences that useful and necessary for business operation, devote time, and fully operate their duties according to their responsibilities, carefully and honestly for highest benefits of the company and the shareholders including supervise the good management of the company.

The company has determined the Board of Directors structure to have the number of director appropriate with the business consists of 11 directors includes 2 female directors and 9 male directors. The election of directors is in accordance with the resolution of the shareholders' meeting, the rules, the procedures of the laws and the articles of association. The composition of the Board of Directors conformed to the notifications of the Bank of Thailand, the Capital Market Supervisory Board and the Stock Exchange of Thailand.

The structure of the Board of Directors consists of:

- **Independent director/1 4 positions,** 36.36% of all the Board of Directors consists of Mr. Adul Vinaiphat, Mr. Pradit Sawattananond, Dr.Supriya Kuandachakupt and Mr. Somsak Assavapokee
- **Executive director/2** 3 positions, 27.28% of all the Board of Directors consists of Mrs. Sasitorn Phongsathorn, Mr. Wu, Kuo-Chin and Mr. Naporn Sunthornchitcharoen
- **Non-Executive Director 4 positions,** 36.36% of all the Board of Directors consists of Mr. Rutt Phanijphand, Mr. Li, Ming-Shieh, Mr. Shih, Jiing-Fuh, and Mr. Khunawut Thumpomkul

Note /1 **Independent director** refers to directors who does not have a business or participation of business administration or having benefits related to the company which may affect the independent decision making. The company has determined the qualification of "independent director" according to the Capital Market Supervisory Board's regulations.

/2 **Executive director** refers to directors who are responsible for administration in the position, deputy manager, assistant manager, and directors who are responsible for the operation or participation of business administration as executive. Including, the directors who have authority to bind a company except for the signing of a binding of items approved by the Board of Directors and signing with other directors.

The Board of Directors structure is proportionate and fair and for the independence of the Chairman, and separates the powers and duties for policy determination, the supervision and the regular management. The Chairman and the Chairman of the Audit Committee is not the same person as the Chief Executive Officer and 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 Board of Directors required the qualifications of the Independent Directors are in line with the good corporate governance guideline as prescribed in notifications 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 nomination of directors and independent directors must passed and considered by the Nomination and Remuneration Committee which have the qualifications conform to the related laws, the regulations of supervisory agencies, and the articles of association regard to director and good corporate governance principle by considered from their knowledge, experience, skill, various expertise, honestly and ability that benefits to the company, ability to share opinions independently, understanding the business of the financial business group and not deprive them of their sexuality.

2. Director appointment

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 with transparency and clearly for proposing the persons or proposing the existing directors re-elect as director by disclose their profile and details sufficiency including criteria and method of nomination for benefits of shareholders voting.

- The company gives the opportunity to the minority shareholders to propose qualified persons to be director.
- The Nomination and Remuneration Committee is the committee to nominate and to scrutinize the qualified persons based on knowledge and experience including financing, banking, economic, laws and other professional areas by considered the organization's necessary, the good corporate governance, the independent director qualification according to the related laws and the article of association.

In addition, the Nomination and Remuneration Committee will propose the qualified persons to be director to the Board of Directors for consenting before propose the shareholders' meeting for approval.

3. The determination for the number of companies that the directors will hold the positions in other companies

The Board of Directors has set the guidelines for the number of companies that the directors will hold the positions in other companies conform to the good corporate governance principle by considered from the working potential of director who hold position in various companies carefully to ensure that directors able to devote sufficient time to perform their duties as follows:

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

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.

4. The determination of independent director's term office

The term office of independent director conformed to the Public Limited Companies Act and the Article of Association that determined the independent director can hold office not more than 9 years consecutivel according to the Bank of Thailand's regulations.

5. Determination the number of directors retiring by rotation

At every Annual General Meeting of Shareholders, one-third of the directors, or, if the number is not a multiple of three, then the number nearest to one-third must retire from office. However, the directors who have been in term office longest shall retire first, and, if cannot agree for leaving from position, it is suggested to use the drawing of lots, the directors who vacates office may be re-elected.

6. 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 and have the committees for considering in various matters by report their performance to the Board of Directors, the sub-committee consists of:

- The Audit Committee
- The Corporate Governance Committee
- The Nomination and Remuneration Committee
- The Risk Oversight 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.

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 financial statements in the Management Structure part, No.2 The Audit Committee.

7. The company secretary

- The Board of Directors has appointed Mr. Vichian Amornpoonchai, the Executive Vice President, Corporate and Legal Affairs, Land and Houses Bank Public Company Limited to be the Company Secretary since May 15, 2009 which has the duties to advice regarding laws and regulations that the Board of Directors should be acknowledge and perform their duties in activities monitoring of the Board of Directors. Including, the Company Secretary shall cooperate for the performing following the resolution of the Board of Directors and the shareholders' meeting. In addition, the Company Secretary has the scope of duties and responsibilities according to the laws with responsibility, carefully and honestly.
- The Board of Directors has encouraged and has supported the Company Secretary for training and development of skill and knowledge in law, accounting, or corporate secretarial duties.

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

8. The remuneration of the directors and the executives

The remuneration of the directors determined by the Annual General Meeting of Shareholders in money form consists of salary and meeting allowances, the remuneration is also consented from the Board of Directors based on the proposal from the Nomination and Remuneration Committee, the remunerations were clearly defined, fairness, reasonable, transparency and conform to their duties, the company's performances and individual performances. This is also aligned with industry groups and sufficient to maintain the desired standard of directors and the remuneration shall propose to the shareholders' meeting for approval annually.

9. Self-assessment of the Board of Directors

The Board of Directors provided the performance self-assessment for the Board of Directors and the sub-committees in form of committee assessment, individual assessment and cross assessment at least 1 year 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-assessment is essential to assess the appropriateness of the Board of Directors' composition and performance. The Board of Directors shall analyze the assessment results and recommendations from the Board of Directors shall bring to improve for operat their duties 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- assessment are as follows:

- 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
- Cross- Assessment of directors
- Good Corporate Governance Self-Assessment

- **Seelf-assessment ot 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 sub-committees, the directors thereof jointly conducted an evaluation by giving score in each assessment item. In a 2018 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 and the secretaries of sub-committees sent the self-assessment of the individual to the members of committees in which they hold an office, for their self-assessment, the completed forms were then returned to the company secretary.

- **Cross-Assessment of Directors**

Cross-Assessment is the assessment to evaluate the responsibilities, the roles, and the duties of the Chairman and the 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 cross-assessment of directors to the Chairman for evaluate individually and the individual directors evaluate the Chairman. The completed forms were then returned to the company secretary for report to the directors

- **Good Corporate Governance Self-Assessment**

The Board of Directors has provided the self-assessment according to the good corporate governance principle to evaluate on the issue that the company has done or not, which issue need to do and for an adequate disclosure of the company. The Board of Directors shall analyze the evaluation results, recommendations and remarks for applying according to the business operation environment.

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, the Corporate Governance Committee jointly conducted an evaluation and propose the result of the self- assessment to the Board of Directors for consenting. The assessment results of good corporate governance for the year 2018, most assessment items were given "Yes".

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).)

1. **Knowledge Development for the Directors, the Executives and the Employees**

The company pays attention to increase efficiency to perform the duties of the directors, the executives, the employees, the secretary team, the compliance team, the internal audit team, and corporate governance team. The company has the policies to encourage to attend outside and in-house seminars as a regularly promoted development and enhancement of their skills, knowledge and competencies to accommodate both short-term and long-term business growth, such as training courses held by the Institute of Directors, the Office of the Securities and Exchange Commission, the Stock Exchange of Thailand, and the Thai Listed Companies Association. The company secretary is the center for monitoring various news and support the training that benefits with their duties performing which the company will inform the seminars to the directors in advance.

In the year 2018, the directors attended the training seminars as follows:

Name of Directors	Training and Seminar Program
1. Mr. Rutt Phanijphand Chairman	• **Information and Technology Securities Seminar** Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited
2. Mr. Adul Vinaiphat Independent Director	• **Information and Technology Securities Seminar** Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited
3, Mr. Pradit Sawattananond Independent Director	• **Information and Technology Securities Seminar** Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited
4, Dr. Supriya Kuandachakupt Independent Director	• **Information and Technology Securities Seminar** Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited • **Advance Audit Committee Program (AACP) 31/2018** Arranged by Thai Institute of Directors Association Date: November 2, 9, 16, 23, 2018 Venue: Thai Institute of Directors Association
5. Mr. Naporn Sunthornchitcharoen Director	• **Information and Technology Securities Seminar** Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited
6. Mr. Li, Ming-Shieh Director	• **Information and Technology Securities Seminar** Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited
7. Mr. Shih, Jiing-Fuh Director	• **Information and Technology Securities Seminar** Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited • **Director Accreditation Program (DAP) 146/2018** Arranged by Thai Institute of Directors Association Date: March 12, 2018 Venue: Thai Institute of Directors Association

In the year 2018, the directors attended the training seminars as follows: (continued)

Name of Directors	Training and Seminar Program
8. Mr. Wu, Kuo-Chin Director	• **Information and Technology Securities Seminar** Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited • **Director Accreditation Program (DAP) 146/2018** Arranged by Thai Institute of Directors Association Date: March 12, 2018 Venue: Thai Institute of Directors Association
9. Mr. Khunawut Thumpomkul Director	• **IT Governance and Cyber Resilience Program (ITG) 8/2018** Arranged by Thai Institute of Directors Association Date: July 11-12, 2018 Venue: Thai Institute of Directors Association
10. Mrs. Sasitorn Phongsathorn Director	• **Information and Technology Securities Seminar** Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited

2. The remuneration and welfare of employees

The company sets the remuneration and welfare to employees appropriately to ensure a good standard of living for employees by emphasizing on fairness and competition. Therefore, the company declares the policy to increase annual salary and bonus payment which is based on the annual performance. Additionally, there is a special round to increase salary which is based on the survey results of remuneration of the employees of the same industry groups to maintain the employees who have performance achieved the expectation of the company.

3. Provident fund

The company established a provident fund for the employees for good benefits which is an important factor to encourage and motivate them to perform their tasks and their good standard of living. The employees can contribute between 3-15% of their salary to a provident fund, to which the company contributes 3-7%, with the amount determined by the number of years of employment. Besides, there are two committees that have been established as one committee is elected by fund members and another committee appointed by employer. The committees have authorities and responsibilities to follow and control of the fund management which includes formulating the policy investment as member representative. In addition, there is a multi-policy investment fund or "Master Fund" option for employees to take up themselves.

4. Orientation program for new directors

The company holds orientation meeting for new directors. In these meetings, the Chief Executive Officer and 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.

5. Succession Plan for Top Executive

The Board of Directors pays attention to the key positions development for continuously of business operation and to ensure that the company prepared the persons for the key positions which important to business operation.

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 Board of Directors and the Management Committee assigned as the company's representative for operations 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 Nomination and Remuneration Committee will consider to select and scrutinize the qualified persons who have knowledge, abilities and various experiences including sufficient understanding in business, economic, laws and other knowledge by considered the organization's necessity and the good corporate governance. 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.

Nomination of the Directors and the Top Executives

The criteria in the nomination of the directors, the Nomination and Remuneration Committee will propose the Board of Directors to consider the appointment of directors and/or independent directors, in case of vacancy from other cause rather than completing the term or for proposing to the shareholder's meeting in order to elect the directors and/or independent directors in case of completion the term or election of 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 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. The basic factors that used for consideration are the qualification, the knowledge, and the experience. The nomination and remuneration committee will propose the selected persons to the Board of Directors for considering the appointment.

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 Chief Executive Officer and the President in fairness, reasonable and transparency 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.
- 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 2018 Annual General Meeting held on April 23, 2018 and remuneration amounts and other compensation for the directors in 2018 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.

Principle 5: Nurture Innovation and Responsible Business

1. Taking into account the rights of stakeholders

The company gives priority and takes into account the rights of stakeholders based on related laws and does not do anything that violates the rights of stakeholders, as well as promoting the responsibility between the company and all stakeholder groups.

2. Determination the treatment of stakeholder policy

- Raise awareness to work in a moral manner and use guidelines to carry out the work honestly and fairly for the company, the stakeholders, the public and the society.
- Disclose the information of the company to shareholders, investors, and public with accuracy, comprehensive manner, timely and according to the related laws and regulations. As well as cooperate with regulatory organizations by reporting with accuracy, completely and timely.
- Formulate the good corporate governance policy to support the honest, correct, transparent and effective management to enhance the values and worth of business in long term which includes the steady and sustainable business stability and growth.
- Establish the code of conduct and ethics of the company in written to be used as guidelines for all stakeholder groups consists internal stakeholders, namely, employees and executives, and external stakeholders, namely, shareholders, customers, competitors, government sectors and other agencies as well as to ensure for operate with transparency. Including, the company supported the cooperation between the company and the stakeholders in creating a mutual benefit and to ensure that the stakeholders received the protection and well treatment.
- Establish the ethics of directors and employees which includes the promotion of ethical, honest, moral and considerate principles and practices and prevent any acts that violate the rules and regulations or which may have a negative impact to company's reputation.

The company has published the good corporate governance policy, the code of conduct and ethics of company, the ethics of the directors and the employees and is shared with executives and employees through the company's intranet and is included in the training curriculum for employees. This is also published on the company's website.

Section 1 Intention

The purpose of the code of conduct of the company, and the ethics of directors and employees are 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 corporate governance principle 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

Definition

"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 ethnics 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 informationof 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 maxmum 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 adheres 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.

3.2.3 Promoting the environmental awareness and responsibility.

Section 4 Code of Ethics for Employees

4. Code of Ethics for Employees is grouped into 4 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 about financial, name and address of 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 and the customers.

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 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.

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.

Whistleblower Policy

The company has determined the whistleblower policy to ensure for effective and give the opportunity to external and internal stakeholders express their opinions, complaints or other significant matters and also provided the procedure and channels for receiving and managing the complaints such as complaints via independent directors and complaints via the company's website including take care and protect the whistleblowers will not gain the suffering or the damaging, the practical guidelines are as follows:

1. Whistleblowing / complaints of fraud and corruption

- The employees must not ignore or neglect when they found the operations that are in conflict with the company's regulations and orders or any act of suspected corruption which is related to the company. The employees must inform through the channels that are set by the company. However, if the employee has any doubt or is unsure about the case, they can consult supervisors or inquire the head of Control Group.
- The employees must collaborate with any investigation process and provide the facts of any cases of corruption which have been seen.

2. Issues for whistleblowing / complaints about corruption

- Misuse of authority to seek the benefit for individuals, family, friends and acquaintances such as give or take bribes or benefits, conflicts of interests, deception, violation of the company's regulations and policies.
- Discovering evidence of the destruction of documents, distortion or concealment of information in order to support corruption.
- Discovery of any act that may be suspected corruption or situation/information that may be within the scope of the referred act.
- Receive the impacts from giving the corruption clues or providing information or collaborate in investigation process or refuse to involve in corruption such as persecution, downgrade position, penalty, dismissed from the work or the impact that harm the whistle-blower.
- The department that receives the information is required to consider the initial information or find out if more information is required. If the decision is taken to have thorough investigation, approval from the highest executive of that department is needed before referring the case to the relevant department to proceed accordingly.

Note: Complaints related to problems and/or disputes between individuals or anonymous complaints are not counted as whistle-blowing / complaints about corruption

3. Channels for whistleblowing / complaints of fraud and corruption

Witnesses of suspected corruption or receives the impact from refusing to engage in corruption can raise the concerns/ make complaint with or without given your name. Furthermore, defining the facts or providing obvious and sufficient evidence. This is to prove as there is a reasonable cause to believe that corruption has been committed. It can be informed through one of these channels:

1. Website at www.lhfg.co.th, suggestion topic or email at presidentoffice@lhbank. co.th
2. Direct inform to the Chief Executive Officer and the President
3. Direct inform to the secretary of the Audit Committee
4. Direct inform to Head of each department
5. Direct inform to Head of oneself

In case of issues about executives or directors should direct inform the issues to the Chairman of the Audit Committee.

Note: the company will proceed with the investigation process of each complaint based on the reliable facts. However, the whistle blower should be aware that dishonest reporting or report without given your name might limit the company's investigation.

4. The protection of whistle-blowers and persons refusing to engage in corrupt practices

The company has set a protection mechanism for persons who collaborate with the company for anti-corruption which includes whistleblowing, providing information, and refusing to engage in corruption, to ensure that all acts are not harmful to the informants.

1. The company will protect the persons who collaborate with the company for whistleblowing or refuse in engage in corruption in related to the company to not be in trouble, danger or to not receive unfair treatment which impact from the collaboration of anti-corruption.

2. The company will not downgrade positions, impose penalties, or give any negative impact to staff or executives who block corruption even if that act might cause the loss of company's business opportunity.

3. In case the whistle-blowers/complainants found to be at risk, she or he can request the appropriate protection measures from the company

4. To protect the rights of complainants and provision of honest information, the company will keep personal information confidentially by limiting information only among the investigation team. If it is found that such information is misused and disclosed inappropriately, it will be considered as a violation and will result in disciplinary action.

5. In case, the employees or the executives are found guilty of unfair treatment or causing damage to others which is motivated by the fact that others have reported/ complained or refused to involve in corruption, this is considered as needing 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 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 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 4 members as follows:

Complaints via the independent directors

Mr. Adul Vinaiphat	Chairman of the Audit Committee
Tel. 08 1834 0104	
Email: adulv@lhbank.co.th	
Mr. Pradit Sawattananond	Member of the Audit Committee
Tel. 08 1868 1487	
Email: pradits@lhbank.co.th	
Dr. Supreeya Kuandechakupt	Member of the Audit Committee
Tel. 08 5901 5888	
Email: supriyak@lhbank.co.th	
Mr. Somsak Assavapokee	Member of the Audit Committee
Tel. 08 5485 4269	
Email: somsaka@lhbank.co.th	
The Company's Website	www.lhfg.co.th
The Company's Email Addres	
presidentoffice@lhbank.co.th	

3. Disclosure of the policy compliance and report preparation of the sustainable business development

The company has a policy for cooperative social responsibility (CSR) for sustainable business development by applying the business ethnics together with good corporate governance which is concentrated on placing CSR as the main process of business operations (CSR-in-Process) and outside the main process of

business operations (CSR-after-Process). It is focused on the executives and staff in all levels to participate and share voluntary spirit to build a sense of social responsibility. Besides, it is to build the strong foundation of sustainable development which leads to the sustainability of the social and national development.

The Social Responsibility Policy for Sustainable Business 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, society and environment with morality and ethics as well as 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 employees in having the consciousness on the social responsibilities.

The policy on social responsibilities for sustainably developing the business consists of the principle and guideline for the practice so that the Board of Directors, the executives and all 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

Disclosure for the Practice Following the Policy and Conducting the Report on Social

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.

4. No violation of human rights and care for external public relations

The company pays attention to stakeholders, employees, communities and surrounding societies should be treated with fairness, equality, respect and dignity. Furthermore, to build good relationships, no violation of basic rights should occur and that there must be consideration of any operation that might impact to public feeling. This is at the root of human resource management and development.

The company is aware of treatment employees and ensures that employees receive remunerations and benefits appropriately and fairly. Empowering staff for their future careers and encouraging the participation of employees includes opening channels to receive complaints and report ill-discipline and inappropriate actions of employees in various channels. Staff members are able to provide opinions, reports or complaints concern issues which is considered unfair, exploitative or misconduct through supervisors or other channels. The company has regulated steps for receiving complaints and carrying out an independent investigation and to make a decision based on the results with treatment based on human rights. Staff members are encouraged to share opinions once discover actions that might be violate human rights. This will be useful to identify problems and solutions for this issue.

In addition, the company supports and respects human dignity protection and does not engage in forced labor and child labor which affects the confidence of external stakeholders.

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.

5. Encouragement Fair Treatment for Stakeholders

Fair Treatment for Employees

The company provided the appropriate remuneration and benefits and provided the provident funds for good quality life of the employees.

Fair Treatment of Trade Partners, Trade Competitors and Creditors

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.

Principle 6: Strengthen Effective Risk Management and Internal Control

1. The internal control and the internal audit

The Board of Directors has encouraged and pays attention the internal control, the company is the holding company, therefore, the internal control of the company is assigned to the Control Group of Land and Houses Bank Public Company Limited for caring and reporting the operation of the internal control to the Audit Committee regularly. Mr. Vichian Amornpoonchai, the company's secretary, is responsible for caring and coordinating between the Control Group of the Land and Houses Bank Public Company Limited.

Composition of Internal Control and Internal Audit

The Board of Directors has encouraged and pays attention to internal control 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
- Monitoring and evaluating system

2. Risk Management

The Board of Directors pays attention to risk management across the organization and monitor the financial business group having the risk governance framework and the risk culture. The Board of Directors determined to provide the risk management policy and the risk management procedure which consists of 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.

3. Compliance with Regulations

The Board of Directors, the executives and the employees of the companies in the financial business group compliance with related laws, regulations and rules to ensure that the company operated with responsibilities, transparency, equally treatment of stakeholders, management with honestly and supervise for compliance with regulations of the companies in 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 operate their duties with accuracy of the supervisory regulations, provide the regulations of related transactions, report the performances, manage the business according to the good corporate governance principle, treat the information and record the accounts according to the financial reporting standard.

The Board of Directors, the executives and the employees of the companies in the financial business group compliance with related laws, regulations and rules to ensure that operate the business with responsibilities, transparency, equally treatment of stakeholders and management with honestly.

Head of Compliance

The company has appointed Mr. Weeravej Sirichatchai, Executive Vice President, Compliance Group of Land and Houses Bank Public Company Limited is the Head of Compliance since July 2, 2018.

Duties and Responsibilities of the Head of Compliance

1. Compliance tasks
2. Information technology compliance tasks

Profile of the Head of Compliance

Name Mr. Weeravej Sirichatchai

Position Executive Vice President, Compliance Group

Age (Years) 46

Education

- Master of Laws (LL.M.), University of Illinois, Urbana-Champaign, USA
- Bachelor of Laws, Thammasat University
- Graduate Diploma in Business Law, Thammasat University
- Bachelor of Laws, Thammasat University

Training

- Practical Knowledge for Compliance Head on Securities Business
- Regulation Compliance and Law Enforcement on Money and Capital Market
- Compliance Certificate on Debt Instrument
- AML/CFT Basic Knowledge
- Compliance Officer, Chulalongkorn University and the Thai Bankers' Association

Work experiences in the past 5 years

Current Position in 1 Listed Company on the Stock Exchange of Thailand

Period	Position	Organization/ Company
Jul. 2008 - Present	Secretary of the Corporate Governance	LH Financial Group PLC
2008 - 2008	VP, Head of Compliance Department	Kasikornbank PLC
2008 - 2009	FVP, Head of Compliance Department	
2010 - 2012	FVP, Department Head, Compliance Department	
2012 - 2013	FVP, Department Head, Legal	
2013 - 2018	SVP, Consolidated Supervision & Foreign Banking Regs. Div.	The Siam Commercial Bank PCL

Current Position in 1 Non-Listed Company on the Stock Exchange of Thailand

Jul. 2018 - Present	Executive Vice President, Compliance Group Head of Compliance Secretary of the Corporate Governance Committee	Land and Houses Bank PLC

Duties and Responsibilities of Compliance and Information Technology Compliance

Compliance

- To be a center of government rules and regulations regarding commercial bank business.
- To regulate, oversee, monitor and control operations of banks in compliance with the Financial Institutions Businesses Act, B.E. 2551 (2008), the Securities and Exchange Act, B.E. 2535 (1992) and the amendments as well as government requirements on commercial bank business.
- To regularly provide knowledge and training regarding relevant laws and government rules for all employees.
- To evaluate appropriateness of processes and practices concerning compliance and release of new products or businesses to ensure conformity with the operational risk management
- To perform random reviews to control and monitor operations of organizations and follow up on identified defects and suggest improvement approaches.
- To submit Annual Compliance Report to the Bank of Thailand and the Office of Securities and Exchange Commission as well as other regulators as specified by the requirements.
- To accelerate, follow up and clarify corrections on complaints obtained from government organizations such as the Bank of Thailand and Office of Securities and Exchange Commission etc.

Information Technology Compliance

- To regulate and oversee bank operations under the Financial Action Task Force (FATF) standards regarding Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), Foreign Account Tax Compliance Act (FATCA) and information systems to ensure compliance with applicable laws, policies, rules, manuals and procedures and to be the center of official information concerning those matters and to evaluate compliance with relevant policies, rules, manuals and procedures and report to the superior based on the level of hierarchy
- To perform random reviews on operations concerning AML/CFT, FATCA and information system to ensure compliance (Control and Monitor) and follow up on identified defects and suggest improvement approaches to the management and the Audit Committee.
- To inspect financial transactions according to the letters and orders of government organizations and courts delivered to the banks and through electronic data transmission system of government organizations.
- To develop electronic data transmission system based on the orders of government organizations under the applicable laws such as Financial Information System (FIS) of Office of the National Anti-Corruption Commission (NACC), FinXML of Department of Special Investigation (DSI) and AMFICS of the Anti-Money Laundering Office (AMLO) etc.

- To prepare and develop database system for inspection according to the government orders such as data of specified persons and persons having high risk of money laundering obtained from AMLO.
- To regularly provide knowledge and training regarding compliance with the Anti-Money Laundering Act, B.E. 2542 (1999) and the amendments, the Counter-Terrorism Financing Act, B.E. 2556 (2013) and the amendments as well as relevant government rules and regulations.
- To identify risks and risk management for clients/products/services/service channels and risk geography in accordance with the Anti-Money Laundering Act, B.E. 2542 (1999) and the Counter-Terrorism Financing Act, B.E. 2556 (2013) and the amendments.
- To prepare and propose the annual report to the Bank of Thailand and the Office of Securities and Exchange Commission.
- To develop compliance data and systems concerning information system, AML/CFT and FATCA in conformity with relevant international standards.

The number of employees in the Compliance Group and Information Technology Compliance Office as of December 31, 2018

The number of employees in the Compliance Group and the Information Technology Compliance Office totaled 17 persons consists of 5 persons for the Compliance Group, 12 persons for the Information Technology Compliance Office.

4. Conflicts of Interest Prevention

The Board of Directors realizes the conflicts of interest transactions, the connected transactions or inappropriate connected transactions which the connected transactions should be determine pricing and condition similar make the transactions with external parties including disclose the information conform to the regulations, rules and laws.

Conflicts of Interest Policy

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 monitoring, controlling and monitoring the operation in order to comply with the measures.

- The Board of Directors of the company have regulated that the company transactions must eliminate conflicts of interest and independent operation regarding to business ethics. It is for the benefit of the company, shareholder and all stakeholder groups. The executive directors are required to disclose information related to transactions with the company correctly and sufficiently. This is useful for decision making and approval of the company transactions.

- The company has disclosed details of the conflicts of interest or the connected transactions according to the regulations of the Office of the Securities and Exchange Commission and Capital Market Supervisory Board, in the Annual Reporting Form (56-1 Reporting Form), and the 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 2018, the company has no transaction required to notify the information to the Stock Exchange of Thailand.

- The directors must quickly inform the company when have the conflicts of interest both directly and indirectly in any contracts of the company or any doubt as to whether a conflicts of interest
- At the meeting of the Board of Directors or the 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 and also cannot join to consider such agenda. The company secretary will record the interest in the resolution in the meeting's minutes.
- Directors or persons who may have the conflicts or the conflict of interest, that director does not have to consider and not have the authority to approve the operations of the company and also cannot cast their vote such agenda as required by the Office of the Securities and Exchange Commission and / or the Stock Exchange of Thailand including recorded the interest in the resolution of such agenda.
- Directors are responsible for reporting the securities trading and changes in the securities holding of the company to the Board of Directors.

5. Report on the Changing of Securities and Derivatives Holding

The Board of Directors has determined for the Directors and the first 4 Executives, counting from the Chief Executive Officer; those who hold the Executive position in the 4th rank; those who hold the position that is higher or equivalent to Accounting and Finance Manager; and the individuals who are related with themselves as follows:

(1) Spouse or others who live together as husband and wife

(2) Underage child

(3) Juristic person in which the individual in (1) and the individual in (2) hold the shares more than 30 percent of all rights to vote for such juristic persons. Such shareholdings have the highest proportion in the juristic person.

The report on the change of securities and derivatives holding is within 3 working days as from the date of buying, selling, transferring or receiving the transfer of securities or derivatives according to the announcement of the Securities and Exchange Commission. The stakeholder report shall be made according to the Securities and Exchange Act, B.E. 2535 (1992) and the announcement of Capital Market Supervisory Board, which shall be made within 1 month as from the date of accepting the position or when there are any changes in the latest report. Submit the stakeholder report to the company secretary to keep and submit the copy to the Chairman and the Chairman of Audit Committee.

Anti-corruption policy

The company is determined to operate its business in line with the law, honesty, moral principles and follow good corporate governance, code of conduct and business ethics, as defined in organizational values (ProAcTIVE). The company also aims to perform business together with social responsibility, follow business ethics and good cooperation and governance. The company operations focus on cooperative social responsibility consistently; therefore, the anti-corruption policy has been regulated includes using the Thai private sector collective action coalition against corruption (CAC) guidelines for operations. The principles and procedures are as follows:

The practical guidelines

1. The company pays attention to anti-corruption as follows:

1.1 Gifts, presents, entertaining customers and benefits

Do not give or receive gifts, presents including other benefits that motivate to perform or not perform the duties honestly or may encourage the consent in business agreement inappropriately. It is required to follow the regulations in the code of conduct and business ethics, the board director's ethics and employee's ethics.

1.2 Bribes and incentives

Do not give or receive all forms of bribes and incentives, and do not delegate others to give or receive any form of bribes and incentives on your behalf.

1.3 Charitable donations and financial support

Charitable donations and financial support must be transparent and not in conflict with laws and morals.

1.4 Activities and Political Participation

1. The company will not invest money or company's resources to support politics of any political candidate or political party or for any political campaign or movement. Support that is legally approved and promotes democracy needs approval from the board directors' committee before implementation.

2. The Board of Directors must be good models and honest to perform the duties, follow the anti-corruption policy seriously, consistently and promote to be a part of the organizational culture.

3. The Board of Directors should not ignore or be inactive when revealing actions that are subject to corruption related to the company. It must be reported to the relevant responsible persons and they must collaborate with the investigation process, including arranging the receipt of complaints from outsider channels which follow the whistleblower and complaints policy as established by the company.

4. The company provides business supervision and operations of the financial business group companies under the standard internal control mechanisms; assesses for significant risks; arranges efficient control activities; and also delegates responsibilities appropriately. Besides, there are duties for arranging the system for reliable and sufficient information and monitoring the internal control regularly.

5. The company provides the channels to receive the notifications, suggestions and complaints through an independent committee of the company or the company's website at www.lhfg.co.th or email at presidentoffice@lhbank.co.th.

6. The company requires companies in the financial business group to publicize the anti-corruption policy through internal and external media such as company's intranet and website as well as annual reports. This policy is under Thailand's anti-corruption law.

7. All actions which follow the anti-corruption policy are required to follow the guidelines as given in the "good corporate governance policy" and "the code of conduct manual", which include the related company's policies and regulations, as well as other guidelines that the company will set up.

8. In case the employees break the rules and regulations by performing corruption actions, it will be considered as an act of indiscipline. He or she must face a penalty which is considered as per the regulations that company has set. If the actions break the laws, he or she must be investigated and face any legal penalty as well.

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.

1. Disclosure of financial information and non-financial information

- 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 both in Thai and English version via various channels which convenience to search, easy to search, fairness and regular update the information 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 12, 2018 and the company's website.

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 Ext. 2019, 2020, 2021, 2024
Fax : 0 2677 7223
Email : presidentoffice@lhbank.co.th
Website : www.lhfg.co.th

- The company discloses the shareholding structure and shareholding information of directors and executives, including both direct shareholding and shareholding by a spouse and children under legal age in the annual report.
- The company has assigned the department which is responsible for disclosing information, receive requests, coordinate for information provision and build good relationships between the company and shareholders, investors, analysts, and other related organizations to be aligned with good cooperative governance.
- The company produces just reports for publishing that are simple to understand with the explanations of the annual work performance and important events to the shareholders and provide assessment of the sufficiency of the internal control system. This is assessed by the Control Group of Land and Houses Bank Public Company Limited which is its subsidiary company and reviewed by the Audit Committee.
- The Board of Directors has assigned the audit committee to review the financial report of the company and subsidiary companies to ensure that they follow the financial report standards and disclose the information adequately.
- The company disclosed the Audit Committee's report, the cooperative governance committee reports, the Nomination and Remuneration Committee reports, and certified public accountant reports in the annual report and annual registration statement (Form 56-1). In addition, the list of names and the authority of the board of directors as well as sub-committees; the number of meetings; the number of people attending the meeting of individual committee members; committee's remuneration as well as the executive committee's and company's information are disclosed and shared on the company's website.
- The company reports meeting details and documents of the shareholders' meetings in Thai and English. These are also released for investigators to note in advance of meeting through the publicized channels of the Stock Exchange of Thailand - SET and main website of the company. It is to allow the shareholders to be able to study the information sufficiently before meeting. Besides, the company announces the meeting notification via newspapers for 3 consecutive days not less than 3 days in advance of the meeting date. The meeting agenda clearly states that there will be topics to be acknowledged, topics to be approved or topics to be considered including opinions of the Board of Directors of such matters.

2. Investor Relations Function

- The company assign the company secretary to be responsible for investor relations in publicize the information of the organization both in financial and general information to the shareholders, investors, securities analysts, and related supervising bodies via the channels which are Stock Exchange of Thailand, the Securities and Exchange Commission and the Stock Exchange of Thailand, and the bank's website in the topic of "Investor Relations" in order that the interested persons can study the information conveniently. Moreover, the activities are held for publicizing and explaining the information as well as opening the chance for the participants to make the inquiries with transparency opening the chance for the participants to make the inquiries with transparency participated by the top executives. In the year 2018, the company has provided investor relation activities as follows;

1. To arrange 1 time of the analyst meetings with approximately 30 analysts attended the meeting.
2. To arrange 4 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.



3. The Appointment of Audits and Determination of Audit Fee

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 2018 compared to the year 2017 of the LH Financial Group Public Company Limited and the subsidairies as follows:

1. The auditor fee 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 The remuneration of the auditor

Table: Representing the remuneration of the auditor in 2018 and 2017

Scope of Work	The Auditor Fee (Baht)		Changes Addition (Reduction)	
	2018	2017	Amount (Baht)	Ratio (%)
1. Review Fee				
- The First Quarter as at 31st March	130,000	130,000	-	-
- The Third Quarter as at 30th September	130,000	130,000	-	-
2. Audit Fee				
- For the 6-month periods ended 30th June	310,000	295,000	15,000	5.08
- For the year ended 31th December	310,000	295,000	15,000	5.08
Total	**880,000**	**850,000**	**30,000**	**3.53**

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 The remuneration of the auditor

Table: Representing the remuneration of the auditor in 2018 and 2017

Scope of Work	The Auditor Fee (Baht)		Changes Addition (Reduction)	
	2018	2017	Amount (Baht)	Ratio (%)
1. Fee for reviewing				
- The 1st quarter ended 31 March	700,000	660,000	40,000	6.06
- The 3rd quarter ended 30 September	700,000	660,000	40,000	6.06
2. Fee for auditing				
- The six-month period ended 30 June	1,500,000	1,480,000	20,000	1.35
- The fiscal year ended 31 December	1,500,000	1,480,000	20,000	1.35
- The affect auditing of TFRS 9	500,000	-	500,000	100.00
3. Special audit fee as required by the Bank of Thailand				
- Electronic funds transfer service assessments	200,000	220,000	(20,000)	(9.09)
- LCR disclosure auditing (twice a year)	300,000	-	300,000	100.00
Total*	**5,400,000**	**4,500,000**	**900,000**	**20.00**

Note * The audit fee not included the employees benefits review fee by actuarial expert testimony which the fee will be charged to the bank based on actual costs incurred, estimated not to exceed Baht 200,000 per year. And fee from reviewing and auditing for report to the CTBC's auditors.

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 The remuneration of the auditor

Table: Representing the remuneration of the auditor in 2018 and 2017

Scope of Work	The Auditor Fee (Baht)		Changes Addition (Reduction)	
	2018	2017	Amount (Baht)	Ratio (%)
1. Review Fee for financial statement				
- The First Quarter as at 31st March	75,000	40,000	35,000	87.50
- The Third Quarter as at 30th September	75,000	40,000	35,000	87.50
2. Audit Fee for financial statement				
- For the 6-month periods ended 30th June	450,000	310,000	140,000	45.16
- For the year ended 31th December	450,000	310,000	140,000	45.16
Total	**1,050,000**	**700,000**	**350,000**	**50.00**

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 The remuneration of the auditor

Table: Representing the remuneration of the auditor in 2018 and 2017

Scope of Work	The Auditor Fee (Baht)		Changes Addition (Reduction)	
	2018	2017	Amount (Baht)	Ratio (%)
1. Review Fee for financial statement				
- The First Quarter as at 31st March/1	20,000	20,000	-	-
- The Third Quarter as at 30th September/1	20,000	20,000	-	-
2. Audit Fee for financial statement				
- For the 6-month periods ended 30th June	215,000	215,000	-	-
- For the year ended 31th December	215,000	215,000	-	-
Total	**470,000**	**470,000**	-	-

2.3.2 Other service fees

- None-

Principle 8: Ensure Engagement and Communication with 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. 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.

2. Protection of Shareholders Rights and Fair Treatment of Shareholders

- 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 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 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 Board of Directors meeting No. 2/2018 on February 21, 2018. The resolution of the meeting was to determine the 2018 Annual General Meeting of

Shareholders on April 23, 2018. 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 21, 2018 including disclosed both in Thai and English documents for the Annual General Meeting of Shareholders via the SET Community Portal and the company's website on March 12, 2018.

3. 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 provide the invitation letter of shareholders meeting to inform the meeting schedule, the agenda and the supporting documents both in Thai and English which clearly specifying whether the matters is for acknowledgement, approval or consideration including directors' opinions, fact and reason of each agenda for sufficiency to make decision and disclose to public before the meeting via SET Portal and the company's website at www.lhfg.co.th 30 days prior to the shareholder's meeting day for giving the shareholders enough time of considering. Including, the company submitted the invitation letter and the supporting documents not less than 7 days before the shareholders' meeting according to the laws and the company promulgates in the daily Thai newspaper for 3 consecutive days at least 3 days prior to the meeting and the sent documents are the same information consists of:

1. The notice of the meeting including the explanation and the reasons for each agenda and the Board of Directors opinions.
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

- 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 Board of Directors may summon an Extraordinary General Meeting at such date, time and place as determined by the board. Shareholders who hold an aggregate number of shares not less than 10% of total paid-up shares capital may also request that the board of directors convene an Extraordinary General Meeting by listing the matter in a notice and submitting the reasons. And the Board of Directors must hold an Extraordinary General Meeting within 45 days from the date of receiving the notice.
- The company also encourages and promotes all groups of shareholders and the institutional shareholders 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 good corporate governance guideline and conform to the Annual General Meeting of Shareholders checklist guidelines of Thai Investor Promotion Association.



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 2018 annual general meeting of shareholders, the company proposed 2 independent directors, Chairman of the Audit Committee and member of the Audit 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 2018 Annual General Meeting of Shareholders, all directors attended the meetings and the top executives of the companies in the financial business group also 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.

4. 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 at 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 2018 Annual General Meeting of Shareholders was conducted according to the Articles of Association and arranged as identified in agenda, no changes in important information without prior notification to shareholders.

- **The Voting Process**

- The company uses the voting cards for voting in each agenda, especially the agenda of appointing the directors to replace those retiring by rotation, the shareholders shall vote for appoint the directors as individually.

- 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 announces to the meeting, by specifying the vote results as "Approved", "Disapproved", "Abstained" and "Voided Ballot".

5. Meeting's Minutes Preparing and Shareholders' Meeting Resolution Disclosure

- **After the Shareholders' Meeting**

- The company published the resolution of the 2018 shareholders' meeting and result of the votes in each agenda both in Thai and English versions within the meeting date of 23 April, 2018, through the Stock Exchange of Thailand in the duration specified by the Stock Exchange of Thailand. This was published on the company's website at 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 2018 minutes of Annual General Meeting of Shareholders 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 4 May, 2018 and inform the news via the SET Community Portal.

6. 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.

7. Protection of Rights of the Minorities

- The Board of Directors is aware of the rights and equitability 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 channels as follows:

- Company's website at www.lhfg.co.th
- E-mail to the company secretary at presidentoffice@lhbank.co.th
- Letter to the company secretary
- Facsimile number 0 2677 7223

For the 2018 Annual General Meeting of Shareholders, the company invited shareholders to propose agenda and qualified candidates as director on September 26, 2017 from October 1, 2017 to December 31, 2017 and on January 15, 2018, 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 2018 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.

8. Protection of Internal Information Usage

- **The Insider Trading Policy**

The Board of Directors realizes to keep and protect the 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 to perform their duties with honestly, fairness, compliance with laws and regulations and also not giving priority to self-interest over the responsibilities towards the company including the employees not use the information for personal gain and for good corporate governance, the insider trading are 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, especially, regard to insider information and non-public information prohibited to premature revelation 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, and the Securities and Exchange Commission.
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.



CORPORATE GOVERNANCE

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 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 the 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 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, supporting trade competition under the scope of laws, 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 refrains from any activity which infringes property and intellectual property including 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 Thailand's Private Sector Collective Action Coalition Against Corruption in order to maintain the ethical reputation of the company. And the company received the certificate as a Member of Thailand Private Sector Collective Action Coalition Against Corruption and also regulated the anti-corruption policy of being the guidelines for the directors, the executives, and the employees to be acknowledged and strictly comply as follows:

Roles and Responsibilities

The 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 to the companies in the financial business group.

Practical Guidelines

The company pays attention to the anti-corruption for oneself or other people in the matters as follows:

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, code of conduct for the directors 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 instead of oneself.
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 Board of Directors before starting the operation.
5. The Board of Directors must be good models and honest to perform the duties according to the anti-corruption policy, creating understanding, and promote the employees in the financial business group adhere the policy highly and consistently to be a part of the organizational culture.
6. The directors and the employees should not ignore or be inactive when revealing actions that are subject to corruption related to the company. It must be reported to their cheif and the relevant responsible persons and also they must collaborate with the investigation process, including arranging the receipt of complaints from outsider channels which follow the whistleblower policy as established by the company.
7. Providing supervised business operations of financial business group under good control. There is a significant risk assessment, effective control activities and separating the appropriate work functions. Including providing adequate and reliable information systems and monitor an evaluate internal control regularly.
8. Providing channels to receive information, suggestions or complaints via independent directors of the company or via the company website at www.lhfg.co.th or email at presidentoffice@lhbank.co.th
9. The company determines that all companies of the financial business group have to inform the anti-corruption policy via both internal and external media such as the intranet, the company's website and the annual report. This policy is a practice under the laws of Thailand about anti-corruption.
10. Any actions according to the anti-corruption policy must be used by the guidelines as defined in "the good corporate governance policy" and "the code of conduct" including policies and regulations of related companies, as well as any other practices which are defined by the company.
11. In the case that directors or employees of company violating rules by committing corruption are considered as a violation of discipline of the code of conduct and ethics, the ethics for directors, and the ethics for employees and must be punished by the company regulations and if it is an offense against the law, they must be considered and punished according to the law as well.

The company signed the Thailand's Private Sector Collective Action Coalition Against Corruption for presenting the intention in anti-corruption by recognizing the responsibilities of the company for leadership in anti-corruption and operate the business according to the ethics and anti-corruption principles in all forms as follows:

1. Arranging the assessment of the risks related to the corruption in the company, including implementing the anti-corruption policy and providing the handbook 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 the 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 operation guideline of the business.
- 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 and eliminating corruption in all types.
- Supporting the development of the audit project and certifying for operation of the project as well as arranging the training for the consultant officers and the 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 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 annually review and also published the anti-corruption policy 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, and guideline which reflected the importance of commitment and dedication of transparency organization, without corruption and not involved in corruption. The company aims to provide participation of the related persons with good supporting including pays attention that 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 other occasions by communicate via any company's channel.

Respect of Human Rights

LH Financial Group Public Company Limited emphasizes on treating with relavant persons such as employees, surrounding community and society with fairness and equality, respect all people and dignity, good relationship, refraining from violation of basis right, and takes caution in every process that affect the feelings of public. This is considered as the foundation of management and the development of human resource.

The company pays attention to all employees to ensure employees obtain fair return and benefits, and develop the potential of the employees to improve their capacity for occupational progress, and encourages participation of employees. The company provided the channels for complaint and reports of inappropriated behaviors which the employees can express their 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 considering the results as well as any remedy shall be in accordance with the human right principles. The company also encourages and give opportunities for 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 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 which the 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 the knowledge encouragement for develop the employees' potential.
- 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 such as:

- Change for Health Project is the project considered the health teachers and students at Nikhomsangtonang-Lengkonom, Muak Lek, Saraburi which the school used the chalkboard as the instructional media for the students. This's the causes for chalk dust which may affect to the health of students and teachers in long term. Therefore, the company operated the changing of blackboard to whiteboard for good health of the teachers and students, and provided the recreational activities, lunch, and ice-cream to the students.





Fair Treatment of Labor

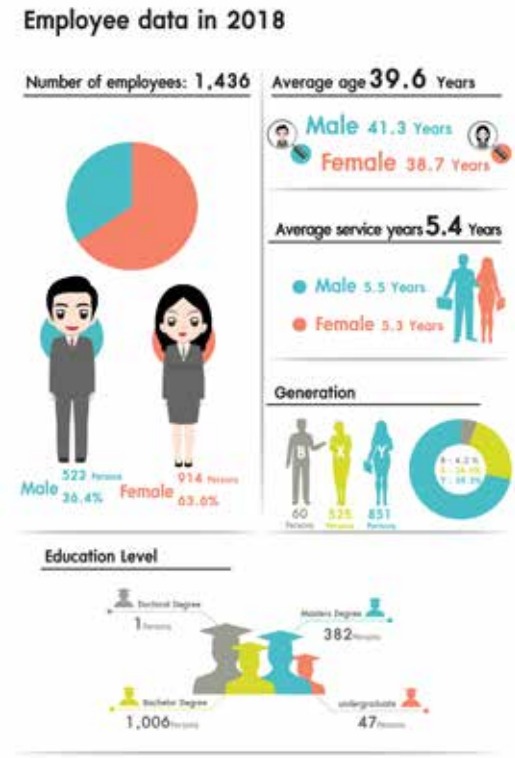
Land and Houses Bank Public Company Limited has focused on human resource management by determining the missions to develop and support the human resource management system both of knowledge and benefit of the employees. The bank has been established the Human Resources Development Committee in order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

Important Management Principle and Development of Human Resource

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 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 customers and stakeholders.

The number of employees of Land and Houses Bank Public Company Limited as of 31 December 2018 was 1,436 persons.



Employee Recruitment

The bank has focused the procedure creating and approach to applicants with various channels and methods, and has provided the various recruitment channels such as social media, Career Day activity and outside recruitment in upcountry for give the opportunity to persons who would like to work with the bank which live in upcountry to provide the convenience to them.

Employees Nomination Criteria

The bank has nominated employees for working by considered their abilities and the bank's criteria. The bank has focused to nominate employees who have same belief and value in line with the bank. The bank has provided the PRO-AcTIVE test and has adopted the test results as one part of nomination employees for working in order to obtain appropriate employees.

Equality and Diversity

The bank has the practice to treat employee with fairness, 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 employees from the executives to operational employees. Moreover, the bank gives work opportunities for disable person.

Disable Person Hiring

Coordinate the project for supporting and developing disable person

The bank has promoted the opportunity and income for disable person by participating in the project which arranged by the Thai Bankers' Association, where contractors hired disable person to work for The Red Cross Society in many provinces. However, the bank has also hire disable person as employees

Retired Employee Hiring

The bank continuously realizes the importance of Age-Friendly Business and has a management approach to support the elderly society by prescribing criteria for hiring retired employees who have potential in order to create earned income after retirement and create benefits for the organization as well as replacing labor shortages.

Table: Number of Retired Employee Hiring

	2018	2017
Number of Retired Employee Hiring (People)	9	9
Number of Retired Employee (People)	5	4

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 the master plan 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 continuously 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 by providing learning activities through Action Learning.

Employee's Potential Development

The bank pays attention to human resource development and all 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.

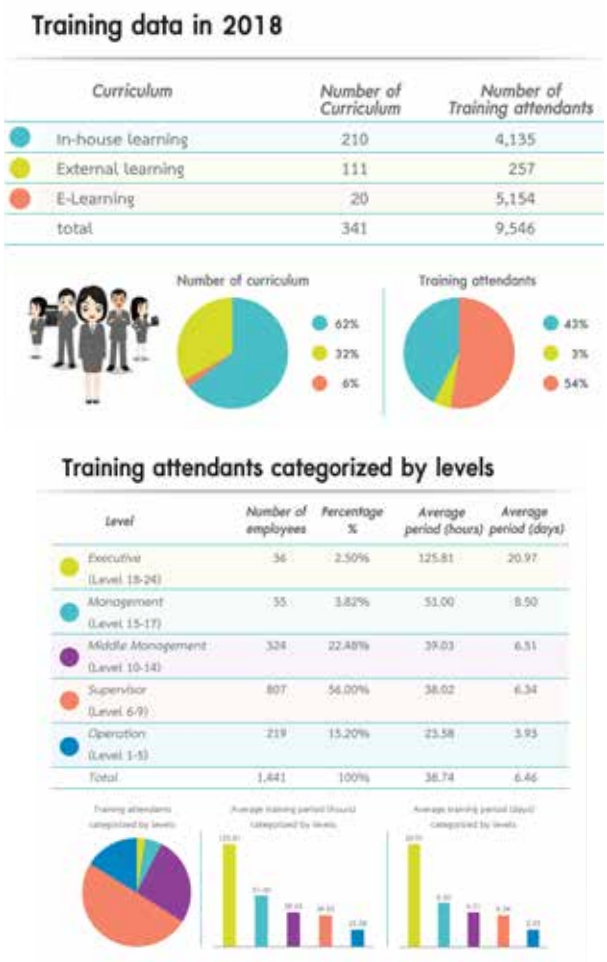
1. Compulsory Program
2. Compliance Program
3. Work System Program
4. Leadership Development Program
5. Event & Meeting

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 branch management standard course and the loan standard course which is the basic knowledge of employees.

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

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

All 3 courses are the course to develop employees from supervision to executive level which starting from department manager, section manager, assistant vice president and vice president to 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.



Human Resources Development - Executive Development and Development of Key Successors

The bank is aware of the risks arising from the lack of continuous management of top executives in departments which are important to the business operations. Therefore, the bank pays attention to prepare employees at the management level and executives to replace important positions by attending training course such as the Supervisory Development Program for the management level, the Management Development Program for the middle management and the Leadership Development Program for top executives integrated with succession plan development. Therefore, the development of the executives is systematic and is used as one of the standard for promoted positions.





Annual Performance Appraisal

The bank focuses on the annual performance appraisal as a part of promoting work efficiency in the bank, including focusing on employee participation by allowing all employees to set Key Performance indicators in line with the goals of the organization. The bank also gives knowledge to employees about performance appraisal in order to create efficiency for the evaluation process such as the class of Strategic Thinking and Planning course for top executives, the class of following up, training and giving feedback for employees at the supervisor level. Moreover, the bank provides VDO about an annual performance appraisal program which all employees can learn by themselves anytime and anywhere.

The factors used in the annual performance appraisal consist of two key parts are Potential and Key Performance indicators (KPI), which determine the appropriate ratio between the two factors of each job level. The annual performance appraisal is considered by the Human Resources Development Committee in order to achieve maximum efficiency and determine the details of the expected behavior of middle management and above to focus on leadership through team management and organizational development.

Determining and Managing the Remuneration

The bank pays attention to determining and managing the remuneration by focusing on fairness and competition. Therefore, the bank has a policy to increase annual salary and bonus payments based on annual performance results and having a special salary adjustment considering by using a salary survey in banking business in order to retain employees who can work as expectation and to increase the competitiveness of the bank in banking business which are considered and approved by the Nomination and Remuneration Committee for fairness, transparency and accountability.

Using Technology for Resources Management

ESS system (Employee Self Service) is a system that facilitates employees by using technology to manage resources. The employees can operate on their own businesses, such as managing leave and welfare disbursement. Using this system can provide time savings and accuracy in operation and can reduce paper cost.

PAS system (Performance Appraisal Service) is a system for evaluating employee performance.

e-Inventory system is a system for convenience providing as follows:

- Ordering stationary, ink or printed form
- Recording of receiving for stationary, ink or printed form
- Requisition for printed form from main stock
- Providing the register control form of printed form consists of running number and surprise check
- Claiming equipment

- Submission for destruction
- Confirmation of submission for destruction
- Returning equipment of department for accuracy operation

e-Car Service is a system for potential manage vehicles using such as selecting the type of vehicle for appropriate with the travelers number.

e-Maintenance system is a system for maintenance services, following up and acknowledge the progress of the maintenance job through this system quickly.

e-Meeting Room system is a system for booking a meeting room to manage the meeting room for highest benefits.

e-Purchasing is a system for using in disbursements of departments.

Communication and Pride Building 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 provided various activities to create the participation, make the employees proud and promote a good work environment in the organization.

The bank recognizes the value of employees, which is an important factor in business operations. The bank has a policy to give honors for employees who have worked with the bank ten-year tenure to commend and strengthen the morale of the staff's dedication for the organization for a long time. In 2018, the bank held the Religious Ceremony for giving the honor pin to 43 employees who worked for 10 years.

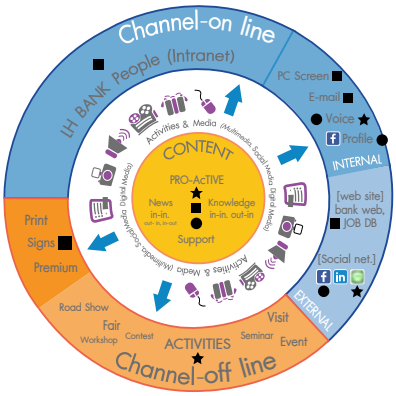
Table: Number of employees who worked for 10 years

	2018	2017
Number of employees who worked for 10 years.	43	47





The bank adhere the communication as the main factor of driving organization making a unity and creating the participation for sustainability of the organization. The bank has also provided the 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 various internal communication channels for convenient access to information and making continuous communications. To create the awareness, the bank uses the guidelines of content and channel management to achieve the goal for creating the awareness of knowledge and attitude shared value. However, there can divide into 2 media types consists of online media and offline media as follows:

1. **Online Media:** consists of LH Bank People Intranet, LH Bank People Voice, LH Bank People TV, Line, Facebook, etc. By the way, the bank developed and released new channels 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 and 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.
- **Digital Handbook:** is a staff manual consisting of vision, mission, corporate values, service standards and business ethics in the form of a Digital Handbook.
- **Digital Learning:** the bank has developed channels and develop / improve the learning curriculum to allow employees to learn through the up-to-date digital learning system with various online course wear.

2. Offline Media: consists of making the employees proud of the organization, creating the participation and building relationships between the bank and employees through development on site activities that are intended to communicate the direction of the bank's policy as well as strengthen the relationship with employees who work in the branches throughout the country and to enhance the quality of life for employees (Care & Share), which is another channel that can easily touch the group of employees.



Welfare and Employee Participation

The bank aims that all employees have physically and mentally healthy. Therefore, all employees receive covered benefits which depend on their working level and the bank usually reviews this to improve up-to-date Benefits. The bank also arranges various activities for health and provides health check-up, after employees received health check-up results, the bank arranged activities for employees to consult with doctors. Moreover, the bank provides free influenza vaccination and also offers special discount to families of employees who wish to vaccinate or check up as well.

In addition, the bank has promoted activities that help build relationships and unity by allocating budget for all employees in order to have staff activity in departments or other departments in the bank.





Good Remuneration and Benefits

Good benefit is the important factor of good working spirit. The bank has built an appropriateness and fairness system of remuneration and benefits, so that employees could have the good quality of life. The benefits as follows:

- Staff uniform
- Provident fund
- Medical service, dentist service and medical check-up
- Group life and health insurance
- Housing loan and hire purchase

Good Environment and Work Safety

The bank emphasizes the good working environment and safety for the employees. The bank established the Safety Healthy Environment committee (SHE) in order to promote the policies, the safety plan and the occupational health for 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 2018 no employees injury while working.

Table: Number of employees who injured by working

	2018	2017
Number of employees who injured by 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.



Responsibilities to 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 to the consumers which is thepriority 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 as follows:

Rights of Consumers	Products	Personnel or Processes
1. Right in receiving correct information	• 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.	• 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		• 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		• 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		• The consumers have right to be compensated appropriately if it is proved that the commercial bank does not conform to the policy of good product selling with intention or negligence causing damage to the consumers.

Fair Treatment of Consumers

The bank continually operates the social responsibility in CSR-in-Process by implementing the code of practice following the policy of social responsibility to create the business innovation until it becomes the process occurring in the procedure of work and product development as well as the standard of services for the main objective in reducing the impact possibly occurring to the. 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 transaction movement 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 disclosed the data of products and services completely 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 disclosed 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 post announcement and announce via the website at www.lhbank.co.th. Moreover, the interest rate is clearly indicated in the announcement following the financial budget, type of customers, details and conditions of such products so that the customers can use for the decision making.

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

- 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 Business Call Center Office that advisory service all 24 hours, telephone number 0 2359 0000 or 1327.

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:

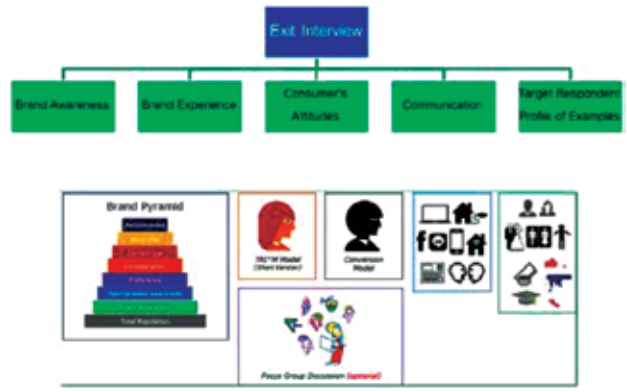
- Head Office / The Bank's Branches
- Contact Center Telephone: 0 2359 0000 or 1327
- Website: www.lhbank.co.th
- Official Facebook Fanpage

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 that the customers receive products and services with fairness and quality by provided the external agencies with experience in customer satisfaction researching and general public's recognition of our brand, products and services for measure customer satisfaction levels with the standardized methods, and recorded the data for both quality and quantity

to obtain complete and transparent information. The bank has used the collected information to develop and improve products and services in accordance with the needs of customers in each group in order to 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 following:

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.

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 in 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

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, unprotecgted situation and/or the situation must to perform according to the continue support opearation 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 debt restructuring and informing the result to the customers from the date that the bank received the completed documents.
   - 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 (excluding suspected fraud or corrupt cases).

- Fund transactions or e-wallet via 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 (excluding suspected corrupt cases), the bank will check the error information and inform the information to the customers.

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 operate according to the Market Conduct for sustainability. However, we aim to receive the reliability from our customers as follows:

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 business operation together with social responsibility following the business ethics and good corporate governance. The bank focuses on the employees' participation in volunteering for social activities and 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 realizes the importance of giving the educational support to develop knowledge, abilities and quality of young Thai people. For example, our employees and customers participated in donating books to prisoners in the project **"Give Books and Learning Materials to the Department of Corrections"**. The bank 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

Land and Houses Bank Public Company Limited realizes the importance of education and the development of youth which will be the country's main strengths and power moving forward in the long-term future. Therefore, the bank has created the scholarship project which offers 18 scholarships across the country to the youths for the third consecutive year with the high academic performance, capability, and determination to further study to the end of high school level. 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.



Donated books to the Department of Corrections

Project Objectives

- To create the stability of education for youths with high academic performance but lack of money for the youths in the Grade 1 can study to the end of Grade 6.
- 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 from the junior high school 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 18 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.

LH Bank joined the Soft Loan Project to help SMEs established by Ministry of Finance

Scholarship's Activity Pictures



Sankamphaeng School, Chiang Mai



Phuketwittayalai School, Phuket



Anurajaprasit School, Bangkok

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 2018 are as follows:

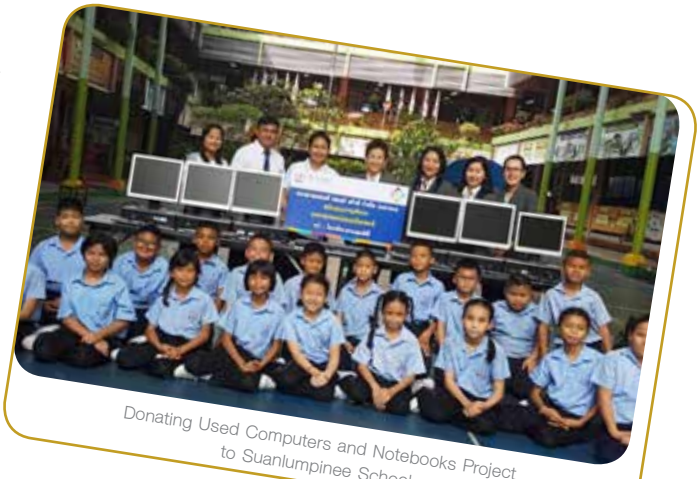
- Anurajaprasit School, Bangkok
- Thanyaburi School, Pathumthani
- Chuen Chom Pittayakarn School, Maha Sarakham
- Huahinwittayakom School, Prachuap Khiri Khan
- Phuketwittayalai School, Phuket
- Sankamphaeng School, Chiang Mai



The bank supported the handball clothes
to the Institute of Physical Education, Lampang Campus.

- Donating Used Computers Project

The bank pays attention the education for support the education of urban or up-country has the same standard, the bank provided the donating used computers project by donated the computer and notebook with good condition and ready to use to the schools that located near the bank's branches and the schools that located in up-country but lack of capital. The bank provided this project for education resources, the students can find the knowledge information fully and for highest benefits and also prepare to Knowledge Based Society.



Donating Used Computers and Notebooks Project
to Suanlumpinee School

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 the bank's ATM and all branches. In addition, the bank has invited the employees and the 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 and also the bank supports the services with market conduct.

- Society

The bank welcomes the donation via the bank's ATM for supporting public organizations such as Thammasat Chalermphrakiart Hospital, the Foundation for Employment Promotion for the Blind and Phrakhruba Noi Khemmapunyo Foundation, and e-Donation project participating for encourage and provide the convenience to donators as well as Land and Houses Bank Public Company Limited has joined the Soft Loan Project to help SMEs established by Ministry of Finance 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.

- Volunteering Social Development Activity

Presently, the reserve blood volume at the Thai Red Cross Society is not enough to the needs. The bank is aware and would like a part to help and encourage the volunteering social development activity, in the year 2018, the bank has invited the employees to donate their blood annually, the project for this year is "Volunteering, Blood Donation, with Heart, One Person Giving, Three Persons Receiving".

- 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 Thai Bankers Association and the members providing the project "Train the Trainer" which is the prototype project of the Financial Literacy plan for develop the financial knowledge of the country. The target of the project is the university students which have the banking officers is the trainer to teach the knowledge via activities for activate the recognition and the understanding to change the financial behavior appropriately.



LH Bank joined the e-Donation project
for encourage the convenience to the donators and for help the society.



LH Bank joined the Soft Loan Project
to help SMEs established by Ministry of Finance

The blood donation activity in the project "Volunteering, Blood Donation, with Heart, One Person Giving, Three Persons Receiving" with the Thai Red Cross Society





Train the Trainer project has the 3 objectives as follows:

(1) Developing the skill of financial knowledge for the speakers of the bank to 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 curriculum for provide the knowledge of financial to the youth to create the understanding and to practice for real changing the financial behavior.

Project Implementation Model

(1) Providing the training for develop the trainer skill of 10 member banks in basic financial knowledge, financial knowledge providing and financial threat.

(2) The lecturer who passed the training in number (1) went to the universities in Bangkok and boundary for give the basic knowledge of financial plan to the university students.

"Saving for Change" Project Portfolio

(1) Improve the financial skills and financial discipline of the 10 banks members, total 230 persons.

(2) Training for 2,553 students from 8 universities.

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

Land and Houses Bank Public Company Limited is the 1 of the member of the Thai Bankers Association 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 provided the knowledge and encouraging the Financial Literacy to the public in the Project "Train the Trainer"





Employment the Elderly to be the Lecturer

The bank arranged the activity "Work Shop 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 provided the worth and benefit activities to the customers such as making flowers activity at Thai royal court, and D.I.Y My Bag activity etc.

Products and Services for the Elderly

The bank pays attention for changing of the country that is entering the elderly society, understood the needs, consumption behavior and lifestyle of the elderly in the future. The bank has provided the deposit products such as Saving Super Shield for individual customers aged 15 years to 70 years. The bank offered the maximum benefit up to 25 times of the remaining balance in the account before 1 day of accident (maximum coverage not more than Baht 5,000,000) by covered in case of death from accident in 24 hours and worldwide. For deposit a minimum is Baht 1,000, and more deposit, more gain the benefit and coverage without health check, without insurance premium payment, convenience and high liquidity and this service also use with LH Bank ATM card, LH Bank debit card, mobile banking application "LH Bank M Choice".





Encouragement and Development of the Quality Life for the Disabled

The bank supported the project to encourage and develop of the quality life for the disabled by donating the 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.

3. Art and Culture

The bank joined 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.

The bank joined the Chinese New Year Festival, by giving the sacred oranges to the customers of the bank.





Supporting Children's Day Activities



Environmental Management

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

"ECO Friendly"

The bank realizes the important of environmental and value of natural resources which the bank used the environment friendly products (ECO Friendly) by produced from wheat millet for giving a gift to the customers at New Year Festival.



Green Office Project

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

The bank pays attention the good environmental management and assigned the Occupational Safety, Health, and Environment Committee to study and develop the practice guideline for the Green Office Project continuously since 2012. The bank provided the knowledge and the understanding of resource management, energy, environment, and environment-friendly. The final goal is to have an efficient use of resources and energy to alleviate the standard to environment-friendly. The bank encouraged employees to join the minimized consumption of energy and emission of pollution to the public

Implementation of the Green Office Project

1. Use energy saving device
2. Take advantage of the natural light
3. Design an efficient office layout
4. Promote 5S activity
5. Check illumination in the office with the standard value
6. Increase green space in the office

Encourage the Employess to Participate the Value Using of Resources

1. Provide the knowledge, environment training, and publicize the energy saving via the internal media such as Intranet.
2. Support the reuse of materials such as reuse paper.
3. Turn off light in case of nobody in working room or leave from meeting room long time.
4. Close computer screen in lunch break.

However, this project doesn't have a clear numerical effect on energy or decrease expenses but this project cultivate conscious into personal habits and using in family dairy life.

Vehicles Service Management

The bank had the policy for Carbon Dioxide reducing from vehicles of the bank which the bank provided the e-Car service system to support the potential of vehicles management. The bank applied the Ecolution concept consists of alternative energy choosing, energy potential using and potential transportation for reduce fuel consumption and Carbon Dioxide as follows:

1. Plan for travel route and appropriate time for service the employees that use the same route.
2. Back Haul
3. Take care of the engine, the maintenance and the adjustment of other alternative engine such as hybrid car etc.

Energy Management

The bank is continuously manage electricity and tap water in order to achieve efficient use and effectively such as:

- The bank has improved the office and supplies in an environmental-oriented manner and reduced pollution, save energy and save costs.

- The bank has reduced the old technology devices and the single function items and shift to new technologies that help reduce pollution and save energy from any operations. This activity has helped to reduce the energy costs and other expenses such as paper cost, supplies cost, maintenance cost including save the space in the office.
- The bank has used the energy saving devices and the LED tube light, watt bulb with a suitable space, the suitable size of cable, in addition to decorate the office with soft color, use natural light as much as possible and also has used water-saving tap.

During 2016-2018, the bank has a plan to replace incandescent light bulbs to LED, which could help to reduce power consumption by 25% and greatly reduces the radiation heat when compared to the incandescent light bulbs which the project has been implemented throughout the organization.

The bank provided employees training in various institutes both of government and private sector for creating the knowledge in this matter such as:

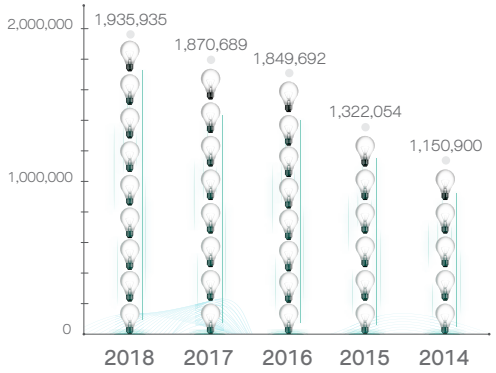
- TREES EB Program by Thai Green Building Institute
- Thailand Electrical Installation Standard Program by the Engineering Institute of Thailand under H.M. the King's Patronage

Electricity Management

The bank has focused on environmental, economic and society, management of operation cost decreasing especially energy cost. The bank operated the business for financial service which use high energy.

In the year 2018, the bank improved spaces to support the business expansion, used the meeting room and multi-purpose area for training, seminar and activities which high increased as a result for the year 2018, the bank had the electricity usage totaled 1,935,935 kWh, increased 3.49% when compared to the year 2017.

Electricity Usage (Units)

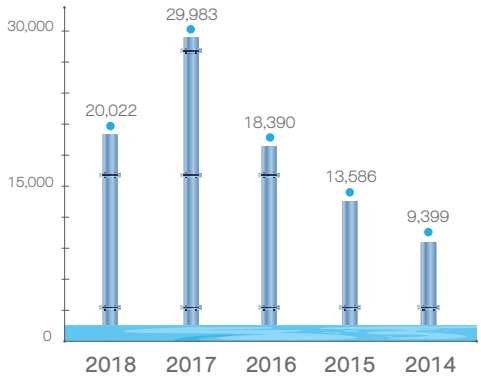


Water Management

The bank used water from waterworks authority for business operation which the most usage in office, washing and tree watering. The bank try to reduce water usage which the bank determined regularly checking of pipe, water mater and equipment and also used sanitary ware, tap and bidet with water saving.

In the year 2018, the tap water usage totaled 20,022 units, decreased 33.22% when compared to the year 2017. The water usage reducing due to the bank has campaigned for cooperation from employees in water saving.

Tap Water Usage (Cubic Meters)



Paper Management

The bank is fully aware that papers is office consumable as well as key office consumable which is needed for different stages of operations in financial service business, such as printing internally reports, document for customers, receipts, cheque, bank account book, and contract documents. As known that producing the paper is needed natural resources which is tree. While there are massive rubbishes from used papers. Therefore, a campaign and awareness raising for employees on using paper save and worthwhile have been set as well as paperless operations model have been adapted continuously by reducing the quantity of the important paper of the bank as follows:

Pool Printer Management Project

The bank has changed the printers from the single-function printers to the multi-function (4 in 1) printers which one printer is shared among a pool of departments. The result is the lower usage of paper, electricity, and space.

Changing the Invitation Letter in Paper Form to iPad

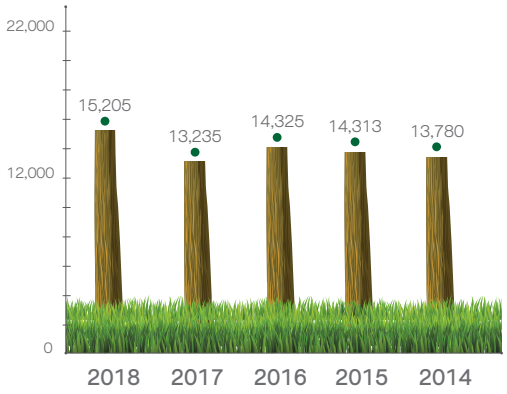
The bank has changed the process of preparing the meeting's materials of the Board of Directors, the Executive Committee, the Audit Committee, the Corporate Governance Committee, the Nomination and Remuneration Committee, and the Risk Oversight committee by changing the meeting's materials from paper 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.

Internet Banking (LH Bank Speedy) is a service available for convenience in conducting financial transactions everyday, everywhere, anytime. 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, PromptPay fund transfer and payment for commodities and services, loan payment, checking the cheque status, stop cheque, insurance checking that purchase through the bank, account status checking and searching the bank branches. The bank immediately send message (SMS) to confirm results of all transactions to the customers for increasing security. This service helped to reduce the cost, paper quantity, ink, quantity of waste generated from the use of paper and increase of potential working due to save time for document preparing, and sending documents by mail.

Paper Usage

The amount of paper used in operation for the year 2018 was 15,205 reams and increased by 14.88% when compared to the year 2017 which was 13,235 reams due to the business expanded in the year 2018.

Paper Usage (Reams)



Paperless Guidelines

The bank provided the paperless guidelines aim to ensure that saving the papers and reducing the paper usages are systematic and concrete by consider on the guideline as follows:

1. Surveying and planning
2. Applying the use of technology by increasing electronic channels in operations instead of papers
3. Using paper worthwhile
4. Monitoring and evaluation
5. Behavioral adaptation of employees

1. Surveying and Planning

The bank surveyed the data of paper usage in each year with consider the numbers of employee, departments, and work supports as well as the clear paper usage plan by reducing the paper usage 5-10% of total amount of papers used each year. It is also to advocate employees to apply their operation by using more information or information technology system.

2. Technology Applying Usage

The bank supported and encouraged to use the more information technologies in the operations such as sending letter, dissemination information and knowledge through electronic channels. There are push forward activities to ensure that the implementations are in line of paperless plan as follows:

- Meeting tasks which changes from paper invitation letter of each committee to iPad recording, for the trainings which have enormous training document suggested to send the information by email, written on CD-ROMs or flash drives for attendees.
- Receiving and sending documents such as urgent circular letters by email.
- Collect the copies of documents from external agencies and internal documents by scanned file instead of copying documents. The bank applied the method by share file within the departments instead of printing and copying.

3. Using Papers Worthwhile

To save the papers more effective, it can be started from basic step by separated the one-side used papers or separate the color papers after that it is operated in these steps:

- Establish and set up storage points for one-side used papers in the common areas and advocate employees to take these papers to be reused of the remained side.
- Publicize to all employees in the department to aware of the one side used paper storage areas or locations.
- Reused the paper to be the notice papers or note book instead of using the post-it notes paper.
- Note the informal messages or record internally messages to coordinate among the department for inform to use the reuse papers.

4. Monitoring and Evaluation

To support paperless process are more effective and concrete, the bank has monitored and verified the information of paper usage in each department. The information was analyzed to be used in developing plan for the efficient paperless operations.

5. Behavioral Adaptation

The most important of the most effective in paperless operations must begin with behavioral adaptation of employees in the departments to have supportive attitudes and collaborate in practice highly such as:

- Separating types of used papers (colors/white) divided into 3 R principles as follows:
  1. Reduce amount and size
  2. Reuse
  3. Recycle by substituted or sell
- Printing document for verification is suggested to reused one-side used paper instead of new paper and used economy mode for printing.
- Reviewing the implemented activities and analyze points which needed to be improved or adapted the criterion of paper usage of each department in order to be more relevant to real operation and the most useful.

Used paper management

The Thai people used papers in average 3.9 million ton or about 60 kilogram per person per year. Thus, to response to this need, the trees need to be cut up to 66.3 million trees per year or it can be referred that 126 trees must be cut down every minute.

The used paper 1 ton can substitute 15 trees to be cut down to produce paper. If all Thai people used paper prudently by using both sides of paper, the trees life will be protected up to 1.3 million trees. If all Thai people changed to use handkerchiefs instead of paper napkin, it will save life of 3,315,000 trees.

In general, almost 50% of the pile of garbage is the garbage that can be recycled which can be separated as 19% paper, 13% plastic, 8% glass and 5% metal. It can be seen that paper is the largest amount which considered as 2.47 million ton from all over the country. These used papers must be collected and sent to the paper factories in order to be used as raw material to produce recycled paper as the paper factories needed pieces of papers 2.5 million-ton per year. Therefore, the good method to increase the recycled papers from used papers is that collecting used papers from offices and households by separated these papers from other garbage types which is convenient to storage and deliver to be recycled. This is to create the most benefit to the economy, environment and natural resources.

Source: Green Science Project. Paperless Manual, Faculty of Science, Srinakharinwirot University.

The Bank realized and pays attention to the reducing of paper garbage. As a result, there were the recycle of the used papers, consequently, the bank has determined the operation regulations of document storage and destruction by taking document that due date to destroy to be recycled as follows:

	2018	2017	2016
The amount of document which due to date to destroy (Box)	721	599	1,701
The weight of document (Kilogram)	8,712	7,037	19,048
The trees that can substitute the cutting trees to produce paper per used papers 1 ton/1 (Tree)	131	106	286

Remark /1 The used paper 1 ton can substitute the cutting trees to produce paper up to 15 tons
Source: Green Science project. Paperless Manual, Faculty of Science, Srinakharinwirot University.
Calculation formula : Tree cutting replacement = 15 ton per a tree multiply the weight of the weighing document.

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 purpose
   - 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
   - Increased efficiency of tools and equipment and decreased breakdown of office suplies
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 2018, the bank has totally 199 ATM machines and 5 automatic cash deposit 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 such as 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 has committed in 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 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, increasing 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.

Internet Banking on Mobile (LH Bank M Choice) is a service to convenience for conducting financial transactions via mobile phones, fund transfer, balance checking, bill payment at anywhere and anytime. Nowadays, mobile phones have become a part of 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 (LH Bank Speedy) is a service available for convenience in conducting financial transactions everyday, anywhere, anytime. 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, PromptPay fund transfer and payment for commodities and services, loan payment, checking the cheque status, stop cheque, insurance checking that purchase through the bank, account status checking and searching the bank branches. The bank immediately send message (SMS) to confirm results of all transactions to the customers for increasing security.

LH Bank Debit Chip Card is a card to apply via all ATM of all bank with securities by Chip Card information recording, the customer trust in their financial transactions and the customers can use to inquire the balance account and withdrawal at the UnionPay International (UPI) 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 their health profile in the application form without health checking, 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 identification card and 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 is a fund transfer service for new choice of the companies or the corporates which requires transferees to link their account and business registration number.

My Portfolio Service is a service for personal information checking to 9 products on online banking via 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.

Mobile Payment Service is a service for stores that would like to service for bill payment by using QR Code via E-Wallet in nationwide.

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

The bank supported 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.

Certification of information security management system standards (ISO/IEC 27001:2013)

Land and Houses Bank Public Company Limited received to certify the information security management system standards (ISO/IEC 27001:2013) for enhance the management of information security of payment infrastructure to international standard consists of BAHTNET system and ICAS system for prevent the cyber threats that may cause financial loss and reputational damage which may affect the people and the wider economy.





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 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 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 duties and responsibilities structures 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 Directors yearly in order to ask the approval in the meetings of shareholders. The Audit Committee also takes charge of verifying the 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 the financial statements. The auditor of the company is an EY Office Limited which is the auditor in fiscal year 2018 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 team. The appointment, dismissal and rotation of the head of internal audit department will be consent 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 operations, including directly reports to the Audit Committee and focus on the risks and practice in accordance with rules, regulations, policies, guidelines, procedures and code of conduct which the General Audit Department, the Branch Audit Department, and the Information Technology Audit Office take responsibilities for internal control functions as follows;

- **General Audit Department, Branch Audit Department and Information Technology Audit Office**

The mentioned departments and the office is responsible for audit and evaluate the adequacy of the internal control, audit and monitor the operations conform to the policies, regulations, operation procedures and code of conduct including laws and regulations of the official agencies. The internal control auditing for evaluated its adequacy, the suitability of risk management, the efficiency of human resource management, the validity and reliability of the data, keeping the customer's data and determine the measurement to prevent the disclosure of customer's data as well as suggest the guidelines to improve the operations and regularly report the audit results to the Audit Committee and the Board of Directors.

- **Fine Penalty Money Information Significantly under the Laws Governing**

In the year 2019, Land and Houses Bank Public Company Limited is the subsiidiary of LH Financial Group Public Company Limite without fine penalty money significantly under the laws governing.



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 business group and to avoid any conflict of interest between business related interest group. The company has established risk management policy of financial business 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 business 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 2018, 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 2018, the company and its subsidiaries had significant business transactions with its related parties. hey 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.

Transactions during the Year 2018

During the year 2018, 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	-	-	-	32.59	47.73
2. Related companies	16.73	50.57	122.56	57.36	110.47
3. Directors and executives	0.31	-	-	3.05	-
4. Related persons	1.08	-	-	14.39	-
Total	**18.12**	**50.57**	**122.56**	**107.39**	**158.20**

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	Gains on investments	Dividend income	Other operating income	Interest expenses	Other operating expenses	Fees and service expenses
1. The company's subsidiaries	5.18	4.72	1,940.00	1.45	56.49	-	0.23
2. Related companies	-	-	13.75	-	-	0.04	-
Total	**5.18**	**4.72**	**1,953.75**	**1.45**	**56.49**	**0.04**	**0.23**

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 2018, the outstanding balances of significant transactions between the company, its subsidiaries and its related parties can be summarized as follows;

(Unit: Million Baht)

Relationship[/1]	Consolidated Financial Statements									
	Investments - cost	Lons to Customers	Accrued interest receivables on loans to customers	Other assets	Deposits	Interbank and money market items (liabilities)	Debts issued and borrowings	Accrued interest payables	Other liabilities	Commitments - letters of bank guarantee
1. The major shareholders	-	-	-	10.26	5,366.81	250.87	-	2.40	0.40	-
2. Related companies	1,796.51	460.00	4.49	35.89	9,510.87	-	-	7.77	-	21.19
3. Directors and executives	-	13.86	-	-	94.68	-	34.00	0.23	1.28	-
4. Related persons	-	39.74	0.02	-	1,048.29	-	41.20	1.44	-	-
Total	**1,796.51**	**513.60**	**4.51**	**46.15**	**16,020.65**	**250.87**	**75.20**	**11.84**	**1.68**	**21.19**

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

(Unit: Million Baht)

Relationship[/1]	Separate Financial Statements						
	Interbank and money market items (assets)	Investments - cost	Accrued interest receivables on investments	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	2.08	84.10	0.48	3,388.00	0.24	141.67	0.30
2. Related companies	-	380.53	-	-	-	-	-
Total	**2.08**	**464.63**	**0.48**	**3,388.00**	**0.24**	**141.67**	**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 4 independent directors as follows;

1. Mr. Adul Vinaiphat
   Chairman of the Audit Committee
2. Dr. Supriya Kuandachakupt
   Member of the Audit Committee
3. Mr. Pradit Sawattananond
   Member of the Audit Committee
4. Mr. Somsak Assavapokee
   Member of the Audit Committee

Mrs. Wilawan Sutthibutr, Executive Vice President, Control Group of Land and Houses Bank Public Company Limited is the Secretary.

In addition, the Board of Directors has appointed Mr. Pradit Sawattananond and Mr. Somsak Assavapokee to be the member of the Audit Committee on April 24, 2018 and December 19, 2018 respectively, and during the year Mr. Sun Vithespongse resigned from the member of the Audit Committee on September 30, 2018.

The Audit Committee has performed duties under the scope of responsibilities prescribed in the Audit Committee Charter assigned by the Board of Directors. During the year 2018, the Audit Committee had total 13 meetings and reported the result of the meeting to the Board of Directors, the summary is as follows:

1. Financial Report Reviewing

Verifying the financial statements prepared under the financial reporting standards to consider the accuracy and completeness of information, adequacy of disclosure information, auditing results, and significance risk.

In addition, the committee has reviewed the company's performance quarterly 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 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 internal audit system. The committee is also responsible for evaluating the independence of the internal audit department and the charter of internal audit department.

3. External Auditor

Selecting the auditor by consider their knowledge, ability, experience, reliability, sufficiency of resources, and the assessment results of the independent and working quality for the auditors in the previous year. For the auditor's fee has been set by considering the scope of auditor's responsibilities.

In the year 2018, the auditor of the company was EY Office Limited audited the financial statements for the year 2018 and presented the financial statements in accordance with Thai Financial Reporting Standards.

4. 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 of the company's information disclosure, especially in the case of related party or conflict of interest.

5. Risk Management

Setting the internal control system 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.

6. Anti-Corruption Measurement

Acknowledgement the renewal of Thailand's Private Sector Collective Action Coalition Against Corruption's member.

7. Self – Assessment

Evaluating the performance self–assessment by compared the important activities of the Audit Committee with the Audit Committee charter, the relevant rules and good practices. The assessment results reveal that the Audit 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 reports have been accurately prepared in accordance with the Financial Reporting Standards along with the appropriate and adequate information disclosures. The external auditors have independently audited the financial reports 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 consists of 4 directors as follows:

1. Mr. Somsak Assavapokee
   Chairman of the Nomination and Remuneration Committee
2. Mr. Naporn Sunthornchitcharoen
   Member of the Nomination and Remuneration Committee
3. Mr. Wu Kuo-Chin
   Member of the Nomination and Remuneration Committee
4. Dr. Supriya Kuandachakupt
   Member of the Nomination and Remuneration Committee

Mr. Ruangsak Vitavaskarnvej, First Senior Vice President, Human Resource Group of Land and Houses Bank Public Company Limited is the Secretary.

In the year 2018, the Nomination and Remuneration Committee arranged 5 meetings, the committee had considered the core agendas for propose to the Board of Directors as follows:

- Nominating the additional director and nominating the new director replace the resigned director
- Reviewing the duties and responsibilities scope of the Nomination and Remuneration Committee conform to the Bank of Thailand's notification regarding the criteria for approval the appointment of director, manager, authority, or consultant of the financial institutional, the corporate governance of the financial institutional consists of determination of the policies, the criteria, the qualifications, and the nomination method of directors and top executives that required the official agencies approval, selection and nomination the qualified candidate for director, authority, and consultant, supervision the disclosure of policies and details of the director and the authority nomination procedure in the annual report, determination the guidelines of performance assessment for director and authority, and disclosure the policies of remuneration determination and disclosure the remuneration in various forms.
- Nominating and selecting the person to be the authority.
- Considering the annual performance and proposing the bonus rate for the year 2018 and salary adjustment for the year 2019 for the Chief Executive Officer and President to propose the Board of Directors for approval.
- Considering the budget of annual bonus payment for the year 2018, the budget of salary adjustment for the year 2019 for the employees to propose the Board of Directors for approval.
- Considering the performance self-assessment of the Nomination and Remuneration Committee for the year 2018 according to the corporate governance principle.

(Mr. Somsak Assavapokee)
Chairman of the Nomination and Remuneration Committee

THE BOARD OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENT'S REPORT

The Board of Directors of LH Financial Group Public Company Limited is responsible for the separated and consolidated financial statements and for financial information presented in this annual report. The aforementioned financial statements were prepared in accordance with the financial reporting standards, applying appropriate and consistent accounting policies and with careful judgments. An important information is adequately and transparently disclosed for shareholders and other investors in the notes to financial statements.

The Board of Directors has established and maintained appropriate and effective risk management and internal control system in order to rationally assure that the accounting information is correctly and completely recorded and adequate to sustain assets of the company.

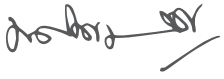
The Board of Directors has appointed the Audit Committee comprised of independent directors responsible for the quality of the financial statements and an internal control. The Audit Committee's comments on these issues are included in the Audit Committee Report in this annual report.

The financial statements of the company were audited by the certified public accountant of EY Office Limited. In the audit, the company has supported all information, data and documents in order that the auditor would be able to audit and address opinions to the financial reporting standards. The auditor's opinions were included in the Report of in dependent 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, 2018.



(Mr. Rutt Phanijphand)
Chairman



(Mrs. Sasitorn Phongsathorn)
Chief Executive Officer and President

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the Shareholders of LH Financial Group Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of LH Financial Group Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 2018, the Group had total loans to customers of Baht 159,348 million (accounting for 65% of total assets) and allowance for doubtful accounts of Baht 3,789 million, which were material amounts. The Group has policies in setting up an allowance for doubtful accounts on loans to customers as described in Note 4.9 to the financial statements based on an estimation of the loan losses expected to be incurred when debtors are unable to repay their debts and the timing of collections expected to be received. Such loss estimation is made with reference to criteria laid down by the Bank of Thailand and the Office of the Securities and Exchange Commission, which involve certain 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 proces 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 or reports of such data.

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 where 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 2018 amounting to Baht 6,358 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. I therefore focused my audit on whether interest income on loans to customers is recognised correctly.

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

Other Information

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

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

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

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

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: 25 February 2019

LH FINANCIAL GROUP PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Statements of financial position

As at 31 December 2018 and 2017

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Assets					
Cash		1,839,707	1,994,683	6	3
Interbank and money market items - net	*6*	18,991,507	19,084,561	2,075	6,100
Derivative assets	*7*	111,046	103,651	-	-
Investments - net	*8*	67,360,383	59,622,720	8,861,082	2,118,091
Investments in subsidiaries	*9*	-	-	31,960,323	31,960,323
Loans to customers and accrued interest receivables	*10*				
Loans to customers		159,347,774	153,731,338	-	-
Accrued interest receivables		227,333	261,255	-	-
Total loans to customers and accrued interest receivables		159,575,107	153,992,593	-	-
Less : Deferred revenue		(33,824)	(46,971)	-	-
Allowance for doubtful accounts	*11*	(3,789,500)	(3,407,686)	-	-
Revaluation allowance for debt restructuring	*12*	(11,994)	(14,023)	-	-
Loans to customers and accrued interest receivables - net		155,739,789	150,523,913	-	-
Investment properties - net	*14*	-	-	36,985	37,117
Properties foreclosed - net	*15*	87,949	102,137	-	-
Premises and equipment - net	*16*	291,709	343,224	-	-
Intangible assets - net	*17*	461,173	295,431	-	-
Deferred tax assets	*18.1*	282,761	210,002	-	-
Accrued interest receivables on investments		290,818	308,023	484	484
Securities business receivables - cash accounts	*10.4*	86,147	189,212	-	-
Dividend receivable		42	889	-	1,000,000
Other assets - net	*19*	390,159	333,006	9,271	3,150
Total assets		245,933,190	233,111,452	40,870,226	35,125,268

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 2018 and 2017

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Liabilities and owners' equity					
Deposits	*21*	168,164,028	143,730,685	-	-
Interbank and money market items	*22*	9,231,491	15,346,145	3,388,000	1,398,000
Liabilities payable on demand		172,822	219,784	-	-
Debts issued and borrowings - net	*23*	26,202,975	32,895,578	2,995,942	-
Interest payables		563,532	434,477	14,423	160
Accrued expenses		497,732	502,047	990	1,241
Provisions for liabilities	*24*	144,917	129,293	81	-
Tax payable		362,036	343,518	34,139	75
Revenue received in advance		287,586	269,010	-	-
Accounts payable on securities trading		-	-	141,672	50,722
Deferred tax liabilities	*18.1*	2,346	38,409	-	12,561
Payables to Clearing House		136,033	149,553	-	-
Securities business payables		81,266	241,881	-	-
Other liabilities	*25*	377,347	256,125	1,363	1,065
Total liabilities		206,224,111	194,556,505	6,576,610	1,463,824
Owners' equity					
Share capital	*26*				
Registered Issued and paid-up					
21,183,660,594 ordinary shares of Baht 1 each		21,183,661	21,183,661	21,183,661	21,183,661
Share premium	*26.2*	9,627,913	9,627,913	9,627,913	9,627,913
Other component of owners' equity					
Revaluation surplus (deficit) on available-for-sale investments					
- net of income taxes	*8.3*	(269,725)	310,130	(108,237)	50,243
Retained earnings					
Appropriated - statutory reserve	*27*	1,173,410	918,910	423,500	315,100
Unappropriated		7,993,818	6,514,331	3,166,779	2,484,527
Equity attributable to the Company's shareholders		39,709,077	38,554,945	34,293,616	33,661,444
Non-controlling interests of the subsidiaries		2	2	-	-
Total owners' equity		39,709,079	38,554,947	34,293,616	33,661,444
Total liabilities and owners' equity		245,933,190	233,111,452	40,870,226	35,125,268

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 2018 and 2017

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

		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
Profit or loss:					
Interest income	*30*	8,499,965	8,646,133	5,176	8,000
Interest expenses	*31*	(3,694,746)	(3,667,005)	(85,612)	(14,240)
Net interest income (expenses)		4,805,219	4,979,128	(80,436)	(6,240)
Fees and service income	*32*	826,795	788,281	-	-
Fees and service expenses	*32*	(145,571)	(134,646)	(9,507)	(9,536)
Net fees and service income (expenses)		681,224	653,635	(9,507)	(9,536)
Gains (losses) on trading and foreign exchange transactions		1,711	(798)	-	-
Gains on investments	*33*	341,997	240,772	4,717	62,292
Dividend income		1,208,383	589,310	2,277,235	1,650,371
Other operating income		21,487	31,386	1,472	1,702
Total operating income		7,060,021	6,493,433	2,193,481	1,698,589
Other operating expenses					
Employees' expenses		1,439,470	1,380,502	2,474	-
Directors' remuneration	*34*	42,742	37,138	18,485	16,864
Premises and equipment expenses		750,071	739,026	132	132
Taxes and duties		219,874	221,385	17	5
Advertising and promotional expenses		91,404	116,563	1,386	4,555
Amortisation on intangible assets		64,974	73,009	-	-
Other expenses		159,592	153,013	3,399	1,866
Total other operating expenses		2,768,127	2,720,636	25,893	23,422
Bad debts, doubtful accounts and impairment loss	*35*	570,163	617,142	-	-
Profits before income tax expenses		3,721,731	3,155,655	2,167,588	1,675,167
Income tax expenses	*18.2*	(613,542)	(552,212)	-	-
Profits for the years		3,108,189	2,603,443	2,167,588	1,675,167
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		(579,855)	210,546	(158,480)	(40,426)
Total items to be recognised to profit or loss in subsequent periods		(579,855)	210,546	(158,480)	(40,426)
Items not to be recognised to profit or loss in subsequent periods:					
Actuarial gains (losses) - net of income taxes		2,734	(14,305)	-	-
Total items not to be recognised to profit or loss in subsequent periods		2,734	(14,305)	-	-
Other comprehensive income (loss) for the years		(577,121)	196,241	(158,480)	(40,426)
Total comprehensive income for the years		2,531,068	2,799,684	2,009,108	1,634,741

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

Statements of comprehensive income (continued)

For the years ended 31 December 2018 and 2017

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

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Profits for the years attributable to:					
The Company's shareholders		3,108,189	2,603,443	2,167,588	1,675,167
Non-controlling interests of the subsidiaries		-	-		
		3,108,189	2,603,443		
Total comprehensive income for the years attributable to:					
The Company's shareholders		2,531,068	2,799,684	2,009,108	1,634,741
Non-controlling interests of the subsidiaries		-	-		
		2,531,068	2,799,684		
Earnings per share of the Company's shareholders:	*37*				
Basic earnings per share					
Profits for the years (Baht per share)		0.147	0.154	0.102	0.099
Weighted average number of shares (Thousand shares)		21,183,661	16,904,737	21,183,661	16,904,737

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 2018 and 2017

(Unit: Thousand Baht)

		Consolidated financial statements							
		Equity attributable to the Company's shareholders							
				Other component of owners' equity - Revaluation surplus (deficit) on	Retained earnings		Total equity attributable to	Non-controlling	
	Note	Issued and paid-up share capital	Share premium	available-for-sale investments - net of income taxes	Appropriated - statutory reserve	Unappropriated	the Company's shareholders	interests of the subsidiaries	Total
Balance as at 1 January 2017		13,638,699	642,556	99,584	709,590	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
Appropriated to statutory reserve	*27*	-	-	-	209,320	(209,320)	-	-	-
Dividends paid	*28*	-	-	-	-	(1,090,693)	(1,090,693)	-	(1,090,693)
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	918,910	6,514,331	38,554,945	2	38,554,947
		-	-	-	-	-	-	-	-
Balance as at 1 January 2018		21,183,661	9,627,913	310,130	918,910	6,514,331	38,554,945	2	38,554,947
Appropriated to statutory reserve	*27*	-	-	-	254,500	(254,500)	-	-	-
Dividends paid	*28*	-	-	-	-	(1,376,936)	(1,376,936)	-	(1,376,936)
Profit for the year		-	-	-	-	3,108,189	3,108,189	-	3,108,189
Other comprehensive income (loss) for the year		-	-	(579,855)	-	2,734	(577,121)	-	(577,121)
Total comprehensive income (loss) for the year		-	-	(579,855)	-	3,110,923	2,531,068	-	2,531,068
Balance as at 31 December 2018		21,183,661	9,627,913	(269,725)	1,173,410	7,993,818	39,709,077	2	39,709,079

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 2018 and 2017

(Unit: Thousand Baht)

		Separate financial statements					
				Other component of owners' equity - Revaluation surplus (deficit) on available-for-sale	Retained earnings		
	Note	Issued and paid-up share capital	Share premium	investments - net of income taxes	Appropriated - statutory reserve	Unappropriated	Total
Balance as at 1 January 2017		13,638,699	642,556	90,669	231,300	1,983,853	16,587,077
Issuance of additional ordinary shares		7,544,962	8,985,357	-	-	-	16,530,319
Appropriated to statutory reserve	*27*	-	-	-	83,800	(83,800)	-
Dividends paid	*28*	-	-	-	-	(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
Balance as at 1 January 2018		21,183,661	9,627,913	50,243	315,100	2,484,527	33,661,444
Appropriated to statutory reserve	*27*	-	-	-	108,400	(108,400)	-
Dividends paid	*28*	-	-	-	-	(1,376,936)	(1,376,936)
Profit for the year		-	-	-	-	2,167,588	2,167,588
Other comprehensive loss for the year		-	-	(158,480)	-	-	(158,480)
Total comprehensive income (loss) for the year		-	-	(158,480)	-	2,167,588	2,009,108
Balance as at 31 December 2018		21,183,661	9,627,913	(108,237)	423,500	3,166,779	34,293,616

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 2018 and 2017

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Cash flows from operating activities				
Profits before income tax expenses	3,721,731	3,155,655	2,167,588	1,675,167
Adjustments to reconcile profits before income tax expenses				
to net cash provided by (paid from) operating activities				
Depreciation and amortisation	183,073	217,825	112	132
Bad debts, doubtful accounts and impairment loss	570,163	617,142	-	-
Provisions for employee benefits	26,979	26,306	29	-
Losses on impairment of properties foreclosed	38	1,660	-	-
Losses on disposals/write-offs of leasehold improvements				
and equipment	328	87	-	-
Losses on trading and foreign exchange transactions	2,192	16	-	-
Gains on sales of investments	(341,997)	(240,772)	(4,717)	(62,292)
Net interest (income) expenses	(4,805,219)	(4,979,128)	80,436	6,240
Dividend income	(1,208,383)	(589,310)	(2,277,235)	(1,650,371)
Cash received on interest income	6,994,983	7,015,280	866	2,365
Cash paid on interest expenses	(3,540,547)	(3,820,390)	(70,474)	(14,111)
Cash paid on income taxes	(627,163)	(552,141)	(5,220)	(505)
Profits (loss) from operation before changes				
in operating assets and liabilities	976,178	852,230	(108,615)	(43,375)
(Increase) decrease in operating assets				
Interbank and money market items	96,864	(1,770,818)	4,025	530,876
Trading investments	(27,341)	(121)	-	-
Loans to customers	(5,817,081)	(12,883,927)	-	-
Properties foreclosed	14,150	3,525	-	-
Securities business receivables - cash accounts	103,065	(93,210)	-	-
Other assets	(66,056)	23,806	(900)	8,143
Increase (decrease) in operating liabilities				
Deposits	24,433,343	(5,366,461)	-	-
Interbank and money market items	(6,114,654)	(4,663,706)	1,990,000	983,000
Liabilities payable on demand	(46,962)	143,793	-	-
Short-term debts issued and borrowings	(14,684,492)	12,504,410	-	-
Accrued expenses	(28,584)	6,463	(251)	330
Provisions for liabilities	(10,712)	(22,033)	72	-
Accounts payable on securities trading	-	(112,260)	-	-
Payables to Clearing House	(13,520)	125,830	-	-
Other liabilities	(31,764)	50,668	33,485	196
Net cash provided by (used in) operating activities	(1,217,566)	(11,201,811)	1,917,816	1,479,170

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 2018 and 2017

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Cash flows from investing activities					
Proceeds from sales of available-for-sale investments		3,872,443	2,320,832	911,208	650,663
Proceeds from held-to-maturity investments		5,073,412	2,646,912	-	11,812
Cash received on interest income on investments		1,615,321	1,669,990	4,310	5,945
Cash received on dividend income on investments		1,209,230	588,421	3,277,235	650,371
Invested in available-for-sale investments		(13,318,577)	(7,349,985)	(7,729,572)	(1,638,670)
Invested in held-to-maturity investments		(3,705,151)	(4,130,000)	-	-
Invested in subsidiaries		-	-	-	(16,598,915)
Proceeds from disposals of equipment		159	462	-	-
Cash paid for purchases of leasehold improvements and equipment		(67,990)	(86,798)	-	-
Cash paid for purchases of intangible assets		(231,210)	(75,822)	-	-
Net cash used in investing activities		(5,552,363)	(4,415,988)	(3,536,819)	(16,918,794)
Cash flows from financing activities					
Increase in long-term debts issued and borrowings		7,991,889	63,679	2,995,942	-
Dividends paid	*28*	(1,376,936)	(1,090,693)	(1,376,936)	(1,090,693)
Net proceeds from issuance of additional ordinary shares		-	16,530,319	-	16,530,319
Net cash provided by financing activities		6,614,953	15,503,305	1,619,006	15,439,626
Net increase (decrease) in cash and cash equivalents		(154,976)	(114,494)	3	2
Cash and cash equivalents as at 1 January		1,994,683	2,109,177	3	1
Cash and cash equivalents as at 31 December		1,839,707	1,994,683	6	3
Supplemental cash flows information					
Non-cash related items:					
Purchases of assets on credit		14,975	18,951	-	-
Bad debts written-off		63,199	14,509	-	-
Decrease in loans to customers due to debt forgiveness		41,533	-	-	-
Dividend receivable		42	889	-	1,000,000
Provisions for decommissioning cost		2,500	265	-	-

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

1. Corporate information

LH Financial Group Public Company Limited ("the Company") was incorporated as a public limited company under Thai laws and has been engaging in investment holding business in Thailand with an intention to be a financial holding company. The Company 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 2018 and 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 Harnpanich and their shareholding percentages in the Company were 35.62%, 21.88%, 13.74%, and 10.43%, respectively.

2. 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 subsidiaries ("the Group") as the following.

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	
		2018	2017	2018	2017	2018	2017
		Percent	Percent	Percent	Percent	Percent	Percent
Subsidiaries directly held by the Company							
Land and Houses Bank Public Company Limited	Banking business	99.99	99.99	94.59	97.42	88.19	91.77
Land and Houses Securities Public Company Limited	Securities business	99.80	99.80	1.60	1.49	5.11	3.70
Land and Houses Fund Management Company Limited	Fund management business	99.99	99.99	0.19	0.17	3.60	3.13
Subsidiary indirectly held by the Company							
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 and revised financial reporting standards

3.1 Financial reporting standards that became effective in the current year

The Group adopted the revised financial reporting standards and interpretations (revised 2017) which are 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 and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on these financial statements.

3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The Group's management believes that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The Group's management already assessed that this standard will not have any significant impact on the Group's financial statements in the year when it is initially applied.

3.3 Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The Group's management is currently evaluating the impact that may have from this of TFRSs of these standards to the financial statements in the year 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 on an accrual basis over the lending period except that there is an uncertainty as to the collectability of principal and interest, the subsidiary therefore ceases the interest accrual.

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

(1) Receivables from general debtors, which are not fully collateralised.

(2) Installment loans with repayments scheduled less frequently than every three months and for which principal or interest is overdue for more than three months.

(3) Installment loans with repayments scheduled longer than every three months, unless there is clear evidence and a high degree of certainty that full repayment will be received.

(4) Receivables that are problem financial institutions.

(5) Other receivables 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.

(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 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 Group records 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 Group uses 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 credit balance receivables for 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 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 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 from/payables to Clearing House and brokers-dealers comprises the net balances of receivables from/payables to Thailand Clearing House (TCH) for settlement of securities and derivatives trading, including cash collateral pledged with TCH 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 Group performs impairment reviews in respect of assets whenever events or changes in circumstances indicate that an asset may be impaired. The Group recognises 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.

4.18 Provisions for liabilities

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

Defined benefit plan

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

The Group's obligations under the defined benefit plan are determined by a professionally qualified independent actuary, using the Projected Unit Credit Method.

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 Group's 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 Group recognises 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 Group reviews and reduces 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 Group records 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 Group applies 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 Group measures fair value using a valuation technique that is appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

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

Level 1 Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 Use of unobservable inputs such as estimations of future cash flows

At the end of each reporting period, the Group determines 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 Group, whether directly or indirectly, or which are under common control with the Group.

They also include individuals which directly or indirectly own a voting interest in the Group that gives them significant influence over the Group, key management personnel, directors, and officers with authority in the planning and direction of the Group's 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 disclosured 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 Group considers setting up an allowance for impairment on investments whenever there is an indication of impairment when there has been a significant and prolonged decline in fair value below their costs. The management is required to use judgment in loss estimation of each item, based on analysis of current status or consideration of what is significant and prolonged to conclude that impairment is incurred.

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 and believe that loss will not be incurred. Therefore no contingent liabilities are recognised 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 2018			31 December 2017		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand	1,358,280	-	1,358,280	1,413,580	318,000	1,731,580
Commercial banks	161,679	935,000	1,096,679	188,038	-	188,038
Other financial institutions	12,167,000	4,520,000	16,687,000	12,409,211	4,910,000	17,319,211
Total domestic items	13,686,959	5,455,000	19,141,959	14,010,829	5,228,000	19,238,829
Add: Accrued interest receivables	12,724	4,038	16,762	12,670	6,254	18,924
Less: Allowance for doubtful accounts	(113,170)	(54,050)	(167,220)	(124,092)	(49,100)	(173,192)
Total domestic items	13,586,513	5,404,988	18,991,501	13,899,407	5,185,154	19,084,561
Foreign						
US Dollars	6	-	6	-	-	-
Total foreign items	6	-	6	-	-	-
Total interbank and money market items - net	13,586,519	5,404,988	18,991,507	13,899,407	5,185,154	19,084,561

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2018			31 December 2017		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	2,075	-	2,075	6,100	-	6,100
Interbank and money market items - net	2,075	-	2,075	6,100	-	6,100

7. Derivative assets

As at 31 December 2018 and 2017, 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)

	Consolidated financial statements					
	31 December 2018			31 December 2017		
	Carrying value		Notional	Carrying value		Notional
Types of risk	Assets	Liabilities	amounts *	Assets	Liabilities	amounts *
Foreign exchange rate and interest rate	111,046	-	1,038,394	103,651	-	1,045,789
Total	111,046	-	1,038,394	103,651	-	1,045,789

* 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	
	2018	2017	2018	2017
Trading investments - fair value				
Domestic marketable equity securities				
- Stocks	25,328	179	-	-
Total trading investments	25,328	179	-	-
Available-for-sale investments - fair value				
Government and state enterprise securities	180,517	-	-	-
Private sector debt securities	1,033,761	-	85,284	85,316
Domestic marketable equity securities				
- Stocks	739,900	1,122,000	-	-
- Investment units	21,996,872	11,204,394	8,766,194	2,022,799
Investment units	129,343	136,695	9,604	9,976
Total available-for-sale investments	24,080,393	12,463,089	8,861,082	2,118,091
Held-to-maturity investments - amortised cost				
Government and state enterprise securities	17,308,652	18,221,113	-	-
Private sector debt securities	20,467,773	23,952,936	-	-
Other debt securities	5,464,436	4,971,859	-	-
Total held-to-maturity investments	43,240,861	47,145,908	-	-
General investments - cost				
Domestic non-marketable equity securities - Stocks	13,826	13,569	-	-
Less: Allowance for impairment	(25)	(25)	-	-
General investments - net	13,801	13,544	-	-
Investments - net	67,360,383	59,622,720	8,861,082	2,118,091

8.2 Classified by remaining periods to maturity of the debt securities

(Unit: Thousand Baht)

	Consolidated financial statements							
	31 December 2018				31 December 2017			
	Due within				Due within			
	Within 1 year	1 - 5 years	Over 5 years	Total	Within 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments								
Government and state enterprise securities	179,982	-	-	179,982	-	-	-	-
Private sector debt securities	-	1,000,000	-	1,000,000	-	-	-	-
Total	179,982	1,000,000	-	1,179,982	-	-	-	-
Add: Allowance for revaluation	535	33,761	-	34,296	-	-	-	-
Total available-for-sale investments	180,517	1,033,761	-	1,214,278	-	-	-	-
Held-to-maturity investments								
Government and state enterprise securities	948,735	12,849,380	3,510,537	17,308,652	3,915,613	9,803,814	4,501,686	18,221,113
Private sector debt securities	2,420,730	12,557,043	5,490,000	20,467,773	182,425	15,065,511	8,705,000	23,952,936
Other debt securities	-	2,426,043	3,038,393	5,464,436	-	1,926,070	3,045,789	4,971,859
Total held-to-maturity investments	3,369,465	27,832,466	12,038,930	43,240,861	4,098,038	26,795,395	16,252,475	47,145,908
Total investments in debt securities	3,549,982	28,866,227	12,038,930	44,455,139	4,098,038	26,795,395	16,252,475	47,145,908

(Unit: Thousand Baht)

	Separate financial statements							
	31 December 2018				31 December 2017			
	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	-	-	84,100	84,100
Add: Allowance for revaluation	-	-	1,184	1,184	-	-	1,216	1,216
Total available-for-sale investments	-	-	85,284	85,284	-	-	85,316	85,316
Total investments in debt securities	-	-	85,284	85,284	-	-	85,316	85,316

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

As at 31 December 2018 and 2017, revaluation surplus (deficit) on available-for-sale investments consisted of:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 December		31 December	
	2018	2017	2018	2017
Revaluation surplus on the reclassified investments				
Debt securities	66,973	533	-	-
Total	66,973	533	-	-
Revaluation deficit on the reclassified investments				
Debt securities	(123,083)	(136,729)	(928)	(928)
Total	(123,083)	(136,729)	(928)	(928)
Revaluation surplus on investments				
Debt securities	-	-	2,112	2,144
Equity securities	599,399	566,247	164,169	68,442
Total	599,399	566,247	166,281	70,586
Revaluation deficit on investments				
Debt securities	(32,504)	-	-	-
Equity securities	(822,348)	(42,389)	(273,590)	(6,854)
Total	(854,852)	(42,389)	(273,590)	(6,854)
Revaluation surplus (deficit) on available-for-sale investments	(311,563)	387,662	(108,237)	62,804
Add (less): Income taxes	41,838	(77,532)	-	(12,561)
Revaluation surplus (deficit) on available-for-sale investments - net of income taxes	(269,725)	310,130	(108,237)	50,243

For the years ended 31 December 2018 and 2017, changes in revaluation surplus (deficit) on available-for-sale investments were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Balances - beginning of the years	310,130	99,584	50,243	90,669
Unrealised gains (losses) on revaluation of available-for-sale investments during the years	(733,602)	467,602	(165,779)	24,638
Realised gains from sales transferred to be recognised in profit or loss	(143,656)	(217,124)	(5,262)	(73,772)
Gains (losses) from reclassification of investments	164,746	-	-	(1,398)
Amortisation of revaluation deficit on the reclassified investments	13,287	12,704	-	-
Total gains (losses) on revaluation of available-for-sale investments	(699,225)	263,182	(171,041)	(50,532)
Add (less): Income taxes	119,370	(52,636)	12,561	10,106
Gains (losses) on revaluation of available-for-sale investments - net of income taxes	(579,855)	210,546	(158,480)	(40,426)
Balances - end of the years	(269,725)	310,130	(108,237)	50,243

8.4 Investments of 10% or more held by the subsidiary

As at 31 December 2018 and 2017, 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 follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December	
	2018	2017
Infrastructure Fund (presented at fair value)	346,500	371,000
	346,500	371,000

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

(Unit: Thousand Baht)

	Consolidated financial statements							
	31 December 2018				31 December 2017			
	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 Reclassification of investment types

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 cost of the reclassified investment as at the reclassification date amounted to Baht 125 million and Baht 126 million, respectively, and the difference of Baht 1 million was recognised as a part of "Revaluation deficit on available-for-sale investments" in owners' equity.

During the year ended 31 December 2018, the subsidiary reclassified its investments from held-to-maturity investments to be available-for-sale investments, as approved by the resolution of the meeting of its Board of Directors, whereby the fair value and the cost of the reclassified investments as at the reclassification date amounted to Baht 2,660 million and Baht 2,495 million, respectively, and the difference of Baht 165 million was recognised as a part of "Revaluation surplus on available-for-sale investments" in owners' equity.

9. Investments in subsidiaries

Investments in subsidiaries, as presented in the separate financial statements, were summarised below.

(Unit: Thousand Baht)

Company's name	Paid-up share capital		Shareholding percentage		Shareholding presented at cost	
	31 December		31 December		31 December	
	2018	2017	2018	2017	2018	2017
			(Percent)	(Percent)		
Subsidiaries directly held by the Company						
Land and Houses Bank Public Company Limited	20,000,000	20,000,000	99.99	99.99	30,598,914	30,598,914
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
					31,960,323	31,960,323
Subsidiary indirectly via another subsidiary						
Land and Houses Advisory Company Limited	20,000	20,000	99.99	99.99	5,398 [1]	5,699 [1]

[1] As this subsidiary is held by the Company's another subsidiary, that amount is carrying value presented in the separate financial statements of that subsidiary.

10. Loans to customers and accrued interest receivables

10.1 Classified by loan types

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December	
	2018	2017
Overdrafts	4,736,537	4,856,319
Loans	107,244,192	104,330,635
Bills	46,202,754	42,869,046
Hire purchase receivables	355,567	613,279
Securities and derivatives business receivables	808,724	1,062,059
Total loans to customers	159,347,774	153,731,338
Less: Deferred revenue	(33,824)	(46,971)
Loans to customers net of deferred revenue	159,313,950	153,684,367
Add: Accrued interest receivables	227,333	261,255
Total loans to customers and accrued interest receivables	159,541,283	153,945,622
Less: Allowance for doubtful accounts	(3,789,500)	(3,407,686)
Revaluation allowance for debt restructuring	(11,994)	(14,023)
Loans to customers and accrued interest receivables - net	155,739,789	150,523,913

10.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2018			31 December 2017		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	159,313,950	-	159,313,950	153,684,367	-	153,684,367
Total	159,313,950	-	159,313,950	153,684,367	-	153,684,367

10.3 Classified by business types and loan classification

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2018					
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	859,759	-	-	-	8,156	867,915
Manufacturing and commerce	38,781,096	172,750	114,794	-	841,210	39,909,850
Real estate and construction	21,928,186	161,848	23,962	-	779,777	22,893,773
Public utilities and services	38,534,068	1,173,549	89,397	1,438	728,514	40,526,966
Housing loans	21,933,311	252,481	84,576	24,921	588,214	22,883,503
Financial intermediation	29,528,979	-	-	-	197,375	29,726,354
Others	2,431,461	36,265	2,084	214	35,565	2,505,589
Loans to customers net of deferred revenue	153,996,860	1,796,893	314,813	26,573	3,178,811	159,313,950

(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

10.4 Classified by loan classification

(a) Banking business

As at 31 December 2018 and 2017, 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 2018			
	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	153,404,564	82,389,867	1	823,899
Special-mention	1,804,373	88,783	2	1,776
Sub-standard	314,813	109,908	100	109,908
Doubtful	26,573	3,890	100	3,890
Doubtful of loss	3,178,811	755,424	100	755,424
Total	158,729,134	83,347,872		1,694,897
Additional provision for specific debtors				1,180,620
General provision				913,983
Total				3,789,500

[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 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	1	744,709
Special-mention	1,521,179	210,670	2	156,988
Sub-standard	169,463	77,545	100	77,545
Doubtful	211,451	111,115	100	111,115
Doubtful of loss	2,882,842	525,999	100	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.

(b) Securities business

As at 31 December 2018 and 2017, 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, as follows:

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2018			31 December 2017		
	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	812,149	-	812,149	1,066,460	-	1,066,460
Total	812,149	-	812,149	1,066,460	-	1,066,460

In addition, as at 31 December 2018 and 2017, that subsidiary also had outstanding receivables due from cash account customers totaling Baht 86 million and Baht 189 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

As at 31 December 2018 and 2017, non-performing loans from banking business were as follow:

	Consolidated financial statements	
	31 December	
	2018	2017
Non-performing loans (Thousand Baht)	3,520,197	3,263,756
Percentage of non-performing loans to total loans [(1)]	1.93%	1.88%

[(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 2018 and 2017, loans to customers from banking business on which interest income recognition was ceased on an accrual basis:

	Consolidated financial statements	
	31 December	
	2018	2017
Non-accrued loans (Thousand Baht)	3,540,246	3,288,689
Percentage of non-accrued loans to total loans [(1)]	2.00%	1.92%

[(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 2018 and 2017, 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, were made as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2018			
	Number of debtors	Debt balances	Collateral value	Allowance for doubtful accounts/Revaluation allowance
Companies and persons that have repayment problems or defaulted payments	381	5,324,570	4,359,084	871,370

(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

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 2018 and 2017, 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 2018				
		Debt balances (principal and accrued interest receivables)		Debt hair-cut loss	Losses on
	Number of debtors	Before restructuring	After restructuring	per agreements	debt restructuring
Modification of terms of payments	71	3,876,567	3,835,034	41,533	11,294
Total restructured debts	71	3,876,567	3,835,034	41,533	11,294

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the year ended 31 December 2017			
		Debt balances (principal and accrued interest receivables)		Losses on
	Number of debtors	Before restructuring	After restructuring	debt 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

For the years ended 31 December 2018 and 2017, the debts restructured as referred to above can be classified by terms of repayment under the restructuring agreements as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the years ended 31 December			
	2018		2017	
Term of repayment under restructuring agreements	Number of debtors	Debt balances after restructuring	Number of debtors	Debt balances after restructuring
Less than 5 years	38	2,601,554	25	722,955
5 - 10 years	15	1,164,534	18	711,877
10 - 15 years	4	31,039	3	11,518
More than 15 years	14	37,907	17	57,854
Total	71	3,835,034	63	1,504,204

Supplemental information for the years ended 31 December 2018 and 2017, relating to the restructured debts, were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Interest income recognised in profit or loss	190,338	132,779
Cash settlement by debtors	777,633	757,189
Losses on debt restructuring	11,294	1,437
Debt hair-cut loss per agreements	41,533	-

As at 31 December 2018 and 2017, 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 2018	10,615	159,541,283	278	6,356,713
31 December 2017	12,210	153,945,622	284	4,092,409

As at 31 December 2018 and 2017, the subsidiary had no outstanding commitments to provide additional loan facilities after restructuring.

10.9 Hire purchase receivables

As at 31 December 2018 and 2017, 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 2018			
	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	195,051	152,669	7,847	355,567
Less: Deferred revenue	(14,270)	(9,747)	(372)	(24,389)
Present value of minimum lease payments	180,781	142,922	7,475	331,178
Less: Allowance for doubtful accounts				(44,927)
Hire purchase receivables - net				286,251

(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

11. Allowance for doubtful accounts

(Unit: Thousand Baht)

	Consolidated financial statements							
	For the year ended 31 December 2018							
	Provision at BoT's minimum required rates					Additional provision		
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss	for specific debtors	General provision	Total
Balances - beginning of the year	744,709	156,988	77,545	111,115	593,225	750,000	974,104	3,407,686
Increase (decrease) during the year	79,190	(155,212)	32,363	(83,966)	326,438	430,620	(62,150)	567,283
Bad debts written off	-	-	-	-	(63,007)	-	-	(63,007)
Decrease as a result of disposals	-	-	-	(23,259)	(54,073)	-	-	(77,332)
Transfer from (to) revaluation allowance for debt restructuring	-	-	-	-	(41,533)	-	2,029	(39,504)
Transfer to allowance for doubtful accounts for other assets	-	-	-	-	(5,536)	-	-	(5,536)
Others	-	-	-	-	(90)	-	-	(90)
Balances - end of the year	823,899	1,776	109,908	3,890	755,424	1,180,620	913,983	3,789,500

(Unit: Thousand Baht)

	Consolidated financial statements							
	For the year ended 31 December 2017							
	Provision at BoT's minimum required rates					Additional provision		
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss	for specific debtors	General provision	Total
Balances - beginning of the year	808,224	168,479	202,312	49,614	320,919	571,544	965,185	3,086,277
Increase (decrease) during the year	(53,595)	27,332	(114,278)	71,247	473,186	178,456	7,710	590,058
Bad debts written off	-	-	-	-	(14,509)	-	-	(14,509)
Decrease as a result of disposals	(9,920)	(38,823)	(10,489)	(9,746)	(181,527)	-	-	(250,505)
Transfer from revaluation allowance for debt restructuring	-	-	-	-	-	-	1,209	1,209
Transfer to allowance for doubtful accounts for other assets	-	-	-	-	(5,084)	-	-	(5,084)
Others	-	-	-	-	240	-	-	240
Balances - end of the year	744,709	156,988	77,545	111,115	593,225	750,000	974,104	3,407,686

12. Revaluation allowance for debt restructuring

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Balances - beginning of the years	14,023	15,232
Increase during the years	65,132	4,633
Decrease during the years	(25,997)	(6,001)
Debt hair-cut loss during the years	(41,533)	-
Adjustment during the years	369	159
Balances - end of the years	11,994	14,023

13. Disposals of non-performing loans

For the years ended 31 December 2018 and 2017, 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 2018				For the year ended 31 December 2017			
Batch	Month sold	Outstanding balances (including relevant other assets)	Selling price	Batch	Month sold	Outstanding balances (including relevant other assets)	Selling price
1	March	144	112	1	November	515	259
2	November	210	159				
		354	271			515	259

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 March 2019 (for sale in March 2018) and no later than November 2019 (for sale in November 2018) 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 2018, the buyer has yet to cancel any assets sold up to the authorisation date of these financial statements.

14. Investment properties

As at 31 December 2018 and 2017, the carrying values of investment properties were presented below.

(Unit: Thousand Baht)

	Separate financial statements		
		Office building	
	Land	for rent	Total
Cost			
1 January 2017	35,358	2,642	38,000
31 December 2017	35,358	2,642	38,000
31 December 2018	35,358	2,642	38,000
Accumulated depreciation			
1 January 2017	-	751	751
Depreciation charged for the year	-	132	132
31 December 2017	-	883	883
Depreciation charged for the year	-	132	132
31 December 2018	-	1,015	1,015
Net book value			
31 December 2017	35,358	1,759	37,117
31 December 2018	35,358	1,627	36,985
Depreciation for the years ended			
2017			132
2018			132
Fair values			
31 December 2017	36,640	3,124	
31 December 2018	36,640	2,999	

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 2018				
	31 December 2017	Increase	Disposal	Change of appraisers	31 December 2018
Properties foreclosed - Immovable assets					
Appraised by external appraisers:					
Cost	9,424	37	-	-	9,461
Allowance for impairment	-	-	-	-	-
Net book value	9,424	37	-	-	9,461
Appraised by internal appraisers:					
Cost	90,813	3,816	(18,003)	-	76,626
Allowance for impairment	-	-	-	-	-
Net book value	90,813	3,816	(18,003)	-	76,626
Properties foreclosed - Immovable assets	100,237	3,853	(18,003)	-	86,087
Properties foreclosed - Movable assets					
Appraised by external appraisers:					
Cost	3,560	-	-	-	3,560
Allowance for impairment	(1,660)	(38)	-	-	(1,698)
Net book value	1,900	(38)	-	-	1,862
Properties foreclosed - Movable assets	1,900	(38)	-	-	1,862
Total properties foreclosed	102,137	3,815	(18,003)	-	87,949

(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

As at 31 December 2018 and 2017, the subsidiary's properties foreclosed were not obligated under the agreements to sell to the former debtors at fixed prices and within the specified periods and were not subject to the first refusal rights granted to the former debtors.

16. Premises and equipment

(Unit: Thousand Baht)

	Consolidated financial statements							
	Land	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicles	Assets in progress	Total
Cost								
1 January 2017	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
Additions	-	-	13,922	6,550	31,634	-	14,608	66,714
Written-offs/disposals	-	-	(9,678)	(1,403)	(4,735)	-	-	(15,816)
Transferred in (out)	-	-	7,753	-	2,574	-	(10,327)	-
31 December 2018	75,947	12,853	461,759	166,197	654,866	19,778	4,428	1,395,828
Accumulated depreciation								
1 January 2017	-	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
Accumulated depreciation on written-offs/disposals	-	-	(9,304)	(1,328)	(4,697)	-	-	(15,329)
Depreciation charged for the year	-	642	38,293	12,901	62,357	3,549	-	117,742
31 December 2018	-	4,023	403,517	144,265	537,186	15,128	-	1,104,119
Net book value								
31 December 2017	75,947	9,472	75,234	28,358	145,867	8,199	147	343,224
31 December 2018	75,947	8,830	58,242	21,932	117,680	4,650	4,428	291,709
Depreciation for the years								
2017								144,547
2018								117,742

As at 31 December 2018 and 2017, 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 764 million and Baht 620 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 2017	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
Additions	88,146	1,309	-	141,261	230,716
Transferred in (out)	23,066	-	-	(23,066)	-
31 December 2018	781,778	38,093	80,041	165,371	1,065,283
Accumulated amortisation					
1 January 2017	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
Amortisation charged for the year	61,279	3,695	-	-	64,974
31 December 2018	579,076	25,034	-	-	604,110
Net book value					
31 December 2017	152,769	15,445	80,041	47,176	295,431
31 December 2018	202,702	13,059	80,041	165,371	461,173
Amortisation for the years					
2017					73,009
2018					64,974
Remaining amortisation periods (years)	0 - 5	2, 6, 7 and 10	-	-	

As at 31 December 2018 and 2017, 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 428 million and Baht 397 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	
	2018	2017	2018	2017
Deferred tax assets (liabilities) arose from:				
Allowance for doubtful accounts				
- general provision	170,767	188,225	(17,458)	(2,452)
Allowance for doubtful accounts				
- other assets	13,952	12,182	1,770	1,947
Allowance for impairment on investments	814	-	814	-
Losses on impairment of properties				
foreclosed	340	-	340	-
Non-accrued interest income	12,276	10,409	1,867	719
Assets written off	469	816	(347)	(266)
Bad debts written off	11,505	11,505	-	-
Provisions for employee benefits	27,219	24,599	2,620	4,452
Vacation leave accruals	1,200	1,200	-	-
Revaluation (surplus) deficit on available-for-				
sale investments	41,838	(77,532)	119,370	(52,636)
Others	35	189	(154)	189
Total	280,415	171,593	108,822	(48,047)
Presented separately in statements of				
financial position:				
Deferred tax assets	282,761	210,002		
Deferred tax liabilities	(2,346)	(38,409)		
Total	280,415	171,593		
Changes in deferred income taxes:				
Recognised in profit or loss			(9,864)	1,013
Recognised in other comprehensive income (loss)			118,686	(49,060)
Total			108,822	(48,047)

(Unit: Thousand Baht)

	Separate financial statements			
			Changes in deferred income taxes for the years ended	
	31 December		31 December	
	2018	2017	2018	2017
Deferred tax liabilities arose from:				
Revaluation surplus on available-for-sale investments	-	(12,561)	12,561	10,106
Total	-	(12,561)	12,561	10,106
Presented separately in statements of financial position:				
Deferred tax assets	-	-		
Deferred tax liabilities	-	(12,561)		
Total	-	(12,561)		
Changes in deferred income taxes:				
Recognised in profit or loss			-	-
Recognised in other comprehensive income (loss)			12,561	10,106
Total			12,561	10,106

As at 31 December 2018 and 2017, the Group did not recognise deferred income taxes on tax-deductible temporary differences and unused tax losses totaling Baht 77 million and Baht 65 million, respectively (the Company only: Baht 75 million and Baht 58 million, respectively) as deferred tax assets since they believe it is unlikely that certains of 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 2019 to 2023.

18.2 Income taxes

Income tax expenses reported in profit or loss for the years ended 31 December 2018 and 2017 were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Current income taxes:				
Corporate income taxes for the years	(603,678)	(553,225)	-	-
Deferred income taxes:				
Deferred income taxes from temporary differences and reversal of temporary differences	(9,864)	1,013	-	-
Income tax expenses reported in profit or loss	(613,542)	(552,212)	-	-

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2018 and 2017 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	
	2018	2017	2018	2017
Accounting profits before income tax expenses	3,721,731	3,155,655	2,167,588	1,675,167
Applicable tax rate	20%	20%	20%	20%
Income taxes calculated based on accounting profits	(744,346)	(631,131)	(433,518)	(335,033)
Tax effects of:				
Tax-exempted revenues	127,696	48,551	437,091	321,661
Expenses with additional privilege for more tax-deductible	10,283	23,638	22	13,719
Non-tax deductible expenses	(1,940)	(2,080)	(6)	-
Others	(5,235)	8,810	(3,589)	(347)
Income tax expenses reported in profit or loss	(613,542)	(552,212)	-	-

The amounts of income tax recognised in other comprehensive income (loss) for the years ended 31 December 2018 and 2017 were summarised below:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Deferred income taxes relating to:				
(Gains) losses on revaluation of available-for-sale investments	119,370	(52,636)	12,561	10,106
Actuarial (gains) losses	(684)	3,576	-	-
Income taxes reported in other comprehensive income (loss)	118,686	(49,060)	12,561	10,106

19. Other assets

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 December		31 December	
	2018	2017	2018	2017
Suspense accounts - debtors	162,484	63,531	-	-
Deposits and guarantees	99,595	90,535	1	1
Prepaid expenses	44,865	40,156	2,421	1,520
Accrued income	33,812	35,966	-	-
Contribution and deposit for Securities Clearing Fund	33,343	30,712	-	-
Deferred expenses	26,384	32,804	-	-
Token money	26,328	26,328	-	-
Income tax awaiting refund	13,883	14,018	6,849	1,629
Security deposits	5,043	5,036	-	-
Receivables on disposals of properties foreclosed through auctions	3,104	9,244	-	-
Receivables from Clearing House	6,609	40,650	-	-
Others	4,878	5,343	-	-
Total	460,328	394,323	9,271	3,150
Less: Allowance for doubtful accounts/ allowance for impairment	(70,169)	(61,317)	-	-
Other assets - net	390,159	333,006	9,271	3,150

20. Quality of assets

As at 31 December 2018 and 2017, 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 2018				
	Interbank and money market items and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets	Total
Classification of assets					
Pass	17,638,407	-	153,404,564	-	171,042,971
Special-mention	-	-	1,804,373	-	1,804,373
Sub-standard	-	-	314,813	-	314,813
Doubtful	-	-	26,573	-	26,573
Doubtful of loss	-	285,570	3,178,811	69,759	3,534,140
Total	17,638,407	285,570	158,729,134	69,759	176,722,870

(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

21. Deposits

21.1 Classified by type of deposits

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December	
	2018	2017
Demand deposits	6,072,796	3,623,020
Savings deposits	74,911,493	72,552,095
Time deposits	55,585,078	49,775,132
Fixed deposit receipts	31,594,661	17,780,438
Total deposits	168,164,028	143,730,685

21.2 Classified by currency and residency of depositors

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2018			31 December 2017		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	168,164,028	-	168,164,028	143,730,685	-	143,730,685
Total	168,164,028	-	168,164,028	143,730,685	-	143,730,685

22. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2018			31 December 2017		
	At call	Term	Total	At call	Term	Total
Domestic:						
Bank of Thailand	-	-	-	-	359,985	359,985
Commercial banks	468	1,000	1,468	1,364	3,501,000	3,502,364
Specialised financial institutions	-	3,044,216	3,044,216	-	7,304,577	7,304,577
Other financial institutions	3,984,460	1,950,477	5,934,937	1,567,718	2,611,501	4,179,219
Total domestic items	3,984,928	4,995,693	8,980,621	1,569,082	13,777,063	15,346,145
Foreign:						
Baht	250,870	-	250,870	-	-	-
Total foreign items	250,870	-	250,870	-	-	-
Total interbank and money market items	4,235,798	4,995,693	9,231,491	1,569,082	13,777,063	15,346,145

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2018			31 December 2017		
	At call	Term	Total	At call	Term	Total
Domestic:						
Commercial banks	3,388,000	-	3,388,000	1,398,000	-	1,398,000
Total interbank and money market items	3,388,000	-	3,388,000	1,398,000	-	1,398,000

23. Debts issued and borrowings

(Unit: Thousand Baht)

	Consolidated financial statements									
	31 December 2018					31 December 2017				
	Interest rate per annum	Matured in year	Domestic	Overseas	Total	Interest rate per annum	Matured in year	Domestic	Overseas	Total
Bills of exchange	1.50%-1.85%	2019	14,298,000	-	14,298,000	1.35%-1.625%	2018	29,011,000	-	29,011,000
Subordinated debentures [1]	5.125%	2025	3,915,900	-	3,915,900	5.125%	2025	3,915,900	-	3,915,900
Unsubordinated and unsecured debentures	1.70%-3.11%	2019-2020	8,000,000	-	8,000,000	-	-	-	-	-
Borrowings from Department of Alternative Energy Development and Efficiency	0%	2021-2022	12,324	-	12,324	0%	2021-2022	16,377	-	16,377
Total			26,226,224	-	26,226,224			32,943,277	-	32,943,277
Less: Deferred expenses			(23,249)	-	(23,249)			(47,699)	-	(47,699)
Debts issued and borrowings - net			26,202,975	-	26,202,975			32,895,578	-	32,895,578

[1] Counted as a part of Tier 2 capital, which is determined under the conditions as specified in the BoT's Notification.

(Unit: Thousand Baht)

	Separate financial statements									
	31 December 2018					31 December 2017				
	Interest rate per annum	Matured in year	Domestic	Overseas	Total	Interest rate per annum	Matured in year	Domestic	Overseas	Total
Unsubordinated and unsecured debentures	2.79%-3.11%	2020	3,000,000	-	3,000,000	-	-	-	-	-
Total			3,000,000	-	3,000,000			-	-	-
Less: Deferred expenses			(4,058)	-	(4,058)			-	-	-
Debts issued and borrowings - net			2,995,942	-	2,995,942			-	-	-

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 2018			
	Provisions for employee benefits	Provisions for decommissioning cost	Provisions for other liabilities	Total
As at 1 January 2018	123,134	5,919	240	129,293
Increase during the year	23,561	2,561	240	26,362
Paid during the year	(10,364)	(348)	-	(10,712)
Decrease from adjustment	(20)	(6)	-	(26)
As at 31 December 2018	136,311	8,126	480	144,917

(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
Paid during the year	(21,922)	-	(111)	(22,033)
As at 31 December 2017	123,134	5,919	240	129,293

(Unit: Thousand Baht)

	Separate financial statements			
	For the year ended 31 December 2018			
	Provisions for employee benefits	Provisions for decommissioning cost	Provisions for other liabilities	Total
As at 1 January 2018	-	-	-	-
Increase during the year	101	-	-	101
Decrease from adjustment	(20)	-	-	(20)
As at 31 December 2018	81	-	-	81

24.1 Provisions for employee benefits

Movements of provisions for employee benefits were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements
	For the years ended 31 December		For the year ended 31 December
	2018	2017	2018
Provisions for employee benefits at the beginning of the years	123,134	100,869	-
Current service costs	23,977	23,331	29
Interest costs	3,002	2,975	-
Increase as a result of the receipt of transfer of employee from an affiliate company	-	-	72
Actuarial (gains) losses arose from:			
Demographic assumption changes	-	2,379	-
Financial assumption changes	(50)	6,815	-
Other changes	(3,368)	8,687	-
Benefits paid during the years	(10,364)	(21,922)	-
Others	(20)	-	(20)
Provisions for employee benefits at the end of the years	136,311	123,134	81

Employee benefit expenses recognised in profit or loss are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Current service costs	23,977	23,331	29	-
Interest costs	3,002	2,975	-	-
Total employee benefit expenses	26,979	26,306	29	-

As at 31 December 2018 and 2017, the subsidiaries expected to pay approximately Baht 7.2 million and Baht 13.1 million, respectively, on employee benefits payable within the next 1-year period (the Company: as at 31 December 2018, the Company expected no employee benefits payable within the next 1-year period).

As at 31 December 2018 and 2017, the subsidiaries' weighted average durations of employee benefit payments were estimated to be 8-10 years and 10 years, respectively (the Company: as at 31 December 2018 the Company's weighted average durations of employee benefit payments were estimated to be 10 years).

The principal assumptions used in actuarial valuation as at the revaluation dates were summarised below.

	Consolidated financial statements		Separate financial statements
	31 December		31 December
	2018	2017	2018
	(% per annum)	(% per annum)	(% per annum)
Future salary incremental rates	5 - 5.50	5 - 5.50	5
Turnover rates	0 - 30	0 - 30	0 - 30
Discount rates	2.44, 2.54, 2.58 and 2.72	2.44 and 2.54	2.44 and 2.54

The impacts from changes in significant assumptions on provisions for employee benefits as at 31 December 2018 and 2017 were summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2018		31 December 2017	
	Increase (decrease) in provisions for employee benefits		Increase (decrease) in provisions for employee benefits	
Significant assumptions	+ 0.5%	- 0.5%	+ 0.5%	- 0.5%
Future salary incremental rates	7,615	(7,129)	6,326	(5,928)
Discount rates	(6,673)	7,187	(6,070)	6,552

On 13 December 2018, the National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefit plan amendment and resulted in the Group having additional provisions for employee benefits of approximately Baht 20 million. The Group will reflect the impact from such change by recognising such past services costs as expenses in the statement of income for the accounting period in which the law becomes effective.

25. Other liabilities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 December		31 December	
	2018	2017	2018	2017
Suspense accounts - creditors	348,845	223,741	1,063	765
Accounts payable on acquisition of equipment and intangible assets	14,975	18,952	-	-
Deposits received	6,402	6,495	300	300
Account payable - Revenue Department	3,543	5,926	-	-
Others	3,582	1,011	-	-
Total other liabilities	377,347	256,125	1,363	1,065

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 year ended 31 December 2018		
	Share capital		Share premium
	Number of shares	Baht	Baht
Registered share capital			
Ordinary share capital at beginning of the year	21,183,660,594	21,183,660,594	
Ordinary share capital at end of the year	21,183,660,594	21,183,660,594	
Issued and paid-up share capital			
Ordinary share capital at beginning of the year	21,183,660,594	21,183,660,594	9,627,913,455
Ordinary share capital at end of the year	21,183,660,594	21,183,660,594	9,627,913,455

	Consolidated and separate financial statements		
	For the year ended 31 December 2017		
	Share capital		Share premium
	Number of shares	Baht	Baht
Registered share capital			
Ordinary share capital at beginning of the year	13,638,705,250	13,638,705,250	
Add: Increase in the registered share capital during the year	7,544,961,342	7,544,961,342	
Less: Decrease in the registered share capital during the year	(5,998)	(5,998)	
Ordinary share capital at end of the year	21,183,660,594	21,183,660,594	
Issued and paid-up share capital			
Ordinary share capital at beginning of the year	13,638,699,252	13,638,699,252	642,556,309
Add: Issuance of additional ordinary shares during the year	7,544,961,342	7,544,961,342	9,053,953,610
Less: Cost of offering and issuance of additional ordinary shares	-	-	(68,596,464)
Ordinary share capital at end of the year	21,183,660,594	21,183,660,594	9,627,913,455

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 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 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.

On 23 April 2018, 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 2017. Dividend payments were made in cash at a rate of Baht 0.03 per share, or a total of Baht 635.51 million. The Company already paid cash dividends on 18 May 2018.

On 12 November 2018, the Board of Director's Meeting No.11/2561 of the Company passed a resolution approving an interim cash dividend payment of Baht 0.035 per share from its operating results for the nine-month period ended 30 September 2018, or a total of Baht 741.43 million, to its shareholders. The Company already paid cash dividends on 11 December 2018.

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 2018 and 2017, capital funds of the financial business group and Land and Houses Bank consisted of the following:

(Unit: Thousand Baht)

	Financial business group		LH Bank	
	31 December		31 December	
	2018	2017	2018	2017
Common Equity Tier 1 capital fund				
Issued and fully paid up share capital	21,183,661	21,183,661	20,000,000	20,000,000
Share premium	9,627,913	9,627,913	10,598,915	10,598,915
Statutory reserve	1,173,410	918,910	717,200	588,700
Retained earnings after appropriation	5,874,652	4,511,665	3,789,608	3,107,128
Revaluation surplus (deficit) on available-for-sale investments	(323,165)	331,921	(155,655)	166,890
Deduction items on Common Equity Tier 1 capital fund	(741,588)	(439,278)	(605,841)	(360,194)
Total Common Equity Tier 1 capital fund	36,794,883	36,134,792	34,344,227	34,101,439
Total Tier 1 capital fund	36,794,883	36,134,792	34,344,227	34,101,439

(Unit: Thousand Baht)

	Financial business group		LH Bank	
	31 December		31 December	
	2018	2017	2018	2017
Tier 2 capital fund				
Subordinated debentures	3,852,100	3,838,100	3,936,200	3,922,200
Reserve for assets classified as pass and general reserve	1,905,102	1,892,005	1,905,102	1,892,005
Total Tier 2 capital fund	5,757,202	5,730,105	5,841,302	5,814,205
Total capital funds	42,552,085	41,864,897	40,185,529	39,915,644

(Unit: Percentage)

	31 December 2018			31 December 2017		
	Financial business group	LH Bank	Minimum and additional rates required by law *	Financial business group	LH Bank	Minimum and additional rates required by law *
The ratio of Common Equity Tier 1 capital fund to risk assets	17.501	17.131	6.375	19.304	18.673	5.750
The ratio of Tier 1 capital fund to risk assets	17.501	17.131	7.875	19.304	18.673	7.250
The ratio of total capital fund to risk assets	20.239	20.045	10.375	22.366	21.857	9.750

* Additional rate for conservation buffer is required on the ratio of Common Equity Tier 1 capital fund to risk asset 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 already disclosed the financial business group’s capital adequacy and capital risk exposure information as of 31 December 2017 through the Company’s website at www.lhfg.co.th on 30 April 2018 and the Company will disclose capital adequacy and capital risk exposure information as of 31 December 2018 within April 2019.

30. Interest income

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Interbank and money market items	593,358	556,933	866	2,365
Investments in debt securities	1,548,342	1,629,460	4,310	5,635
Loans to customers	6,333,593	6,412,179	-	-
Hire purchase	24,274	47,449	-	-
Others	398	112	-	-
Total interest income	8,499,965	8,646,133	5,176	8,000

31. Interest expenses

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Deposits	2,129,471	2,152,466	-	-
Interbank and money market items	107,211	95,303	56,490	14,240
Contributions to the Deposit Protection Agency and the Bank of Thailand	840,448	807,513	-	-
Debts issued				
- Subordinated debentures	201,222	200,237	-	-
- Unsubordinated and unsecured debentures	94,321	42,312	29,122	-
Borrowings	315,455	364,982	-	-
Others	6,618	4,192	-	-
Total interest expenses	3,694,746	3,667,005	85,612	14,240

32. Fees and service income

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Fees and service income				
Acceptances, avals and guarantees	42,400	41,109	-	-
Commission income	301,139	337,150	-	-
Others	483,256	410,022	-	-
Total fees and service income	826,795	788,281	-	-
Fees and service expenses				
Fees and charges	60,268	58,852	-	-
Others	85,303	75,794	9,507	9,536
Total fees and service expenses	145,571	134,646	9,507	9,536
Net fees and service income (expenses)	681,224	653,635	(9,507)	(9,536)

33. Gains on investments

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Gains on sales:				
Available-for-sale investments	342,817	238,434	4,717	61,579
Held-to-maturity investments	3,250	2,338	-	713
Total	346,067	240,772	4,717	62,292
Impairment loss:				
Equity securities of available-for-sale investments	(4,070)	-	-	-
Total	(4,070)	-	-	-
Total gains on investments	341,997	240,772	4,717	62,292

During the year ended 31 December 2017, the Company sold held-to-maturity investments, for prices, which approximated to their amortised costs of Baht 11 million.

During the years ended 31 December 2018 and 2017, the subsidiary sold held-to-maturity investments with amortised costs of Baht 1,300 million and Baht 650 million, respectively, because the issuer exercised its call option to early redeem debentures prior to the maturity date, and incurred net realised gains on sales of investments of Baht 3 million and Baht 2 million, respectively.

34. Directors' remuneration

Directors' remuneration represents the benefits, exclusive of salaries and related benefits payable to executive directors, paid to the directors of the Group 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	
	2018	2017
Bad debts and doubtful accounts (reversal)		
Loans to customers [(1)]	567,283	590,058
Interbank and money market items	(5,972)	17,350
Other assets	8,852	9,734
Total bad debts, doubtful accounts and impairment loss	570,163	617,142

[(1)] For the year ended 31 December 2018, such amount included a debt hair-cut loss per agreements of Baht 41.5 million.

36. Components of other comprehensive income (loss)

Components of other comprehensive income (loss) for the years ended 31 December 2018 and 2017 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
(a) Items to be recognised in profit or loss in subsequent periods:				
Gains (losses) on revaluation of available-for-sale investments				
Unrealised gains (losses) on revaluation of investments during the years	(733,602)	467,602	(165,779)	24,638
(Gains) losses transferred to be recognised in profit or loss for the years due to				
- Sales of available-for-sale investments	(45,709)	(217,124)	(5,262)	(74,242)
- Sales of available-for-sale investments, reclassified from other types	(97,947)	-	-	470
Gains (losses) from reclassification of investments	164,746	-	-	(1,398)
Amortisation of revaluation deficit on the reclassified investments	13,287	12,704	-	-
Total gains (losses) on revaluation of available-for-sale investments	(699,225)	263,182	(171,041)	(50,532)
Add (less): Income taxes	119,370	(52,636)	12,561	10,106
Gains (losses) on revaluation of available-for-sale investments - net of income taxes	(579,855)	210,546	(158,480)	(40,426)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
(b) Items not to be recognised in profit or loss in subsequent periods:				
Actuarial gains (losses)	3,418	(17,881)	-	-
Add (less): Income taxes	(684)	3,576	-	-
Actuarial gains (losses) - net of income taxes	2,734	(14,305)	-	-
Other comprehensive income (loss) for the years	(577,121)	196,241	(158,480)	(40,426)

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 in issue during the years.

38. Provident fund

The Group 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 group 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 2018 and 2017, the Group contributed Baht 43.34 million and Baht 41.23 million, respectively, to the provident fund (the Company only: During the year ended 31 December 2018, the Company contributed Baht 0.09 million to the provident fund).

39. Commitments and contingent liabilities

39.1 Commitments

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2018			31 December 2017		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	135,516	-	135,516	149,598	-	149,598
Guarantee - others	5,408,217	-	5,408,217	3,642,226	-	3,642,226
Letters of credit	-	-	-	10,823	-	10,823
Undrawn bank overdrafts	4,520,429	-	4,520,429	4,773,906	-	4,773,906
Other commitments	31,976,876	-	31,976,876	26,066,197	-	26,066,197
Total	42,041,038	-	42,041,038	34,642,750	-	34,642,750

39.2 Commitments under long-term lease agreements

(a) As at 31 December 2018 and 2017, 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 7 years, which future minimum rental and service fees, which are to payable by the subsidiaries, can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements	
	31 December	
Payable within	2018	2017
Up to 1 year	340	340
Over 1 and up to 5 years	312	337
Over 5 years	2	3

As at 31 December 2018 and 2017, the above commitments of the subsidiaries included rental and service agreements with related parties amounted to Baht 209 million and Baht 298 million, respectively.

(b) Three subsidiaries entered into various consultancy service agreements relating to software development and installation services. As at 31 December 2018 and 2017, the subsidiaries are obligated to pay further Baht 57 million and Baht 51 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 3 million. The agreements remain in effect until terminated by the subsidiary or either party breaches conditions stipulated in the agreements.

(c) As at 31 December 2018 and 2017, 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 3.2 million per annum. The agreements remain in effect until terminated by the subsidiary or either party breaches conditions stipulated in the agreements.

39.3 Service commitments

39.3.1 As at 31 December 2018 and 2017, 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:

- At the specified rates and calculated based on the average of last working day or month-end net asset value (NAV) of funds under management.
- At the rate of 1 percent of the registrar fee income.
- At the rate of 1 percent of investment unit trading fee income after deducting by fees paid to agencies.

As at 31 December 2018, the minimum of such fee is Baht 25,000 per annum, and the maximum is Baht 10,000,000 per annum. As at 31 December 2017, the minimum of such fee is Baht 100,000 per annum, and the maximum is Baht 10,000,000 per annum.

39.3.2 As at 31 December 2018 and 2017, the subsidiary, which 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	
		2018	2017
(a)	**Fees for securities business**		
	Securities brokerage fee	0.001% of its trading volume	0.001% of its trading volume
	Securities dealing fee	1% of net capital gain from debt securities	1% of net capital gain from debt securities
	Securities underwriting fee	1% of fees for securities underwriting licenses, but excluded units trust	1% of fees for securities underwriting licenses, but excluded units trust
	Floor and ceiling of fees	The minimum total fee is Baht 25,000 per annum and the maximum total fee is Baht 10,000,000 per annum	The minimum total fee is Baht 100,000 per annum and the maximum total fee is Baht 10,000,000 per annum

		Fee rates	
		31 December	
		2018	2017
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 0.10 of futures contracts, in case of single stock futures contracts less than 100 Baht, will be charged Baht 0.01 each contract
	Floor and ceiling of fees	The minimum total fee is Baht 25,000 per annum and the maximum total fee is Baht 1,000,000 per annum	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 during the years ended 31 December 2018 and 2017 of Baht 6.5 million and Baht 6.8 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 2018 and 2017, the subsidiaries had various outstanding litigation cases being claimed for compensations totaling Baht 1,193 million and Baht 1,196 million, respectively. Final judgments have not yet been reached in respect of these cases. The management of the subsidiary has 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 Group had significant business transactions with its 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 Group or directors or such executives hold in aggregate of more than 10 percent of the paid-up share capital of those entities.

Relationship with its 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 Group's 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 Group's 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 Group 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 Group and its related parties.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	For the years ended 31 December		For the years ended 31 December		
	2018	2017	2018	2017	Pricing policy
Interest income					
The Company's subsidiary	-	-	5,176	7,631	The same rates that a subsidiary paid to general depositors and as specified in the prospectus
Related companies	16,730	175,052	-	-	The same rates that a subsidiary charged to general customers and as specified in the prospectus
Directors and executives	305	420	-	-	The same rates that a subsidiary charged to general customers
Related persons	1,084	1,173	-	-	The same rates that a subsidiary charged to general customers
	18,119	176,645	5,176	7,631	
Fees and service income					
Related companies	50,568	46,572	-	-	At the percentage of net asset value of the fund under the subsidiary's management
	50,568	46,572	-	-	
Gains on investments					
The Company's subsidiary	-	-	4,717	-	At fair value
	-	-	4,717	-	
Dividend income					
The Company's subsidiaries	-	-	1,940,000	1,569,820	As announced by the subsidiaries
Related companies	122,557	41,446	13,746	13,688	As announced by the funds
	122,557	41,446	1,953,746	1,583,508	
Other operating income					
The Company's subsidiary	-	-	1,452	1,342	As specified in the agreements
	-	-	1,452	1,342	

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	For the years ended 31 December		For the years ended 31 December		
	2018	2017	2018	2017	Pricing policy
Interest expenses					
The Company's subsidiary	-	-	56,490	14,239	The same rates that a subsidiary charged to general customers
The major shareholders	32,590	38,366	-	-	The same rates that a subsidiary paid to general depositors
Related companies	57,355	58,311	-	-	The same rates that a subsidiary paid to general depositors
Directors and executives	3,052	6,516	-	-	The same rates that a subsidiary paid to general depositors and as specified in the prospectus
Related persons	14,394	13,874	-	-	The same rates that a subsidiary paid to general depositors and as specified in the prospectus
	107,391	117,067	56,490	14,239	
Other operating expenses					
The major shareholders	47,732	44,369	-	-	As specified in the agreements
Related companies	110,465	106,189	41	69	As specified in the agreements and the same rates as charged to general customers
	158,197	150,558	41	69	
Fees and service expenses					
The Company's subsidiary	-	-	232	265	The same rates that a subsidiary charged to general customers
	-	-	232	265	

40.2 The outstanding balances

As at 31 December 2018 and 2017, the outstanding balances of significant transactions between the Group and its related parties can be summarised as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December	
	2018	2017
Investments - cost		
Related companies/persons		
Related companies	1,796,513	2,373,651
	1,796,513	2,373,651
Accrued interest receivables on investments		
Related companies/persons		
Related companies	-	15,806
	-	15,806
Loans to customers		
Related companies/persons		
Related companies	460,000	5,557,200
Directors and executives	13,856	18,976
Related persons	39,742	27,828
	513,598	5,604,004
Accrued interest receivables on loans to customers		
Related companies/persons		
Related companies	4,490	3,840
Directors and executives	3	23
Related persons	13	10
	4,506	3,873
Other assets		
The major shareholder		
Quality Houses Public Company Limited	10,263	9,959
Related companies/persons		
Related companies	35,886	33,732
	46,149	43,691

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December	
	2018	2017
Deposits		
The major shareholders		
Land and Houses Public Company Limited	3,838,504	1,400,753
Quality Houses Public Company Limited	1,343,978	1,972,397
Ms. Piengjai Harnpanich	184,330	105,471
Related companies/persons		
Related companies	9,510,874	5,093,924
Directors and executives	94,678	115,569
Related persons	1,048,284	988,157
	16,020,648	9,676,271
Interbank and money market items (liabilities)		
The major shareholders		
CTBC Bank Company Limited	250,870	-
	250,870	-
Debts issued and borrowings		
Related companies/persons		
Directors and executives	34,000	48,000
Related persons	41,200	41,200
	75,200	89,200
Accrued interest payables		
The major shareholders		
Land and Houses Public Company Limited	1,667	128
Quality Houses Public Company Limited	-	93
Ms. Piengjai Harnpanich	731	224
Related companies/persons		
Related companies	7,768	3,940
Directors and executives	232	320
Related persons	1,443	1,448
	11,841	6,153
Other liabilities		
The major shareholder		
Quality Houses Public Company Limited	405	253
Related companies/persons		
Related companies	1,276	2,233
Directors and executives	3	39
	1,684	2,525

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	31 December	
	2018	2017
Commitments - letters of bank guarantees		
Related companies/persons		
Related companies	21,186	196,887
	21,186	196,887

	(Unit: Thousand Baht)	
	Separate financial statements	
	31 December	
	2018	2017
Interbank and money market items (assets)		
The Company's subsidiary		
Land and Houses Bank Public Company Limited	2,075	6,100
	2,075	6,100
Investments - cost		
The Company's subsidiary		
Land and Houses Bank Public Company Limited	84,100	84,100
Related companies/persons		
Related company	380,534	433,642
	464,634	517,742
Accrued interest receivables on investments		
The Company's subsidiary		
Land and Houses Bank Public Company Limited	484	484
	484	484
Dividend receivables		
The Company's subsidiary		
Land and Houses Bank Public Company Limited	-	1,000,000
	-	1,000,000
Interbank and money market items (liabilities)		
The Company's subsidiary		
Land and Houses Bank Public Company Limited	3,388,000	1,398,000
	3,388,000	1,398,000
Accrued interest expenses on interbank and money market items (liabilities)		
The Company's subsidiary		
Land and Houses Bank Public Company Limited	240	160
	240	160

(Unit: Thousand Baht)

	Separate financial statements	
	31 December	
	2018	2017
Accounts payable on securities trading		
The Company's subsidiary		
Land and Houses Securities Public Company Limited	141,672	50,722
	141,672	50,722
Other liabilities		
The Company's subsidiary		
Land and Houses Bank Public Company Limited	300	300
	300	300

40.3 Movements of related party balances

The movements of interbank and money market items (assets), loans to customers, deposits, interbank and money market items (liabilities), and debts issued and borrowings having with their related parties for the year ended 31 December 2018 were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the year ended 31 December 2018			
	Beginning balances	Increase	Decrease	Ending balances
Loans to customers				
Related companies/persons				
Related companies	5,557,200	-	(5,097,200)	460,000
Directors and executives	18,976	-	(5,120)	13,856
Related persons	27,828	61,842	(49,928)	39,742
	5,604,004	61,842	(5,152,248)	513,598
Deposits				
The major shareholders				
Land and Houses Public Company Limited	1,400,753	116,211,271	(113,773,520)	3,838,504
Quality Houses Public Company Limited	1,972,397	51,126,303	(51,754,722)	1,343,978
Ms. Piengjai Harnpanich	105,471	686,185	(607,326)	184,330
Related companies/persons				
Related companies	5,093,924	238,712,966	(234,296,016)	9,510,874
Directors and executives	115,569	742,386	(763,277)	94,678
Related persons	988,157	6,896,565	(6,836,438)	1,048,284
	9,676,271	414,375,676	(408,031,299)	16,020,648

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the year ended 31 December 2018			
	Beginning balances	Increase	Decrease	Ending balances
Interbank and money market items (liabilities)				
The major shareholders				
CTBC Bank Company Limited	-	250,870	-	250,870
	-	250,870	-	250,870
Debts issued and borrowings				
Related companies/persons				
Directors and executives	48,000	-	(14,000)	34,000
Related persons	41,200	-	-	41,200
	89,200	-	(14,000)	75,200

(Unit: Thousand Baht)

	Separate financial statements			
	For the year ended 31 December 2018			
	Beginning balances	Increase	Decrease	Ending balances
Interbank and money market items (assets)				
The Company's subsidiary				
Land and Houses Bank Public Company Limited	6,100	15,404,008	(15,408,033)	2,075
	6,100	15,404,008	(15,408,033)	2,075
Interbank and money market items (liabilities)				
The Company's subsidiary				
Land and Houses Bank Public Company Limited	1,398,000	8,518,101	(6,528,101)	3,388,000
	1,398,000	8,518,101	(6,528,101)	3,388,000

40.4 Directors' and executives' compensation

During years ended 31 December 2018 and 2017, compensations incurred on directors and executives of the Group, 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	
	2018	2017	2018	2017
Short-term employee benefits	240	205	18	10
Post-employment benefits	13	17	-	-
Total	253	222	18	10

Directors and executives of the Group 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 provides 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 2018 and 2017, 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 24,480 million and Baht 20,539 million, respectively.

The subsidiaries' interest in those funds were shown below.

(Unit: Million Baht)

	Consolidated financial statements	
	31 December	
	2018	2017
Accrued fees and service income from asset management business	20	14
Debts issued and borrowings	100	-

(Unit: Million Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Fees and service income - mutual fund management	287	224
Fees and service income - commission income on securities trading	3	3
Interest expenses	1	3

The maximum risk exposure of the subsidiaries were equal to the interest as shown above.

42. Operating segments

The Group has 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 commercial 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 Group measures 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 Group was as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2018								
		Banking business							
	Investment holding business	Lending		Other segments	Total segments	Fund management business	Other businesses	Eliminations	Total
		Housing and retail	Commercial loans						
Interest income from external customers	-	1,200,626	5,691,570	1,559,612	8,451,808	-	48,157	-	8,499,965
Inter-segment interest income	5,176	-	122,859	-	122,859	516	6,404	(134,955)	-
Net interest income (expenses)	(80,436)				4,903,604	486	(18,561)	126	4,805,219
Net fees and service income (expenses)	(9,507)				283,104	270,589	141,523	(4,485)	681,224
Gains on trading and foreign exchange transactions	-				1,308	-	403	-	1,711
Gains (losses) on investments	4,717				191,735	(4,068)	154,029	(4,416)	341,997
Dividend income	2,277,235				658,742	23,487	188,919	(1,940,000)	1,208,383
Other operating income	1,472				19,572	1,554	363	(1,474)	21,487
Other operating expenses	(25,893)				(2,362,073)	(159,550)	(224,005)	3,394	(2,768,127)
Bad debts, doubtful accounts and impairment loss	-				(570,163)	-	-	-	(570,163)
Income tax expenses	-				(556,598)	(23,095)	(33,849)	-	(613,542)
Profit for the year	2,167,588				2,569,231	109,403	208,822	(1,946,855)	3,108,189

(Unit: Thousand Baht)

	For the year ended 31 December 2017								
		Banking business							
	Investment holding business	Lending: Housing and retail	Lending: Commercial loans	Other segments	Total segments	Fund management business	Other businesses	Eliminations	Total
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)

	As at 31 December 2018								
		Banking business							
	Investment holding business	Lending: Housing and retail	Lending: Commercial loans	Other segments	Total segments	Fund management business	Other businesses	Eliminations	Total
Loans to customers/ interbank and money market items	-	23,982,061	158,160,193	-	182,142,254	-	808,724	(6,015,028)	176,935,950
Cash	6				1,839,570	20	111	-	1,839,707
Interbank and money market items - net	2,075				21,566,859	21,260	54,972	(2,653,659)	18,991,507
Investments - net	8,861,082				55,312,914	388,374	2,883,297	(85,284)	67,360,383
Investments in subsidiaries	31,960,323				-	-	5,398	(31,965,721)	-
Loans to customers and accrued interest receivables - net	-				158,342,151	-	812,149	(3,414,511)	155,739,789
Other assets	46,740				1,596,484	74,891	352,829	(69,140)	2,001,804
Total assets	40,870,226				238,657,978	484,545	4,108,756	(38,188,315)	245,933,190
Deposits	-				168,171,003	-	-	(6,975)	168,164,028
Interbank and money market items	3,388,000				9,277,424	27,021	2,600,000	(6,060,954)	9,231,491
Debts issued and borrowings - net	2,995,942				23,290,463	-	-	(83,430)	26,202,975
Other liabilities	192,668				2,314,849	24,585	239,522	(146,007)	2,625,617
Total liabilities	6,576,610				203,053,739	51,606	2,839,522	(6,297,366)	206,224,111

(Unit: Thousand Baht)

	As at 31 December 2017								
		Banking business							
		Lending							
	Investment holding business	Housing and retail	Commercial loans	Other segments	Total segments	Fund management business	Other 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

The Group operates 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 2018 and 2017, the Group had no major customer with revenue of 10 percent or more of total revenues, except a part of dividend income in the separate financial statements, which received from subsidiaries.

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 Group's 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 of the Group 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, investments and commitments and transaction which similar loans. 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 Credit Risk Management and Capital 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 Group. The Group's 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 the Group's 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 Group is 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 2018 and 2017, financial assets and liabilities, classified by types of interest rate, were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2018			
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
Financial assets				
Cash	-	-	1,839,707	1,839,707
Interbank and money market items	294,552	17,342,000	1,505,413	19,141,965
Derivative assets	-	-	111,046	111,046
Investments	1,038,394	43,416,745	22,905,269	67,360,408
Loans to customers [(1)]	88,833,199	66,992,029	3,522,546	159,347,774
Financial liabilities				
Deposits	78,785,462	89,192,050	186,516	168,164,028
Interbank and money market items	3,935,078	5,020,693	275,720	9,231,491
Liabilities payable on demand	-	-	172,822	172,822
Debts issued and borrowings	-	26,213,900	12,324	26,226,224
Securities business payables	-	-	81,266	81,266

[(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)

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)

Descriptions	Separate financial statements			
	31 December 2018			
	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
Financial assets				
Cash	-	-	6	6
Interbank and money market items	2,075	-	-	2,075
Investments	-	85,284	8,775,798	8,861,082
Financial liabilities				
Interbank and money market items	-	3,388,000	-	3,388,000
Debts issued and borrowings	-	3,000,000	-	3,000,000
Accounts payable on securities trading	-	-	141,672	141,672

(Unit: Thousand Baht)

Descriptions	Separate financial statements 31 December 2017 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

The remaining periods counting from 31 December 2018 and 2017 to the repricing dates or maturity dates (whichever are sooner) of financial instruments carrying interest at fixed rates were as follows:

(Unit: Thousand Baht)

Descriptions	Consolidated financial statements 31 December 2018 Remaining periods to repricing dates or maturity dates At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
Financial assets							
Interbank and money market items	12,067,000	5,275,000	-	-	-	17,342,000	1.75 - 5.25
Investments	-	639,799	2,910,183	28,866,227	11,000,536	43,416,745	1.83 - 5.35
Loans to customers	7,250,050	24,851,044	9,355,235	25,282,070	253,630	66,992,029	1.90 - 6.50
Financial liabilities							
Deposits	4,563,927	34,199,925	42,196,577	8,231,621	-	89,192,050	0.60 - 2.45
Interbank and money market items	25,000	3,455,283	580,555	914,917	44,938	5,020,693	0.1[(1)], 0.50 - 1.75
Debts issued and borrowings	-	12,450,000	5,848,000	4,000,000	3,915,900	26,213,900	1.50 - 5.125

(1) The interest rate of 0.1% is charged on the balance of Baht 3,044 million obtained for financial assistance to SMEs' debtors that lack of liquidity.

(Unit: Thousand Baht)

Descriptions	Consolidated financial statements 31 December 2017 Remaining periods to repricing dates or maturity dates At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
Financial assets							
Interbank and money market items	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)

Descriptions	Separate financial statements 31 December 2018 Remaining periods to repricing dates or maturity dates At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
Financial assets							
Investments	-	-	-	-	85,284	85,284	5.125
Financial liabilities							
Interbank and money market items	3,388,000	-	-	-	-	3,388,000	2.50 - 2.75
Debts issued and borrowings	-	-	-	3,000,000	-	3,000,000	2.79 - 3.11

(Unit: Thousand Baht)

Descriptions	Separate financial statements 31 December 2017 Remaining periods to repricing dates or maturity dates At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
Financial assets							
Investments	-	-	-	-	85,316	85,316	5.125
Financial liabilities							
Interbank and money market items	1,398,000	-	-	-	-	1,398,000	2.20

In addition, the average balances of the financial assets and liabilities of the subsidiary, which operates banking business, generating revenues/incurring expenses, calculated based on the average balances outstanding during the years, and the average interest rate for the years ended 31 December 2018 and 2017 were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements					
	For the years ended 31 December					
	2018			2017		
	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	19,828,989	659,647	3.33	17,108,450	583,593	3.41
Investments in debt securities	44,849,474	1,547,171	3.45	46,711,562	1,626,905	3.48
Loans to customers	151,658,038	6,367,849	4.20	143,155,160	6,443,192	4.50
Performing financial liabilities						
Deposits	149,007,058	2,830,630	1.90	145,236,925	2,837,639	1.95
Interbank and money market items	12,817,247	143,515	1.12	13,418,863	112,062	0.84
Debts issued and borrowings	28,069,186	696,918	2.48	28,111,019	723,770	2.57

(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 2018 and 2017, foreign currency positions of the subsidiary, which operates banking business, were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2018				
	USD	EUR	JPY	HKD	Others
Foreign currency in the statements of financial position					
Cash	1,219	879	309	402	452
Interbank and money market items	6	-	-	-	-
Investments	1,038,394	-	-	-	-
Total assets	1,039,619	879	309	402	452

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2017				
	USD	EUR	JPY	HKD	Others
Foreign currency in the statements of financial position					
Cash	478	156	155	51	142
Investments	1,045,789	-	-	-	-
Total assets	1,046,267	156	155	51	142

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 2018				
	USD	EUR	JPY	HKD	Others
Cross currency and interest rate swap contracts					
- Sold	1,038,394	-	-	-	-

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2017				
	USD	EUR	JPY	HKD	Others
Cross currency and interest rate swap contracts					
- Sold	1,045,789	-	-	-	-

(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 Group will be unable to liquidate their financial assets and/or procure sufficient funds to discharge their obligations in a timely manner, resulting in the Group incurring a financial loss.

The Group manages its 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 Market and Liquidity Risk Management Division, Operational and Market Risk Management Department are 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 2018 and 2017 were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2018					
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
Financial assets						
Cash	1,839,707	-	-	-	-	1,839,707
Interbank and money market items	13,686,965	5,275,000	180,000	-	-	19,141,965
Derivative assets	-	-	-	111,046	-	111,046
Investments	-	639,799	2,910,183	40,905,157	22,905,269	67,360,408
Loans to customers [(1)]	15,824,321	35,695,272	16,721,733	90,297,724	808,724	159,347,774
Financial liabilities						
Deposits	80,984,289	34,738,055	43,183,652	9,258,032	-	168,164,028
Interbank and money market items	4,235,797	3,455,283	580,556	959,855	-	9,231,491
Liabilities payable on demand	172,822	-	-	-	-	172,822
Debts issued and borrowings	-	12,450,000	5,848,000	7,928,224	-	26,226,224
Securities business payables	-	81,266	-	-	-	81,266

(1) Loans to customers maturing at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)

Descriptions	Consolidated financial statements 31 December 2017 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)

Descriptions	Separate financial statements 31 December 2018 At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
Financial assets						
Cash	6	-	-	-	-	6
Interbank and money market items	2,075	-	-	-	-	2,075
Investments	-	-	-	85,284	8,775,798	8,861,082
Financial liabilities						
Interbank and money market items	3,388,000	-	-	-	-	3,388,000
Debts issued and borrowings	-	-	-	3,000,000	-	3,000,000
Accounts payable on securities trading	-	141,672	-	-	-	141,672

(Unit: Thousand Baht)

Descriptions	Separate financial statements 31 December 2017 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

The subsidiary which operates banking business will disclose Liquidity Coverage Ratio as of 31 December 2018 through the subsidiary's website at www.lhbank.co.th within April 2019.

Moreover, as at 31 December 2018 and 2017, the subsidiary, which operates banking business, had the following commitments from avals to 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 2018			31 December 2017		
	No more than 1 year	Over 1 year	Total	No more than 1 year	Over 1 year	Total
Avals to bills	134,498	1,018	135,516	149,598	-	149,598
Guarantee - other	4,753,473 [(1)]	654,744	5,408,217	2,861,132 [(1)]	781,094	3,642,226
Letters of credit	-	-	-	10,823	-	10,823
Undrawn bank overdrafts	4,520,429	-	4,520,429	4,773,906	-	4,773,906
Other commitments	-	31,976,876	31,976,876	-	26,066,197	26,066,197

(1) As at 31 December 2018 and 2017, these amount included contracts with no maturity date amounting to Baht 2,026 million and Baht 1,073 million, respectively.

44. Fair value of financial instruments

44.1 Financial assets and liabilities measured at fair value

As at 31 December 2018 and 2017, the Group had assets that were measured at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2018				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Trading investments					
Domestic marketable equity securities	25,328	25,328	-	-	25,328
Total trading investments	25,328	25,328	-	-	25,328
Available-for-sale investments					
Government and state enterprise securities	180,517	-	180,517	-	180,517
Private sector debt securities	1,033,761	-	1,033,761	-	1,033,761
Domestic marketable equity securities	22,736,772	22,736,772	-	-	22,736,772
Investment units	129,343	-	129,343	-	129,343
Total available-for-sale investments	24,080,393	22,736,772	1,343,621	-	24,080,393

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2017				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
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)

	Separate financial statements				
	31 December 2018				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Available-for-sale investments					
Private sector debt securities	85,284	-	85,284	-	85,284
Domestic marketable equity securities	8,766,194	8,766,194	-	-	8,766,194
Investment units	9,604	-	9,604	-	9,604
Total available-for-sale investments	8,861,082	8,766,194	94,888	-	8,861,082

(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2017				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
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

During the current year, there was no transfer within the fair value hierarchy.

44.2 Financial assets and liabilities for which fair values are disclosed

As at 31 December 2018 and 2017, the Group 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 2018				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash	1,839,707	1,839,707	-	-	1,839,707
Interbank and money market items - net	18,991,507	1,536,727	-	17,469,395	19,006,122
Derivative assets	111,046	-	119,569	-	119,569
Investments - net	43,254,662	-	43,929,825	13,801	43,943,626
Loans to customers - net	155,739,789	-	812,149	155,047,912	155,860,061
Liabilities					
Deposits	168,164,028	78,971,978	89,570,274	-	168,542,252
Interbank and money market items	9,231,491	4,210,798	5,023,731	-	9,234,529
Liabilities payable on demand	172,822	172,822	-	-	172,822
Debts issued and borrowings	26,226,224	12,324	26,322,202	-	26,334,526
Securities business payables	81,266	-	81,266	-	81,266

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2017				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash	1,994,683	1,994,683	-	-	1,994,683
Interbank and money market items - net	19,084,561	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	150,523,913	-	1,066,460	149,792,346	150,858,806
Liabilities					
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)

	Separate financial statements				
	31 December 2018				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash	6	6	-	-	6
Interbank and money market items - net	2,075	2,075	-	-	2,075
Liabilities					
Interbank and money market items	3,388,000	-	3,388,234	-	3,388,234
Debts issued and borrowings	3,000,000	-	3,001,393	-	3,001,393
Accounts payable on securities trading	141,672	-	141,672	-	141,672

(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2017				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash	3	3	-	-	3
Interbank and money market items - net	6,100	6,100	-	-	6,100
Liabilities					
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

The Group estimates the level 2 and level 3 fair values for financial instruments as follow:

(a) The fair values of investments in debt securities are determined based on the yield rates quoted by the Thai Bond Market Association.

(b) The fair values of investment units, which are not listed securities, are determined using the net asset value per unit announced by fund managers.

(c) The fair values of non-marketable equity securities are determined based on generally accepted pricing models.

(d) 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 offers 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.

(e) 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 instruments having similar characteristics.

(f) The fair values of derivative assets are determined using fair values obtained from its counterparty banks.

(g) The fair values of debts issued and borrowings that are both subordinated or 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 with similar conditions.

45. Events after the reporting period

45.1 Issuance and offering of debt securities of the Company

On 25 February 2019, the Board of Directors' Meeting No.2/2562 of the Company passed a resolution approving issuance and offering of debentures with a term of not over 10 years and a limit of not exceeding Baht 10,000 million. The amounts of issuance and offering of debentures each time together with those of the existing unredeemed debentures at any time shall not exceed Baht 10,000 million. At present, the Company already issued debentures of Baht 3,000 million and the Company can therefore issue and offer debentures with a limit of not exceeding Baht 7,000 million.

Issuance and offering of debentures must be approved by the 2019 Annual General Meeting of shareholders, to be held on 22 April 2019, and the Securities and Exchange Commission.

45.2 Dividend payments of the Company

On 25 February 2019, the Board of Directors' Meeting No.2/2562 of the Company passed a resolution to propose to the Annual General Meeting of the Company's shareholders for approval of the 2018 dividend payments in cash of Baht 0.08 per share, or a total of not exceeding Baht 1,694.69 million from its operating results for the year ended 31 December 2018. The Company already paid an interim cash dividend, which was approved by the Board of Directors' Meeting No.11/2561, of Baht 0.035 per share from its operating results for the nine-month period ended 30 September 2018, or a total of Baht 741.43 million, to its shareholders, on 11 December 2018. The Company will therefore pay the remaining cash dividend of Baht 0.045 per share, or not exceeding Baht 953.26 million.

45.3 Dividend payments of the subsidiary

On 25 February 2019, the Board of Directors' Meeting No.3/2562 of the subsidiary passed a resolution to propose to the Annual General Meeting of the subsidiary's shareholders for approval of the 2018 dividend payments in cash of Baht 1.17 per share, or a total of Baht 2,340 million from its operating results for the year ended 31 December 2018.

However, during the years, the subsidiary already paid interim dividends as follows;

1. On 20 August 2018, the Board of Directors' Meeting No.8/2561 of the subsidiary passed a resolution approving an interim dividend payment from its operating results for the six-month period ended 30 June 2018, at Baht 0.60 per share or a total of Baht 1,200 million. The subsidiary paid dividends on 19 September 2018.

2. On 12 November 2018, the Board of Directors' Meeting No.11/2561 of the subsidiary passed a resolution approving an interim dividend payment from its operating results for the nine-month period ended 30 September 2018, at Baht 0.32 per share or a total of Baht 640 million. The subsidiary paid dividends on 4 December 2018.

Hence, the subsidiary will pay the remaining cash dividend of Baht 0.25 per share or a total of Baht 500 million.

46. Approval of financial statements

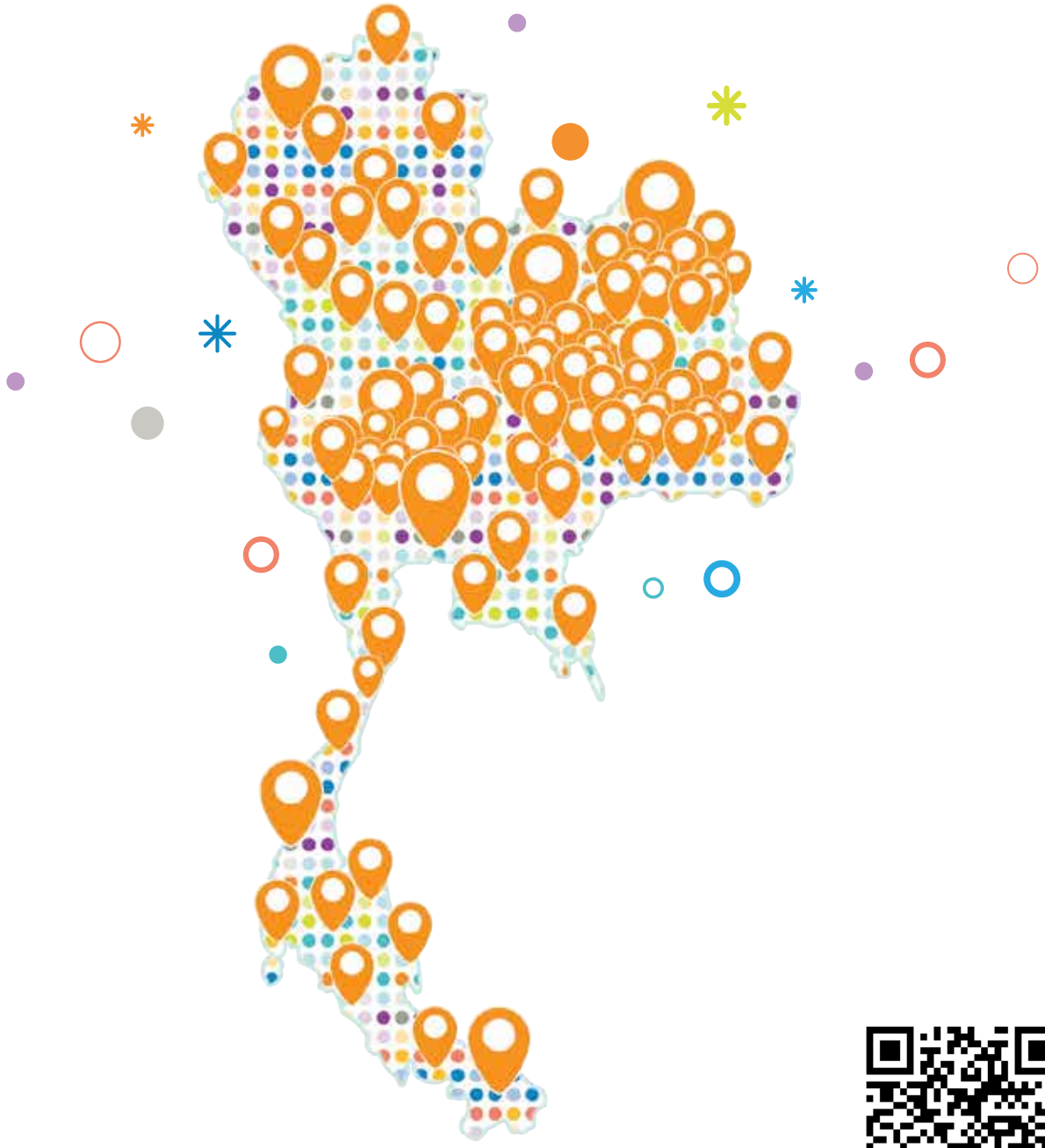
These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2019.

REFERENCE INFORMATION

Share registrar	**Thailand Securities Depository Co., Ltd.**
Address	93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand
Tel	0 2009 9000
Fax	0 2009 9991
SET Contact Center	0 2009 9999
Website	www.set.or.th/tsd
Auditor	**EY Office Limited**
Auditors	Miss Ratana Jala Certified Public Accountant (Thailand), registration No. 3734 and/or Miss Somjai Khunapasut Certified Public Accountant (Thailand), registration No. 4499 and/or Miss Rachada Yongsawadvanich Certified Public Accountant (Thailand), registration No. 4951
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Tel	0 2264 0777
Fax	0 2264 0789-90
Website	www.ey.com/th
Financial Advisor	**Asia Plus Advisory Company Limited**
Address	175 Sathorn City Tower, 11th Floor, South Sathorn Road Thungmahamek, Sathorn, Bangkok 10120
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BRANCH INFORMATION

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www.lhbank.co.th

LH Bank

1327

0 2359 0000

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