



**Annual Report 2019**  
รายงานประจำปี 2562

**บริษัท แอล เอช ไฟแนนเชียล กรุ๊ป จำกัด (มหาชน)**  
LH Financial Group Public Company Limited



S U S T A I N A B L E  
G R O W T H   T O G E T H E R

**LH** BANK

**LH** Fund

**LH** Securities

**LH** Advisory





# SUSTAINABLE GROWTH TOGETHER



## Contents

Message from the Chairman	2	Management Discussion and Analysis	65
Company Profile	5	Risk Oversight Committee's Report	91
General Information	6	The Corporate Governance Committee's Report	92
Financial Highlights	8	Message from the Chief Executive Officer	
Board of Directors	10	and the President	93
Nature of Business Operation	21	Business Sustainability Report	94
Securities and Shareholders' Information	36	• Good Corporate Governance	105
Organization Chart and Management Structure	39	• Fair Business Operation	136
Risk Factor	53	• Anti-Corruption	137





## SUSTAINABLE GROWTH TOGETHER

• Respect for Human Rights	138
• Fair Treatment of Labor	139
• Responsibilities Towards Consumers	145
• Cooperation in the Development of Community and Society	148
• Environmental Management	155
• Innovation and Dissemination of Innovative Corporate Social Responsibilities	161
<b>Internal Control and Risk Management</b>	<b>163</b>
<b>Related Party Transactions</b>	<b>166</b>

<b>Audit Committee's Report</b>	<b>168</b>
<b>Nomination and Remuneration Committee's Report</b>	<b>169</b>
<b>Board of Directors' Responsibility for Financial Statements</b>	<b>170</b>
<b>Independent Auditor's Report</b>	<b>171</b>
<b>Financial Statements and Notes to Financial Statements</b>	<b>175</b>
<b>Reference Information</b>	<b>271</b>
<b>Branch Information</b>	<b>back inside cover</b>





In the year 2019, Thai economy grew at a slower pace than projection which was 2.4% due to global economic stagnation caused by US-China trade war and Thai baht appreciation which negatively affected the export competitiveness and limited the investments of both public and private sectors while household spending decelerated and tourism sector, the key driver for Thai economy, picked up fairly well till the end of the year and started slowing down due to the baht appreciation.

In 2020, it is expected that Thai economy is likely to expand lower than the potential level with key risk factors that need close monitoring and assessment, such as the outbreak of COVID-19 (Coronavirus), delayed Budget Bill for fiscal year 2020, drought, trade protectionism, etc.

Land and Houses financial business group, has been improving in many areas; whether technology development for the purpose to facilitate customers, speed up the process, save time, and develop products and services that respond to their needs and match with their lifestyle such as stock trading, fund trading and opening an account through LH Bank M Choice application, providing trade finance services and providing deposit, withdrawal, and payment services via banking agents at all 11,000 shops of 7- Eleven nationwide. It also allows customers more convenience to conduct their transactions 24 hours a day. The 2019 financial performance is as follows:

In 2019, the company had the total assets of Baht 240,731 million or declined by 2.1% from the previous year with the total net profit of Baht 3,214.6 million or grew by 3.4% from the previous year.

Land and Houses Bank Public Company Limited had the total assets of Baht 230,548 million or dropped by 3.4 % from the previous year. The total loans to customers were Baht 178,898 million or declined by 1.8% from the previous year. In addition, the bank's loans were considered good quality while non-performing loans (NPL) were 1.55% of the total loans. The bank had revamped and added new products and services to satisfy customers and make them feel more comfortable and convenient. In addition, the bank also focused on the development of bank's branches to become more professional financial advisor, and enhancement of service technologies of electronic banking (Digital Banking) in order to allow its customers to manage their daily financial transactions quickly and conveniently at anytime, anywhere. In addition, the bank launched the E-Wallet Payment via QR Code and Trade Finance service, backed by the expertise and strengths of CTBC Bank, a partner from Taiwan whose operations cover 111 outlets in 14 countries worldwide in order to facilitate users and to support the continued expansion of import and export business of Thailand.

Land and Houses Fund Management Company Limited had the funds under management with the total assets valued at Baht 75,378.7 million, and had the market share at 1.2%. The company set a plan to issue new funds progressively both national investment funds and foreign investment funds as alternatives to diversify its investments and to increase the opportunity to gain a better return on investments. Besides, the company had determined the goal to increase the fund under management and market share by implementing asset allocation strategy which diversified investments in various assets as to gain better yields for investors.

Land and Houses Securities Public Company Limited had continuously deployed new technologies to facilitate good services. Furthermore, the company also managed human resource development for more effective operation, provided investment consultation, created new products and sales promotion activities, and enhanced investment channels via LH Bank branches in order to expand the customer base and allow investors to easily open a trading account through LH Bank branches nationwide.

In the year 2019, the Thai Institute of Directors (IOD) evaluated the good corporate governance and rated the company among 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 on the ESG100 list for 5 consecutive years. The company was also awarded the “Organization of the Year 2019 in Financial Business Industry Category” from the Best Practice Award Program by the For Thai Social Foundation. The award was to praise and support the organizations with successful operations and drove their organization to sustainable success. LH Financial Group Public Company Limited, Land and Houses Fund Management Company Limited and Land and Houses Securities Public Company Limited received “Social Outcome Investor” acknowledgements as the organizations that initiated the concept of investments for social returns by investing in specific funds which focus on improving environment, society, and good governance. Thus, the returns on investments will be spent on social activities.

The Board of Directors recognizes the importance of good corporate governance by conducting business with transparency, fairness, accountability and protecting the best interests of all stakeholders, and society as a whole. In addition, the management with integrity leads to increased competitiveness and is the solid foundation of sustainable growth. Furthermore, the Board of Directors also encourages the companies in the LH Financial Group Public Company Limited financial business group to adhere to the compliance guidelines on market conduct.

Finally, the company would like to thank our valued customers, shareholders and all stakeholders, employees, public and private financial institutions and government agencies for their trust and continued support that they have placed in the LH Financial Group Public Company Limited financial business group.



**(Mr. Rutt Phanijphand)**

Chairman





**LH Financial Group Public Company Limited is a non-operating holding company established under the Bank of Thailand's notification requiring that all 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 their management control.

On 19 June 2009, the company submitted the application for permission to establish the financial business group to the Bank of Thailand. 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. The holding company is acting as the parent company of the financial business group and the bank is the subsidiary under the solo consolidation basis, and Land and Houses Fund Management Company Limited is the subsidiary of the non-solo consolidation basis. Moreover, the company has to operate its business under the supervision of the Bank of Thailand governed by the Financial Institution Business Act B.E. 2551.

On 10 June 2009, the company restructured its shareholding structure according to the financial business group's establishment plan 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 restructuring 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 exchanging with the existing ordinary shares of Land and Houses Bank Public Company Limited at the ratio of 1:1. Later, on 9 December 2009, the company registered the capital increase to exchange with the ordinary shares of the bank as paid-up shares with the Ministry of Commerce. After restructuring, the existing shareholders of Land and Houses Bank Public Company becomes the shareholders of the company and the company holds 99.99% of the paid-up share capital in Land and Houses Bank Public Company Limited.

The Stock Exchange of Thailand 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 changed the securities symbol to LHFG.

On 22 January 2014, the company purchased a 99.80% of the paid-up share capital of CIMB Securities International (Thailand) Public Company Limited and also purchased a 99.99% of the paid-up share capital of CIMB Advisory (Thailand) Company Limited via CIMB Securities International (Thailand) Public Company Limited. Furthermore, On 15 January 2014, the Bank of Thailand allowed both of the mentioned companies to be included in the financial business group. The objective of the acquisition of stocks of the two entities was to expand the financial business of LH Financial Group Public Company Limited into the areas of stock trading and financial advisory. Afterwards, the two companies have been 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 2,999,995 ordinary shares or 99.99% of the paid-up shares capital of Land and Houses Fund Management Company Limited from Land and Houses Bank Public Company Limited.

On 29 March 2016, the company entered into the share subscription agreement with CTBC Bank Company Limited (CTBC Bank) to be a strategic partner. The company has issued 7,544,961,342 new ordinary shares or 35.617% of paid-up share 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 transaction process was complete. As a result, CTBC Bank holds 35.617% of the paid-up shares capital which is equal to the combined portion of the shares held by Land and Houses Public Company Limited and Quality Houses Public Company Limited which are 21.879% and 13.738% respectively.



## General Information

<b>Company</b>	<b>LH Financial Group Public Company Limited</b>
<b>Symbol</b>	LHFG
<b>Registration Number</b>	0107552000081
<b>Type of Business</b>	Holding Company Investment in 3 subsidiaries 1. Land and Houses Bank Public Company Limited 2. Land and Houses Fund Management Company Limited 3. Land and Houses Securities Public Company Limited
<b>Website</b>	www.lhfg.co.th
<b>Established</b>	2009
<b>First Trading Day in SET</b>	10 May 2011
<b>Head Office</b>	1 Q. House Lumpini Building, 5 <sup>th</sup> Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
<b>Registered Share Capital</b>	Baht 21,183,660,594 equal to 21,183,660,594 ordinary shares
<b>Paid-up Share Capital</b>	Baht 21,183,660,594 equal to 21,183,660,594 ordinary shares
<b>Par Value</b>	Baht 1
<b>Preferred Shares</b>	None
<b>Accounting Period</b>	1 January - 31 December
<b>Contact</b>	<b>Head Office</b> Telephone : 0 2359 0000 Fax : 0 2677 7223 <b>Company Secretary</b> Telephone : 0 2359 0000 Ext. 2020, 2019, 2021, 2024 Email : presidentoffice@lhbank.co.th

Investors can study more information of the company from the Annual Registration Statement (Form 56-1) disclosed on the websites: [www.sec.or.th](http://www.sec.or.th) and [www.lhfg.co.th](http://www.lhfg.co.th)

<b>Audit Committee</b>	<ul style="list-style-type: none"><li>● Mr. Adul Vinaiphat Chairman of the Audit Committee Telephone : 08 1834 0104 Email : adulv@lhbank.co.th</li><li>● Mr. Pradit Sawattananond Member of the Audit Committee Telephone : 08 1868 1487 Email : pradits@lhbank.co.th</li><li>● Dr. Supriya Kuandachakupt Member of the Audit Committee Telephone : 08 5901 5888 Email : supriyak@lhbank.co.th</li><li>● Mr. Somsak Assavapokee Member of the Audit Committee Telephone : 08 5485 4269 Email : somsaka@lhbank.co.th</li></ul>
<b>Auditors</b>	<ul style="list-style-type: none"><li>● Ms. Ratana Jala Certified Public Accountant (Thailand), No.3734 and/or</li><li>● Ms. Somjai Khunapasut Certified Public Accountant (Thailand), No. 4499 and/or</li><li>● Ms. Rachada Yongsawadvanich Certified Public Accountant (Thailand), No. 4951</li><li>● EY Office Limited 193/136-137, 33<sup>rd</sup> Floor, Lake Rajada Office Complex, Rajadapisek Road, Klongtoey, Bangkok 10110 Telephone : 0 2264 0777 Fax : 0 2264 0789-90 Website : www.ey.com/th</li></ul>



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

<b>Head Office</b>  <b>Registration Number</b> <b>Registered Share Capital</b> <b>Paid-up Share Capital</b> <b>Telephone</b> <b>Fax</b> <b>Website</b> <b>Auditors</b>	<b>Land and Houses Bank Public Company Limited</b> 1 Q. House Lumpini Building, G, 1 <sup>st</sup> , 5 <sup>th</sup> , 6 <sup>th</sup> , 32 <sup>nd</sup> Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120 0107548000234 Baht 20,000,000,000 Baht 20,000,000,000 0 2359 0000 or 1327 0 2677 7223 www.lhbank.co.th EY Office Limited 193/136-137, 33 <sup>rd</sup> Floor, Lake Rajada Office Complex, Rajadapisek Road, Klongtoey, Bangkok 10110 Telephone : 0 2264 0777 Fax : 0 2264 0789-90 Website : www.ey.com/th
<b>Head Office</b>  <b>Registration Number</b> <b>Registered Share Capital</b> <b>Paid-up Share Capital</b> <b>Telephone</b> <b>Fax</b> <b>Website</b> <b>Auditors</b>	<b>Land and Houses Securities Public Company Limited</b> 11 Q. House Sathon Building, M, 10 <sup>th</sup> Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120 0107542000038 Baht 637,215,030 Baht 637,215,030 0 2352 5100 0 2286 2681-2 www.lhsec.co.th EY Office Limited 193/136-137, 33 <sup>rd</sup> Floor, Lake Rajada Office Complex, Rajadapisek Road, Klongtoey, Bangkok 10110 Telephone : 0 2264 0777 Fax : 0 2264 0789-90 Website : www.ey.com/th
<b>Head Office</b>  <b>Registration Number</b> <b>Registered Share Capital</b> <b>Paid-up Share Capital</b> <b>Telephone</b> <b>Fax</b> <b>Website</b> <b>Auditors</b>	<b>Land and Houses Fund Management Company Limited</b> 11 Q. House Sathon Building, 14 <sup>th</sup> Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120 0105551006645 Baht 300,000,000 Baht 300,000,000 0 2286 3484, 0 2679 2155 0 2286 3585, 0 2679 2150 www.lhfund.co.th EY Office Limited 193/136-137, 33 <sup>rd</sup> Floor, Lake Rajada Office Complex, Rajadapisek Road, Klongtoey, Bangkok 10110 Telephone : 0 2264 0777 Fax : 0 2264 0789-90 Website : www.ey.com/th
<b>Head Office</b>  <b>Registration Number</b> <b>Registered Share Capital</b> <b>Paid-up Share Capital</b> <b>Telephone</b> <b>Fax</b> <b>Auditors</b>	<b>Land and Houses Advisory Company Limited</b> 11 Q. House Sathon Building, 10 <sup>th</sup> Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120 0105545029400 Baht 20,000,000 Baht 20,000,000 0 2352 5100 0 2286 2681-2 EY Office Limited 193/136-137, 33 <sup>rd</sup> Floor, Lake Rajada Office Complex, Rajadapisek Road, Klongtoey, Bangkok 10110 Telephone : 0 2264 0777 Fax : 0 2264 0789-90 Website : www.ey.com/th

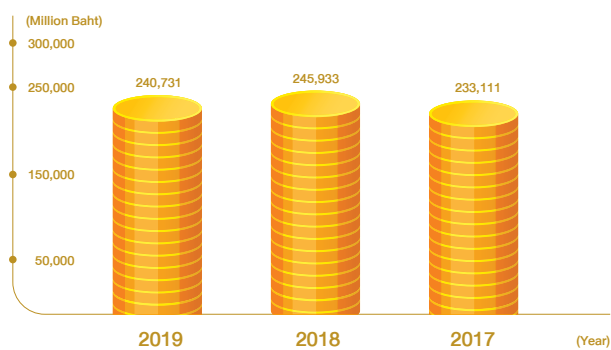


## Financial Highlights

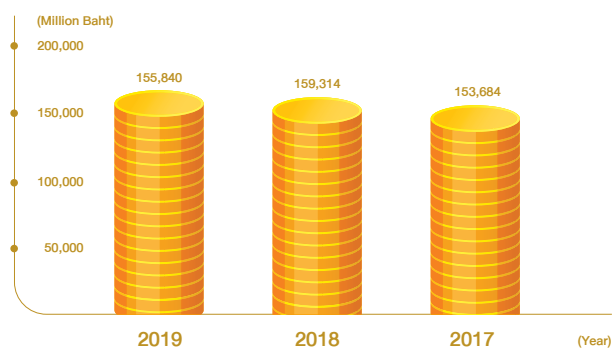
Items	Consolidated Financial Statements		
	2019	2018	2017
<b>Statements of financial position : Million Baht</b>			
Total assets	240,731	245,933	233,111
Loans to customers	155,840	159,314	153,684
Allowance for doubtful debts	4,017	3,801	3,422
Non-performing loans (Gross NPLs)	2,775	3,520	3,264
Deposits	164,985	168,164	143,731
Debts issued and borrowings	21,806	26,203	32,896
Total liabilities	199,568	206,224	194,556
Total owners' equity	41,163	39,709	38,555
Registered share capital	21,184	21,184	21,184
Issued and Paid-up share capital	21,184	21,184	21,184
<b>Statements of comprehensive income : Million Baht</b>			
Interest income	8,643	8,500	8,646
Interest expenses	(4,157)	(3,695)	(3,667)
Net interest income	4,486	4,805	4,979
Non-interest income	3,418	2,255	1,514
Total operating income	7,904	7,060	6,493
Non-interest expenses	(3,005)	(2,768)	(2,721)
Bad debts and doubtful accounts	(1,093)	(570)	(617)
Profits before income tax expenses	3,806	3,722	3,155
Net profits	3,215	3,108	2,603
<b>Comparing per share : Baht</b>			
Basic earnings per share	0.152	0.147	0.154
Dividend rate per share	0.0800	0.0800	0.0580
Book value per share	1.9431	1.8745	1.8200
<b>Financial ratio (%)</b>			
Return on average assets (ROA)	1.32	1.30	1.17
Return on average owners' equity (ROE)	7.95	7.94	8.84
Non-interest income to total income	43.24	31.94	23.32
Non-interest expenses to total income	38.02	39.21	41.90
Dividend payout ratio	69.58	78.18	60.73



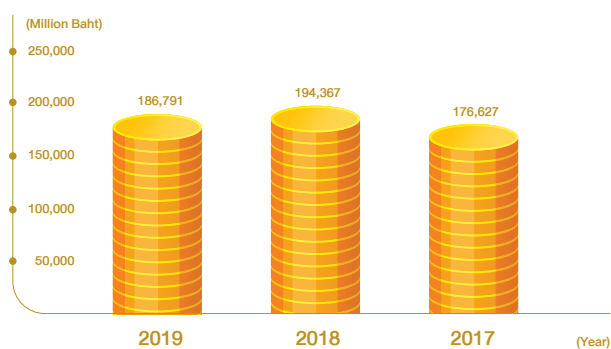
### Total Assets



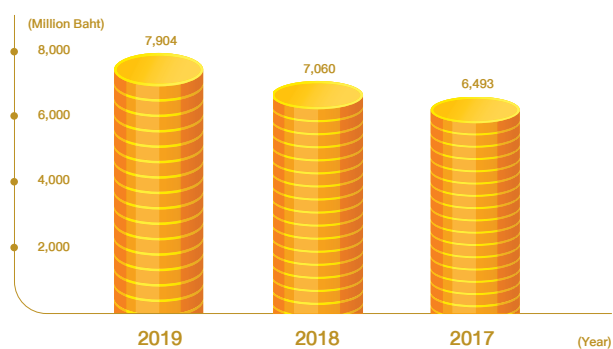
### Loans to Customers



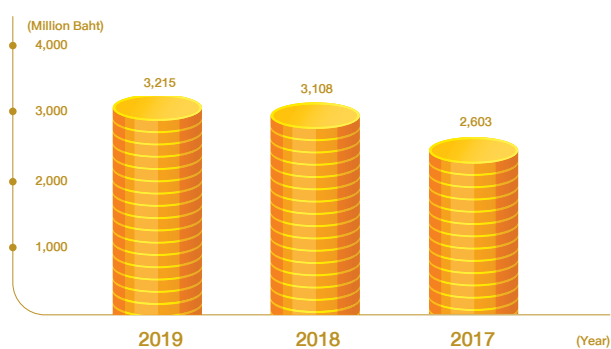
### Deposits & Debts Issued and Borrowings



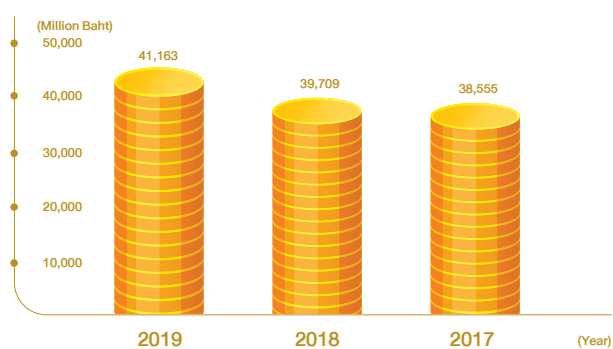
### Operating Income



### Net Profit



### Owners' Equity





## Board of Directors



**Name** Mr. Rutt Phanijphand

**Position** Chairman

**Age: (Years)** 72

**Education:**

- Master of Science in Business Administration, Fort Hays Kansas State University, USA
- Bachelor of Science, Kasetsart University
- Diploma, 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 2 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	
May 2019 - Present	Advisor	Banpu PLC
Apr. 2016 - Apr. 2019	Vice Chairman	
Apr. 2014 - Apr. 2019	Member of the Audit Committee	
May 2005 - Apr. 2019	Chairman of the Compensation Committee	
Apr. 2005 - Apr. 2019	Independent Director	
Jun. 2007 - Present	Executive Director	Home Product Center PLC
Mar. 2007 - Present	Chairman of the Compensation Committee	
Dec. 2001 - Present	Director	
Aug. 2001 - Dec. 2014	Chief Executive Officer and President	Quality Houses PLC
Oct. 2006 - Apr. 2009	Independent Director and Member of the Audit Committee	IRPC PLC
Feb. 2005 - Dec. 2005	Director	Dhipaya Insurance PLC
May 2004 - Dec. 2005	Executive Director	Krung Thai Bank PLC
Apr. 2003 - Apr. 2004	Member of the Audit Committee	

#### Current Position in 3 Non-Listed Companies 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)** 73  
**Education:**

- Master of Arts in Economics, University of Texas at Austin, USA
- Bachelor of Economics, Thammasat University
- Diploma, National Defense College of Thailand, 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
Oct. 2019 - Present Apr. 2018 - Present May 2015 - Apr. 2017 Jul. 2008 - Dec. 2015 Dec. 2010 - Apr. 2015 Jul. 2008 - Apr. 2015 Aug. 2001 - Apr. 2015	Chairman of the Nomination and Remuneration Committee Independent Director and Member of the Audit Committee Consultant Chairman of the Nomination and Remuneration Committee Member of the Nomination and Remuneration Committee Chairman of the Audit Committee Independent director	Quality Houses PLC
Aug. 2017 - Present Feb. 2013 - Present Apr. 2009 - Present Jul. 2018 - Sep. 2018 Apr. 2009 - Jul. 2018 Apr. 2009 - Aug. 2017	Chairman of the Audit Committee Chairman of the Corporate Governance Committee Independent Director Member of the Nomination and Remuneration Committee Chairman of the Nomination and Remuneration Committee Member of the Audit Committee	LH Financial Group PLC
May 2010 - Present Jan. 2012 - Apr. 2016	Director Chairman of the Executive Committee	The Thai Packaging and Printing PLC
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 2002 - 2008	Director Vice President	The Thai Tapioca Development Institute Foundation (TTDI)
Feb. 2013 - Feb. 2018 Dec. 2005 - Feb. 2018 Dec. 2005 - Feb. 2018	Member of the Corporate Governance Committee Independent Director and Member of the Audit Committee Chairman of the Nomination and Remuneration Committee	Land and Houses Bank PLC
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)** 71

**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 (RCC) 6/2008 : IOD
- Advanced 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 4 Listed Companies on the Stock Exchange of Thailand**

Period	Position	Organization/Company
Apr. 2018 - Present	Independent Director Member of the Audit Committee Member of the 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	Nusasiri PLC
2000 - Present	Independent Director Member of the Audit Committee	KGI Securities (Thailand) PLC
2004 - Dec. 2019	Independent Director Member of the Audit Committee	Thai Film Industries PLC

**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	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 Economic Development Committee	The House of Representatives
2001 - 2006	Academic to the Committee on Monetary Affairs, 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 Governance  
 Member of the Corporate Committee  
 Member of the Nomination and Remuneration Committee  
 Member of the Risk Oversight Committee

**Age: (Years)** 66

**Education:**

- Doctor of Philosophy in Economics, University of Hawaii, USA
- Master of Arts in Economics (English Program), Thammasat University
- Bachelor of Economics, University of Tasmania, Australia
- Diploma of Tertiary Education, University of New England, Australia
- Certificate of Population Studies, University of Hawaii, USA
- 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 Program (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) 7/2015 : IOD
- Advanced 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	Asia Sermkij Leasing PLC
	Member of the Audit Committee	

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

Aug. 2017 - Present	Independent Director	Land and Houses Bank PLC
	Member of the Audit Committee	
	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	
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	
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 Committee	The Government Lottery Office
2004 - 2006	Advisor to the 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 Audit Committee  
Member of the Corporate Governance Committee  
Member of the Risk Oversight Committee

**Age: (Years)** 67

**Education:**

- Master of Business Administration (MBA), 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 Chairman of the Nomination and Remuneration Committee Member of the Audit Committee Member of the Corporate Governance Committee Member of the Risk Oversight Committee	LH Financial Group PLC
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 Acting President	
Oct. 1998 - Apr. 2000	Senior Executive Vice President	
Nov. 1994 - Oct. 1998	Executive Vice President	



**Name** Mr. Li, Ming-Shieh

**Position** Director

**Age: (Years)** 63

**Education:**

- Bachelor of Arts in Economics, National Taiwan University, Taiwan
- Kaohsiung Municipal Kaohsiung Senior High School
- Financial institutions' CSR, sustainable 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
- Director Accreditation Program (DAP) 166/2019 : 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
Apr. 2018 - Present	Director	LH Financial Group PLC

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

Sep. 2019 - Present	Chairman	CTBC Bank Co., Ltd.
2016 - Sep. 2019	Vice Chairman	
Mar. 2018 - Present	Director	Land and Houses Bank PLC
2017 - Present	Chairman	CTBC Bank Corp. (USA)
2017 - Present	Chairman	CTBC Capital Corp.
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** Naporn Sunthornchitcharoen

**Position** Director

**Age: (Years)** 61

**Education:**

- Master of Business Administration, Thammasat University
- Bachelor of Engineering (Civil Engineering), Chiangmai University
- Stanford Executive Program (SEP),  
Graduate School of Business Stanford University, USA
- Diploma, National Defense College of Thailand, 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 1992 - Present May 2013 - Aug. 2017 2002 - Apr. 2013 1991 - 2001	Chairman, Chairman of the Executive Committee Director Executive Director, President (Operations) Executive Director, Senior Executive Vice President (Operations) Executive Vice President	Land and Houses PLC
Jun. 2017 - Present	Director	Quality Houses PLC
May 2011 - Present Sep. 2018 - Mar. 2019 May 2011 - Jul. 2018 May 2011 - Jun. 2017	Director Member of the Nomination and Remuneration Committee Member of the Nomination and Remuneration Committee Member of the Executive Committee	LH Financial Group PLC
2015 - Present 2001 - Present 1995 - Present	Member of the Nomination and Remuneration Committee Executive Director Director	Home Product Center PLC
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 15 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.
2012 - Present	Director	Land and Houses Property and Loan Fund - II
2005 - Present 2005 - Jul. 2018	Director and Member of the Executive Committee Member of the Nomination and Remuneration Committee	Land and Houses Bank PLC
2004 - Present	Director	LH Asset Co., Ltd.
2003 - Present	Director	LH Real Estate Co., Ltd.
2002 - Present	Director	Land and Houses Property Fund 2
2000 - Present	Director	Land and Houses Property Fund 1
1995 - Present	Director	Land and Houses North-East Co., Ltd.
1995 - Present	Director	Land and Houses North Co., Ltd.
1995 - Present	Director	LH Muang Mai Co., Ltd.
1993 - Present	Director	Siam Tanee Real Estate Co., Ltd.
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. Shih, Jiing-Fuh  
**Position** Director  
 Chairman of the Risk Oversight Committee  
 Member of the Nomination and Remuneration Committee  
**Age: (Years)** 55

- 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
Mar. 2019 - Present	Member of the Nomination and Remuneration Committee	LH Financial Group PLC
Sep. 2018 - Present	Chairman of the Risk Oversight Committee	
Aug. 2017 - Present	Director	

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

Aug. 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 - 2012	Head of North America Division	
2007 - 2007	Head of Corporate Banking Division	
2005 - 2006	Regional Manager, Taipei Region Center II, Institute Banking	
2003 - 2005	Regional Manager, Hong Kong Branch	
2001 - 2003	Vice President - Team Leader, CTBC Corporate Banking Regional Center	
2017 - 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

**Age: (Years)** 65

**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
Aug. 2017 - Present	Director	LH Financial Group PLC
Sep. 2018 - Mar. 2019	Member of the Nomination and Remuneration Committee	
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)** 62

**Education:**

- Master of Business Administration, National Institute of Development Administration
- Bachelor's Degree, 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:**

- 2019 = 2,700,066 shares held by spouse : Shareholding 0.013%
- 2018 = 2,700,066 shares held by spouse : 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	Director 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)** 62

**Education:**

- Master of Business Administration, Nortre Dame de Namur University California, USA
- Bachelor of Science, Chulalongkorn University
- Capital Market Academy Leadership Program, CMA 12
- Director Accreditation Program (DAP) 28/2004 : IOD
- Director Certification Program (DCP) 58/2005 : IOD
- Financial Institutions Governance Program (FGP) 3/2011: IOD
- Corporate Governance for Capital Market Intermediaries Program (CGI) 17/2016 (English Program) : IOD
- Information Security Awareness Training 2018 : LH Bank

**Number of direct holding of shares:**

- 2019 = 1,983,622 shares : shareholding 0.009%
- 2018 = 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 3 Non-Listed Companies on the Stock Exchange of Thailand**

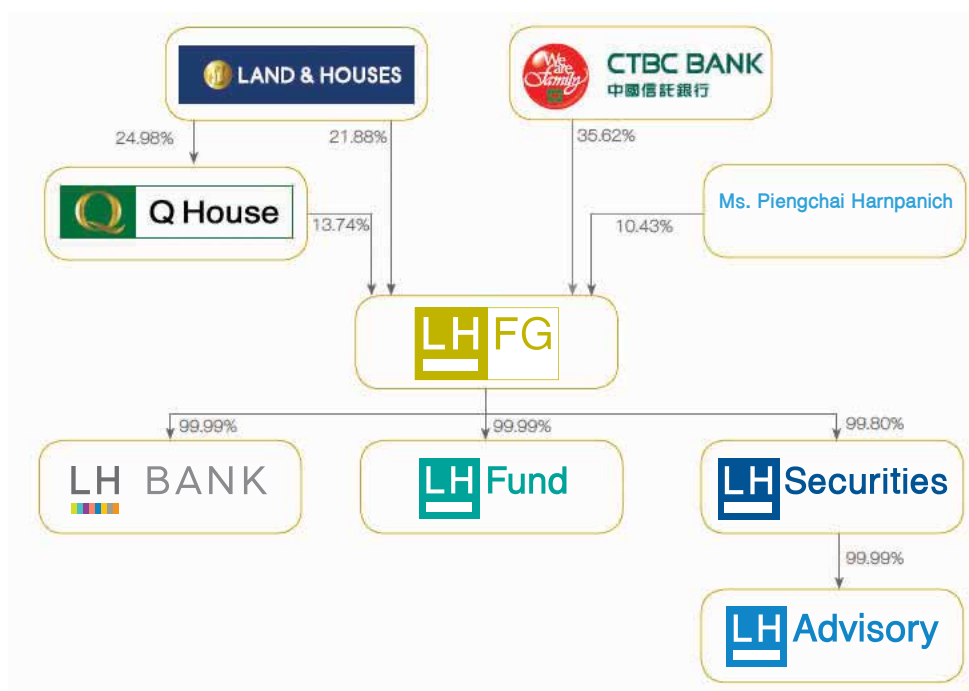
Jan. 2014 - Present	Director	Land and Houses Securities PLC
Dec. 2016 - Apr. 2017	Chairman of the Executive Committee	
Feb. 2015 - Present	Director	Land and Houses Fund Management Co., Ltd
Jan. 2014 - Present	Director	Land and Houses Advisory Co., Ltd
Jan. 2018 - May 2019	Chief Executive Officer	Land and Houses Bank PLC
Dec. 2005 - May 2019	President	
	Member of the Executive Committee	
	Chairman of the Risk Management Committee	
Aug. 2012 - Aug. 2014	Director	The Stock Exchange of Thailand
	Member of the Building Construction Sub-Committee,	
	Member of the Nomination and Corporate Governance Sub-Committee	
	Member of the Remuneration Sub-Committee	
Apr. 2000 - Dec. 2003	Senior Vice President	United Advisory Service Co., Ltd.



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 management control. Therefore, business operation

of the company can be categorized by the business operations of its subsidiaries which provide various forms of comprehensive financial services satisfying financial needs of customers.

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



#### Remarks



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



: Quality Houses Public Company Limited is a listed company on the Stock Exchange of Thailand



: CTBC Bank Company Limited is the largest private bank in Taiwan

Ms. Piengchai Harnpanich

: Mother of Mr. Anant Asavabhokhin



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



: Land and Houses Bank Public Company Limited



: Land and Houses Fund Management Company Limited



: Land and Houses Securities Public Company Limited



: Land and Houses Advisory Company Limited



## Business Operations in the Financial Business Group

LH Financial Group Public Company Limited financial business group has 5 types of operations 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. 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.

#### Operational objectives of the company are as follows:

1. To invest in financial instruments, both debt and equity instruments, in pursuance 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 funds through any means for business operation of the company and the companies in the financial business group, including issuing debentures
5. To conduct any other business as allowed by the Bank of Thailand

The company emphasizes the importance of good corporate governance, the prevention of corrupt payment, the development of comprehensive risk management system, and conducting business with social responsibilities.

#### Credit Rating

LH Financial Group Public Company Limited was rated “BBB+” from TRIS Rating Company Limited with “stable” outlook attributable to stable good profit from investments, and to the expansions of the commercial banking business, customer base, the increase in fees and service income, and financial supports from its business partner, CTCB Bank.

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

To have mutual direction and goal among companies in the financial business group and with the fact that Land and Houses Bank Public Company Limited is the core company and core business of the group, the company therefore applies the bank’s vision and mission to the organization’s direction. The ultimate goal of the organization is determined by the vision while the mission outlines practices the organization holds to and leads to corporate value which is the shared principle among executives and employees.

The Board of Directors of Land and Houses Bank Public Company Limited has determined the vision and mission to be the guidelines for business operations and strategic plan aimed at achieving the business goal. The vision and mission are annually reviewed.

In the year 2019, the Board of Directors of Land and Houses Bank Public Company Limited reviewed the vision and mission as follows:





## Core Values

Not only does the organization promote work-related knowledge development, it also emphasizes good working behaviors and peaceful coexistence. The bank prepares directions for employees to hold on to the core values so they can be knowledgeable, have understanding and share the same value through communication, learning, and working under PRO-ActIVE concept which if applied, can enable all employees to sustainably grow together with the bank.

**PRO-ActIVE** is the core value of the bank and operational guideline for all employees. It is reflected through working behavior, coexistence and treatment of customers and stakeholders.



### **PRO – Professional : “Self-development, proactive creativity and flexibility”**

The bank supports its employees to have professional capabilities, understand their jobs and working system, commit to continuous self-development, strictly follow rules and regulations, have proactive creativity, flexibility, and to be able to adapt their working styles to fit the changing environment and to best serve customer needs.



### **Ac – Accountability: “hold responsible for all actions, be determined, keep promises and endeavor”**

The bank reinforces the spirits of corporate ownership and accountability among its employees to always get tasks finished on time, keep promises and commitment, and firmly focus on goals and achievement outlined by the bank's vision and mission.



### **T – Teamwork: “Open-mindedness, team player and mutual target”**

The bank encourages its employees to share their beneficial opinions, accept and listen to the opinions and ideas of one another and integrate multiple opinions for the success of team and the bank.



### **I – Integrity: “Honesty, morality and transparency”**

The bank acculturates its employees to maintain their loyalty to the bank, their occupation and stakeholders. The employees act as a role model at work in all processes with transparency, accountability and justice.



### **V – Visioning: “Think out of the box, broaden vision and commit to goal”**

The bank supports a working plan, determines a clear working goal both in short term and long term to be able to monitor and evaluate for development and improvement by adhering to principles, creativities, benefits and responsibilities to stakeholders in the long term.



### **E – Excellence Service: “Service-minded, value people and volunteer spirit”**

The bank supports all employees to place a high value on excellent service by devoting their mind to deliver impressive services to both internal and external customers. All employees must have the spirit of volunteering to help colleagues, departments and the bank. In addition, the bank reinforces its employees to

be able to give useful suggestions for customers and focus on the development of products and services under customer-centric mindset.

## Operational Targets of Financial Business Group

LH Financial Group Public Company Limited has mapped out the strategy so that the group operates the integrated financial business. Currently, it has provided various financial products and services to respond to customer needs, including deposit, loan, fund, securities, financial advisory and other services such as bancassurance, bill payment service, revenue tax payment service, foreign currency exchange service, mobile banking service, trade finance service and cash management, etc. as well as improved the quality of services and information technology systems to enhance service efficiency to be fast and able to satisfy customers' needs.

In addition to the business operation target, the group emphasizes its business operation under good corporate governance, prevention of corrupt payment, comprehensive risk management, and social responsibility. In October 2014, the companies under 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, as a group was recognized as a member of the Thailand Collective Action Coalition Against Corruption by the Private Sector Collective Action Coalition Against Corruption Council. Land and Houses Securities Public Company Limited has signed the letter of intent to join the Thailand Collective Action Coalition Against Corruption and now is on the process of acquiring a certificate of membership 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 officially operated its retail commercial banking business on December 19, 2005. And on December 19, 2011, it had been approved and upgraded to be a commercial bank by the Bank of Thailand.

Land and Houses Bank Public Company Limited has developed strategic plan and business plan 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, threats, key success factors, and other significant issues that must be treated. The bank shall consider all factors to determine the organization guidelines annually and constantly review the operation plan to be updated with the changing situation and environment. The company emphasizes its business operation under good corporate governance principle, prevention of corrupt

payment, comprehensive risk management, and social responsibility.

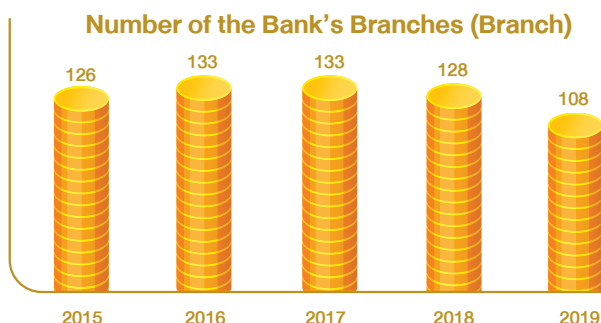
#### Credit Rating

Land and Houses Bank Public Company Limited was ranked by TRIS Rating at a level of “A-” (Single A Minus) with “Stable” outlook which was reflected from having good quality assets and strong capital base. The rating of LH BANK’s Basel III Tier 2 capital securities was affirmed at “BBB” (Triple B Straight) by TRIS Rating.

#### Branches of the Bank

By the end of 2019, Land and Houses Bank Public Company Limited has total 108 branches decreased by 20 branches when compared to those of 2018 as the bank had a plan to combine nearby branches. The bank’s branch strategy was designed to serve digital society’s needs. Branches allocated by regions are as follows:

- Bangkok and its Vicinity 55 branches
- Central 7 branches
- North 5 branches
- North East 15 branches
- East 8 branches
- West 4 branches
- South 14 branches



#### Products and Services

Land and Houses Bank Public Company Limited has continuously developed its products and services to respond to 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 can be deposited, withdrawn anytime. It is flexible and has additional interest every day.

- Biz Saving Account is for juristic persons, yields high interest rate with extra bonus + 0.10% when the outstanding balance per month is not less than Baht 1,000,000. The interest is paid on a monthly basis. This saving account is suitable for use as an operating account together with current account.

- Saving Super Shield is for individual customers aged 15 to 70 years old. The bank offers the maximum benefit up to 25 times of current balance by providing coverage in case of death from accident in 24 hours worldwide. The minimum deposit is Baht 1,000. The more deposit, the more benefit and coverage. Depositors do not have to do health check-up nor pay premium.

#### • Non-Fixed Deposit

offers 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.

#### • Current Deposit

increases business agility with daily interest earnings and is easy to make a deposit and withdrawal via ATM card and cheques.

#### • Fixed Deposit and Fixed Deposit Receipt (FDR)

help secure future financial stability through our offer of multiple tenors and getting repaid upon maturity.

#### • Tax Free Deposit

is needed to be deposited in an equal amount every month with the period according to the bank’s criteria such as 24 months or 36 months and the total amount of deposit is not more than Baht 600,000.

#### • Foreign Currency Deposit

helps support more convenience for businesses with high interest while it help reduce risks of currency fluctuations and is convenient for foreign transactions. The deposit can be made through both savings account and fixed deposit.

## Competitive Strategy of Deposit Service

The bank has continued to develop and design new financial products and services which are suitable for customers' occupations and financial positions, and to provide saving alternatives to meet different customers' demand thoroughly, with attractive returns and various benefits which will increase competitive advantages. In addition, the bank also arranged various well-accepted activities to reward customers and maintain customer base.

The bank's branches are the main channel for expanding deposit customer base providing transactional services to customers, and giving advice to ensure customers' convenience and satisfaction. The bank has launched new promotions and campaigns to tighten the relationship with customers, to satisfy customers' demands, and to increase the number of customers using services at the bank's branches. This is an opportunity to increase cross-selling volume leading to the expansion of fee income base.

The bank determines interest rates by considering internal and external factors that may have an impact, including the bank's costs, trend of interest rate, economic direction, and competitive condition of deposit growth. However, the bank does not focus mainly on competitive interest rate, rather on providing satisfactory products and services in order to fulfill the needs of customers from all segments.

## 2. Loan Service

The bank categorizes loan services into 3 business sectors consisting of loan for big corporate & corporate, loan for SMEs & SSME, and retail loan as follows:

### 1. Loan for Big Corporate & Corporate

Big Corporate & Corporate loan is targeted to serve business purposes such as working capital, production capacity expansion, or investment in buildings, plants, machines, and equipment. There are short-term and long-term loans available and suitable for customer's business nature and their needs.

### 2. Loan for SMEs & SSME

SMEs & SSME loan is targeted to serve 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 and suitable for the customer's nature of business and their needs.

**Types of loans classified by their purposes are as follows:**

- **Short-Term Loan**

Short-term loan is a lending service to support liquidity and manage cash flow. It can be withdrawn and repaid within the required limit throughout the lending term of 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 and repayment period which is in line with project progress or cash flow. The loans support business owners for their investment in various projects such as business expansion, factory/office construction, purchase of fixed assets including machinery and vehicles, and real estate investment including land purchasing for factory construction and residential purchasing.

- **Factoring Loan**

Factoring loan is a financial service used as working capital and used to increase financial liquidity for entrepreneurs by the assignment of the account receivables to the bank after the entrepreneur has already delivered products and services to his/her customers (debtors). The entrepreneur must submit to the bank their commercial documents such as a commercial invoice, purchase order, packing slip, billing notes, and payment receipt without collateral. The bank will pay the entrepreneurs according to the agreed ratio, for example, the bank may pay 70-80% of the value mentioned on the invoice, purchase order, packing order, billing note, payment receipt etc. After receiving payment from receivable account, the bank will pay the remaining of the agreed amount to customers.

- **Trade Finance**

Trade Finance is the service to support import and export business by increasing business opportunity and strengthening negotiation position with business partners through bank network all over the world with international standard. Various and comprehensive services are as follows:

- Letter of Credit
- Bills for Collection
- Trust Receipt
- Shipping Guarantee
- Packing Credit
- Standby L/C

- **Commercial Hire Purchase**

Commercial hire purchase is used to purchase vehicles for commercial purpose in logistic business, car-rent business, etc.



- **Issuance of Bank Guarantee, Aval and Acceptance**

Issuance of Bank Guarantee, Aval and Acceptance are services 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

- **Loan Consulting Service and Other Loan-Related Services**

Loan consulting service and other loan-related are comprehensive services such as financial structure consulting service, syndicated loan, facility agent, and security agent.

### 3. Retail Loan

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 enabling customers to buy houses from any housing project.
  - **Refinance Housing Loan** is a loan for customers who want to refinance their existing loans with other banks. Customers receive additional amount for renovation, decoration, and furniture purchase.
  - **Home for Cash** is a multi-purpose loan repaid monthly to fulfill life with convenience. The loan is secured by freehold property.

### Competitive Strategy of Loans Service

The bank categorizes customers into different groups to appropriately respond to their unique needs with the aim to continuously foster a robust relationship and to offer the right financial products and services to the right customers. The bank considers loan type, interest rate, credit type, repayment period suitable for each customer with quick approval.

To broaden SMEs customer base, the bank focuses on strategy of loan extension to existing customers with good payment history. This helps the bank create business opportunity and have existing customers to stay long term. For new customers, the bank targets to offer loans

to those with good financial status, by using its branches to introduce the loans and to have existing customers refer or recommend the loans to friends or to business partners.

Housing loan strategy primarily focuses and places value on bringing customers' satisfaction. The bank designs customer journey to ensure it delivers valuable experience to housing customers. The journey maps out customer's path since the day they need the loans, perceive the bank's products, compare the products, make a decision and receive after sales service.

Therefore, to achieve targets, the bank develops various components such as developing products which can deliver highest benefits to customers such as special interest rate and fast loan approval. What's more, with its aim to deliver effective and suitable to the demands of customers, the bank leverages its potential to better reach out to customers who use online services by adding more online marketing channels so the bank can keep abreast of digital trend.

### 3. Electronic Services

The bank is aware of the importance of electronic services as presently Thailand and Thai society is entering into digital age. Therefore, the transactions or services from now on will primarily focus on digitalization. The bank continuously develops and improves 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 carrying out convenient financial transactions which customers can make transactions every day, anywhere, and anytime via mobile phones. Customers can also do purchasing and selling, and deposit account opening.



- **Internet Banking (LH Bank Speedy)** is a service available to conduct financial transactions every day, anywhere, and anytime. The service is equipped with double security ensuring customers' confidence in their transactions' security.



- **LH Bank Debit Chip Card** is a card used via all ATMs of all banks nationwide. It is secured by recording information in chip cards which cannot be copied. The cards can be used to withdraw cash at ATMs UnionPay International (UPI) symbol and can be used for online shopping with convenience. Customers can have special promotions offered by stores joining UPI.



- **LH Bank Debit Premium Card** is a card with personal accident protection with maximum amount of Baht 300,000 guaranteed by CHUBB. The customers just need to inform their health profile in the application form without having checkup. After all documents are obtained, the service is effective immediately. It covers medical expenses in accident case if customers show their LH Bank Debit Premium Card together with the identification card to partner hospitals.

- **SMS Alert** is a service sending messages notifying customers' transactional movement and account status to their mobile phones so they will be more confident doing transaction. The customers can set the amount of Baht 500 or more to trigger the alert. The customers just need to apply the service at the bank's branches, call center 0 2359 0000 or 1327, ATM, or internet banking service.

- **Revenue Tax Payment Service** is a service providing convenient and various channels to customers and public to make tax payments through branches, LH Bank's ATMs and internet banking service (LH Bank Speedy).

- **Automatic Teller Machine (ATM)** is available for cash withdrawal, money transfer, payments for goods and services, and PromptPay fund transfer. The bank's ATMs can accept ATM cards and ATM Debit cards of all banks including UnionPay International (UPI) chip card to provide Thai-Baht cash withdrawal service for business people, tourists, and individuals.



As of 31 December 2019, there are 199 Automatic Teller Machines.

- **Cash Deposit Machine (R-ATM)** is a service for deposit without ATM card and pass book. Customers can deposit any day and anytime into the bank's account or the accounts of other banks.

As of 31 December 2019, there are 6 cash deposit machines.

- **Funds Transfer Service** is a service facilitating the money transfers to third parties both inside and outside the bank through automatic transfer system (ATS), and through BAHTNET for large value interbank fund transfer.

- **Cash Management Service** is a convenient and fast financial service which helps reduce paper work, management cost and increase business management efficiency such as:

1. Salary payroll service transferring a considerable number of transactions with one-single command
2. Bulk payment transferring a considerable number of transactions with one-single command
3. Bill payment
4. Direct debit and direct credit

- **Mobile Payment Service** is a service for retail stores that would like to add another channel through QR Code by partnering with leading E-Wallet agencies from Thailand such as Rabbit LINE Pay, AirPay, TrueMoney and from other countries such as WeChat and Alipay from China. The QR Code scan can be taken in Thailand and in other countries. The service helps boost up the stores' sales volume, helps retailers not to spare loose change for their customers and provides transfer security because the bank will transfer the money to the store on the next day.

- **LH Bank PromptPay** is a simple and easy fund transferring-receiving service registered by linking citizen ID number or mobile phone number. Therefore in order to make a transfer or receive money, LH bank account number is no longer needed.



- **LH Bank Business PromptPay** is a new choice of fund transfer service for companies or corporates which require transferees to link their account with their 13-digit tax ID

#### 4. Other Services

**4.1 Insurances Service** provides various insurance products based on the needs of customers both in life insurance and non-life insurance. Various insurance products from different insurance companies are as follows:

- **Insurance Brokerage Services for:**
  - Muang Thai Life Assurance Co., Ltd.
- **Non-life Insurance Brokerage Services for:**
  - Chubb Samaggi Insurance PLC
  - Charan Insurance PLC
  - Syn Mun Kong Insurance PLC
  - Krungthai Panich Insurance PLC
  - 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 various types of mutual funds, 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.
- 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 more convenient service for customers as they just have to tell staff if they want to deposit or withdraw cash. The staff will do the transaction accordingly and then prepare the slip for customers to sign.

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

#### 4.5 Goods and Services Payment Service

such as, utility bills, credit card payments, life insurance premiums, other expenses and automatic transfer system.

#### 4.6 Deposit-withdrawal and loan repayment

**through banking agent** is available at 11,000 branches of 7-Eleven throughout the country. Customers can do such transactions of the bank 24 hours by merely showing their citizen ID cards, bank account numbers, and mobile phone numbers then receiving receipts confirming the transaction which is active immediately.

#### 4.7 Safe deposit box service.

#### Factors Influencing Opportunities or Constraints on Business Operations

Real Estate customer bases of the companies in the group of Land and Houses Public Company Limited and Quality Houses Public Company Limited which are the real estate leaders in Thailand, have been beneficial to the loan offering of the bank, especially housing loan. Moreover it gives opportunities to the bank to offer other financial products and services to such customers. In addition, the bank can arrange 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.

#### Business Operation Targets

The targets are the extension of loan services to new customers, the expansion of deposit customer base, the increase of service channels for fee income expansion, the personnel development to be more knowledgeable and skillful in the financial products, the development of products and the services that best respond the customer needs, and the development of 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 enabling customers to make financial transactions on their mobile phones. It has also launched marketing campaigns via social media, such as LINE, Facebook and YouTube to multiply up communication channels for better approach to the bank's target groups.

## 2.3 Fund Management Business

### Land and Houses Fund Management Company Limited

Land and Houses Fund Management Company Limited manages mutual fund, property fund, real estate investment trusts, provident fund, and private fund. The company sets the strategies and business plans to be in line with its vision and mission. The strategies and plans have constantly been reviewed to be updated with ever-changing situation and environment. The company emphasizes having business operation in accordance with good corporate governance, prevention of corrupt payment, comprehensive risk management and social responsibility.

The company received the following licenses for operating the business.

#### 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 has the standard of business conduct with regards to the principles of good corporate governance focusing on deliberative operations and maintaining the most appropriate interest for customers under the duty of loyalty and the duty of care.

### Mission

To be a business that enhances the competitiveness of the financial group to provide financial services to serve the needs of customers in terms of saving and investment in order to increase the efficiency of the group's business to offer more various services and to be an alternative for those interested in investing through mutual funds, property fund, real estate investment trust, provident fund, and private funds managed by professional

fund managers. The company is determined to provide satisfactory returns to both unit holders and shareholders of the business.

### Nature of Products and Services

Land and Houses Fund Management Company Limited focuses on a variety of marketing campaigns to cover all levels of demands of all groups of investors, by offering the sale of investment units through different distribution channels such as branches of Land and Houses Bank Public Company Limited and mutual fund selling agent service, and providing personals with qualifications required by law. The company closely supervises its employees to ensure they operate their duties under related laws and regulations strictly. The followings are the products and services offered by the company.

- **Mutual Fund** The company provides mutual fund management services by offering mutual fund units to public investors and institutional investors by considering each of investor's needs. The company has efficient investment management, regularly studies and analyzes investment-related data, has competent investment risk management and always reports the investment market conditions and investment risk to the investors.

- **Property Fund** The company provides property fund management services focusing on real estate investments which generate steady incomes such as office buildings, and service apartments. Revenue from property funds shall be paid to investors in the form of dividend. Regular reports of net asset value of the mutual funds and annual reports are submitted to the unit holders.

- **Provident Funds** The company provides management service for provident funds, which were set up by the willingness to provide welfares to employees by having them save money in provident fund. After retirement or resignation, the employees will receive tax benefits. The company will spend the money on investment appropriate to investment condition of certain period of time in order to generate accumulated returns which are suitable and sufficient for the life after retirement or resignation. Employees can make a decision to either select the investment policy which they see suitable for their needs and risk appetite, or select the policy selected by Provident Fund Committee's. Investment summary report and return evaluation are provided to employees and employers regularly.



- **Private Fund** The company provides private fund management services for individuals and juristic persons. 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. Investment summary report and return evaluation are provided to employees and employers regularly.

- **Real Estate Investment Trust (REIT)** The company acts as a trustee for real estate investment trust, and since being a trust manager under trust act, it has been operating the service with the focus on various types of real estates including overseas real estates. The REIT manager will invest and manage REIT to generate returns to investors as specified in trust deed. The report of net asset value is provided regularly. And the Annual General Meetings of trust unit holders are arranged annually.

- **Trustee of Real Estate Investment** The company acts as a trustee for investing in trust assets. The trustee shall control REIT management of REIT manager according to trust deed and related laws, assign any related task, do accounts, report trust's asset value and guard the trust's assets for the highest benefit of trust unit holders.

#### Factors Influencing Opportunities or Constraints on Business Operations

In 2019, the International Monetary Fund (IMF) has cut the global GDP growth outlook 3 times to be at 3%, which was the lowest since the financial crisis in 2008-2009, due to the impact of trade war bringing the United States GDP down to 2.3% while China GDP slowed down to 6.1% or the lowest in 29 years. In Thailand, FPO (Fiscal Policy Office) expected the GDP to expand by 2.5%, the lowest in 5 years, while in the stock market, the American stock market gave the highest returns (Nasdaq + 35.2%) and the MSCI World Index increased 25.79%. Most stock markets indices around the world rose, thanks to the more fund flowing into stock markets from the central banks' policy rate cut of almost every country, despite the pressure of the US-China trade war causing a worldwide economic slowdown. As for the Thai stock market in 2019, the Thai stock market index increased by 1.02%

and continued to fluctuate until the year-end at 1,579.84 points, with the highest point at 1,748.15 points, while foreign investors were net sellers of 45,244 million baht. The stock market profit in 2019 was forecast to shrink by 5.9% at 9 billion baht, led by petrochemicals and refineries, banks and electronics.

#### Business Operation Targets

Strategic business plan developed to respond to 2019 situation includes having fund portfolio management that supports volatility and offering funds from both Thai and foreign markets to diversify risks. For diversifying risks in equity instruments, it partially invests in property fund / REITs to let in revenue stream with growth potential. For distribution channels, it collaborates with other companies under the group such as working with Land and Houses Securities Public Company Limited in the investment advisory process for private fund, working with Land and Houses Bank Public Company Limited in providing asset allocation service and other more business opportunities as permitted by official agencies such as registrar service, etc.

For 2020 target, the company has a policy to expand customer base by covering more institutional customers, increasing new distribution channels, and digitalizing more services. For fund management, the company aims to provide more various funds to satisfy unique needs of each customer.

#### 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 following businesses.

##### 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

The company emphasizes the importance of good corporate governance principle, the prevention of corrupt payment, the development of comprehensive risk management system, and corporate social responsibility in business operation.

#### Operation Business Overview of the Company

##### • Securities Brokerage Service

The company provides securities brokerage service for individuals, juristic persons, and institutional customers. Types of account provided by the company are as follows:

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

The customers can make trading transactions via two channels, either with investment consultant or through internet trading or PromptTrade system set up by the company for customer's convenience. The system, developed from other systems such as the eFin Trade+ system and Streaming system which are popular among investors, helps with the submissions of stock purchases and sales. The company has also added different tools to support investments, to do technical analysis and to provide full investment-related information and news for customers' handiness to have adequate information for decision making. Customers can be kept up to date with the latest news and security price movement and be able to submit security purchase order anywhere and anytime through computers, tablets, or smartphones.

The information and technology system is an important factor driving innovative culture. The innovation and technology applied by the company to enhance the customers' experience is in line with customers' behaviors that tend to obtain more online information and with lifestyle of city people who spend most of their time outside residence. Therefore, the company focused on online communication to penetrate more customers and reduce the operation costs.

**The company has developed a policy on customer selection and a guideline for securities trading limit by considering the following factors.**

**1. Individual** is considered from his/her financial status, occupation, age, source of income, knowledge, understanding of securities investment and ability to take risk.

**2. Juristic person** is considered from type of business, source of income, business performance, financial stability, liability, major shareholders, executives, and ability to take risk.

However, the company asks for cooperation from the customers to provide their information for KYC and for suitability test. The company's officers regularly evaluate customers' risks and review their trading limits.

##### • Derivatives Brokerage Service

The company has been granted as a derivatives agent license by the Office of the Securities and Exchange Commission and has received an 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 traders who want to make bulk investments

##### • Derivatives Trading and Guaranteed Underwriting Service

The company provides derivative trading and guaranteed underwriting service for securities issuer to offer various types of securities such as debt instruments and equity instruments including public offering (PO) and rights offering to existing shareholders (RO).

##### • Mutual Fund Selling Agent Service

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

instruments, equity to retirement mutual funds (RMFs) and long-term equity funds (LTFs). Customers receive services and advice from our experienced professionals in investment and tax planning.

Presently, the company offered 2 following types of mutual fund selling agent service.

#### **1. Omnibus Account**

Omnibus Account with anonymity of investors provides transactional convenience for customers. The company has a trading system linked with all fund management companies that the company is an agent for. Opening an account with the company, customers can manage their transactions and investment units with available fund management companies. This helps eliminate the complicated processes of preparing documents and handling transactions so that customers can better manage their portfolios.

#### **2. Selling Agent Account**

Selling Agent Account is recommended for those who would like to make long-term investments for retirement such, RMF, property fund, or infrastructure fund. These types of funds require customers to disclose their names. The only drawback of this type of account is that it requires investors to open accounts with every fund management company they will invest with and all the processes are time-consuming and complicated.

- **Securities Borrowing and Lending Service**

The company provides securities borrowing and lending service with the objective to allow customers to borrow securities for short selling through cash balance registered 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. Securities available for SBL service 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. Investors can open an account for fixed income trading together with securities trading. The company's knowledgeable and proficient employees deliver services and advice of fixed income

securities so that customers receive satisfactory returns.

### **Factors Influencing Opportunities or Constraints to Business Operations**

In 2020, there is a chance for capital market to be on an uptrend as the lengthy U.S. — China trade negotiation may achieve some progress. Private sector with production stagnation and investment pause possibly recovers to normal status. Manufacturing sector and export sector are showing signs of bottoming out. Although the recovery may be gradual, it can relieve economic recession concerns. Central banks in many countries are relaxing their monetary policy, therefore the interest rate is kept low and the liquidity in the financial system remains high. These factors, eventually and gradually result in the uptrend in the stock market.

Risk factors needed to be aware of are the US presidential election scheduled in November 2020, the U.S. — China trade negotiation, and the direction of monetary policy of central banks of various countries. These variables create fluctuations in global stock market and will affect the Thai economy.

### **Business Operation Targets of 2020**

The company still focuses on building a stronger relationship with customers, studying customers' needs to eventually broaden customer base, increasing the cross selling volume, offering solution-based products and services to satisfy customers' needs with quality, managing risks carefully, developing human resources to be able to keep abreast of the financial market which is gravitating more towards digital era, uplifting the efficiency of working process and improving crucial infrastructures such as IT system and big data. In 2020, it expects growing security trading volume due to more suitable investment products are presented to customers.

### **2.5 Financial Advisory Business**

#### **Land and Houses Advisory Company Limited**

Land and Houses Advisory Company Limited provides comprehensive financial advisory services covering initial public offering, helping companies be listed on the Stock Exchange of Thailand, helping merger and acquisition, making stock valuation, loan sources, processing debt restructuring, making project feasibility analysis, security valuation and offering financial advisory services.

### 3. Income Structure

#### 3.1 Income structure of the financial business group, categorized by business type

Income structure of LH Financial Group Public Company Limited financial business group for the year 2019, 2018 and 2017 can be categorized into 5 business types including investment business, commercial banking business, fund management business, securities business and advisory business. Details are 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 2019		31 December 2018		31 December 2017	
			Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
<b>Interest income</b>								
Investment holding business	LHFG <sup>/1</sup>		-	-	-	-	0.37	-
Banking business	LH Bank <sup>/2</sup>	99.99	8,601.78	108.83	8,451.81	119.72	8,612.66	132.64
Fund management business	LH Fund <sup>/3</sup>	99.99	-	-	-	-	-	-
Securities business	LH Securities <sup>/4</sup>	99.80	41.48	0.52	48.16	0.68	33.10	0.51
Advisory business	LH Advisory <sup>/5</sup>	99.99	-	-	-	-	-	-
<b>Total interest income</b>			<b>8,643.26</b>	<b>109.35</b>	<b>8,499.97</b>	<b>120.40</b>	<b>8,646.13</b>	<b>133.15</b>
<b>Total interest expenses</b>			<b>(4,157.14)</b>	<b>(52.59)</b>	<b>(3,694.75)</b>	<b>(52.33)</b>	<b>(3,667.00)</b>	<b>(56.47)</b>
<b>Net interest income</b>			<b>4,486.12</b>	<b>56.76</b>	<b>4,805.22</b>	<b>68.06</b>	<b>4,979.13</b>	<b>76.68</b>
<b>Fees and service income</b>								
Banking business	LH Bank	99.99	310.50	3.93	289.89	4.11	346.78	5.34
Fund management business	LH Fund	99.99	494.64	6.26	371.95	5.27	297.29	4.58
Securities business	LH Securities	99.80	135.26	1.71	164.95	2.33	144.21	2.22
Advisory business	LH Advisory	99.99	-	-	-	-	-	-
<b>Total fees and service income</b>			<b>940.40</b>	<b>11.90</b>	<b>826.79</b>	<b>11.71</b>	<b>788.28</b>	<b>12.14</b>
<b>Total fees and service expenses</b>			<b>(210.99)</b>	<b>(2.67)</b>	<b>(145.57)</b>	<b>(2.06)</b>	<b>(134.65)</b>	<b>(2.07)</b>
<b>Net fees and service income</b>			<b>729.41</b>	<b>9.23</b>	<b>681.22</b>	<b>9.65</b>	<b>653.63</b>	<b>10.07</b>
<b>Total other income</b>			<b>2,688.33</b>	<b>34.01</b>	<b>1,573.58</b>	<b>22.29</b>	<b>860.67</b>	<b>13.25</b>
<b>Total operating income</b>			<b>7,903.86</b>	<b>100.00</b>	<b>7,060.02</b>	<b>100.00</b>	<b>6,493.43</b>	<b>100.00</b>

<b>Remarks</b>	LHFG <sup>/1</sup>	: LH Financial Group Public Company Limited
	LH Bank <sup>/2</sup>	: Land and Houses Bank Public Company Limited
	LH Fund <sup>/3</sup>	: Land and Houses Fund Management Company Limited
	LH Securities <sup>/4</sup>	: Land and Houses Securities Public Company Limited
	LH Advisory <sup>/5</sup>	: Land and Houses Advisory Company Limited with 99.99% shares held by Land and Houses Securities Public Company Limited

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

Income structure of the LH Financial Group Public Company Limited financial business group for the year 2019, 2018 and 2017 can be categorized into 3 types of main income which are interest income, fees and service income, and other incomes with the following details.

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

Income Structure, Categorized by Revenue Type	Consolidated Financial Statements					
	31 December 2019		31 December 2018		31 December 2017	
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
<b>Interest income</b>						
Loans to customers	6,595.26	83.44	6,333.59	89.71	6,412.18	98.75
Investments in debt securities	1,521.22	19.25	1,548.34	21.93	1,629.46	25.09
Interbank and money market items	513.71	6.50	593.36	8.40	556.93	8.58
Hire Purchase	12.29	0.15	24.28	0.35	47.45	0.73
Others	0.78	0.01	0.40	0.01	0.11	-
<b>Total interest income</b>	<b>8,643.26</b>	<b>109.35</b>	<b>8,499.97</b>	<b>120.40</b>	<b>8,646.13</b>	<b>133.15</b>
<b>Interest expenses</b>						
Deposits	(2,514.46)	(31.81)	(2,129.47)	(30.16)	(2,152.47)	(33.15)
Debts issued and borrowings	(666.94)	(8.44)	(611.00)	(8.65)	(607.53)	(9.36)
Interbank and money market items	(92.57)	(1.17)	(107.21)	(1.52)	(95.30)	(1.47)
Contributions to the Deposit Protection	(877.06)	(11.09)	(840.45)	(11.91)	(807.51)	(12.44)
Agency and the Bank of Thailand						
Others	(6.11)	(0.08)	(6.62)	(0.09)	(4.19)	(0.06)
<b>Total interest expenses</b>	<b>(4,157.14)</b>	<b>(52.59)</b>	<b>(3,694.75)</b>	<b>(52.33)</b>	<b>(3,667.00)</b>	<b>(56.47)</b>
<b>Net interest income</b>	<b>4,486.12</b>	<b>56.76</b>	<b>4,805.22</b>	<b>68.06</b>	<b>4,979.13</b>	<b>76.68</b>
<b>Fees and service income</b>						
Acceptances, avals and guarantees	56.86	0.72	42.40	0.60	41.11	0.63
Commission income	273.87	3.47	301.14	4.27	337.15	5.19
Others	609.67	7.71	483.25	6.84	410.02	6.31
<b>Total fees and service income</b>	<b>940.40</b>	<b>11.90</b>	<b>826.79</b>	<b>11.71</b>	<b>788.28</b>	<b>12.14</b>
<b>Fees and service expenses</b>						
Fees and charges	(67.57)	(0.86)	(60.27)	(0.85)	(58.85)	(0.91)
Others	(143.42)	(1.81)	(85.30)	(1.21)	(75.80)	(1.17)
<b>Total fees and service expenses</b>	<b>(210.99)</b>	<b>(2.67)</b>	<b>(145.57)</b>	<b>(2.06)</b>	<b>(134.65)</b>	<b>(2.07)</b>
<b>Net fees and service income</b>	<b>729.41</b>	<b>9.23</b>	<b>681.22</b>	<b>9.65</b>	<b>653.63</b>	<b>10.07</b>
<b>Other income</b>						
Gains on investments	1,095.33	13.86	342.00	4.84	240.77	3.71
Gains (losses) on trading transactions and foreign exchange	118.91	1.50	1.71	0.02	(0.80)	(0.01)
Other operating income	1,474.09	18.65	1,229.87	17.42	620.70	9.56
<b>Total other income</b>	<b>2,688.33</b>	<b>34.01</b>	<b>1,573.58</b>	<b>22.29</b>	<b>860.67</b>	<b>13.25</b>
<b>Total operating income</b>	<b>7,903.86</b>	<b>100.00</b>	<b>7,060.02</b>	<b>100.00</b>	<b>6,493.43</b>	<b>100.00</b>



### 1. Net Interest Income

Interest income consists of incomes from loans to customers, investments in debt securities income, interbank and money market items income, hire purchase income and others interest income. In 2019, the company and its subsidiaries had interest income amounting to Baht 8,643.26 million, increased by Baht 143.29 million or by 1.69% from year 2018.

Interest expenses consist of interest expenses from deposits, debts issued and borrowings, interbank and money market items, contributions to the Deposit Protection Agency and the Bank of Thailand and others interest expense. In 2019, the company and its subsidiaries had interest expenses amounting to Baht 4,157.14 million, increased by Baht 462.39 million or by 12.51% from year 2018.

Net interest income is of Baht 4,486.12 million or 56.76% of total operating income. Net interest income decreased by Baht 319.10 million or by 6.64% from year 2018.

### 2. Net Fees and Service Income

Fees and service income are mainly from fees from loan management such as fees from acceptances, avals and guarantees, and fees from securities business and fund management business such as brokerage fee,

mutual fund management fee, registrar fee and selling agent fee from sales of financial products and services. In 2019, the company and its subsidiaries had fees and service income amounting to Baht 940.40 million, increased by Baht 113.61 million or by 13.74% from year 2018.

Fees and service expenses are of Baht 210.99 million, increased by Baht 65.42 million or by 44.94% from year 2018.

Net fees and service income is of Baht 729.41 million or 9.23% of total operating income, increased by Baht 48.19 million or by 7.07% from year 2018.

### 3. Other Incomes

Other income consists of gains on investments, gains (losses) on trading transactions and foreign exchange and other operating income. In 2019, the company and its subsidiaries had other incomes amounting to Baht 2,688.33 million, increased by Baht 1,114.75 million or by 70.84% from year 2018 mainly from gains on investments increased by Baht 753.33 million.





### 1. Securities Information

#### 1.1 Ordinary Shares

As at 31 December 2019, the company has the registered share capital and paid-up share capital as follows:

Registered share capital

: Baht 21,183,660,594

Paid-up share capital

: Baht 21,183,660,594

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

#### 1.2 Shareholders' Agreement

The agreements with the major shareholders that affect the issuance and offering of securities or the company's management and their essence affecting the operations.

-None-

#### 1.3 Obligations to Newly Issued Shares

-None-

### 2. Shareholding Structure

#### 2.1 Top 10 Major Shareholders

The top 10 major shareholders of the company as of closing date on 9 September 2019 are as follows:

##### List of Major shareholders

No.	List 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	Ms. Piengchai Harnpanich	2,210,050,479	10.433
5	Mr. Samrereng Manoonphol	362,075,223	1.709
6	Mr. Wiroj Engpaiboon	153,726,134	0.726
7	Mr. Pairoj Paisarnsrisomsuk	118,000,098	0.557
8	Mr. Anuphong Assavabhokhin	97,986,233	0.462
9	Thai NVDR Company Limited	72,932,685	0.344
10	Mrs. Pantip Techapaibul	55,900,000	0.264
<b>Total Shareholdings of Top 10 Major Shareholders</b>		<b>18,160,593,536</b>	<b>85.729</b>
<b>Other Minority Shareholders</b>		<b>3,023,067,058</b>	<b>14.271</b>
<b>Grand Total</b>		<b>21,183,660,594</b>	<b>100.00</b>

### 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 line with the Articles of Association of the company, the essence being that dividends are to be equally allocated for each share and its payment must be approved by the shareholders meeting. The Board of Directors may occasionally pay interim dividends when the company has enough profit to do so. The payment of interim dividends shall be reported to the shareholders in the next shareholders meeting. Furthermore, dividend payment must be in compliance with the Bank of Thailand's notifications and governing laws.

#### 3.2 Regulations Related to Dividend Payment

According to the Bank of Thailand's notification regarding the Requirements on Accounting of 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 actual, such as profits from the sale of non-performing assets (NPAs) under the condition that the financial institutions may repurchase them or exercise the rights to repurchase them in the future.

In addition, since the core revenue of the company is the dividends it receives from the subsidiaries consisting 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 classification guideline and provisions of financial institutions. Under the notification, any financial institution which has not yet derecognized loss assets from its balance sheets or has not yet set aside the provisions in full for potentially impaired and unimpaired assets and obligations is not allowed to pay dividends or any forms of remuneration to its shareholders.

#### 3.3 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 line with the Articles of Association of the company, the essence being that dividends are to be equally allocated for each share and its payment must be approved by the shareholders meeting. The Board of Directors may occasionally pay interim dividends when the company has enough profit to warrant it. The payment of interim dividends shall be reported to the shareholders in the next shareholders meeting. Furthermore, 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 line with the Articles of Association of the company, the essence being that dividends are to be equally allocated for each share and its payment must be approved by the shareholders meeting. The Board of Directors may occasionally pay interim dividends when the company has enough profit to warrant it. The payment of interim dividends shall be reported to the shareholders in the next shareholders meeting. Furthermore, dividend payment must be in compliance with the Bank of Thailand's notifications and 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 line with the Articles of Association of the company, the essence being that for all dividend payments, the company has to earmark a reserve at least one-twentieths of the net profit from the business operations, until the reserve fund reaches one-tenths of the capital of the company or higher.

### 4. The Number and Type of Shares the Company Holds in Other Companies or Private Companies 10% or More but Not Exceeding 50%.

- None -

## 5. The Number and Type of Shares the Company Holds in Other Companies or Private Entities 50% or More.

<b>Company</b>	:	<b>Land and Houses Bank Public Company Limited</b>
<b>Head Office</b>	:	1 Q. House Lumpini Building, G, 1 <sup>st</sup> , 5 <sup>th</sup> , 6 <sup>th</sup> , 32 <sup>nd</sup> Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
<b>Registration Number</b>	:	0107548000234
<b>Registered Capital</b>	:	Baht 20,000,000,000
<b>Paid-up Capital</b>	:	Baht 20,000,000,000
<b>Par Value</b>	:	Baht 10
<b>All Types of Shares and Issued Share Capital</b>	:	Include ordinary share: 2,000,000,000 shares preferred share: -None-
<b>Telephone</b>	:	0 2359 0000 or 1327
<b>Fax</b>	:	0 2677 7223
<b>Website</b>	:	www.lhbank.co.th
<b>Major Shareholders</b>	:	The major shareholders of the bank as at 31 December 2019 include: LH Financial Group Public Company Limited holds 99.99% of paid-up share capital divided into ordinary shares of 1,999,999,900 shares with par value of Baht 10

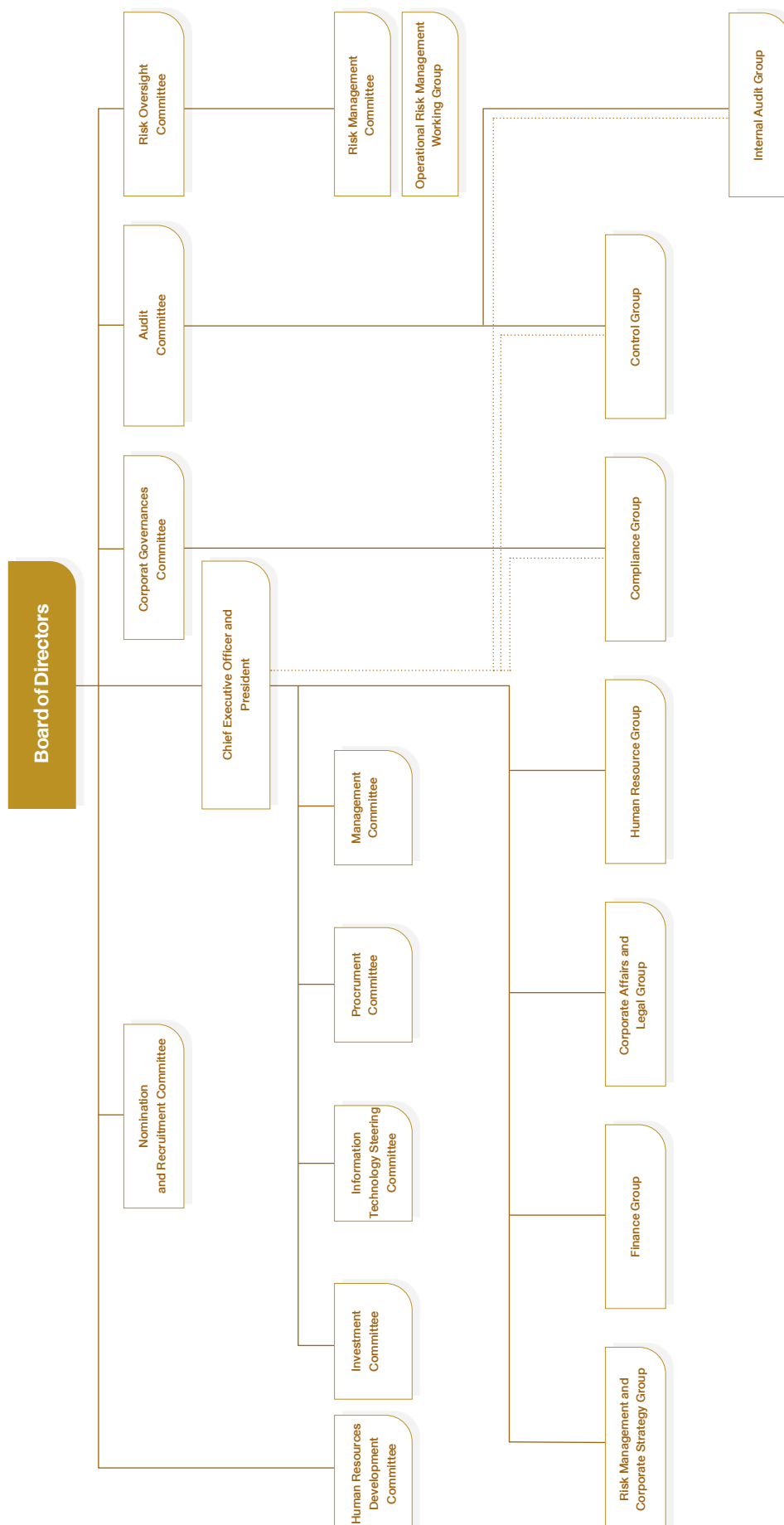
<b>Company</b>	:	<b>Land and Houses Securities Public Company Limited</b>
<b>Head Office</b>	:	11 Q. House Sathon Building, M, 10 <sup>th</sup> Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
<b>Registration Number</b>	:	0107542000038
<b>Registered Capital</b>	:	Baht 637,215,030
<b>Paid-up Capital</b>	:	Baht 637,215,030
<b>Par Value</b>	:	Baht 1
<b>All Types of Shares and Issued Share Capital</b>	:	Include ordinary share: 637,215,030 shares preferred share: -None-
<b>Telephone</b>	:	0 2352 5100
<b>Fax</b>	:	0 2286 2681-2
<b>Website</b>	:	www.lhsec.co.th
<b>Major Shareholders</b>	:	The major shareholders of the company as at 31 December 2019 include: LH Financial Group Public Company Limited holds 99.80% of paid-up share capital divided into 635,925,646 ordinary shares with par value of Baht 1

<b>Company</b>	:	<b>Land and Houses Fund Management Company Limited</b>
<b>Head Office</b>	:	11 Q. House Sathon Building, 14 <sup>th</sup> Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
<b>Registration Number</b>	:	0105551006645
<b>Registered Capital</b>	:	Baht 300,000,000
<b>Paid-up Capital</b>	:	Baht 300,000,000
<b>Par Value</b>	:	Baht 100
<b>All Types of Shares and Issued Share Capital</b>	:	Include ordinary share: 3,000,000 shares preferred share: -None-
<b>Telephone</b>	:	0 2286 3484 or 0 2679 2155
<b>Fax</b>	:	0 2286 3585 or 0 2679 2150
<b>Website</b>	:	www.lhfund.co.th
<b>Major Shareholders</b>	:	The major shareholders of the company as at 31 December 2019 include: LH Financial Group Public Company Limited holds 99.99% of the paid-up share capital divided into 2,999,995 ordinary shares with par value of Baht 100



## Organization Chart and Management Structure

SUSTAINABLE  
GROWTH TOGETHER





## Management Structure

LH Financial Group Public Company Limited consists of the Board of Directors which appoints 4 sub-committees including 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 separate 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. Naporn	Sunthornchitcharoen	Director
8.	Mr. Shih,	Jiing-Fuh	Director
9.	Mr. Wu,	Kuo-Chin	Director
10.	Mr. Khunawut	Thumpomkul	Director
11.	Mrs. Sasitorn	Phongsathorn	Director
	Mr. Vichian	Amornpoonchai	Company Secretary

### Authorized Signatories of the Company

Mr. Naporn Sunthornchitcharoen, Mr. Wu, Kuo-Chin and Mrs. Sasitorn Phongsathorn, any two of these three directors co-sign with the company's seal on behalf of the company.

### Duties and Responsibilities of the Board of Directors

The Board of Directors has a duty to supervise the company's operations with integrity and conservatism in the best interests of the organization without conflicts of interest. Their duties and responsibilities include:

1. Perform duties in compliance with 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 best interests of the company.

2. Determine directions and strategic goals for the company, consider approving the policies and operating direction proposed by the management team and monitor the management team to ensure the effective and efficient execution of the approved policies and to protect the interests of the company and its shareholders.

3. Provide provisions on the Code of Conduct, Code of Ethics as well as ethics for the directors, executives and employees as organizational guidelines.

4. Monitor the company's operations at all times to ensure that the executive directors and the management team adhere to the laws and policies set forth.

5. Supervise and ensure that the management team is capable of managing the company's operations, including the nomination of top executives.

6. Supervise and ensure that the company has efficient internal control and has the organization chart which is conducive to independent control, monitoring and audit (Three Lines of Defense).

7. Supervise and ensure that the management team reports important matters of the company so that the Board of Directors receives adequate information from the management team to be able to fulfill its duties and responsibilities.

8. Supervise and ensure that the financial business group has the risk governance framework, risk culture and market conduct.

9. Consider and approve the roles and responsibilities of the sub-committees, and any changes in their compositions, including any significant changes that may affect the operations of the committees appointed.

10. Supervise and ensure that the company has determined the policy on related party transactions.

11. Supervise and ensure that the procedure of reporting (Management Letter) from external auditors and management team's opinions shall be obtained and submitted to the Board of Directors in a timely manner.

12. Provide the check-and-balance mechanism 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 the total meetings held each year except when they provide reasonable grounds for not doing so.

14. To approve any proposal, a quorum shall consist of two-thirds of the total number of directors.

In case any director or related person has interests or conflicts of interest, he/she will not be authorized to approve any transaction within the company or its subsidiaries as stipulated by the Securities and Exchange Commission and/or the Stock Exchange of Thailand.

### Scope of Authorities of the Board of Directors

The scope of authorities of the Board of Directors is as follows:

- Consider the administration
- Approve the operation plan and strategies for business operations
- Approve the annual budgets
- Approve the vision and mission
- Approve any key matters and make decisions
- Consider the operation matters
- Approve the policies
- Approve the requests for permission from official agencies
- Approve any matters under the Public Limited Companies Act.

In addition, the approval of any matter by the Board of Directors shall be made by not less than two-thirds of all directors.

### Roles of the Chairman

1. Supervise, monitor and ensure that the performance of the Board of Directors is effective and achieves the objectives and main goals of the organization.
2. Oversee and promote the organizational culture with ethics and good corporate governance.
3. Arrange the appropriate time sufficient for all matters proposed by the management team and for directors to discuss on significant issues with independent expression of their opinions.
4. Strengthen good relations among the directors and management team.
5. Chair the meeting, call for the Board of Directors meeting, and determine agenda items.
6. Chair the shareholders' meeting, ensure the shareholders' meeting comply with laws, related regulations and the Articles of Association, arrange appropriate time for each agenda item as determined in the invitation letter, give an opportunity for shareholders to freely express their opinions and ask questions relevant to 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 <sup>/1</sup>  | Sawattananond           | Member of the Audit Committee   |
| 3. Dr. Supriya <sup>/1</sup> | Kuandachakupt           | Member of the Audit Committee   |
| 4. Mr. Somsak <sup>/1</sup>  | Assavapokee             | Member of the Audit Committee   |
|                              | Mrs. Wilawan Sutthibutr | Secretary                       |

Note: <sup>/1</sup> The director who has knowledge and experience in accounting and finance.

### Duties and Responsibilities of the Audit Committee

The Audit Committee has the duties and responsibilities approved by Board of Directors as follows:

1. Review and ensure that the company has accurate and adequate financial reporting.
2. Review and evaluate the suitability and effectiveness of the internal control and internal audit.
3. Review and ensure the company comply with the laws relevant to the company's business.
4. Consider, select, and propose the appointments and terminations of auditors and their remunerations.
5. Consider the accuracy and completeness of the company's information disclosure, especially the related party transactions or transactions with conflicts of interest.
6. Supervise the audit department to conduct the internal audit effectively with appropriate number of staffs and working system, independent from any departments to be audited, and align with the professional standard for internal audit and the Bank of Thailand's regulations in regard to the guideline on internal audit for financial institutions.
7. Ensure adequate internal control and ensure the compliance with the whistleblower policy.
8. Provide guidelines and internal control for anti-corruption and monitor of potential risks from any form of corruptions from the companies in the financial business group.
9. Update the Risk Oversight Committee's report regularly for matters requiring improvements to be in line with the policies and strategies of the company.

10. Share the opinions between the Audit Committee and the Risk Oversight Committee when review the adequacy, efficiency of overall risk management policies and strategies and risk tolerance level as to evaluate their coverage on overall risks and emerging risks, and also to implement the policies and strategies effectively

11. Provide the corporate governance's report of the Audit Committee and disclose it in the annual report.

12. Report the performance to the Board of Directors

13. Perform any tasks assigned by the Board of Directors with the consent from 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                                      |

#### Duties and Responsibilities of the Corporate Governance Committee

The Corporate Governance Committee has the duties and responsibilities approved by the Board of Directors as follows:

1. Consider the good corporate governance policy and propose it to the Board of Directors for approval.
2. Consider the anti-corruption policy and propose it to the Board of Directors for approval.
3. Ensure the compliance with the policies and provide recommendations and necessary supports to related working team in order to achieve the operation plan.
4. Evaluate the performance of the company against the good corporate governance policy and the anti-corruption policy, by considering the governance criteria to determine the matters that require improvements.
5. Evaluate the compliance with laws and regulations, standards and operation guidelines applicable to the affiliates under the financial business group.
6. Represent the company in communicating and executing corporate governance activities and corruption prevention with executives, employees and external agencies.
7. Perform any tasks assigned by the Board of Directors with the consent from the Corporate Governance Committee.

### 4. The Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of 3 directors as follows:

1. Mr. Somsak Assavapokee  
Chairman of the Nomination and Remuneration Committee
2. Mr. Shih, Jiing-Fuh  
Member of the Nomination and Remuneration Committee
3. Dr. Supriya Kuandachakupt  
Member of the Nomination and Remuneration Committee
- Mr. Ruangsak Vitavaskarnvej Secretary

#### Duties and Responsibilities of the Nomination and Remuneration Committee

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

1. Determine policies, regulations, qualifications, and nomination method for directors and top executives that require approval from the official agencies and from executives in the position of the First Senior Vice President and higher or other levels in equivalent positions when retired, vacant or added in order to align with business strategy and adhere to the Bank of Thailand's regulations in regard to criteria to appoint directors, managers, authorized persons or consultant of financial institutions.
2. Select and nominate qualified candidates as follows:
  - 2.1 Directors
  - 2.2 Authorized persons such as Chief Executive Officer, President, Senior Executive Vice President, Executive Vice President and First Senior Vice President
  - 2.3 Consultant or a person acting as director, Chief Executive Officer, President, Senior Executive Vice President, Executive Vice President and First Senior Vice President, all of which have been named as consultant only.
3. Supervise the Board of Directors to have the Number of members and the composition appropriate to the organization, adjust them to changing environments, ensure that mechanism or tool supporting the process of selection and nomination is in place and nominate a qualified person to be a director so the Board of Directors is consisted of persons with good behaviors, knowledge, abilities and various contributing to long term operations, directions and strategies of the company.

4. Determine the remuneration policy, remunerations and other benefits for directors and authorized persons (reference no. 2) which reflect the objectives, duties,

responsibilities and relevant risks with clear and transparent criteria and propose them to the Board of Directors for approval and submit such policies to the Bank of Thailand if required.

5. Supervise and ensure that the directors and the authorized persons (reference no. 2) receive appropriate remunerations commensurate with their duties and responsibilities.

6. Consider the budget for annual salary increase, bonus or other special remuneration payments for employees and propose it to the Board of Directors for approval.

6.1 Consider the overall structure and framework of remuneration, salary increase, bonus or any benefits of top executives and local staffs as well as expatriates of the business partner such as fees or service charges and so on that involve the conditions of employment for the expatriates duly agreed by the management team, bringing about results as expected and fair for employees' dedication to the success of the company.

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

7. Consider policy, guideline and the method of succession plan to ensure the continuity of appropriate and systematic administration for authorized persons (reference no. 2).

8. Consider policy framework, criteria and fixed contract of employments.

9. Review and propose the solutions, duties and responsibilities of the Nomination and Remuneration Committee to be in line with any circumstances.

10. Ensure the disclosure of policy and the details of nomination procedure for directors and authorized persons in the annual report.

11. Determine the evaluation guideline for directors and authorized persons (reference no. 2) consider the adjustment of annual remuneration by taking into account their duties, responsibilities and related risks including paying attention to the increased value of shareholders' equity in the long term.

12. Disclose the policy of the remuneration determination and any form of remunerations, and provide the remuneration report. At least, the annual report shall contain the details of factors used to assess the overall performance, goals and operations, recommendations of the Nomination and Remuneration Committee, methods, and tools for remuneration payment which reflect potential risks (if any).

13. Perform other tasks assigned by the Board of Directors.

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

#### **1. Nomination of Directors and Independent Directors**

The Nomination and Remuneration Committee shall select and screen persons with proper qualifications, knowledge and experiences in various fields, adequate understanding in banking, finance, economics, laws, etc., to form a proper composition of the Board of Directors by preparing a board skill matrix to assist the selection and nomination process to align with business strategy and taking into consideration the organization's necessity and good corporate governance. The Nomination and Remuneration Committee shall listen to suggestions of minor shareholders who nominate persons eligible for being directors and independent directors. The company has given opportunities for shareholders to nominate persons to be considered for election as a 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 to the Board of Directors the appoint were of directors and/or independent directors to replace the vacancy of such directors by any reasons other than rotation or shall propose to the shareholders' meeting to elect directors and/or independent directors who retired by rotation or elect additional directors, under the rules of the election and removal of directors, as follows:

- **Composition of the Board of Directors**

The number of directors, determined by the shareholders' meeting, shall not be less than 5 directors consisting of executive director not more than one-thirds and the independent directors at least 3 directors or at least one-thirds, whichever number is greater.

- **Selection of Directors**

1. To vote and elect the directors, the shareholders' meeting shall elect the directors according to the rules and methods as follows:

- (A) One share is entitled to one vote.
- (B) Each shareholder then may cast his votes by casting all of his votes for one candidate or more candidates as director(s) by non-cumulative voting.

- (C) The candidates are ranked in descending order, from the highest number of votes to the lowest, and are appointed as directors in that order until all the director positions are filled. Where the votes cast for candidates are tied, the chairman of the meeting shall have a casting vote.

2. Retirement from the position of directors

- (A) Retirement by rotation
  - At every Annual General Meeting of Shareholders, one-thirds 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 retire by rotation can be re-elected to resume the position.
- (B) Death
- (C) Resignation
- (D) Disqualifications 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 attending 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 vacant position in the next meeting unless the term of the director who vacates office is less than two months. The substitute director shall serve only for the remaining term of the director that he replaces. Such resolution by the Board of Directors shall require the votes of not less than three-quarters of the remaining directors.

- **Selection Process of Directors**

Nomination of directors shall comply with the guidelines for director appointment in accordance with the articles of association, which can be divided into 2 cases:

**Case 1** To appoint a new director due to retirement by rotation, the Nomination and Remuneration Committee shall select and screen persons with proper qualifications, knowledge and experiences in various fields, having adequate understanding in the area of banking, finance, economics, laws as to align with business strategy by 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 shareholders' meeting for approval.

**Case 2** To appoint a new director to replace the resigned director before the end of the term, the Nomination and Remuneration Committee shall select and screen persons with proper qualifications, knowledge, experiences in various fields, having adequate understanding in the area of banking, finance, economics, laws as to align with business strategy by taking into consideration of corporate requirements and good corporate governance. The lists of qualified persons shall then be proposed to the Board of Directors for approval.

## **2. Nomination of Executives**

The Nomination and Remuneration Committee shall select and screen persons with capabilities and proper qualifications by taking into consideration ethics, moral principle and honesty to take a position of top executives such as president. Primary factors for consideration include qualifications, capabilities, and experiences in financial field. Selected persons should have ideas and vision regarding management in line with the Board of Directors in order for them to perform their duties to achieve the targets. The top executives and the Board of Directors must have trustworthiness and close coordination with one another. The Nomination and Remuneration Committee shall nominate selected persons to the Board of Directors for further considerations and approval.

For the case of other executive positions, the Chief Executive Officer and President shall consider qualifications for approval and appointment.

## **Independent Directors' Qualifications**

Concerning the nomination and appointment of the independent directors, eligible candidates must possess the qualifications 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 are as follows:



1. Holding not more than 0.5% of the total number of voting shares of the company, or the parent company, subsidiaries, associated companies, major shareholders, or control 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 roles, or an employee, an officer, an advisor who receives regular salary, or a person having control power of the company or the parent company, subsidiaries, associated companies, a subsidiary at the same level, major shareholders, or control person, unless the foregoing status has ended at least two years prior to the date on which such an independent director has been appointed.

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, major shareholders, control person, or the person being nominated to be a director, management or a control person of the company or its subsidiaries.

4. Neither holding nor having held any business relationship with the company or the parent company, subsidiaries, associated companies, major shareholders, or control 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 control person of the person that has business relationship with the company, or the parent company, subsidiaries, associated companies, major shareholders, or control person, unless the foregoing status has ended at least two years prior to the date on which such an independent director has been appointed.

A business relationship shall include any trading transaction in the ordinary course of business for any lease taken 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 other parties 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 entering into connected transactions *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, subsidiaries, associated companies, major shareholders, or control person, and not being a significant shareholder, a control person, or a partner of any audit firm or office for which the auditor of the company, or the parent company, subsidiaries, associated companies, major shareholders, or control person is working, unless the foregoing status has ended at least two years prior to the date on which such an independent director has been appointed.

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, subsidiaries, associated companies, major shareholders, or control person, and not be a significant shareholder, or a control 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 has been appointed.

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 subsidiaries and which, in any material respect, is competitive with the business of the company or the company's subsidiaries, or not being 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 companies engaging in any business the nature of which is the same as that of the company or its subsidiaries and which, in any material respect, is competitive with the business of the company or its subsidiaries.

9. Not having any other characteristics that prevent the exertion of independent opinions concerning the company's business undertaking. After having been appointed, 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, subsidiaries, associated companies, subsidiaries in the same level of the company, or by major shareholders, or a control person.

## 5. The Risk Oversight Committee

The Risk Oversight Committee consists of 3 members as follows:

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 Oversight Department  
Secretary or assigned person

### Duties and Responsibilities of the Risk Oversight Committee

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

1. Supervise the company and the companies in the financial business group as follows:

1.1 Provide the key risk management policies such as credit risk, market risk, liquidity risk, operational risk, and reputation risk as well as determine the framework of information and technology risk management comprehensive according to the international standards.

1.2 Provide the system to assess and monitor the risk management of management team in appropriate and acceptable level according to the company's policies and ensure the appropriate risk management of the company to be competitive in the market as well as supervise the management team to provide the appropriate measures of protection, solution and risk limit, especially the concentration of any type of risks.

1.3 Provide the system or the procedure for reviewing policies, risk management strategies and overall risk management systems at least once a year or when there are some significant changes that may affect the bank's stability by considering overall risk profile, risk tolerance level and risk management strategy.

1.4 Provide the financial projection via stress test by determining the scenario according to characteristics, volume and complexity of transactions.

1.5 Provide the organization structure to support the risk governance.

1.6 Provide the IT risk management and the procedure of risk management that covers the assessment and continuously follow up on IT risk, cyber risk and cyber security as well as report any significant IT risk and cyber risk to the Board of Directors for acknowledgement.

1.7 Ensure IT risk awareness culture in the organization by consistently encouraging employees at all levels to be aware of the IT risk and cyber risk and to have knowledge sufficient for risk protection.

1.8 Provide the development of the personnel specialized in IT risk and cyber security adequately.

1.9 Provide the risk management of conduct risk, procedure in controlling the business operation to align with the principle and guideline of market conduct, procedure in risk protection from any errors arising from services, procedure to handle the complaints of customers, and procedure to manage the company's impacts in order to comply with the regulations of the compliance department.

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

1.11 Provide the strategy of fund management and liquidity to support the various risks of the company and compliance with risk appetite.

1.12 Report to the Board of Directors the risk appetite, risk management performance, compliance status according to the risk awareness culture, including significant factors and problems, and issues requiring modifications to align with risk policies and risk management strategies of the company.

2. Provide suggestions to the Board of Directors regarding the framework of risk oversight.

3. Consult and share ideas with the Audit Committee as to evaluate whether the policies and the strategies in risk managements efficiently and effectively cover all types of risks and emerging risks as well as evaluate the compliance with policies and strategies.

4. Give the ideas or participate in the evaluation of performance of the head of risk management department.

## 6. The Board of Directors Meetings

LH Financial group Public Company Limited regularly holds the Board of Directors meetings. In each meeting, clear agenda is determined in advance which contains important agenda items such as the review of the financial statements of each quarter, monitoring of the company's performances and the financial business group's performance. In this regard, the company will send an invitation letter and meeting agenda not less than 7 days before the meeting and relevant documents to the directors at least 5 business days before the meeting in order for them to have sufficient time to review such information. The minutes are recorded in writing, certified by the Board of Directors and then filed for auditing purposes.

In 2019, the Board of Directors meetings and sub-committee meetings have been held with the details of attendance, number of meetings and percentage of individual director's attendance for each meeting as follows:

**Table: Meeting Attendance of the Directors in the Year 2019**

Name of Directors	Board of Directors		Audit Committee		Corporate Governance Committee		Nomination and Remuneration Committee		Risk Oversight Committee	
	Number of meetings attended	(%)	Number of meetings attended	(%)	Number of meetings attended	(%)	Number of meetings attended	(%)	Number of meetings attended	(%)
<b>Total Meetings (Times)</b>	<b>12</b>		<b>13</b>		<b>12</b>		<b>5</b>		<b>9</b>	
1. Mr. Rutt Phanijphand	12	100								
2. Mr. Adul Vinaiphat	12	100	13	100	12	100				
3. Mr. Pradit Sawattananond	12	100	13	100	12	100				
4. Dr. Supriya Kuandachakupt	12	100	13	100	12	100	5	100	9	100
5. Mr. Somsak Assavapokee	12	100	13	100	12	100	5	100	9	100
6. Mr. Li, Ming-Shieh	11	91.67								
7. Mr. Naporn Sunthornchitcharoen	12	100								
8. Mr. Shih, Jling-Fuh	11	91.67					4	80	8	88.89
9. Mr. Wu, <sup>1</sup> Kuo-Chin	12	100					1 (1 of 1)	100		
0. Mr. Khunnawut Thumpomkul	11	91.67								
11. Mrs. Sasitorn Phongsathorn	11	91.67								

**Note:** <sup>1</sup> Mr. Wu, Kuo-Chin attended the Nomination and Remuneration Committee meeting no. 1/2019 dated 25 January 2019 and his term expired on 18 March 2019.

## 7. The Executives

The company has 6 executives as follows:

Name of the Executives	Position in the Company	Position in the Subsidiaries <sup>1</sup>	Position in the Subsidiaries <sup>2</sup>	Position in the Subsidiaries <sup>3</sup>	Position in the Subsidiaries <sup>4</sup>
1. Mrs. Sasitorn Phongsathorn	Chief Executive Officer and President	-	Director	Director	Director
2. Mr. Vichian Amompoonchai	Company Secretary, First Executive Vice President, Corporate Affairs and Legal Group	Company Secretary	-	-	Director Secretary Company
3. Mr. Suwat Chritamara	First Executive Vice President, Risk Management and Corporate Strategy Group	-	-	-	-
4. Mr. Weeravej Sirichatchai	Executive Vice President, Compliance Group	-	-	-	-
5. Mrs. Wilawan Sutthibutr	Executive Vice President, Control Group	-	-	-	-
6. Ms. Siriporn Ngamwiriyaong,	Highest responsibility in finance and accounting First Senior Vice President, Finance Group	-	-	-	-

**Note:**

The Company  
The Subsidiaries<sup>1</sup>  
The Subsidiaries<sup>2</sup>  
The Subsidiaries<sup>3</sup>  
The Subsidiaries<sup>4</sup>

refers to LH Financial Group Public Company Limited.  
refers to Land and Houses Bank Public Company Limited.  
refers to Land and Houses Securities Public Company Limited.  
refers to Land and Houses Fund Management Company Limited.  
refers to Land and Houses Advisory Company Limited.

### Duties and Responsibilities of the Chief Executive Officer and President

1. Manage the company to be in line with the policies, strategies and goals determined by the Board of Directors.
2. Monitor and report the status and position of the company, propose options and strategies in accordance with the policies and market conditions.
3. Consider and screen business operations and exercise the authority to take any business action to be in compliance with the objectives and policies.
4. Supervise the operations of the company such as finance, risk management, internal control, operation, support functions and resource management.
5. Represent the company and delegate authorities to subordinate units to contact government agencies and other regulatory units.

6. Supervise the communication with public, shareholders, customers and employees to enhance the reputation and image of the company.

7. Supervise and ensure good corporate governance.

8. Perform any tasks assigned by the Board of Directors and the sub-committees appointed by the Board of Directors.

In case of the Chief Executive Officer and President or person who may have conflicts of interest, the Chief Executive Officer and President will not be authorized to approve any transaction related to the company or its 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, First Executive Vice President, Corporate Affairs and Legal Group, 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 continuously obtain trainings and develop knowledge in the areas of law, accounting or duties of the company secretary. The details of his profile are as follows:



**Name:** Mr. Vichian Amornpoonchai

**Position:** First Executive Vice President, Corporate Affairs and Legal Group,  
Company secretary

**Age: (Years)** 58

**Education:**

- Master of Business Administration, 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 Minutes 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

**Direct shareholding:**

- 82 shares, shareholding 0.0000%

**Number of shares of spouse and minor**

- 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
Aug. 2019 - Present	First Executive Vice President, Corporate Affairs and Legal Group	LH Financial Group PLC
May 2009 - Present	Company Secretary	
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**

Mar. 2008 - Present	Company Secretary	Land and Houses Bank PLC
Mar. 2019 - Aug. 2019	First Executive Vice President, Corporate Affairs and Legal Group	
Aug. 2017 - Mar. 2019	Executive Vice President, Office of the President	
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 Acting Vice Present, Compliance Officer Vice President, Officer of the President and Compliance Office	
Dec. 2005 - Jul. 2006	Acting Vice President, Audit Department	
Jan. 2014 - Present	Director and Company Secretary	Land and Houses Advisory Co., Ltd.
Mar. 2014 - Aug. 2017	Company Secretary	Land and Houses Securities PLC

## Duties and Responsibilities of the Company Secretary

1. Prepare and retain the following documents:
  - 1.1 Director registration
  - 1.2 Notice of Board of Directors meeting, minutes of the Board of Directors meeting, and annual report.
  - 1.3 Notice of Annual General Meeting of Shareholders and minutes of Annual General Meeting of Shareholders
2. Retain the reports on the interest of the directors and executives.
  - 2.1 The directors and executives have a duty to report their interest. (Directors and Management are responsible for reporting their interests and those of relevant parties to the company).
  - 2.2 The company secretary submits the copy of reports to the chairman of the company and the chairman of the Audit Committee within seven business days from the date of receipt of the report.
  - 2.3 Provide a system to accurately and completely store relevant documents and evidence that can be checked within a period of not less than five years from the date of such documents or information.
3. Perform any tasks prescribed by the Capital Market Supervisory Board.

## 9. The Remuneration of Directors and Executives Remuneration Policy for Directors and Executives

The remuneration 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 remuneration must be attractive to the directors who are talented and important to the performance of the board.

Excessive remuneration payment shall be avoided. Director's 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 on the Stock Exchange of Thailand. In addition, it's compared with the average remuneration of listed companies from the survey report of remunerations for directors of listed companies of the Thai Institute of Directors.

Determination of remuneration shall be approved in the order of authority as to avoid the conflicts of interest and for transparency, i.e., shareholders approve the 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 the suitability.

### Financial Remuneration

#### The Remuneration of Directors

The financial remuneration of directors has been determined by the shareholders meeting, in the form of monetary value such as monthly remuneration and meeting allowances. In addition, the remuneration of directors has been consented by the Board of Directors, which had been presented by the Nomination and Remuneration Committee. The remuneration of directors will be clearly defined and transparent based on the general practice in the industry, by considering from experience, knowledge and ability commensurate with the duties and responsibilities of directors and comply with the operations of the company while taking into considerations the best interests of the company and shareholders.

The 2019 Annual General Meeting of Shareholders of LH Financial group Public Company Limited, on 22 April 2019, approved the monthly remuneration, meeting allowances and gratuity as follows:

**Table: The Remuneration of the Directors for the Year 2019 and 2018**

Position	Remuneration (Baht month)		Allowance (Baht time)											
			The Board of Directors		The Audit Committee		The Corporate Governance Committee		The Nomination and Remuneration Committee		The Risk Oversight Committee		Other sub-committees	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Chairman	60,000	60,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Non-Executive Directors	40,000	40,000	25,000	25,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Executive Directors	40,000	40,000	-	-	-	-	-	-	-	-	-	-	-	-

**Remark:** \* Other sub-committees refer to the committees that regulators require, or should have or the Board of Directors deems appropriate.



### Directors' Gratuity

The Board of Directors plays a key role in supporting the policies and making decisions together with management team for the company. As a result, the company has continuously shown good performance and good image.

The shareholders meeting has determined the directors' gratuity which the Board of Directors consented by the proposal of the Nomination and Remuneration Committee. In the year 2019, the Board of Directors determined the directors' gratuity in the maximum amount of Baht 12,000,000 which was appropriate for their duties, responsibilities and workload.

**Table: Directors' Gratuity for the Year 2019 and 2018**

Directors' Gratuity (Baht)	
2019	2018
12,000,000	10,000,000

### Remuneration of Directors

In the year 2019, the company paid the remuneration totaling Baht 22,754,215 and the year 2018 was Baht 18,484,841.86 in total.

### Remuneration of Executives

In the year 2019, the company paid the remuneration including salary, bonus and other compensation for 6 executives totaling Baht 22,754,215 and the year 2018 was Baht 18,484,841.86 in total.

### Other Remunerations

Other remuneration or other remuneration benefits refer to shares, debentures and other benefits which are in forms of both monetary value and non-monetary value. The foregoing compensations are apart from the benefits that they receive regularly such as salary and meeting allowances.

### Other Remuneration of Directors

- None

### Other Remunerations of Executives

Other remunerations or compensations apart from normal benefits, for example, contributions, provident fund, group insurance premium, uniform, medical expense and others including.

**Table : Executives' Remuneration for 2019**

Type of Remunerations	2019	
	Number (Person)	Amount (Baht)
Salary	6	12,801,850
Bonus		9,409,250
Provident Fund		436,620
Group Insurance		3,224
Medical Expense		28,547
Other Remunerations		226,000
<b>Total</b>		<b>22,905,491</b>

**Table: Remuneration of Directors for the Year 2019**

Name of Directors			Date appointed as Director	2019		
				Remuneration (Baht)	Bonus (Baht)	Other Benefits <sup>1</sup> (Baht)
1.	Mr. Rutt	Phanijphand	22 April 2009	2,645,217	-None-	-None-
2.	Mr. Adul	Vinaiphat	22 April 2009	2,573,478	-None-	-None-
3.	Mr. Pradit	Sawattananond	23 April 2018	1,998,522	-None-	-None-
4.	Dr. Supriya	Kuandachakupt	1 August 2017	2,603,478	-None-	-None-
5.	Mr. Somsak	Assavapokee	19 December 2018	1,570,000	-None-	-None-
6.	Mr. Li,	Ming-Shieh	23 April 2018	1,473,522	-None-	-None-
7.	Mr. Naporn	Sunthornchitcharoen	3 May 2011	1,843,478	-None-	-None-
8.	Mr. Shih,	Jiing-Fuh	1 August 2017	2,098,478	-None-	-None-
9.	Mr. Wu,	Kuo-Chin	1 August 2017	1,843,478	-None-	-None-
10.	Mr. Khunawut	Thumpomkul	14 August 2013	1,798,478	-None-	-None-
11.	Mrs. Sasitorn	Phongsathorn	22 April 2009	1,523,478	-None-	-None-
12.	Mr. Sun <sup>12</sup>	Vithespongse	1 August 2017	782,608	-None-	-None-
<b>Total</b>				<b>22,754,215</b>		

### Note:

<sup>1</sup> Other benefits refer to shares, debentures, and other monetary and non-monetary benefits apart from the benefits that they regularly receive consisting of salary and meeting allowances.

<sup>12</sup> Mr. Sun Vithespongse resigned from a director on 30 September 2018.

**Table: Directors' Shareholding Proportion in LH Financial Group Public Company Limited and its subsidiaries**

Name of Directors	Position	31 December 2019				31 December 2018			
		Number of Shares Held				Number of Shares Held			
		Company	Subsidiaries <sup>1</sup>	Subsidiaries <sup>2</sup>	Subsidiaries <sup>3</sup>	Company	Subsidiaries <sup>1</sup>	Subsidiaries <sup>2</sup>	Subsidiaries <sup>3</sup>
1. Mr. Rutt Phanijphand	Chairman								
Number of direct shareholding :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
Number of shares held by spouse and minor child :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
2. Mr. Adul Vinaiphat	Independent Director								
Number of direct shareholding :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
Number of shares held by spouse and minor child :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
3. Mr. Pradit Sawattananond	Independent Director								
Number of direct shareholding :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
Number of shares held by spouse and minor child :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
4. Dr. Supriya Kuandachakupt	Independent Director								
Number of direct shareholding :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
Number of shares held by spouse and minor child :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
5. Mr. Somsak Assavapokee	Independent Director								
Number of direct shareholding :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
Number of shares held by spouse and minor child :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
6. Mr. Li, Ming-Shieh	Director								
Number of direct shareholding :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
Number of shares held by spouse and minor child :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
7. Mr. Naporn Sunthornchitcharoen	Director								
Number of direct shareholding :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
Number of shares held by spouse and minor child :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
8. Mr. Shih, Jiing-Fuh	Director								
Number of direct shareholding :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
Number of shares held by spouse and minor child :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
9. Mr. Wu, Kuo-Chin	Director								
Number of direct shareholding :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
Number of shares held by spouse and minor child :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
10. Mr. Khunawut Thumpomkul	Director								
Direct shareholding:		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-
Number of shares held by spouse and minor child :		2,700,066 shares 0.013%	-None-	-None-	-None-	2,700,066 shares 0.013%	-None-	-None-	-None-
11. Mrs. Sasitorn Phongsathorn	Director								
Direct shareholding:		1,983,622 shares 0.009%	-None-	-None-	-None-	1,983,622 shares 0.009%	-None-	-None-	-None-
Number of shares held by spouse and minor child :		-None-	-None-	-None-	-None-	-None-	-None-	-None-	-None-

**Note:** The company refers to LH Financial Group Public Company Limited.  
The Subsidiaries<sup>1</sup> refers to Land and Houses Bank Public Company Limited.  
The Subsidiaries<sup>2</sup> refers to Land and Houses Securities Public Company Limited.  
The Subsidiaries<sup>3</sup> refers to Land and Houses Fund Management Company Limited.



### Risk Management Overview

The company appreciates the importance of systematic and efficient risk management and risk control. The risk management structures and policies have been defined clearly in writing with the main goal to prevent and manage risks. Moreover, the company had determined the operation guidelines to conform to the Bank of Thailand's regulations and the best practices for risk management. The structure of risk management, risk management policy and the risk management of the financial business group are as follows:

### Risk Management Structure

The financial business group has defined an organization chart to manage risk against risk appetite, good corporate governance policy and good internal control. The following are the committees being in charge of monitoring and managing risks.

#### The Board of Directors

- To formulate risk management policy and strategic plan for financial business operations
- To approve and determine risk management policy and scope of risk appetite
- To ensure adequate and appropriate internal control and careful supervision in conformity with the Bank of Thailand's regulations

#### The Audit Committee

- To ensure the financial business group has correct, complete, adequate financial reporting and information disclosure in line with the accounting standards
- To verify and evaluate the efficiency and the appropriateness of internal control and internal audit
- To supervise and assure all business practices fall in line with relevant laws

#### The Corporate Governance Committee

- To define the Good Corporate Governance Policy and Anti-corruption Policy and to supervise the implementation of such policies
- To be a representative to communicate and deploy activities involved in corporate governance, corrupt payment prevention among executives, staffs and external agents

#### The Risk Oversight Committee

- To control, monitor, and supervise business operations so that the financial business group develops risk management policy governing different aspects and ensure the implementation of such policy.
- To evaluate the efficiency of the risk management of the financial business group

### Risk Management Policy

The objective of risk management policy is to supervise financial transactions both inside and outside the financial business group to be under risk appetite, to have proper, adequate, and efficient internal control in conformity with the best practice of risk management outlined by the regulations of the Bank of Thailand and other related regulators. The policies are perceived as a standard guideline strengthening the risk management process by identifying, estimating, controlling, monitoring, and reporting any significant risks of

the group with efficiency and appropriateness to the business operation of each company under the group.

Having systematic risk management process with clear roles, duties and responsibilities with its owner, helps foster risk management culture and allows executives and employees of each company in the group to realize and understand the importance of risk management guideline so that they can properly and efficiently manage, control, monitor, and mitigate risks in accordance with transactional

volumes and unique complexity of the natures of different businesses of each company in the group.

### **Risk of LH Financial Group Public Company Limited**

The company was established to be a non-operating holding company with the major objective to hold shares in other companies. Therefore, potential risks faced by the company can be classified into 2 areas as follows:

1. Risks from the business operations
2. Risks from the business operation of 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**

The company recognizes the importance of the selection of good companies to invest. It focuses on investing in the businesses that can potentially help increase competitiveness of the group by factoring in the industry's growth outlook, competition, long term profitability and the efficiency of internal control and risk management.

##### **1.1 Market Risk**

The market risk is probably resulted from interest rate and stock price change which will cause income fluctuation and the changes of present values of financial assets and liabilities. At the present, the risk of price changes is reported at low level because the company has no policy to invest in high risk securities.

Most of the company's investments are made in equity instruments with low volatility and consistent return.

As of December 31, 2019, the company had net investment in the value of Baht 66,288.64 million, classified as trading portfolio with fair value of Baht 22,549.68 million, available-for-sale investments with fair value of Baht 1,647.80 million and held-to-maturity portfolio in the amount of Baht 42,074.80 million. The company also has general investments in non-marketable equity instruments in the amount of Baht 16.36 million.

#### **1.2 Risk from Shareholding of Investors in the Company**

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 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)

- **Offering of Surplus Stock and Auction**

Any person holding or having shares in excess of those prescribed in Section 18, such person shall make an offering of the surplus 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 frame or at the time of relaxation, 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 changes in criteria of capital supervision under Basel III in accordance with the Basel Committee on Banking Supervision (BCBS) cover capital maintenance and liquidity risk management for the financial business group to control with in terms of both quantity and quality. The financial business group is required to maintain sufficient capital to cover the potential losses in both normal and critical circumstances. Moreover, it aims to strengthen capital position and determine more effective framework for liquidity risk management.

As of December 31, 2019, the financial business group had the total capital under the Basel III of Baht 43,872.19 million consisting of the common equity tier 1 in the amount of Baht 38,113.53 million or 86.87% of total capital and the capital tier 2 in the amount of Baht 5,758.66 million or 13.13% of total capital, which is sufficient to operate business and support growth under normal and critical circumstances.

The capital adequacy ratio is at 17.355. The capital tier 1 ratio was at 15.138%, and the common equity tier 1 ratio is at 15.077, which was higher than the minimum capital ratio required by the Bank of Thailand.

#### 1.4 Risk from Changes in Policies, Regulations or Rules of the Official Regulators

The companies in the financial business group have the duties to perform their operations in accordance with the policies, regulations, rules determined by the official regulators, 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 operations of the companies within the financial business group or unintentionally disobedience to the laws and regulations of the official regulators which could damage the reputation of the companies and the financial business group, such as the negative image, public condemnation on media both in narrow and broad senses, complaints or litigations. If the mentioned problem happened in one of the companies within the group, it may impact the other companies in the financial business group.

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

## 2. Risks Business Operations of Subsidiaries

As at 31 December 2019, the company had 3 subsidiaries consisting 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 its 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 Overview

Land and Houses Bank Public Company Limited sets the framework and strategies of its business operation to promote growth 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 in writing as to manage risks effectively.

Moreover, the bank also pays attention to the information disclosure risks and sufficiency of capital to public in accordance with the principles and regulatory guidelines of the Bank of Thailand.

#### Risk Supervision Structure

Good organization structure helps the bank manage risks, in consistence with the good corporate governance policy and good internal control as follows:

#### The Board of Directors

- To formulate several risk management policies and strategic plan for business operation of the bank
- To approve and determine risk management policy and scope of risk appetite
- To ensure adequate and appropriate internal control and careful supervision in conformity with the Bank of Thailand's regulations

#### The Audit Committee

- To ensure the bank has correct, complete, adequate financial reporting and information disclosure is in line with accounting reporting standards
- To review and evaluate the efficiency and appropriateness of internal control and internal audit
- To review and assure all business practices fall in line with related laws

#### The Executive Committee

- To frame the policy about credit approval and investment
- To screen credits and / or investment amount which is under the Board of Directors' authority
- To approve credits and / or investment amount under the approval authority specified by the bank

### The Corporate Governance Committee

- To frame the Good Corporate Governance Policy and Anti-Corruption Policy and to monitor the implementation of such policies
- To be a representative to communicate and stimulate any activities involved in the corporate governance, corrupt payment prevention among executives, staff and external agents

### The Risk Oversight Committee

- To monitor, and supervise the bank's operations so that it develops risk management policy governing different aspects and to ensure the implementation of such policy.
- To evaluate the efficiency of risk management of the bank

### The Risk Management Committee

- To screen and propose policy, map out risk management strategy governing different aspects as stipulated by the Bank of Thailand
- To evaluate, follow up, and implement the approved policies to maintain risk appetite under the prescribed agreed risk management framework

### The Asset and Liabilities Committee

- To manage, recommend an effective way to manage liquidity, monitor, assess, follow up and prepare risk management covering market risk, interest rate risk, and liquidity risk
- To draw up investment plan and ensure the implementation of such plan

### The Credit Committee

- To consider and approve loans under the authority assigned by the bank
- To screen the loans which are under the authority of the Executive Committee

In addition, the bank has also set up other committees to supervise and control specific risks such as the Information Technology Steering Committee, the Sub-Credit Committee, and the Credit Monitoring Committee, and Operational Risk Management Working Group, etc. Risk Management and Corporate Strategy Group is responsible for the overall risk management of the bank. Internal Audit Group is in charge of assessing the sufficiency of internal control, the accuracy and reliability of financial reporting and ensures the compliance of regulatory requirements.

### Risk Management Policy

The bank has set up risk management policy to supervise financial transactions of the bank to maintain the risk appetite, to have proper, adequate, and efficient internal control in conformity with the best practice of risk management according to the regulations of the Bank of Thailand and other regulatory units. The policies are perceived as a standard guideline to strengthening the risk management process by identifying, estimating, controlling, monitoring, and reporting any significant risks of the bank with efficiency and appropriateness to the operations of the bank.

### Risk Factor

The commercial banking business is directly related to capital market and the domestic and international economic situations which are rapidly changing. Likewise, other business environments such as regulatory changes, competitors' adaptations, or political gatherings can, correspondingly, affect the commercial banking industry.

The risk management which is in line with the guideline of the Bank of Thailand involves 5 major areas: strategic risk, credit risk, market risk, liquidity risk and operational risk.

The bank's policies and procedures to manage risks are as follows:

#### 1. Strategic Risk

Strategic risk refers to any risk originated from inappropriate formulation of strategies and the inability to execute the laid-down strategies, as well as the disharmony of strategies, policies, goals, 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**

Economic uncertainties may affect business growth and credit quality. The bank hence prepares ingenious business plans, annual budget and fund projection by having executives of each unit participate and share their opinions in such preparations. The business plan and budget will be proposed to the Board of Directors for approval and the plan will be reviewed on semi-annual basis to ensure the plan is compatible with economic changes. The Board of Directors will regularly benchmark the bank's performance against the business plan.

### **1.2 Risk from Inadequacy of Capital**

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

The capital supervision under Basel III framework requires the bank to maintain the minimum total capital ratio not less than 11% consisting of the tier 1 ratio of not less than 8.5% and common equity tier 1 of not less than 7%.

Besides, the Bank of Thailand has regulated commercial banks to maintain the capital buffer in order to support their loss in a crisis (Conservation Buffer) for which commercial banks shall maintain the addition equity tier 1 from the minimum limit by 0.625% per year, starting from January 1, 2016 until reaching 2.5% on January 1, 2019.

As of December 31, 2019, the bank maintained the total capital ratio at 19.265, tier 1 ratio at 16.514%, and equity tier 1 ratio at 16.481, which is higher than the minimum capital ratio required by the Bank of Thailand.

The bank had the total capital under the Basel III of Baht 40,421.08 million consisting of the common equity tier 1 of Baht 34,578.32 million or 85.55% of total capital and capital tier 2 of Baht 5,842.76 million or 14.45% of total capital, which is sufficient to operate business and support growth under normal and critical circumstances as well as economic uncertainties.

Furthermore, the bank also assessed the risk and the adequacy of fund (ICAAP) to support different risks as guided by the rules of capital supervision from the Bank of Thailand. This ensures that the bank can manage the capital efficiently, has the strong capital status to support various risks in both normal and crisis circumstances, and has sufficient capital for business expansion.

## **2. Credit Risk**

The credit risk refers to the risk arising from debtors or trade partners who cannot fulfill loan agreement or the risk from the possibility that debtors or the counterparties will not repay their loans which results in the credit rating downgrade. Credit risk affecting the bank's capital status and revenue may be resulted from external factors such as the changes in economic position, laws, regulations and rules and from internal factors such as the lack of proper control, monitoring customer's compliance, and effective credit approval / underwriting, etc. Credit risk-related transactions are those involved with credit approval or that similar to credit approval, those with counterparties with obligations to deliver assets or to repay debts to the bank, and those related to the investment in debt instruments.

### **Tools for Credit Risk Management**

The bank has developed the following tools to screen and classify the risk levels of debtors, both individuals and juristic persons, to facilitate efficient credit approval as follows:

- **Credit Scoring Model** is used to classify and designate the risk levels of individual borrower to facilitate loan approval process. This tool was developed by using the basic statistics of the bank's debtors and was based on experts' discretion (expert base).
- **Credit Rating Model** is used to screen and classify the risk levels of juristic persons. The bank realizes the importance of the accuracy and efficiency of the tool as it is used in loan underwriting process, therefore, it always follows up the results from using the models, analyzes the efficiency, and regularly improves credit risk management tool so that it can support the business operation efficiently.

## 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, and collateral appraisal officers and operation officers. Furthermore, to consider approving credit, the bank has set up independent units; namely, the Corporate Credit Underwriting Office and Retail Credit Underwriting Office to supervise and give opinions on risk elements that may arise from granting loans to each customer. This is to ensure that the credits to be approved have been considered and screened prudently. The bank has set up an independent Credit Review Office to review the accuracy of approved credits, monitor customers' compliance with the loan covenants, deepen understanding and provide credit trainings for credit officers to enhance the efficiency of credit marketing to acquire high quality loans.

## Credit Portfolio Management

The bank appreciates the importance of credit customer quality classified by their business types and credit concentration. Therefore the bank tracks any changes in credit portfolio in various dimensions such as the quality of the credit portfolio classified by loan types and business types, the ratio between the total exposure of the top 20 corporate credit customers and the total bank's capital which indicates the quality of loan portfolio and potential risks.

### Credit Risk consists of:

#### 2.1 Risk from Deteriorating Loan Quality

The rise of NPLs is considered a significant risk as it requires additional allowance for doubtful accounts and it directly impacts the bank's profitability and capital adequacy. However, the bank has laid down a process to control non-performing loans by reinforcing the credit management efficiency with more stringent credit underwriting process such as standardizing the criteria for retail underwriting process to avoid the use of officers' discretion, setting up minimum down payment for housing loans for high-risk customers, tightening the minimum standards of loan applicants' qualifications in each area. Moreover, the bank has improved and developed tools to screen and categorize risk levels of debtors to mitigate risk from credit approval process. The bank gives priority to the management of loans showing signs of problems or potential NPLs and the bank, therefore, has appointed a department separately to collect debts.

#### 2.2 Risk from Credit Concentration

The bank is aware of credit concentration risk in different dimensions such as corporate customer concentration and sector concentration. The bank stipulates the risk limit and trigger in order to control and avoid any significant credit concentration.

#### 2.3 Risk from Devaluation of Asset Collateral Value

The bank's secured loans accounted for 41.21% of total loan. Real estate collateral accounted for 84.58% of total collateral value. When real estate market is depressed, the bank may suffer loss from collateral devaluation thus it formulates collateral valuation policy requiring regular reviews on collateral's appraisal value and the appraisal value of real estate acquired from debt settlement or public auction. The review period will be in accordance with the notification of the Bank of Thailand to reflect the real value of collateral based on current situations.

## 3. Market Risk

Market risk refers to the risk arising from the movement of interest rate, foreign exchange rates and the prices of instruments in the money market and capital market which negatively affect the revenue 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 the risk management policy.

#### 3.1 Price Risk

Price risk may cause loss from the change of securities price. Price risk can create income fluctuations to 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 a certain level of confidence and within certain period of time. The bank uses the calculated risk values as a guideline to determine the risk appetite. In addition, the bank has set up different scenarios illustrating different situations with rapid plunge of securities price or has taken Stress Test to assess potential damages from the crisis and emergency risk.

### 3.2 Interest Rate Risk

Interest rate risk refers to risk arising from movements of interest rate in market. The risk affecting the value of financial instruments, income fluctuation or shareholders' equity value may be caused by factors in both on and off-balance sheets. Interest rate risk is a result of structuring, characteristics of items in assets and liabilities, and shareholders' equity underlying to the bank's interest rates and the mismatch of the remaining time in determining new interest rates for assets, liabilities and off-balance sheet items. The bank has appointed the Asset and Liabilities Committee to take charge of interest rate risk management arising from the differences in the interest rate structure by setting up an appropriate interest rate structure for each period, supervising to ensure the interest rate structure is working as planned, controlling the proportions of asset and liabilities having interest rates with different maturity dates to be under the risk appetite.

The bank closely monitors the market conditions and interest rate situations, prepares analytical report on the periodical movements of the interest rates for assets and liabilities, and runs different scenarios concerning net interest income to ensure the impact on bank's earnings is under the defined risk limit.

### 3.3 Exchange Rate Risk

The bank provides currency exchange service in Thai Baht both of buy and sells and also controls aggregate position on a currency pair to be under the threshold specified by the Bank of Thailand at the end of the day, thus, the bank has no significant exchange rate risks.

## 4. Liquidity Risk

Liquidity risk means risk resulted from the bank's failure to pay its debts and obligations when due because of its inability to liquidate assets, or its failure to procure enough fund by schedule and at appropriate costs. Such situation can create negative impacts on 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 the reserve to support demands. External factors include market liquidity and depositors' confidence. The bank has tools for measuring and observing liquidity risks and specifying the appropriate triggers. The bank also reviews the policy and continuously develops tools and methods to measure risks and ensure consistency with the guidelines of the Bank of Thailand and the principles of international risk management.

The bank plans and manages its liquidity risk to be under an appropriate and adequate level so that it can repay present and future obligations. In addition, the bank launches new products to raise funds both in the short and long terms in line with market conditions.

## 5. Operational Risk

Operational risk refers to risks of losses arising from the inadequacies or dysfunctions of internal working processes, human resources, systems or external factors including legal risk but excluding strategic risk and reputational risk. The operational risk is inevitable as it is part of banking business. The bank hence has clearly defined the framework of its operational risk management policy. It also has good internal control 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 monitoring and assessment, etc.

Moreover, the bank has developed its processes and tools to manage operational risk such as incident report which collects financial and non-financial losses, near-misses and other unusual incidents. These data have been analyzed and used to improve the operations and draw up controlling guidelines to prevent risks.

The bank assigns all departments to undertake risk and control self-assessment (RCSA). Each department has to identify its risky points in its operation and assess the efficiency and appropriateness of existing internal control. These data have been evaluated to determine key risk indicators (KRI) tracking risks. It also estimates risks arising from business units with high plausibility frauds so that it can prepare risk prevention and risk management against corruptions.

Moreover, the bank has establish outsourcing policy and new product policy guiding all units that need to outsource or launch new products to do the data analysis and risk assessment, and new product evaluation. The Operational and Market Risk Management Department needs to give consent before outsourcing or launching new products.

The bank has Business Continuity Plan (BCP) that responds to any emergencies such as contingent losses and disasters for the sake of maintaining the continuity of the bank's operations or reducing any disruptions to the operation to be at the acceptable level. All departments have involved in the plan preparation and have revised the plan annually. They also take BCP test, rehearse computer system restoration and check the operation of significant transactions annually to ensure

the bank is able to efficiently undergo its business even under crises.

The bank has been developing its employees to enhance the efficiency of their performances by improving communication channels to educate them the operational risk management through E-Learning platform so that executives and employees understand and are aware of operational risk. The employees also have opportunities to attend external trainings. In-house trainings are also held as needed by having internal experts and external professionals share their knowledge to enhance their skills.

## 6. Information Technology Risk

Information technology risk arising from the use of information technology in business operations includes cyber threat that will affect the bank's operations and system and the operation.

The bank pays attention to the supervision of information technology risk by determining the information technology governance, providing security, maintaining effective risk management, ensuring legal compliance, and other related criteria, audit, providing trainings for directors, executives and officers about cyber threats, effective and prudent information technology project management under 3 important principles:

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

The bank immediately reports the Bank of Thailand when any problems or significant incidents happen and affect the use of information technology so negatively that it impacts the services, systems and reputation of the bank. This includes when significant information technology are under attack or under cyber threat.

## 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 involves wealth management of clients. Therefore, the company is exposed to different risks such as market risk, credit risk, liquidity risk, operational risk, strategic risk and legal risk. Correspondingly, the company is aware of risk management of the whole organization to achieve its business goal, enhance reliability, increase value and sustainability for all related parties such as unit holders, regulators, employees and related persons. As a result,

the company also sets a policy and practice on risk management to align with international standards so the risk management is systematic and significant risks can be appropriately and sufficiently controlled in accordance with the nature of business operations.

### Risk Management Policy

The objective of the risk management policy is to build up a strong and clear risk management culture with systematic processes, clear roles and responsibilities. Proper risk management consists of risk identification, the model selection for risk evaluation, risk limitation, monitor, and risk report to prevent any contingent losses from uncertainties of any situations and to be a tool for executives to help make decisions in pursuance of operational goals and the goal of fund under management.

### Risk Management Structure

The company has the risk management structure in accordance with good corporate governance policy as follows:

**1. Board of Directors** has duties to set policies, lay down principles, establish the organization structure and monitor the company's risk management to ensure the efficiency and appropriateness in accordance with the company's operation.

**2. Audit Committee** has duties to control, and monitor the risks then refer them to internal control as instructed by official regulations and orders of the company.

**3. Risk Management Committee** has duties to set up policy framework, strategy and operation guidelines and monitor the risk management operation to comply with strategies and risk management policy and report to the Board of Directors.

**4. Investment Committee** has duties to provide scope or the strategy of investment management, investment policy and fund investment plan. It also approves security investment and monitor investment performance to be in line with the laid down scope, policy and rules.

**5. Investment Property Committee** has duties for any investment involved in the Real Estate Investment Trusts and Property Funds. It lays down the criteria of investment management, approves the selection of trusts, follows up and evaluates the performance of funds.

Moreover, the company has appointed different sub committees to supervise and control different, specific risks such as the Management Committee, and Business Development Committee. The company set up the Risk Management Department being in charge of risk management, assessment tools development, monitor and the preparation of risk management report which covers in all aspects for risk being controlled to be under risk appetite. The report is submitted to Risk Management Committee, Investment Committee and Board of Directors of the company. The compliance department is responsible for controlling, auditing the operation of investment and other related tasks to be in accordance with principles, announcement or laws and reporting to the Audit Committee.

### **Risk Factor**

The company runs fund management business which is directly related to the rapidly changing domestic and international capital markets and economic conditions. Likewise, business environments such as regulatory changes, or the political gatherings are significant factors affecting fund management business.

There are 5 aspects of risk management: market risk, credit risk, liquidity risk, operational risk and strategic risk. The policies and the processes of risk management are detailed as follows:

#### **1. Market Risk**

Market risk refers to uncertainty of the investment value of funds. The uncertainty was resulted from the volatility of interest rate, currency exchange rates, stock prices and commodity prices.

To minimize risks, the company diversifies its investment portfolios by determining the investment ratio of each asset category. The securities in the portfolio are not perfectly correlated-that is, they respond differently to market situations. Various market risk assessments have been made (VaR, Beta, Duration, Tracking Error) and the risk limit of each fund has been proposed and approved by the Risk Management Committee, then acknowledged by the Board of Directors and the Investment Committee. Risk Management Department monitors risks on a daily basis, tests the accuracy of the model, and does market stress test regularly.

#### **2. Credit Risk**

Credit risk is arising from the failure of counterparties or issuers to comply with covenants when funds are used to invest in certain financial instruments of which issuers cannot repay upon maturity date.

The company has established strict controls over credit risk such as the careful selection criteria for security investment with top-down approach and bottom-up approach, the criteria of counterparty selection by considering their qualitative criteria and credit rating. Additionally, minimum acceptable credit has been set up for debt instrument, equity instrument and credit risk limit by referencing the guidelines set out by regulators and modified by the company. The criteria are divided into 2 levels:

1. Total value of all funds under management
2. Value of each fund

In addition, Risk Management Department has reviewed debt instruments limit and deposit in financial institutions (Fixed Income Universe) and quarterly reviews the limit of the business partners and then proposes them to the Investment Committee.

#### **3. Liquidity Risk**

Liquidity risk refers to when funds are not able to maintain adequate liquidity for share redemption or when funds are not able to liquidate securities or terminate futures contracts at market price due to the lack of liquidity or any crisis.

To ensure funds under management can adequately sustain the liquidity, the company regularly tracks redemption behavior. The Risk Management Department always follows up and reports the liquidity of debt funds daily as specified by the regulations of the Securities and Exchange Commission. Stress test simulation is conducted when unit holders redeem their funds relatively higher than usual amount in order to estimate the liquidity sufficiency of funds compared to the available 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 with internal processes, human resource, working system, or external situations which will impact the company's income and profit.

The company has developed tools used for operational risk management, for example, developing tools for incident report specifying details and guidelines for solution and prevention, setting up Risk and Control Self-Assessment (RCSA), establishing effective risk management plan reporting, determining Key Risk Indicators (KRI) to track risks at least once a month, conducting annual review, developing human resources, and investing in information technology to minimize risk likelihood.

In addition, the company provided the business continuity policy as a guideline for business continuity management (BCM) and as a framework to create business continuity plan to support the business operations under emergency circumstances such as contingent losses and disasters so that the company can deliver continued services or at least it helps reduce operational disruption to be under acceptable level. Annual testing is conducted to ensure business continuity of the company even under crises.

Legal risk refers to the risk the company may suffer loss from when dealing with laws that are not prudent, for instance, entering into contracts without verification of signing authority or identification of counterparty, etc. The risk may come when the company or its officers breach the laws and regulations. The company emphasizes and provides the specific risk management guidelines such as drafting and preparing different standard contracts, memos or agreements which, before implementation, have already been reviewed by lawyers or legal advisors and by the Audit Department. The process of trading account opening has been defined to require customers to prepare all necessary documents and ensure staff strictly follows guidelines, laws, regulations, and ethics for fund management business.

## 5. Strategic risk

Strategic risk is arising when strategic plan, operational plan and implementation of the plan are inappropriate and inconsistent with internal factors and external environment. This may affect earnings, capital fund or viability of the business.

The company's strategic risk management guidelines consist of directors and top executives with relevant experiences and independency, clear and efficient policies and strategies, quality employees, providing sufficient training courses, risk management system, and sufficient information disclosure. Business plan and budget plan are submitted to the Board of Directors to approve with regular review on semi-annual basis to ensure the suitability for the changing economic situations.

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

### Overview of Risk Management

Land and Houses Securities Public Company Limited has established the scope and strategy of business operation to grow under the concept of having efficient risk management while pursuing sustainable returns. The company systematically monitors and controls risk management by clearly setting out the structure and risk management policy in writing, bringing forth effective risk prevention and risk management as well as compliance with good corporate governance principles.

### Risk Management Policy

The primary objectives of risk management policy are to set out fundamental policy, to stimulate the process of controls over risk management, various activities and other practices to ensure an appropriate and effective risk management as to reduce the cause of damages or plausibility of damages. At present, the company categorizes the types of risks as guided by the regulations of the Securities and Exchange Commission as follows:

1. Liquidity risk
2. Risk on precise structure, system and overall operation processes
3. Customer relation risk
4. Risk on precise structure and rigorous management 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 duties to ensure management properly sets policies, processes, establishes proper control over risk management, approves such policies, and revises strategies and policies regularly.

**2. Audit Committee** has duties to supervise and monitor the risk related to the internal control to align with regulatory requirements and orders of the company.

**3. Risk Management Committee** has duties to develop risk management policy which falls in line with the company's business plans and strategies.



## **Risk Factor**

The company operates securities business which is directly related to rapidly dynamic money markets both domestic and international, and economic conditions. Correspondingly, business environments such as regulatory changes and technology transformation also influence the business. The company's risk factors can be divided into 8 aspects as follows:

### **1. Risk from Securities Business Competition**

Due to the highly aggressive competition of business brokers, especially, in terms of brokerage fee and the mushrooming of new businesses adopting information technology and Fintech (Financial Technology), the revenue from securities business tends to decrease even with the rise in trading turnover. Unless the company is able to maintain its service quality, it may lose its market share.

Recognizing this risk, the company hence intensifies its competitiveness by aiming at the sustainable expansion of customer base through the effective channels of Land and Houses Financial Business Group. Plus, it leverages the employee's competitive potentials and never stops developing information technology system to facilitate its customers to do their transactions with convenience and security. Different technologies are deployed across all dimensions of operations and service to accommodate customers.

### **2. Concentration Risk**

The concentration of large corporate customers or institutional customers is considered one of risks of securities business from such concentration. If the company loses such customers, there will be an impact on brokerage fee income.

Brokerage fee income base of the company is derived from an even distribution of customers and a healthy relationship. Being aware of this particular risk, the company has a policy to expand and penetrate more new customer base every year both retail and institutional customers and has developed order management system on internet to enlarge the proportion of customers who submit orders by themselves.

### **3. Risk from Personnel Dependency**

Securities and derivatives business operations rely on experienced personnel with capacities, knowledge, and expertise. Therefore, personnel are a significant factor for the business operation, especially those specializing in investment portfolio management, marketing, information technology, and security analysis. In such intense competition, the number of experienced professionals specializing in investment products is limited. Thus many securities companies are competing for such professionals. Having officers move to other companies impacts the operation continuity and performance. To reduce the risk, the company has provided the remuneration and benefits guidelines to always stay competitive in the industry and has offered training courses for staff to sharpen their professional skills. In addition, the company has encouraged its employees to join sports events arranged by the Association of Thai Securities Companies and join the company's activities to promote harmony and robust relationship among employees.

### **4. Underwriting Risk**

This risk is arising from the inability to distribute or offer securities for sales at the committed portion. The inability may be caused by offering unreasonable price or by market volatility, interest rate and exchange rates. As a result, the company has to book the remaining securities to the investment portfolio. To tackle the problem, the company has drawn up guidelines to prevent such risk by analyzing and scrutinizing nature of business, basic information, business performance, trends of business operation of issuers, investors' interests and demands. The analysis from such information helps make a decision whether the company will act as an underwriter or not.

### **5. Risk from Doubtful Debts and Bad Debts of Securities Business Receivables**

This risk exists when customers fail to make payment within the agreed period of time. The company controls the risk by setting up the credit limit suitable for each customer or counterparty. The company pays attention to the selection of cash account customers. Trading limit is determined in accordance with each customer's financial profile. Financial profile and credit utilization are regularly and closely reviewed. For credit balance account customers, the policy on loan for securities trading is formulated in order to maintain

loans at the laid-down level which is appropriate to current market condition. Loan limit for each customer is set against customers' financial status, and not over 25 percent of the total capital of the company. Loan to capital ratio must not exceed 5 times of the total capital with a control to prevent concentration.

#### **6. Risk from Changes to Policies, Regulations, Rules and Laws**

Changes to policies, regulations, rules and laws such as changes in rules, practices, trading system, fees, charges, and others affect company operation.

The company managed the risk by regularly checking the changes of the government agencies' policies and also assigning its staff to attend meetings to share their opinions with other agencies. Moreover, the compliance unit of the company also informs employees of such changes.

#### **7. Risk in Securities Investment and Return**

The risk incurs when the company may not receive a return from investments as expected. The company, therefore, determines clear process and policy of investment covering both debts and equity instruments. Risk appetite of investment portfolios and loss limit are defined. The company frequently reviews investment policy to ensure its consistency with ongoing market situations.

#### **8. Risk from Business Continuity**

Incidents beyond the company's control, namely natural disasters, political gatherings, and chaos may interrupt the business continuity of the company. Hence, to cope with such incidents, the company has set up a business continuity plan (BCP) which has been rehearsed and tested annually to ensure effective implementation.



### 2019 Economic Overview and Economic Outlook 2020

#### 2019 Economic Overview

Thai economy in 2019 expanded at a slower pace and below its potential by 2.4%, the lowest since 2013 and significant decrease from 4.2% in 2018. The slowdown was from the continued contraction of export sector following the global trade and the sluggish economy of the partnering countries caused by trade protectionism and the structural shift in manufacturing sector that results in exporters' competitiveness. On the other hand, the tourism sector continued to grow owing to the increasing number of foreign tourists. Domestic demand and private sector consumption were slowing down as a result of declined household income and lower employment rate, particularly in the production and export sectors even though the government has launched a series of stimulus measures. Public sector expenditures and private investments were decelerating due to the delaying investments in some infrastructure projects, deteriorating economic activities and low production capacity of the industrial sector.

#### Economic Outlook 2020

In 2020, the Office of the National Economic and Social Development Council forecasts the Thai economy would continue to expand in the range of 1.5% - 2.5% significantly lower than its potential (mean projection is 2.0). Main risk factors which require close attention include the pandemic of COVID-19 (Coronavirus disease), the delay of budget bill, drought, trade protection and high volatility of geopolitical risk, etc. The risk factors mentioned above will affect both domestic and overseas demand in the following aspects:

1. Public sector expenditures tends to continue expanding sluggishly due to the delay in the Budget Act 2020 resulting in fiscal disbursements, particularly, investments.
2. Household expenditures is likely to shrink following the slow economy, limitation of significant reduction of household income of both agricultural, industrial and service sectors as well as high household debts.

3. Tourism sector is in a downtrend from the previous forecast according to the decline in number of tourists, especially Chinese visitors thanks to the spread of COVID-19 (Coronavirus disease).

4. Export is slowing following the partnering countries and the impacts on the production chain.

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

#### Operating Results Classified by Business Group

##### 1. Investment

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 of the year 2019 and 2018.

In 2019, profits before income tax expenses were Baht 3,805.77 million, increased by Baht 84.04 million or 2.26% from the year 2018. After deducting income tax expenses of Baht 591.17 million, the company had profits of Baht 3,214.60 million, increased by Baht 106.41 million or 3.42% from the year 2018. The company and its subsidiaries had operating profit before bad debts and doubtful accounts totalling Baht 4,898.62 million, increased by Baht 606.73 million or 14.14% from the year 2018.

The operating profit before bad debts and doubtful accounts to total revenue was 61.98% in 2019, increased from 60.79% in 2018.

Basic earnings per share (EPS) for the year 2019 was Baht 0.152 per share increased from Baht 0.147 per share in the year 2018. The return on equity (ROE) for the year 2019 was 7.95% and 7.94% for the year 2018.

**Table: Operating Results**

Operating Results	Consolidated Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	2019	2018	2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,486.12	4,805.22	4,979.13	(319.10)	(6.64)
Net fees and service income	729.41	681.22	653.63	48.19	7.07
Total other incomes	2,688.33	1,573.58	860.67	1,114.75	70.84
Total operating income	7,903.86	7,060.02	6,493.43	843.84	11.95
Other operating expenses	(3,005.24)	(2,768.13)	(2,720.64)	237.11	8.57
Profits from operation	4,898.62	4,291.89	3,772.79	606.73	14.14
Bad debts, doubtful accounts and impairment loss	(1,092.85)	(570.16)	(617.14)	522.69	91.67
Profits before income tax expenses	3,805.77	3,721.73	3,155.65	84.04	2.26
Income tax expenses	(591.17)	(613.54)	(552.21)	(22.37)	(3.65)
Annual profits	3,214.60	3,108.19	2,603.44	106.41	3.42
<b>Earnings per share (EPS) (Baht)</b>	<b>0.152</b>	<b>0.147</b>	<b>0.154</b>		
<b>Return on equity ratio (ROE) (%)</b>	<b>7.95</b>	<b>7.94</b>	<b>8.84</b>		
<b>Return on assets ratio (ROA) (%)</b>	<b>1.32</b>	<b>1.30</b>	<b>1.17</b>		

### 1.1 Structure of Operating Income

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

### Operating Income

In 2019, operating income was Baht 7,903.86 million, increased by Baht 843.84 million or 11.95% from the year 2018. The details were as follows:

#### Operating Income

Operating Income	Consolidated Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	2019	2018	2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest income	8,643.26	8,499.97	8,646.13	143.29	1.69
Interest expenses	(4,157.14)	(3,694.75)	(3,667.00)	462.39	12.51
<b>Net interest income</b>	<b>4,486.12</b>	<b>4,805.22</b>	<b>4,979.13</b>	<b>(319.10)</b>	<b>(6.64)</b>
Fees and service income	940.40	826.79	788.28	113.61	13.74
Fees and service expenses	(210.99)	(145.57)	(134.65)	65.42	44.94
<b>Net fees and service income</b>	<b>729.41</b>	<b>681.22</b>	<b>653.63</b>	<b>48.19</b>	<b>7.07</b>
Gains (losses) on trading and foreign exchange transactions	118.91	1.71	(0.80)	117.20	6,853.80
Gains on investments	1,095.33	342.00	240.77	753.33	220.27
Dividend income	1,442.67	1,208.38	589.31	234.29	19.39
Other operating income	31.42	21.49	31.39	9.93	46.21
<b>Total other income</b>	<b>2,688.33</b>	<b>1,573.58</b>	<b>860.67</b>	<b>1,114.75</b>	<b>70.84</b>
<b>Total operating income</b>	<b>7,903.86</b>	<b>7,060.02</b>	<b>6,493.43</b>	<b>843.84</b>	<b>11.95</b>

#### Net Interest Income

Net interest income was Baht 4,486.12 million, decreased by Baht 319.10 million or 6.64% from the year 2018 due to an increase in interest expenses of deposits.

Interest expenses were Baht 4,157.14 million, increased by Baht 462.39 million or 12.51% from the year 2018.

#### Net Non-Interest Income

Net non-interest income consisted of net fees and service income and other incomes (which comprised gains (losses) on trading and foreign exchange transactions, gains on investments, dividend income and other operating incomes). Net non-interest income was

Baht 3,417.74 million, increased by Baht 1,162.94 million or 51.58% from the year 2018.

#### - Net Fees and Service Income

Net fees and service income were Baht 729.41 million, increased by Baht 48.19 million or 7.07% from the year 2018, resulted from the increase in fees from fund management and registrar of the subsidiary which operates fund management business.

#### - Other Incomes

Other incomes were Baht 2,688.33 million, increased by Baht 1,114.75 million or 70.84% from the year 2018, due mainly from the increase in gains on investments and dividend income.

### Other Operating Expenses

Other operating expenses were Baht 3,005.24 million, increased by Baht 237.11 million or 8.57% from

the year 2018, due mainly from an increase in employees' expenses that support for business expansion.

**Table: Other Operating Expenses**

Other Operating Expenses	Consolidated Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	2019	2018	2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employees' expenses	1,607.19	1,439.47	1,380.50	167.72	11.65
Directors' remuneration	46.85	42.74	37.14	4.11	9.62
Premises and equipment expenses	731.30	750.07	739.03	(18.77)	(2.50)
Taxes and duties	227.78	219.88	221.39	7.90	3.59
Advertising and promotional expenses	107.18	91.41	116.56	15.77	17.25
Amortisation and intangible assets	118.31	64.97	73.01	53.34	82.10
Other expenses	166.63	159.59	153.01	7.04	4.41
<b>Total other operating expenses</b>	<b>3,005.24</b>	<b>2,768.13</b>	<b>2,720.64</b>	<b>237.11</b>	<b>8.57</b>
<b>Total other operating expenses to total operating income ratio</b>	<b>38.02%</b>	<b>39.21%</b>	<b>41.90%</b>		

#### - Employees' Expenses

Employees' expenses were Baht 1,607.19 million, increased by Baht 167.72 million or 11.65% from the year 2018, resulted from an increase in salary and compensation paid to employees and an increase in the expense of a post-employment benefit plan, according to the Labor Protection Act announced in the year 2019.

As of 31 December 2019, LH Financial Group Public Company Limited financial business group, had a total of 1,719 employees, increased by 38 employees or 2.26% from the year 2018 consisting of:

- LH Financial Group Public Company Limited had 263 employees, increased by 261 employees from the year 2018.

- Land and Houses Bank Public Company Limited had 1,229 employees, decreased by 207 employees from the year 2018.

- Land and Houses Securities Public Company Limited had 143 employees, decreased by 19 employees from the year 2018.

- Land and Houses Fund Management Company Limited had 84 employees, increased by 3 employees from the year 2018.



**Table: Number of Employees**

LH Financial Group Public Company Limited Financial Business Group	Number of Employees (Person)		
	31 December 2019	31 December 2018	31 December 2017
LH Financial Group Public Company Limited	263	2	-
Land and Houses Bank Public Company Limited	1,229	1,436	1,504
Land and Houses Securities Public Company Limited	143	162	177
Land and Houses Fund Management Company Limited	84	81	68
Land and Houses Advisory Company Limited	-	-	-
<b>Total</b>	<b>1,719</b>	<b>1,681</b>	<b>1,749</b>

**Note:** In the year 2019, there were changes in the structure between LH Financial Group Public Company Limited and Land and Houses Bank Public Company Limited.

**- Premises and Equipment Expenses**

Premises and equipment expenses were Baht 731.30 million, decreased by Baht 18.77 million or 2.50% from the year 2018.

**- Amortization on Intangible Assets**

Amortization on intangible assets was Baht 118.31 million, increased by Baht 53.34 million or 82.10% from the year 2018, mainly from the bank's investments in software system to support reserve's calculation in accordance with TFRS9 and support trade finance.

**1.2 Asset Management Efficiency**

**Analysis of Financial Positions**

An analysis of financial positions of the company and its subsidiaries was a comparison of financial positions as of 31 December 2019 and 31 December 2018.

**Table: Total Assets**

Total Assets	Consolidated Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Assets					
Cash	1,635.59	1,839.71	1,994.68	(204.12)	(11.10)
Interbank and money market items - net	18,569.12	18,991.51	19,084.56	(422.39)	(2.22)
Investments - net	66,288.64	67,360.38	59,622.72	(1,071.74)	(1.59)
Loans to customers and accrued interest receivables					
Loans to customers	155,866.42	159,347.77	153,731.34	(3,481.35)	(2.18)
Accrued interest receivables	217.06	227.33	261.25	(10.27)	(4.52)

**Table: Total Assets (Continued)**

Total Assets	Consolidated Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Total loans to customers and accrued interest receivables	156,083.48	159,575.10	153,992.59	(3,491.62)	(2.19)
Less: Deferred revenue	(26.03)	(33.82)	(46.97)	(7.79)	(23.03)
Allowance for doubtful accounts	(4,002.77)	(3,789.50)	(3,407.69)	213.27	5.63
Revaluation allowance for debt restructuring	(13.99)	(11.99)	(14.02)	2.00	16.68
Loans to customers and accrued interest receivables - net	152,040.69	155,739.79	150,523.91	(3,699.10)	(2.38)
Properties foreclosed - net	73.73	87.95	102.14	(14.22)	(16.17)
Premises and equipment - net	280.19	291.71	343.23	(11.52)	(3.95)
Intangible assets - net	499.88	461.17	295.43	38.71	8.39
Deferred tax assets	306.24	282.76	210.00	23.48	8.30
Accrued interest receivables on investments	285.69	290.82	308.02	(5.13)	(1.76)
Other assets - net	751.52	587.39	626.76	164.13	27.94
<b>Total assets</b>	<b>240,731.29</b>	<b>245,933.19</b>	<b>233,111.45</b>	<b>(5,201.90)</b>	<b>(2.12)</b>

**Total Assets**

As of 31 December 2019, total assets were Baht 240,731.29 million, decreased by Baht 5,201.90 million or 2.12% from the year 2018. Core assets consisted of loans to customer and accrued interest receivables - net 63.16% of total assets, followed by investments - net 27.54% of total assets.

**Net Investments**

As of 31 December 2019, net investments in securities had a book value Baht 66,288.64 million, decreased by Baht 1,071.74 million or 1.59% from the year 2018, mainly from held-to-maturity (HTM) securities in private sector debt securities when they are mature. And during the year 2019, there was the transfer of available-for-sale (AFS) investment units to trading portfolios (cost) in the amount of Baht 22,433.61 million.

**Table: Investments Classified by Type of Investments at Book Value**

Investments – Net	Consolidated Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
<b>Trading investments</b>					
Domestic marketable equity securities	22,549.68	25.33	0.18	22,524.35	88,923.61
<b>Total trading investments</b>	<b>22,549.68</b>	<b>25.33</b>	<b>0.18</b>	<b>22,524.35</b>	<b>88,923.61</b>
<b>Available-for-sale investments</b>					
Government and state enterprise securities	-	180.52	-	(180.52)	(100.00)
Private sector debt securities	1,055.56	1,033.76	-	21.80	2.11
Domestic marketable equity securities	592.24	22,736.77	12,326.39	(22,144.53)	(97.40)
Investment units	-	129.34	136.70	(129.34)	(100.00)
<b>Total available-for-sale investments</b>	<b>1,647.80</b>	<b>24,080.39</b>	<b>12,463.09</b>	<b>(22,432.59)</b>	<b>(93.16)</b>
<b>Held-to-maturity investments</b>					
Government and state enterprise securities	18,336.81	17,308.65	18,221.11	1,028.16	5.94
Private sector debt securities	18,347.05	20,467.77	23,952.94	(2,120.72)	(10.36)
Other debt securities	5,390.94	5,464.44	4,971.86	(73.50)	(1.35)
<b>Total held-to-maturity investments</b>	<b>42,074.80</b>	<b>43,240.86</b>	<b>47,145.91</b>	<b>(1,166.06)</b>	<b>(2.70)</b>
<b>General investments – cost</b>					
Domestic non-marketable equity securities	16.39	13.83	13.57	2.56	18.51
Less: Allowance for impairments	(0.03)	(0.03)	(0.03)	-	-
<b>General investments – net</b>	<b>16.36</b>	<b>13.80</b>	<b>13.54</b>	<b>2.56</b>	<b>18.55</b>
<b>Investments – net</b>	<b>66,288.64</b>	<b>67,360.38</b>	<b>59,622.72</b>	<b>(1,071.74)</b>	<b>(1.59)</b>

### Total Liabilities

As of 31 December 2019, total liabilities were Baht 199,568.51 million, decreased by Baht 6,655.60 million

or 3.23% from the year 2018, mainly from deposits and debts issued and borrowings 82.67% and 10.93% of total liabilities, respectively.

**Table: Liabilities Classified by Type of Liabilities**

Liabilities Classified by Type of Liabilities	Consolidated Financial Statement			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	164,984.78	168,164.03	143,730.69	(3,179.25)	(1.89)
Interbank and money market items	10,466.99	9,231.49	15,346.14	1,235.50	13.38
Liabilities payable on demand	52.09	172.82	219.78	(120.73)	(69.86)
Debts issued and borrowings	21,805.59	26,202.97	32,895.58	(4,397.38)	(16.78)
Others	2,259.06	2,452.80	2,364.32	(193.74)	(7.90)
<b>Total liabilities</b>	<b>199,568.51</b>	<b>206,224.11</b>	<b>194,556.51</b>	<b>(6,655.60)</b>	<b>(3.23)</b>

### Owners' Equity

As of 31 December 2019, owners' equity was Baht 41,162.78 million, increased by Baht 1,453.70 million or 3.66% from the year 2018.

**Table: Owners' Equity**

Owners' Equity	Consolidated Financial Statement			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Paid-up share capital	21,183.66	21,183.66	21,183.66	-	-
Share premium	9,627.91	9,627.91	9,627.91	-	-
Other components of owners' equity	(309.28)	(269.72)	310.13	39.56	14.67
Retained earnings - statutory reserve	1,422.72	1,173.41	918.91	249.31	21.25
Retained earnings - unappropriated	9,237.77	7,993.82	6,514.33	1,243.95	15.56
<b>Total owners' equity</b>	<b>41,162.78</b>	<b>39,709.08</b>	<b>38,554.94</b>	<b>1,453.70</b>	<b>3.66</b>

### 1.3 Capital Adequacy

#### Sources and Uses of Fund

As of 31 December 2019, capital structure according to the consolidated financial statements consisted of liabilities totalling Baht 199,568.51 million and owners' equity in the amount of Baht 41,162.78 million, or 4.85 times of D/E ratio. The composition of sources of fund in terms of liabilities was deposits, interbank and money market items, debts issued and borrowings, and others at 68.53%, 4.35%, 9.06% and 0.96% respectively, while owners' equity was at 17.10%.

#### Relations Between Sources and Uses of Fund

As of 31 December 2019, loans to customers (before deducting deferred revenue) were Baht 155,866.42 million. Loans to deposit ratio was 94.59%. For the excess liquidity, the company invested in liquid assets such as investments in securities.

Significant sources and uses of fund could be classified by contract maturity date. Deposits less than 1 year were Baht 157,369.44 million, or 95.38% of total deposits. Loan receivables less than 1 year were Baht 66,509.12 million, or 42.67% of total loans. Deposits more than 1 year were Baht 7,615.34 million, or 4.62% of total deposits. Loans more than 1 year were Baht 88,687.30

million, or 56.90% of total loans and perpetual loans were Baht 670.00 million, or 0.43% of total loans

#### 1.4 Change of Cash Flow

As of 31 December 2019, the cash was Baht 1,635.59 million, decreased by Baht 204.12 million from the year 2018. Net cash provided and used in various activities was as follows:

- Net cash used in operating activities was Baht 2,217.00 million, which was from the operating profits before the changes in operating assets and liabilities were Baht 529.01 million and significant changes in assets and liabilities were loans to customers decreased by Baht 2,503.40 million, deposits decreased by Baht 3,179.25 million and short-term debts issued and borrowings decreased by Baht 3,393.51 million.

- Net cash provided by investing activities were Baht 4,711.44 million, mainly from cash received on held-to-maturity investments in the amount of Baht 1,074.84 million, main cash received from interest income on investments totalling Baht 1,555.38 million and cash received from dividend income on investments in the amount of Baht 1,442.71 million.

- Net cash used in financing activities was Baht 2,698.56 million, which was from repayment of long-term debts issued and borrowings - net of Baht 1,003.87 million and dividends payout of Baht 1,694.69 million.

**Table: Sources and Uses of Fund**

Periods	Deposits				Loans			
	31 December 2019		31 December 2018		31 December 2019		31 December 2018	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	157,369.44	95.38	158,906.00	94.49	66,509.12	42.67	68,241.32	42.82
More than 1 year	7,615.34	4.62	9,258.03	5.51	88,687.30	56.90	90,297.73	56.67
No maturity	-	-	-	-	670.00	0.43	808.72	0.51
Total	164,984.78	100.00	168,164.03	100.00	155,866.42	100.00	159,347.77	100.00

### 1.5 Liquidity Adequacy

Liquid assets which consisted of cash, interbank and money market-net (assets) and net investments, liquid assets were Baht 75,086.67 million, increased by Baht 1,726.36 million when from the year 2018.

**Table: Liquid Assets**

Items	31 December 2019	31 December 2018
	Amount (Million Baht)	Amount (Million Baht)
Total assets	240,731.29	245,933.19
Deposits	164,984.78	168,164.03
Loans to customers (net deferred revenue)	155,840.39	159,313.95
Liquid assets	75,086.67	73,360.31
Loans/deposits (%)	94.59	94.87
Liquid assets/total assets (%)	31.19	29.83
Liquid assets/deposits (%)	45.51	43.62

### 1.6 Factors Affecting Future Operations

The main factor that might affect the operation in the future is the trade protectionism between the United States of America and China, and COVID-19 (Coronavirus disease) which might cause fluctuations in the money market, capital market, and the future product exportation.

#### 1. Commercial Banking Industry

##### Overview of Commercial Banking Industry and Competition in 2019 and Outlook in 2020

##### Overview of Commercial Banking Industry and Competition in 2019

In 2019, the overall commercial banking industry was slow down according to the trend of the Thai economy. The loan has increased by 2.1 percent from the end of the previous year. However, the commercial banks have been facing a significantly high increase in the non-performing loans (NPL), especially from SMEs and retail loans including constantly rising household debts. As a result, commercial banks are cautious in granting loans

and placing the importance on the growth of loans with close monitoring. Moreover, the potential business sector has found a new source of investment fund by issuing both domestic and foreign debentures by less relying on loans from commercial banks.

According to the the deposit mobilization from the downtrend of interest rate, many commercial banks have quite high liquidity while asset yield has been deteriorating following the slowdown of loans. Consequently, the pricing competition among banks is minimal while focusing on growing deposits from the products with low cost and penetrating the target groups more and more.

The profitability is being pressured from increasing reserves to support the new accounting standard (TFRS 9), and higher NPL. Moreover, revenue from core business is still weak, interest income and fee income cause the commercial bank to adjust by emphasizing better effective cost management in terms of the interest and management including searching for gains on investments and asset sale.



**The performance between Land and Houses Bank Public Company Limited and commercial banking system  
As of December 31, 2019**

(Unit : Million Baht)

	31 December 2019	31 December 2018	31 December 2017	Growth (YoY)		Growth (YoY)
				2019	2018	2-year Average
<b>Commercial Banking System</b>						
Asset	18,173,233	17,252,057	16,721,891	5.3%	3.2%	4.2%
Loan	12,573,050	12,373,626	11,736,651	1.6%	5.4%	3.5%
Deposit	13,104,055	12,618,158	12,135,113	3.9%	4.0%	3.9%
<b>Land and Houses Bank Public Company Limited</b>						
Asset	230,548	238,658	230,396	(3.4%)	3.6%	0.0%
Loan	155,530	161,893	154,020	(3.9%)	5.1%	0.5%
Deposit	165,018	168,171	143,742	(1.9%)	17.0%	7.1%
<b>Market Share of Land and Houses Bank Public Company Limited</b>						
Asset (%)	1.27	1.38	1.38			
Loan (%)	1.24	1.31	1.31			
Deposit (%)	1.26	1.33	1.18			

*Source: BOT- 15 commercial banks registered in Thailand*

### **Trend of Commercial Banking Industry and Competition in 2020**

The loan growth is expected to slow down. The amount of non-performing loans or NPL is likely to increase especially in SMEs and retail loans. In addition, the competition to develop financial products in order to increase customer base especially the wealth customers who are potential as well as the competition in the technology development to be more digital banking by focusing on the customer-centric business model, and to respond to the behavioral changes of customers.

### **Overall Performance**

The analysis of operating results of Land and Houses Bank Public Company Limited was a comparison of performances of the year 2019 and 2018.

In 2019, the profits were Baht 2,038.38 million, decreased by Baht 530.85 million or 20.66% from the year 2018, mainly from the increase in bad debts, doubtful accounts and impairment loss by 91.17%.

Other operating expenses were Baht 2,596.76 million, increased by Baht 234.68 million or 9.94% from the year 2018, mainly from the increase in supporting service expenses.

The bank recorded an allowance for doubtful accounts at Baht 1,090.00 million, increased by Baht 519.84 million or 91.17% from the year 2018.

The operating profits before bad debts and doubtful accounts to total revenues in 2019 was 57.90%, decreased from 61.01% in the year 2018.

Basic earnings per share in 2019 was Baht 1.02 per share, decreased from Baht 1.29 per share in the year 2018. The return on equity ratio (ROE) for the year 2019 was at 5.67% and the return on assets ratio (ROA) for the year 2019 was at 0.87%.

**Table: Operating Results**

Operating Results	Separate Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,741.18	4,903.60	4,980.22	(162.42)	(3.31)
Net fees and service income	311.57	283.11	325.72	28.46	10.05
Total other incomes	1,114.84	871.36	488.25	243.48	27.94
<b>Total operating income</b>	<b>6,167.59</b>	<b>6,058.07</b>	<b>5,794.19</b>	<b>109.52</b>	<b>1.81</b>
Other operating expenses	(2,596.76)	(2,362.08)	(2,345.94)	234.68	9.94
<b>Operating profits</b>	<b>3,570.83</b>	<b>3,695.99</b>	<b>3,448.25</b>	<b>(125.16)</b>	<b>(3.39)</b>
Bad debts, doubtful accounts and impairment loss	(1,090.00)	(570.16)	(617.14)	519.84	91.17
<b>Profits before income tax expenses</b>	<b>2,480.83</b>	<b>3,125.83</b>	<b>2,831.11</b>	<b>(645.00)</b>	<b>(20.63)</b>
Income tax expenses	(442.45)	(556.60)	(519.05)	(114.15)	(20.51)
Annual profits	2,038.38	2,569.23	2,312.06	(530.85)	(20.66)
<b>Earnings per share (EPS) (Baht)</b>	<b>1.02</b>	<b>1.29</b>	<b>1.40</b>		
<b>Return on equity ratio (ROE) (%)</b>	<b>5.67</b>	<b>7.27</b>	<b>8.79</b>		
<b>Return on assets ratio (ROA) (%)</b>	<b>0.87</b>	<b>1.10</b>	<b>1.05</b>		

**2.1 Structure of Operating Income**

Structure of operating income of the bank was as follows:

**Operating Income**

In 2019, operating income were Baht 6,167.59 million, increased by Baht 109.52 million or up to 1.81% from the year 2018, with the following details:

**Table: Operating Income**

Operating Income	Separate Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest income					
Loans to customers	6,623.25	6,343.58	6,395.74	279.67	4.41
Investments in debt securities	1,519.64	1,547.17	1,626.91	(27.53)	(1.78)
Interbank and money market items	632.50	659.65	583.59	(27.15)	(4.12)

**Table: Operating Income (per)**

Operating Income	Separate Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Hire purchase	12.30	24.27	47.45	(11.97)	(49.32)
Others	0.03	-	-	0.03	n/a
<b>Total interest income</b>	<b>8,787.72</b>	<b>8,574.67</b>	<b>8,653.69</b>	<b>213.05</b>	<b>2.48</b>
Interest expenses	(4,046.54)	(3,671.07)	(3,673.47)	375.47	10.23
<b>Net interest income</b>	<b>4,741.18</b>	<b>4,903.60</b>	<b>4,980.22</b>	<b>(162.42)</b>	<b>(3.31)</b>
Fees and service income	391.69	356.25	400.58	35.44	9.95
Fees and service expenses	(80.12)	(73.14)	(74.86)	6.98	9.54
Net fees and service income	311.57	283.11	325.72	28.46	10.05
Gains on investments	503.85	191.74	65.77	312.11	162.78
Dividend income	582.17	658.74	392.83	(76.57)	(11.62)
Other operating incomes	28.82	20.88	29.65	7.94	38.03
<b>Total other incomes</b>	<b>1,114.84</b>	<b>871.36</b>	<b>488.25</b>	<b>243.48</b>	<b>27.94</b>
<b>Total operating income</b>	<b>6,167.59</b>	<b>6,058.07</b>	<b>5,794.19</b>	<b>109.52</b>	<b>1.81</b>

#### Net Interest Income

Net interest income was Baht 4,741.18 million, decreased by Baht 162.42 million or 3.31% from the year 2018 due to an increase in interest expenses.

Interest expense was Baht 4,046.54 million, increased by 375.47 million or 10.23% from 2018.

#### Net Non-Interest Income

Net non-interest income consisted of net fee and service income and other incomes (which comprised gains on investments, dividend income and other operating incomes). The bank had net non-interest income at Baht 1,426.41 million, increased by Baht 271.94 million, or 23.56% from the year 2018, with the following details:

##### - Net Fee and Service Income

Net fee and service income was Baht 311.57 million, increased by Baht 28.46 million or 10.05% from the year 2018, resulted from the increase in brokerage fees from the sales of financial products.

##### - Other Incomes

Other incomes were Baht 1,114.84 million, increased by Baht 243.48 million or 27.94% from the year 2018, mainly from the increase in gains on investments.

#### Net Interest Income after 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 of profiles of debtors based on its experiences.

In 2019, net interest income after bad debts, doubtful accounts and impairment loss was at Baht 3,651.18 million, decreased by Baht 682.26 million or 15.74% from the year 2018.

#### Bad Debts, Doubtful Accounts and Impairment Loss

In 2019, the bank had bad debts and doubtful accounts and impairment loss at Baht 1,090.00 million, increased by Baht 519.84 million or 91.17% from the year 2018. Loan loss reserves based on the BOT guideline were 269.21% in 2019 and 201.52% in 2018.

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

Net Interest Income after Bad Debts, Doubtful Accounts and Impairment Loss	Separate Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
<b>Net interest income</b>	<b>4,741.18</b>	<b>4,903.60</b>	<b>4,980.22</b>	<b>(162.42)</b>	<b>(3.31)</b>
Bad debts, doubtful accounts and impairment loss	(1,090.00)	(570.16)	(617.14)	519.84	91.17
<b>Net Interest Income after Bad Debts, doubtful accounts and impairment loss</b>	<b>3,651.18</b>	<b>4,333.44</b>	<b>4,363.08</b>	<b>(682.26)</b>	<b>(15.74)</b>
<b>Loan loss reserves (%)</b>	<b>269.21</b>	<b>201.52</b>	<b>186.08</b>		

#### Other Operating Expenses

Other operating expenses consisted of employee's expenses, directors' remuneration, premises and equipment expenses, taxes and duties, advertising and promotional expenses, amortization for intangible assets, supporting service expenses and other expenses.

In 2019, the bank had other operating expenses at Baht 2,596.76 million, increased by Baht 234.68 million or 9.94% from the year 2018, mainly from the increase in supporting service expenses. The operating expenses to total operating income in 2019 was 42.10%, increased from 38.99% in 2018.

**Table: Other Operating Expenses**

Other Operating Expenses	Separate Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employees' expenses	1,191.98	1,200.88	1,167.84	(8.90)	(0.74)
Directors' remuneration	20.37	20.83	17.41	(0.46)	(2.21)
Premises and equipment expenses	659.17	671.06	672.97	(11.89)	(1.77)
Taxes and duties	225.65	217.49	220.09	8.16	3.75
Advertising and promotional expenses	86.77	78.67	89.71	8.10	10.30
Amortisation and intangible assets	104.35	50.99	58.77	53.36	104.65
Supporting service expenses	194.22	-	-	194.22	n/a
Other expenses	114.25	122.16	119.15	(7.91)	(6.48)
<b>Total other operating expenses</b>	<b>2,596.76</b>	<b>2,362.08</b>	<b>2,345.94</b>	<b>234.68</b>	<b>9.94</b>
<b>Total operating expenses to total operating income ratio (%)</b>	<b>42.10</b>	<b>38.99</b>	<b>40.49</b>		

## 2.2 Asset Management Efficiency

### Analysis of Financial Positions

An analysis of financial positions of the bank was a comparison of financial positions as of 31 December 2019 and 31 December 2018.

**Table: Total Assets**

Total Assets	Separate Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Assets					
Cash	1,635.45	1,839.57	1,994.55	(204.12)	(11.10)
Interbank and money market items - net	23,731.79	21,566.86	20,928.06	2,164.93	10.04
Investments - net	51,646.77	55,312.91	55,236.57	(3,666.14)	(6.63)
Loans to customers and accrued interest receivables					
Loans to customers	155,556.42	161,927.06	154,067.28	(6,370.64)	(3.93)
Accrued interest receivables	214.15	224.14	257.01	(9.99)	(4.46)
Total loans to customers and accrued interest receivables	155,770.57	162,151.20	154,324.29	(6,380.63)	(3.93)
Less: Deferred revenue	(26.03)	(33.82)	(46.97)	(7.79)	(23.03)
Allowance for doubtful accounts	(3,947.52)	(3,763.23)	(3,388.69)	184.29	4.90
Revaluation allowance for debt restructuring	(13.99)	(11.99)	(14.02)	2.00	16.68
Loans to customers and accrued interest receivables - net	151,783.03	158,342.16	150,874.61	(6,559.13)	(4.14)
Properties foreclosed - net	73.73	87.95	102.14	(14.22)	(16.17)
Premises and equipment - net	216.80	216.42	258.31	0.38	0.18
Intangible assets - net	391.64	345.07	170.14	46.57	13.50
Deferred tax assets	223.82	260.77	210.00	(36.95)	(14.17)
Accrued interest receivables on investments	285.69	290.82	308.02	(5.13)	(1.76)
Other assets - net	559.59	395.45	313.87	164.14	41.51
<b>Total assets</b>	<b>230,548.31</b>	<b>238,657.98</b>	<b>230,396.27</b>	<b>(8,109.67)</b>	<b>(3.40)</b>

### Total Assets

Core assets consisted of loans to customers and accrued interest receivables - net 65.84% of total assets, followed by investment - net 22.40% of total assets. As of 31 December 2019, total assets were Baht 230,548.31 million, decreased by Baht 8,109.67 million or 3.40% from the year 2018, mainly from the decrease in net loans to customers and accrued interest receivables and net investment.

### Loans to Customers

Loans classified by business sectors comprised big corporate & corporate loans, SMEs & SSME loans and retail loans.

As of 31 December 2019, net loans of deferred revenue (interbank and money market items included) were Baht 178,898.36 million, decreased by Baht 3,243.89 million or 1.78% from the year 2018, mainly from big corporate & corporate loans 76.86%, followed by retail loans 12.45% of total loans. When classified by type of loans, it was mainly from financial intermediation and public utilities and services at 24.39% and 22.33% of total loans, respectively.

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

Loans Classified by Business Sector	Separate Financial Statements						Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019		31 December 2018		31 December 2017			
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Big Corporate & Corporate loans	137,503.55	76.86	136,881.71	75.15	118,439.54	68.37	621.84	0.45
SMEs & SSME loans	19,121.20	10.69	20,671.28	11.35	25,601.25	14.78	(1,550.08)	(7.50)
Retail loans	22,273.61	12.45	24,589.26	13.50	29,198.73	16.85	(2,315.65)	(9.42)
<b>Loans net of deferred revenue</b>	<b>178,898.36</b>	<b>100.00</b>	<b>182,142.25</b>	<b>100.00</b>	<b>173,239.52</b>	<b>100.00</b>	<b>(3,243.89)</b>	<b>(1.78)</b>
Add : accrued interest receivables	227.36		240.55		275.94		(13.19)	(5.48)
<b>Total loans and accrued interest receivables net of deferred revenue</b>	<b>179,125.72</b>		<b>182,382.80</b>		<b>173,515.46</b>		<b>(3,257.08)</b>	<b>(1.79)</b>

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

Loans classified by type of loans	Separate financial statements						Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019		31 December 2018		31 December 2017			
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Housing loans	20,827.97	11.64	22,883.50	12.56	27,342.41	15.78	(2,055.53)	(8.98)
Manufacturing and commerce	38,315.53	21.42	39,909.85	21.91	33,602.18	19.40	(1,594.32)	(3.99)
Public utilities and services	39,946.76	22.33	40,526.97	22.25	40,245.34	23.23	(580.21)	(1.43)
Real estate and construction	23,225.79	12.98	22,893.77	12.57	21,590.03	12.46	332.02	1.45
Agricultural and mining	12.91	0.01	867.92	0.48	183.27	0.11	(855.01)	(98.51)
Financial intermediation	43,623.28	24.39	38,401.38	21.08	32,856.15	18.96	5,221.90	13.60
Saving cooperative	11,509.98	6.43	14,962.00	8.22	15,469.21	8.93	(3,452.02)	(23.07)
Others	1,436.14	0.80	1,696.86	0.93	1,950.93	1.13	(260.72)	(15.36)
<b>Total loans net of deferred revenue</b>	<b>178,898.36</b>	<b>100.00</b>	<b>182,142.25</b>	<b>100.00</b>	<b>173,239.52</b>	<b>100.00</b>	<b>(3,243.89)</b>	<b>(1.78)</b>



### Asset Quality

As of 31 December 2019, 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 follows:

**Table: Assets Classified by Type of Asset**

Assets Classified by Type of Assets	Separate Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017	Increase (Decrease)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
<b>Interbank and money market and accrued interest receivables</b>					
- Pass	23,381.18	20,265.43	19,238.14	3,115.75	15.37
<b>Investments</b>					
- Doubtful of loss	558.09	285.57	21.16	272.52	95.43
<b>Loans and accrued interest receivables</b>					
- Pass	149,573.68	156,792.81	149,492.38	(7,219.13)	(4.60)
- Special - mention	3,395.43	1,804.37	1,521.18	1,591.06	88.18
- Sub - standard	179.31	314.81	169.47	(135.50)	(43.04)
- Doubtful	46.30	26.57	211.45	19.73	74.26
- Doubtful of loss	2,549.82	3,178.81	2,882.84	(628.99)	(19.79)
Other assets					
- Doubtful of loss	27.15	69.76	60.91	(42.61)	(61.08)
<b>Total</b>	<b>179,710.96</b>	<b>182,738.13</b>	<b>173,597.53</b>	<b>(3,027.17)</b>	<b>(1.66)</b>

### Allowance for Doubtful Accounts

As of 31 December 2019, allowance for doubtful accounts was Baht 3,947.52 million, increased by Baht 184.29 million or 4.90% from the year 2018, in supporting uncertainty of domestic economy. Allowance for doubtful

accounts to total loans was at 2.54%, increased from at 2.33% in 2018. LLR/NPL increased from 112.74% to 151.09%.

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

Loans to Customers and Accrued Interest Receivables and Allowance for Doubtful Accounts Classified by Debtor Classification	Separate Financial Statements								Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019				31 December 2018					
	Loans to Customers and Accrued Interest Receivables		Allowance for Doubtful Accounts		Loans to Customers and Accrued Interest Receivables		Allowance for Doubtful Accounts			
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Pass	149,573.67	96.04	844.43	21.39	156,792.81	96.72	857.78	22.80	(13.35)	(1.56)
Special - mention	3,395.43	2.18	3.09	0.08	1,804.38	1.11	1.78	0.05	1.31	73.60
Sub - standard	179.31	0.11	21.33	0.54	314.81	0.19	109.91	2.92	(88.58)	(80.59)
Doubtful	46.30	0.03	5.39	0.14	26.57	0.02	3.89	0.10	1.50	38.56
Doubtful of loss	2,549.83	1.64	420.51	10.65	3,178.81	1.96	755.42	20.07	(334.91)	(44.33)
Total	155,744.54	100.00	1,294.75	32.80	162,117.38	100.00	1,728.78	45.94	(434.03)	(25.11)
Additional provision for specific debtors			1,836.52	46.52			1,180.62	31.37	655.90	55.56
General provision			816.25	20.68			853.83	22.69	(37.58)	(4.40)
Total	155,744.54	100.00	3,947.52	100.00	162,117.38	100.00	3,763.23	100.00	184.29	4.90

As of 31 December 2019, loans classified by overdue debtors were as follows:

**Table: Loans to Customers Classified by Maturity**

Loans to Customers	Separate Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
At call <sup>1</sup>	8,067.41	19,212.33	18,854.55	(11,144.92)	(58.01)
Less than 3 months	35,953.23	35,695.27	32,627.08	257.96	0.72
3 - 12 months	22,848.48	16,721.73	16,150.21	6,126.75	36.64
More than 1 year	88,687.30	90,297.73	86,435.44	(1,610.43)	(1.78)
<b>Total</b>	<b>155,556.42</b>	<b>161,927.06</b>	<b>154,067.28</b>	<b>(6,370.64)</b>	<b>(3.93)</b>

**Note:** <sup>1</sup> 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 at Baht 13.99 million, increased by Baht 2.00 million or 16.68% from the year 2018.

### Non-Performing Loans

As of 31 December 2019, non-performing loans (gross) were Baht 2,775.44 million, decreased by Baht 744.75 million or 21.16% from the year 2018. Non-performing loans to total loans were 1.55%, decreased from 1.93% in 2018.

Non-performing loans (net) were Baht 2,087.40 million, or 1.17% of total loans after allowance for doubtful accounts of non-performing loans.

### Total Liabilities

As of 31 December 2019, the bank posted total liabilities of Baht 194,268.72 million, decreased by Baht 8,785.02 million or 4.33% from the year 2018, mainly from the decrease in deposits, debts issued and borrowings.

**Table: Liabilities Classified by Type of Liabilities**

Liabilities Classified by Type of Liabilities	Separate Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	165,018.41	168,171.00	143,741.92	(3,152.59)	(1.87)
Interbank and money market items	10,503.65	9,277.43	15,415.97	1,226.22	13.22
Liabilities payable on demand	52.08	172.82	219.79	(120.74)	(69.86)
Debts issued and borrowings	16,721.23	23,290.46	32,979.12	(6,569.23)	(28.21)
Others	1,973.35	2,142.03	2,917.15	(168.68)	(7.87)
<b>Total liabilities</b>	<b>194,268.72</b>	<b>203,053.74</b>	<b>195,273.95</b>	<b>(8,785.02)</b>	<b>(4.33)</b>

### Deposits

As of 31 December 2019, the bank recorded deposits of Baht 165,018.41 million, decreased by Baht 3,152.59 million or 1.87% from the year 2018.

**Table: Deposits Classified by Type of Deposits**

Deposits Classified by Type of Deposits	Separate Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Demand deposits	4,253.65	6,072.79	3,623.02	(1,819.14)	(29.96)
Savings deposits	62,044.95	74,918.47	72,563.33	(12,873.52)	(17.18)
Time deposits	65,147.69	55,585.08	49,775.13	9,562.61	17.20
Fixed deposit receipt	33,572.12	31,594.66	17,780.44	1,977.46	6.26
<b>Total deposits</b>	<b>165,018.41</b>	<b>168,171.00</b>	<b>143,741.92</b>	<b>(3,152.59)</b>	<b>(1.87)</b>

### Owners' Equity

As of 31 December 2019, owners' equity was Baht 36,279.59 million, increased by Baht 675.35 million or 1.90% from the year 2018.

**Table: Owners' Equity**

Owners' Equity	Separate Financial Statements			Change (2019 compared to 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017	Amount (Million Baht)	Ratio (%)
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)		
Registered issued and paid-up capital	20,000.00	20,000.00	20,000.00	-	-
Share premium	10,598.92	10,598.92	10,598.92	-	-
Other component of owners' equity	(43.59)	(102.22)	145.10	58.63	57.36
Retained earnings - statutory reserve	819.30	717.20	588.70	102.10	14.24
Retained earnings - unappropriated	4,904.96	4,390.34	3,789.60	514.62	11.72
<b>Total owners' equity</b>	<b>36,279.59</b>	<b>35,604.24</b>	<b>35,122.32</b>	<b>675.35</b>	<b>1.90</b>

### 2.3 Capital Adequacy

#### Sources and Uses of Fund

As of 31 December 2019, capital structure consisted of liabilities at Baht 194,268.72 million and owners' equity was Baht 36,279.59 million, or 5.35 times of debt to equity ratio. The composition of sources of fund in terms of liabilities included deposits, interbank and money market, debts issued and borrowings, liabilities payable on demand and others were 71.58%, 4.55%, 7.25%, and 0.88%, respectively, while owners' equity was 15.74%.

#### Relations Between Sources and Uses of Fund

As of 31 December 2019, loans to customers (before deferred revenue) were Baht 155,556.42 million.

Loans to deposits ratio was 94.38%. For excess liquidity, the bank invested in liquid assets such as interbank and money market items and investments.

Significant sources and uses of fund as of 31 December 2019 could be classified by contract maturity date. Deposits less than 1 year were Baht 157,403.07 million, or 95.39% of total deposits. Loans less than 1 year were Baht 66,869.13 million, or 42.99%. Deposits more than 1 year were Baht 7,615.34 million, or 4.61%. Loans more than 1 year were Baht 88,687.29 million, or 57.01%.

**Table: Sources and Uses of Fund**

Periods	Deposits				Loans to Customers			
	31 December 2019		31 December 2018		31 December 2019		31 December 2018	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	157,403.07	95.39	158,912.97	94.49	66,869.13	42.99	71,629.33	44.24
More than 1 year	7,615.34	4.61	9,258.03	5.51	88,687.29	57.01	90,297.73	55.76
<b>Total</b>	<b>165,018.41</b>	<b>100.00</b>	<b>168,171.00</b>	<b>100.00</b>	<b>155,556.42</b>	<b>100.00</b>	<b>161,927.06</b>	<b>100.00</b>

## 2.4 Change of Cash Flow

As of 31 December 2019, the cash posted at Baht 1,635.45 million, decreased by Baht 204.12 million from the year 2018. Net cash provided by and used in various activities was as follows:

- Net cash used in operating activities was Baht 1,854.87 million, which was from the operating profits before the adjustments in operating assets and liabilities in the amount of Baht 771.14 million. Significant adjustments in assets and liabilities were interbank and money market items (assets), increased by Baht 2,206.52 million, loans to customers decreased by Baht 5,392.68 million, deposits decreased by Baht 3,152.60 million and short-term debts issued and borrowings decreased by Baht 3,565.03 million.

- Net cash provided from investing activities was Baht 6,054.95 million, mainly from investment in available-for-sale of Baht 3,061.91 million, held-to-maturity investments of Baht 1,074.84 million and cash received from interest income on investments of Baht 1,555.38 million.

- Net cash used in financing activities was Baht 4,404.20 million, which was from long-term debts issued and borrowings - net of Baht 3,004.20 million and dividend payout of Baht 1,400.00 million.

## 2.5 Liquidity Adequacy

Liquid assets which consisted of cash, interbank and money market- net (assets) and net investments. Liquid assets were Baht 65,607.33 million, increased by Baht 1,724.70 million or 2.70% from the year 2018.

**Table: Liquid assets**

Items	31 December 2019	31 December 2018
	Amount (Million Baht)	Amount (Million Baht)
Total assets	230,548.31	238,657.98
Deposits	165,018.41	168,171.00
Loan to customers (net deferred revenue)	155,530.39	161,893.24
Liquid assets	65,607.33	63,882.63
Loan to customers/Deposits (%)	94.38	96.40
Liquid assets/Total assets (%)	28.46	26.77
Liquid assets/Deposits (%)	39.76	37.99

## 2.6 Maintenance of Reserve Requirement

The bank maintained the average reserve balance requirement of not lower than 1.00% of average deposits and borrowings according to the criteria of the Bank of Thailand. In case the bank has cash at the cash center, the bank can have the average count of not exceeding 0.20% of average deposits and borrowings.

As of 31 December 2019, the bank had cash at the cash center and cash deposited at the Bank of Thailand totalling Baht 969.90 million.

## 2.7 Capital Adequacy and Capital Adequacy Ratio

As of 31 December 2019, the bank had the capital adequacy ratio at 19.304%, higher than the minimum rate of 11.000% required by the Bank of Thailand and decreased from 20.045% on 31 December 2018.

The Tier 1 capital ratio to risk assets was 16.514%, higher than the minimum rate of 8.500% required by the Bank of Thailand.

**Table: Capital Adequacy Ratio**

Capital Adequacy Ratio	31 December 2019		31 December 2018		31 December 2017	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Tier 1 capital as equity capital						
The bank	34,578.32	16.514	34,344.23	17.131	34,101.44	18.673
Minimum rates required by law*		7.000		6.375		5.750
The Difference		9.514		10.756		12.923
Tier 1 capital						
The bank	34,578.32	16.514	34,344.23	17.131	34,101.44	18.673
Minimum rates required by law*		8.500		7.875		7.250
The Difference		8.014		9.256		11.423
Total capital						
The bank	40,421.08	19.304	40,185.53	20.045	39,915.64	21.857
Minimum rates required by law*		11.000		10.375		9.750
The Difference		8.304		9.670		12.107

**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 rated by “A-” (Single A Minus) with “positive” outlook and affirms the rating of LH BANK’s Basel III Tier 2 capital securities at “BBB” (Triple B Straight) by Tris Rating. The company rating reflects bank’s continuous improvements in the business position and financial profiles including having good quality assets and strong capital base.

### 2.8 Factors Influencing Future Operating Results

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

## 2. Securities Business

### Overview of Securities Business and Competition

#### in 2019 and Outlook in 2020

### Overview of Securities Business and Competition

#### in 2019

In 2019, the stock market was highly volatile related to global equity market. SET index showed a brighter start and rose from 1,563.88 points to 1,730.34 points in June . Subsequently, however, the market was overwhelmed by lingering US-China trade disputes and Thai political uncertainties that pulled SET Index consecutively lower to end the year at 1,579.84 points, which was just 1.02% higher than the previous close. Average daily market turnover was Baht 53,192 million, down 9.4% from the previous year.



## **Business Trends and Securities Business Competition in 2020**

In 2020, SET index's consensus is expected to be in a range of 1,750-1,780 points. Thailand stock market is expected to be highly volatile due to the slow growth of economy. Export is recovered slower than expectation due to the sluggish global economy as a result of the trade war. Changes in Thailand economic structure also affect export. Meanwhile, public sector expenditure and private investment expand below expectation as a result of the delay of government budgeting disbursements. Another major factor influencing SET index is the structure of investors. Investors prefer to use program trading which directly affects the confidence of retail investors.

### **Overall Performance**

The analysis of operating results of the company and its subsidiaries was comparative performance between the year 2019 and 2018.

In 2019, the company had net profits of Baht 141.58 million, decreased by Baht 67.55 million, or 32.30% from the year 2018, as a result of brokerage fees income, interest income on margin loan and gain and return on financial instruments.

Total expenses of 2019 were Baht 349.27 million, increased by Baht 26.84 million, or 8.32% from the year 2018 due to an increase in financial costs following the growing investments.

Net operating profits in the year 2019 was at 28.05%, decreased from 2018 which was 36.99% due to lower income ratio.

Basic earnings per share in 2019 was Baht 0.22 per share, decreased from 2018 which was Baht 0.33 per share.

### **Total Revenue Structure**

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

- **Total Income**

Total income consists of brokerage fee 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 portfolios of company.

In 2019, total brokerage fee income was Baht 132.60 million, mainly from retail customers accounting for 85% while major customers and institutional customers accounting for 15% of the company's securities trading volume.

Total income was Baht 504.65 million, decreased by Baht 60.76 million, or 10.75% from the year 2018 due to being affected by the use of U.S. international trade tax policy with trade partner countries, which are pressuring the world economy to slow down resulting in the high volatility of stock market index.

- **Brokerage Fee Income**

Brokerage fee income in the year 2019 was Baht 132.60 million, decreased by Baht 32.74 million, or 19.80% from the year 2018.

- **Other Incomes apart from Brokerage Fees**

Other incomes apart from brokerage fees were fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes at Baht 2.60, 39.11, 328.98 and 1.36 million, respectively.

### **Structure of Total Expenses**

Structure of Total Expenses of the company and its subsidiaries is as follows:

- **Total Expenses**

Total expenses were Baht 349.27 million (Baht 2.85 million of bad debts and doubtful accounts included), increased by Baht 26.84 million, or 8.32% from the year 2018, resulting from financial costs of more investments.

- **Bad Debts and Doubtful Accounts**

The company applies the criteria from the Office of Securities and Exchange Commission regarding the provision of allowance for doubtful accounts together with the judgment to project an estimated loss when the debt default occurs by considering the profile of each debtor, possibility of default and the value of securities used as collateral. As of 31 December 2019, there was only one debtor whose allowance for doubtful accounts was provided at Baht 2.85 million.

### **Analysis of Financial Positions**

An analysis of financial positions of the company and its subsidiaries was a comparison of financial positions ended 31 December 2019 and 31 December 2018.

- **Total Assets**

As of 31 December 2019, the total assets were Baht 6,735.23 million, mainly from investments, accounting for 85.65% of total assets. Total assets increased by Baht 2,631.87 million, or 64.14% from the year 2018.

- **Securities and Derivatives Business Receivables**

Securities and derivatives business receivables included accrued interest receivables were Baht 732.46 million, decreased by Baht 307.50 million, or 29.57% from the year 2018. Securities and derivatives business receivables consist of:

Securities business receivables of cash accounts were Baht 62.37 million, or 8.52% of securities and derivatives business receivables.

Securities business receivables of credit balance account included accrued interest receivables were Baht 670.09 million, or 91.48% of securities and derivatives business receivables.

- **Net Investments**

Net investments were Baht 5,768.79 million, increased by Baht 2,885.50 million, or 100.08% from the year 2018. Investments consists of trading investments were Baht 5,167.60 million, available-for-sale investments were Baht 592.24 million and general investments were Baht 8.95 million.

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

Receivables from Clearing House and brokers-dealers were Baht 25.03 million.

- **Net Equipment and Intangible Assets**

Net equipment and intangible assets were Baht 22.24 million.

- **Other Assets**

Other assets were Baht 57.67 million.

- **Total Liabilities**

As of 31 December 2019, total liabilities were Baht 5,515.32 million, increased by Baht 2,675.80 million, or 94.23% from the year 2018, mainly from borrowings from financial institutions, or 95.01% of total liabilities.

- **Borrowings from Financial Institutions**

Borrowings from financial institutions were Baht 5,240.00 million.

- **Securities and Derivatives Business Payables**

Securities and derivatives business payables were Baht 69.99 million.

- **Owner's Equity**

As of 31 December 2019, the company's had the owner's equity were Baht 1,219.91 million, decreased by Baht 43.93 million, or 3.48% from the year 2018.

### **Capital Adequacy**

- **Liquidity**

In 2019, the company and its subsidiaries had net cash provided by operating activities of Baht 478.68 million, from the decrease in securities and derivatives business receivables.

Net cash used in investing activities was Baht 3,126.78 million, and the source of cash provided by and used in was mainly from investments in available-for-sale investments - net of Baht 3,123.37 million.

Total cash flow provided by financing activities was Baht 2,640.00 million and the source of cash flow was from financing activities including cash received from borrowings from financial institutions of Baht 13,385.00 million and cash repayment for borrowings from financial institutions at Baht 10,745.00 million.

Considering liquidity, 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 2019, NCR level was between 25.94% - 60.13%. This ratio may change due to various factors including securities trading volume, securities underwriting, etc.

- **Sources of Funds**

As of 31 December 2019, the company and its subsidiaries had fund from equity of Baht 1,219.91 million. Debt to equity ratio as of 31 December 2018 and as of 31 December 2019 equaled 2.25 times and 4.52 times, 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 Affecting Future Performance**

The economic condition of Thailand and the world economy in 2020 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 increasing trade protectionism. Moreover, the policy changes in terms of economy of the government, regulations, requirements, and laws; 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.

## **3. Fund Management Business**

### **Overview of Fund Management Business and Competition in 2019 and Outlook in 2020**

#### **Overview of Fund Management Business and Competition in 2019**

In 2019, asset under management (AUM) of Land and Houses Fund Management Company Limited (LH Fund) grew by 13.88%. The growth was mainly from mutual funds with mixed funds strategy and Fund of REITs, which was accounted for 90.07% of the total AUM growth throughout the year with a satisfactory margin of 28.52%, in line with the fund management industry which expanded at 29.18% (June 2019). The company sees the importance of increasing distribution channels by adding the number of sales representatives including the use of digital platform to reach more target customers.

## **Fund Management Business Trend and Competition in 2020**

In 2020, the trend of doing business for medium size fund management companies still focuses on the growth of new products that are more responsive to customers in the sense of asset allocation on a pool of funds rather than on single assets. The company will focus more on product and service-oriented solutions, i.e., multi-assets class fund rather than a specific asset fund. This will aim to match with the return and risk appetite of customers. While, the existing single asset type product will be managed to minimize volatility by increasing diversification to maintain consistent returns.

The company's target customers are still High Net Worth customers focusing on providing services and recommendation for investments that is suitable for each client. LH Fund also aims to develop the Mass Affluent product technology, which requires the digital platform through mobile applications to improve the customer service in terms of product access, and provide the asset allocation model as the investment guidelines. The plan also includes the use of artificial intelligence (AI) to perform customer portfolio analysis.

### **Overall Performance**

The analysis of operating results of Land and Houses Fund Management Company Limited was the comparative performance between the year 2019 and 2018 as follows:

In 2019, the company had net profits of Baht 162.88 million, increased by Baht 53.48 million or 48.88% from the year 2018 due to the increase in fees and service income.

Basic earnings per share for the year 2019 was Baht 54.29 per share, increased from 36.47 per share in the year 2018.

### **Structure of Total Income**

#### **• Total Income**

Total income amounted to Baht 571.16 million, increased by Baht 173.65 million or 43.68% from the year 2018. 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 494.64 million, increased by Baht 122.68 million or 32.98% from the year 2018.

## **Structure of Total Expenses**

### **• Expenses**

Total expenses were Baht 370.64 million, increased by 105.63 million or 39.86% from the year 2018.

### **• Bad Debt and Doubtful Account**

None

## **Analysis of Financial Positions**

An analysis of financial positions of the company was a comparison of financial positions between 31 December 2019 and 31 December 2018.

### **• Total Assets**

As of 31 December 2019, the company had assets of Baht 461.87 million, decreased by Baht 22.67 million or 4.68% from the year 2018, core assets were investments, accounting for 78.35% of total assets.

### **• Net Assets Under Management**

As of 31 December 2019, The company had 69 funds under management, increased by 6 funds from the year 2018. The company had net asset value at Baht 64,511.0 million, increased by Baht 8,227.1 million or 14.6% from the year 2018.

The company held 1.2% of the market share, and was ranked No.12 out of 24 companies. It had mutual funds under management consisting of :

- Property fund and real estate investment trust  
Baht 32,628.4 million
- Fixed Income fund  
Baht 10,495.6 million
- Equity fund  
Baht 2,049.4 million
- Mixed fund  
Baht 4,614.4 million
- Foreign investment fund  
Baht 4,085.6 million
- Fund of property fund  
Baht 10,637.6 million

However, when included private funds and provident funds, the company had net asset value as of 31 December 2019 at Baht 75,378.7 million, consisting of Baht 7,539.6 million of private funds and Baht 3,328.1 million of provident funds.

### **• Cash and Cash Equivalents**

Cash and cash equivalents were Baht 19.39 million, decreased by Baht 1.89 million or 8.88% from the year 2018.

### **• Investments**

Investments amounted to Baht 361.86 million, decreased by Baht 26.51 million or 6.83% from the year 2018. Investment consisted of domestic marketable equity securities - units and general investments.

- **Leasehold Improvements and Equipment**

Leasehold improvements and equipment were Baht 13.97 million.

- **Intangible Assets**

Intangible assets were Baht 20.26 million.

- **Other Assets**

Other assets were Baht 9.42 million.

- **Total Liabilities**

As of 31 December 2019, total liabilities were Baht 53.29 million, increased by 1.69 million or 3.27% from the year 2018.

- **Owners' Equity**

As of 31 December 2019, owners' equity was Baht 408.58 million, decreased by Baht 24.36 million or 5.63% from the year 2018.

### Capital Adequacy

- **Liquidity**

The company had net cash flow received from operating activities amounting to Baht 96.10 million which was from operating profit.

Net cash flow received from investing activities amounting to Baht 72.02 million. The sources of cash flow from investment activities were cash received from the sale of available-for-sale investments of Baht 58.37 million, cash paid for general investments of Baht 0.50 million, cash paid for the purchase of leasehold improvements, equipment of Baht 4.44 million, cash paid for the purchase of intangible assets for Baht 3.31 million and dividends received of Baht 21.90 million

Net cash flow used in financing activities amounting to Baht 170.01 million, which was from dividend payment.

The company had equity of Baht 408.58 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 of more than Baht 25,000 million of which not less than Baht 220 million is equity of fund management company.

- **Sources of Fund**

The company had the sources of fund from shareholders' equity amounting to Baht 408.58 million which comprised the issued share capital and paid-up share capital in the amount of Baht 300 million, retained earnings in the amount of Baht 108.58 million.

### Factors Affecting Future Operation

The challenge in 2020 comes from low expected returns due to the slow global growth, as well as the increase in cost structure of fund management companies due to responding to the changing needs of investors. Investing in digital platforms, and addressing higher regulatory requirements which causes asset management to change to non-traditional products, especially assets that provide consistent returns rather than focusing on those generating high yields, in other words, stressing on multi-assets funds. In addition, Asset management began to use quantitative analysis to make decisions for investments, and use assets which generate returns consistent with the underlying index (Passive Funds), which is in line with the company's operational guidelines.





The Risk Oversight Committee consists of 3 members as follows:

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

Ms. Apinya Pawangkanan, Senior Vice President, Credit Risk Management and Capital Department is the secretary.

The Risk Oversight Committee has performed its duties under the scope of responsibilities prescribed in the appointment announcement of the Risk Oversight Committee assigned by the Board of Directors.

During the year 2019, the Risk Oversight Committee had a total of 9 meetings and reported the results of each meeting to the Board of Directors with the summary as follows:

1. Consider risk management policies of the financial business group, such as risk management policy and intragroup transaction risk management policy and so on, by taking into account the risk governance framework as well as creating and cultivating risk culture in organization that complies with the regulations on risk supervision of financial business group as prescribed by the Bank of Thailand.

2. Report the assessments of risk management, monitor risk management and its efficiency as well as ensure the management team have appropriate measures to prevent, improve and limit risks.

3. Report the risk profile and any changes affecting risk appetites and boost confidence on risk management and risk supervision to the Board of Directors.

**(Mr. Shih, Jiing-Fuh)**

Chairman of Risk Oversight Committee





The Corporate Governance Committee consists of 4 members as follows:

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

Mr. Weeravej Sirichatchai, Executive Vice President, Compliance Group is the secretary.

The Corporate Governance Committee has performed its duties under the scope of responsibilities prescribed in the appointment announcement of the Corporate Governance Committee assigned by the Board of Directors.

During the year 2019, the Corporate Governance Committee had a total of 12 meetings and reported the result of each meeting to the Board of Directors with the summary as follows:

1. Review the good corporate governance policy to enhance and comply with the corporate governance code of the Securities and Exchange Commission as to build up confidence for the shareholders, investors, stakeholders and all related parties that the company conducts its business with integrity, efficiency, transparency and trustworthiness. This leads to progressive stability.

2. Review the corporate social responsibility for business sustainability policy. The company recognizes the importance of participating in social responsibility activities as guided by the Corporate Social Responsibility Institute, the Securities and Exchange Commission, and the Stock Exchange of Thailand. All levels of employees are encouraged to engage in activities cultivating the sense of social responsibility.

3. Review the anti-corruption policy to ensure that the operations are under law, integrity, and morality according to good corporate governance, business code of conduct and ethics to promote transparent business operation.

4. Review the conflicts of interest policy by setting up the guidelines to prevent conflicts of interest and ensure effective communication to all employees and related parties, and review the suitability of operating system and measures to align with the conflicts of interest policy.

5. Review the whistleblower policy to ensure that the company has a system in place to support the effective whistleblowing process and recognizes its importance and compliance as to become an organizational culture.

6. Be a company's representative to communicate and promote the good corporate governance policy and the anti-corruption policy.

LH Financial Group Public Company Limited is committed to operating its business under the good corporate governance principles which are transparent and verifiable. Moreover, the company also endeavors to enhance the business performance while recognizes the accountability to the economy, society, environment, and stakeholders as well as to develop a guideline to comply with good corporate governance practices as to build up confidence among all stakeholders. These are significant factors in creating business values sustainably.

(Mr. Adul Vinaiphat)

Chairman of Corporate Governance Committee





Land and Houses financial business group lays great emphasis on sustainable development and is determined to conduct business in accordance with good governance principles along with the fulfillment of its social responsibility. Land and Houses financial business group consisting of LH Financial Group Public Company Limited, Land and Houses Bank Public Company Limited, Land and Houses Fund Management Company Limited, and Land and Houses Securities Public Company Limited has engaged in various CSR activities with a focus on firm sustainability. As a result, the companies in the financial group consisting of LH Financial Group Public Company Limited, Land and Houses Fund Management Company Limited, and Land and Houses Securities Public Company Limited received the “Social Outcome Investor” acknowledgement from Thaipat Institute as an organization that initiates the concept of social impact investments (SII) by having investment policy that opts to invest in specific funds mainly associated with environment, society, and good governance. The return on investment will be spent on social activities which will be a driving force for social sustainability.

With the commitment to develop financial products and services which takes into account the benefits of all groups of stakeholders, with the determination to operate its business under the good governance principles with the accountability to foster society and environment which is essential for social sustainability, LH Financial Group Public Company Limited was awarded the “Organization of the Year 2019 in Financial Business Industry Category” from the Best Practice Award Program by Thai Awards Organization.

In addition, the company was selected as 1 of the top 100 listed companies that demonstrated the outstanding Environmental, Social and Governance (ESG) performance or ESG100 for 5 consecutive years. Its shares have also been selected to include in the universe of ESG100 in 2019.

The company has promoted financial discipline by sharing knowledge, expertise and skills in banking business of Land and Houses Bank Public Company Limited, the subsidiary of the company to bring forth benefits to communities and societies. In collaboration with the Thai Bankers' Association, the company carried out a financial literacy as to cultivate financial planning, promote financial skills, create saving discipline, and integrate anti-corruption awareness in community from youth to establish a solid and sustainable economic foundation for the society in the future. The target group includes, juveniles and college students nationwide.

Likewise, the company encouraged its employees in the financial business group, LH Financial Group Public Company Limited to take part in corporate social responsibility activities (CSR) and build up strong relationship among them by launching a project called “We are Family RUN for CHANGE”. All staff under Land and Houses financial business group were encouraged to unify themselves to run for 30 kilometres within 30 days. Every step taken by each staff would be converted to the donation to the Foundation for Slum Child Care (FSCC) under the Royal patronage of H.R.H. Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra. The Foundation helps create better lives and future of children from birth to 5 years. There are four child care centres being operated under the foundation including Baan Som Wai; Baan Sua Yai; Home of Hope; Baan Srinakarin.

LH Financial Group Public Company Limited sincerely hopes that this business sustainability report will expressly reflect our intention in fulfilling our corporate social responsibility. Finally, we would like to thank our shareholders, business partners, customers, all stakeholders and employees for their continued support as always. All efforts paid off reflect our continued commitment in corporate social responsibility which eventually leads to sustainable business growth, economy, society, and environment. We will maintain the intention and insist on the social responsibility for the stability and sustainable growth.

**(Mrs. Sasitorn Phongsathorn)**

Chief Executive Officer and President



LH Financial Group Public Company Limited has the intention to run the business in conformity with the good corporate governance principles along with the operation in social responsibility by focusing on the code of conduct and ethics in response to the satisfaction of stakeholders in all dimensions. The company realizes that the sustainable and stable growth requires the business operation with vision and competence in managing business to achieve the mission with morality and ethics which will bring about the great value creation to the organization and shareholders and create confidence to shareholders.

### Guidelines for Corporate Social Responsibility for Sustainable Business Development

The Board of Directors pays attention to substantial social responsibility in all operation processes including CSR-in-process and CSR-after-process for sustainable growth by encouraging all employees to participate in social activities. The company also instills the awareness of social responsibility operations. The Chairman and Chief Executive Officer and President perform their duties as the representatives for driving the organization to sustainable development, the Corporate Governance Committee is responsible for social responsibilities' operations, gives suggestions and monitors social responsibilities' action plan and report the results to the Board of Directors. The Chief Executive Officer and President has duties to encourage and support the operations to comply with 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 in order for all directors, executives and employees to adhere to the guidelines with annual review.

**Corporate social responsibility** means operating the business with the focus on the stakeholders, economy, society and environment with morals, ethics and corporate governance in order to make the activities feasible with honesty, transparency and fairness. There is the awareness of negative impacts on economy, society and environment with the readiness to solve the problems to mitigate such impacts. The philosophy of sufficiency economy is integrated and implemented as to push the operations to achievements and benefits, and enhance the competitiveness in all trade forums which will be really advantageous for the sustainability of the business, stakeholders, economy, society, and environment.

### Business Operation Sustainability Strategy

The companies in LH Financial Group Public Company Limited financial business group operate the business in compliance with the corporate governance principles, accountability on economy, society and environment and risk management in all dimensions. In addition, the company pays close attention to operating the business according to the market conduct with the aim at customers' perception in reliability in the following aspects:

1. Receiving sincere and fair services
2. Receiving clear and appropriate suggestions
3. Receiving fair pricing and conditions
4. Receiving convenient services and proper trouble handling
5. Receiving understanding of their own rights and duties

### Corporate Social Responsibility Operations

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 to follow.

The company has been running the corporate social responsibility specified in the CSR-in-process and CSR-after-process by encouraging the executives and all levels of employees to participate and volunteer for implanting a conscious mind for corporate social responsibility. In addition, it also creates a strong base for sustainable development for society and country as whole.

### CSR-in-Process

CSR-in-Process means conducting a business with social responsibility by implementing the business practices from the policy of social responsibility that aligns with both national and international standards as well as other service standards to be applied for creating the business innovations which will become various activities in working process and product developments with the main objective to reduce the potential negative impacts on the stakeholders during the work process. It also creates the conscious mind in social responsibility for all directors, executives, and employees to have the same attitude and commitment in the organization as to become the strong financial institution with the highest corporate social responsibility.

### CSR-after-Process

CSR-after-Process means the activities operated apart from normal business operations by playing the role in promoting the social activities in certain time and occasion. This is for the highest benefits to the societies and communities, both in public and private sectors leading to lay the solid foundation for sustainable development of society and country as well.

### Results of Corporate Social Responsibility for Sustainable Business Development

The company intends to operate the business with the good corporate governance principles together with the corporate social responsibility which is part of the company's operations, especially, good corporate governance in all processes of operations. All operations require to have standards, integrity, transparency and accountability. As a result, the company has been selected as one of the top 100 listed companies with outstanding sustainable business practices (environmental, social and governance: ESG 100) from Thaipat Institute for 5 years consecutively.

### Certificate of Collective Action Coalition Against Corruption

The company has participated in the activities in Thailand's Private Sector Collective Action Coalition Against Corruption project. In addition, the company has determined the anti-corruption policy, practical guidelines for directors, executives and employees. However, on October 16, 2014, the company was awarded the certificate of membership for the first time from Thailand's Private Sector Collective Action Coalition Against Corruption by Institute of Directors and the second time, the company's membership was renewed on June 7, 2018.

### The Logo of Corporate Social Responsibility



**Performance of Social Responsibility for Sustainable Developments is detailed in the following dimensions.**

Economic	Social	Environment
Level of satisfaction of customers who received services from the branches in 2019 was 95.30%, increased by 6.27% when compared to 89.68% in 2018.	Number of complaints from employees regarding labor operations in 2019 was 0.00% which remained the same as in 2018.	Amount of credit outstanding granted to the energy companies in 2019 was 40,000 million, increased by 150% when compared to Baht 16,000 million in 2018.
Amount of credit limit granted to the listed companies which were chosen to be in the ESG100 stock market group in 2019 were Baht 18,100 million, decreased by 23.08% when compared to Baht 23,530 million in 2018.	the rate of employees who got injured while working In the year 2019, was 0.00% which remained the same as in 2018. <b>Support for the development of society, community and environment</b> in 2019 valued at Baht 1.63 million.	<b>Reduction of releasing greenhouse gas by:</b>  <b>Water management</b> Usage of water in 2019 decreased by 4% compared to 2018.  <b>Used paper management</b> Number of trees to replace the cut-down trees for making papers per 1 ton of old papers in 2019 is 454 trees, increased from 131 trees in 2018.  <b>Energy Management</b> Light bulb replacement project: from 2016 to 2019, 2,121 fluorescent tubes were replaced by LED and 824,393 Kg.Co2e was reduced or equal to planting 91,599 trees.

### Corporate Social Responsibility for Sustainable Business Development Policy

The company is aware of operating business under the social responsibility making the business to be sustainable by paying close attention to taking care of the stakeholders, economy, society and environment with morality, ethics, and conducting business operations with honesty, transparency and fairness. The negative impact on the economy, society and environment must be well-aware. Consequently, the company regulates the policy on corporate social responsibility for sustainable business development so that directors, executives and employees can adhere to the practical guidelines in 9 areas below:

1. Good Corporate Governance
2. Fair Business Operation
3. Anti-Corruption
4. Respect for Human Rights
5. Fair Treatment of Labor
6. Responsibility towards Consumer
7. Cooperation in Development of Community and Society

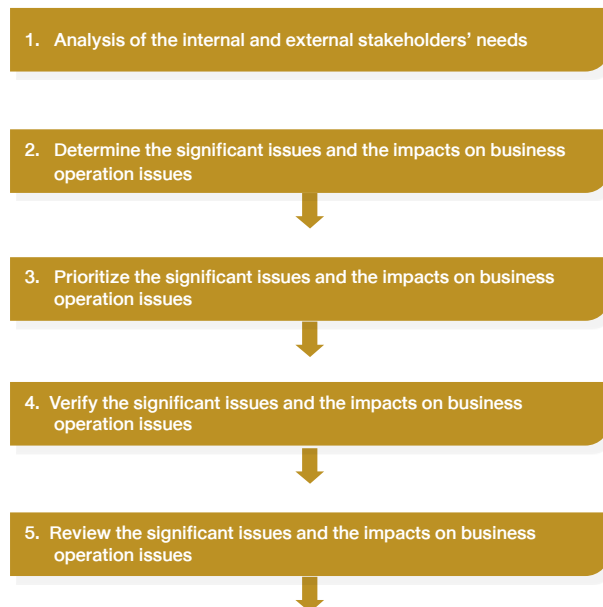
8. Environmental Management
9. Innovation and Dissemination of Innovative Corporate Social Responsibilities

*The company publishes the details of Corporate Social Responsibility for Business Sustainability Policy on company's website ([www.lhfg.co.th](http://www.lhfg.co.th)).*

### Guideline for Sustainable Business Development Report

The company pays close attention to the sustainable business development report as part of the annual report for thorough communication with all groups of stakeholders to acknowledge the policy, 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 directly responsible departments from 1 January to 31 December 2019.

The company has proposed the content of the sustainable business development report that has passed the analysis for the needs of both internal and external stakeholders and applied to determine important issues and effects to business operations under the social responsibility for sustainable business development policy as follows:



#### 1. Analysis of Stakeholders' Needs

The company pays attention to the rights of all stakeholders by providing the process and procedure to analyze the requirements of both internal and external

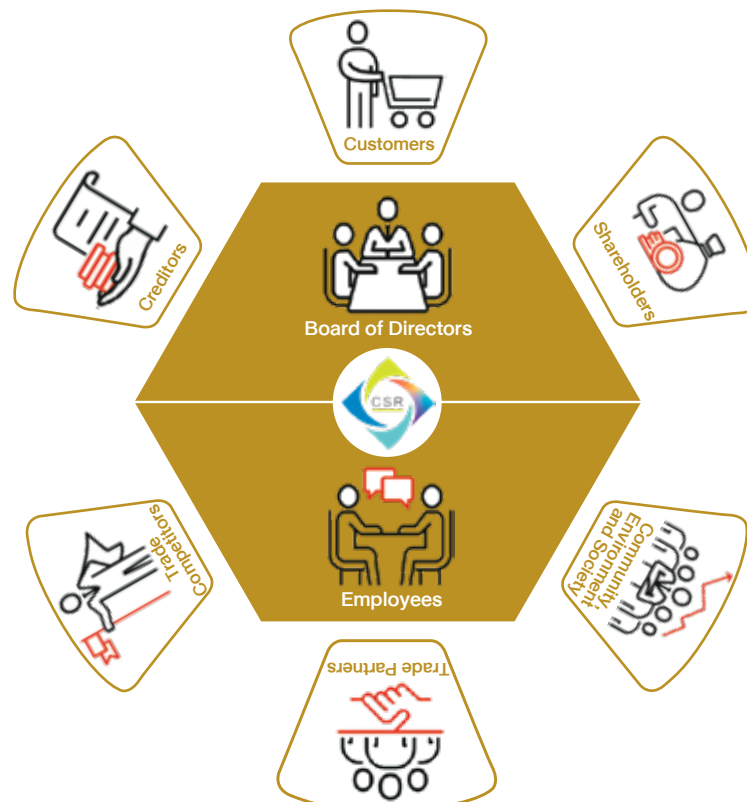
stakeholders. This process operates through various activities and many communication channels. The company also clearly determines the frequency of operations such as meeting arrangements and survey of employees' engagement toward the company so that the company will make use of the information to determine the practical guidelines consistent with the good corporate governance policy and social responsibilities for sustainable business development policy. In addition, the company operates with fairness and appropriateness to identify and select stakeholder process by considering the importance of all stakeholders and effects of business operations to stakeholders.

#### Practical Guideline for Stakeholders



The company has determined the practical guideline for stakeholders in writing in the Code of Conduct and the Code of Ethics for employees. The company pays attention to the rights of all group of stakeholders of which the stakeholders can be separated into 2 groups so that their needs can be identified and addressed properly, as well as their participation is encouraged.

**The stakeholders group** consists of:


1. Internal stakeholders, namely directors, executives and employees
2. External stakeholders, namely shareholders, customers, community, society and environment, trade partners, trade competitors and creditors



## Analysis of Stakeholders' Needs





Stakeholders	Needs Analysis	Practical Guidelines Under Policies	Implementation
<p>1. Shareholders</p> 	<ul style="list-style-type: none"> <li>• Appropriate compensation and sustainable growth.</li> <li>• Good business performance, stable growth under appropriate risk.</li> <li>• Work with transparency, fairness and accountability.</li> <li>• Prudent risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Perform business under good corporate governance principles.</li> </ul>	<ul style="list-style-type: none"> <li>• Generate good performance under proper risk management.</li> <li>• Organize the Annual General Meeting of Shareholders once a year.</li> <li>• Organize the press conference and analyst meeting for once a year.</li> <li>• Disclose information through all channels with correctness, equality and transparency.</li> <li>• Provide channels for inquiries via the company's website.</li> <li>• Receive suggestions and petitions through channels provided.</li> <li>• Facilitate minority of shareholder to propose significant and useful issues for business management via the company's website and publish them via the Stock Exchange of Thailand for consideration to determine the agenda of the Annual General Meeting of Shareholders. The issues allowed to propose are as follows:               <ol style="list-style-type: none"> <li>1. Proposing the agenda</li> <li>2. Proposing a person who has appropriate qualifications to be elected as a director</li> <li>3. Proposing questions in advance</li> </ol> </li> <li>• Invite shareholders to attend AGM and share their opinions.</li> </ul>
<p>2. Board of Directors</p> 	<ul style="list-style-type: none"> <li>• Working with transparency following the corporate governance principles for sustainable growth of the organization.</li> <li>• Treat all stakeholders on the basis of fairness.</li> <li>• Evaluation of the performance for work improvement</li> </ul>	<ul style="list-style-type: none"> <li>• Perform business under good corporate governance principles.</li> </ul>	<ul style="list-style-type: none"> <li>• Organize the company's Board of Directors meeting every month.</li> <li>• Provide sufficient, complete and timely information.</li> <li>• Participate in good corporate governance.</li> <li>• Encourage, support and develop knowledge related to the duties of directors and company's business.</li> <li>• Orientation program for new directors.</li> <li>• Self-assessment for directors to improve more efficient work.               <ol style="list-style-type: none"> <li>1. Self-assessment of the Board of Directors and collective sub-committees</li> <li>2. Self- Assessment of the Board of Directors and sub- committees on individual basis</li> <li>3. Cross- Assessment of directors</li> <li>4. Good Corporate Governance Self-Assessment</li> </ol> </li> </ul>



Stakeholders	Needs Analysis	Practical Guidelines Under Policies	Implementation
<p>3. Employees</p> 	<ul style="list-style-type: none"> <li>• Provide appropriate remunerations, proper positions and benefits</li> <li>• Always keep a workplace hygienic, clean and safe.</li> <li>• Arrange seminars for knowledge and potential development.</li> <li>• Provide trainings and life skill development.</li> <li>• Provide appropriate tools and equipment at work.</li> <li>• Allow enough time for work-life balance of employees.</li> </ul>	<ul style="list-style-type: none"> <li>• No discrimination on employments regardless of ethnic, race, gender, status, religion, political views, or age</li> <li>• Promote employment for vulnerable labors, such as provide opportunities to employ people with disabilities.</li> <li>• Develop human resources by providing skill trainings and capacity building for employees by creating opportunities for learning and promotions for career progress.</li> <li>• Do not lay off or terminate any employee which is solely based on the management's decision or based on discrimination.</li> <li>• Promote and respect human right protection by not supporting labor coercion, as well as promote employees' work-life balance.</li> <li>• Respect for the rights to freely express opinions of employees and comments without interventions, their rights to receive information or opinions through media, as well provide channels to hear the voice of employees.</li> <li>• Provide fair employment conditions which allows employees to receive proper compensations based on their competency or agreement made between the employer and each employee in accordance with proper industrial standards or standards of living.</li> <li>• Properly arrange working environment for work safety and dignity.</li> <li>• 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.</li> <li>• Prepare policy on safety and occupational health, as well as analyze and determine measures for risk control on safety and occupational health at work.</li> </ul>	<ul style="list-style-type: none"> <li>• Arrange welcome activity for new employees.</li> <li>• Provide Orientation for new Employees.</li> <li>• Encourage employees to instill PRO-Active value.</li> <li>• Develop employees' potential by arranging capacity building learning for all levels of employees including increasing the learning channels via the company's intranet which they can learn at all times under LHFG People Connect to reinforce their potential to keep up with rapid change.</li> <li>• Succession plan to replace executives and key positions.</li> <li>• Activities to communicate and build stronger teamwork.</li> <li>• Survey market rate of compensation on a regular basis as to improve to align with proper industrial standards or standards of living.</li> <li>• Provide channels to receive complaints, opinions and suggestions.</li> <li>• 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.</li> <li>• Establish the Environment, Health and Safety Committee for driving the policy and the plan for Occupational Safety, Health and Environment in a workplace.</li> <li>• Improve working environment to align with occupational safety guidelines.</li> <li>• Support and promote career opportunity for people with disabilities to live in the society with pride.</li> <li>• Air LHFG People Voice every the 2<sup>nd</sup> and 4<sup>th</sup> Friday of the month to update news within the Land and Houses financial business group.</li> </ul>



Stakeholders	Needs Analysis	Practical Guidelines Under Policies	Implementation
<p>4. Customers</p> 	<ul style="list-style-type: none"> <li>Relationship management with customers.</li> <li>Market Conduct</li> <li>Satisfaction for a wide variety of, quality products and excellent services.</li> <li>Promptness in hearing and responding to customers' requirements.</li> <li>Customer confidentiality.</li> <li>Equality of each segment of customers.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct the customers' satisfaction survey for branch services.</li> <li>Offer products that can satisfy customers' requirements, improve employees' competency in making an offer to customers with well-integrated products and services as to meet all of their requirements, as well as determine customers' confidentiality.</li> </ul>	<ul style="list-style-type: none"> <li>Apply the survey results of customers' satisfaction for branch services for service improvement.</li> <li>Understand customers by meeting them to strengthen relationship.</li> <li>Organize activities/information on product orientation.</li> <li>Collect suggestions or feedbacks for improvements.</li> <li>Innovate and create products and services that meet consumers' requirements.</li> <li>Publicize products and services' information based on reality through various channels easily accessible by consumers to support their decisions.</li> <li>To provide assistance and answer customers' enquiries to promote good understanding on our products and services.</li> <li>Collect complaints and opinions from customers and cope with them in a timely manner.</li> <li>Arrange My Bank My Love activity to create good relationship between customers and bank annually.</li> <li>Have customers' data privacy process in place.</li> </ul>
<p>5. Community, Environment and Society</p> 	<ul style="list-style-type: none"> <li>Support communities' activities.</li> <li>Enhance and develop learning and knowledge.</li> <li>Support government's policies.</li> <li>Preserve environments.</li> <li>Collect the voice of neighboring communities</li> </ul>	<ul style="list-style-type: none"> <li>Perform business with ethics in parallel with environmental and social responsibilities.</li> <li>Support social activities benefiting communities and encourage employees to participate in activities.</li> <li>Support and promote education as well as participation in improving educational quality and accessibility.</li> <li>Promote cultural activities in accordance with local culture, traditions and religions.</li> <li>Promote effective use of resources by concerning capability in resource optimization.</li> <li>Prepare emergency plan suitable for reducing losses.</li> <li>Promote and facilitate benefits to all stakeholders on creativity which is the foundation for creating innovations leading to continuous creation of innovations.</li> </ul>	<ul style="list-style-type: none"> <li>Survey community and social requirements and allow communities to participate in activities.</li> <li>Provide support for cultural activities suitable for local culture, traditions, and religions.</li> <li>Provide appropriate emergency plan to serve for loss and damages against environment.</li> <li>Green Office project to reduce electricity and paper use, as well as shift to use environmental-friendly office automations.</li> <li>Involve with the development of youth learning via the financial literacy project where the bank sends out trainers to train youths about financial knowledge.</li> <li>Project "LH Bank Support Scholarship"</li> <li>Participate in the project "Soft-Loan Program for SMEs" by the Ministry of Finance.</li> <li>Donate the used computers project</li> <li>Lend a hand by giving consumer goods, money and also providing restructuring debt for customers who are affected by natural disaster.</li> </ul>

Stakeholders	Needs Analysis	Practical Guidelines Under Policies	Implementation
5. Community, Environment and Society (continue) 		<ul style="list-style-type: none"> <li>Promote and cooperate with the stakeholders, such as trade partners, to develop and disseminate innovations</li> <li>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.</li> </ul>	
6. Trade Partners 	<ul style="list-style-type: none"> <li>Perform business with transparency.</li> <li>Facility and Process Sharing: Refer customers in Land and Houses financial business group to partners.</li> <li>Information Sharing: Exchange information for business performance.</li> <li>Network Extension: Extend bank networks together with partners.</li> </ul>	<ul style="list-style-type: none"> <li>Comply with trade terms and conditions and agreements.</li> <li>Creating partnerships with potential trade partners.</li> <li>Fair business practices.</li> <li>No barriers for trade partners.</li> </ul>	<ul style="list-style-type: none"> <li>Meet with trade partners.</li> <li>Conduct marketing together with the trade partners of Land and Houses financial business group.</li> <li>Create partnerships with customers to refer other customers to receive the bank's services.</li> <li>Receive suggestions or complaints.</li> <li>Appoint Procurement Committee in order to manage procurement process appropriate and fair for partners</li> </ul>
7. Trade Competitors 	<ul style="list-style-type: none"> <li>Perform business with transparency.</li> </ul>	<ul style="list-style-type: none"> <li>Comply to the rules of competition and never use any dishonest method.</li> </ul>	<ul style="list-style-type: none"> <li>Determine mutually fair competition conditions.</li> </ul>
8. Creditors 	<ul style="list-style-type: none"> <li>Pay interest and payback when due.</li> <li>Continuous communications.</li> </ul>	<ul style="list-style-type: none"> <li>Comply to the agreements or terms and conditions in the agreements and their duties.</li> </ul>	<ul style="list-style-type: none"> <li>Comply to the contract or any conditions agreements and duties.</li> <li>Collect feedbacks or complaints.</li> </ul>

## 2. Determine Significant Issues and Impacts on Business Operations

The company takes into account all issues, opinions, suggestions and expectations in operations for sustainability which is important and affects business operations, and also obtains the analysis of internal and external stakeholders' demand which complies with a policy on corporate social responsibilities for sustainable business development in order to determine the important issues and impacts on business operations as follows:

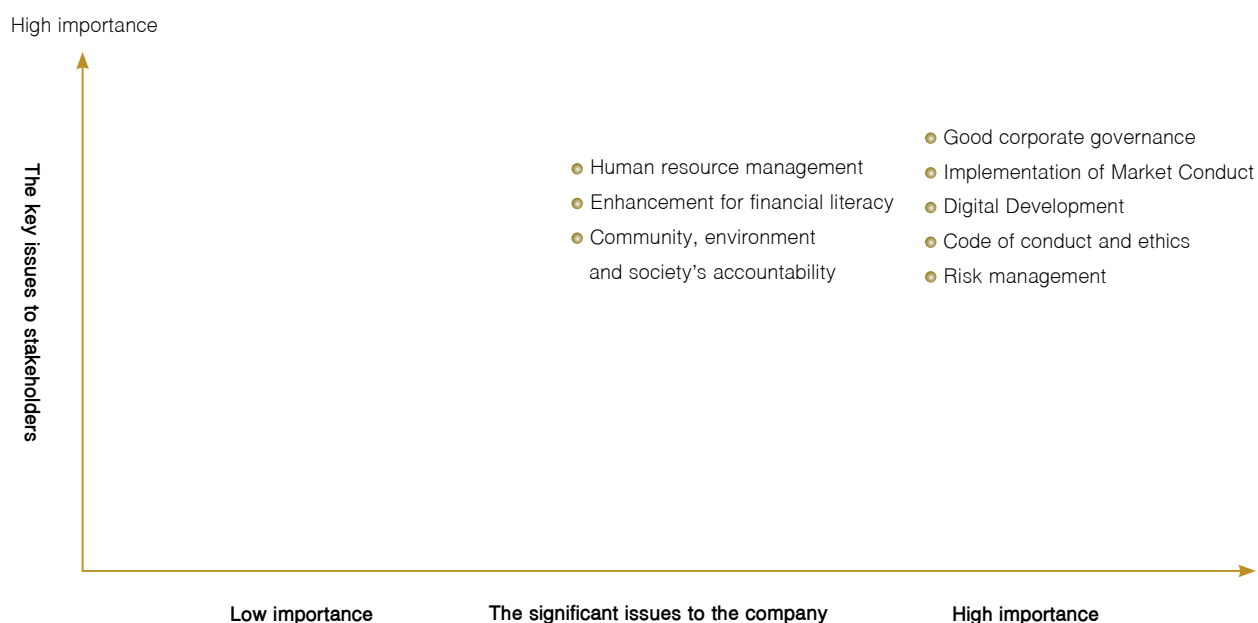
- Internal stakeholder group:** consists of Board of Directors, executives and employees. The company has brainstorming forums such as the discussions in small groups and meetings. Such activities were held to identify the sustainable issues that the stakeholders deem necessary.

- External stakeholder group:** consists of shareholders, customers, community, society and environment, trade partners, trade competitors and creditors. The company has assembled issues and suggestions via discussions and meetings in order to identify the sustainable issue that the stakeholders deem necessary.

## 3. Prioritizing Significant Issues and Impacts on Business Operations

The company analyzes and considers data obtained from the interviews of both internal and external stakeholders in order to prioritize the critical topics and the topics that can affect business operations. Therefore, we can divide them into 8 topics in 3 levels; low; medium; high. The prioritized issues were then made in Materiality Matrix chart. By the way, the vertical axis shows the key issues relating to stakeholders and the horizontal axis shows the issues critical to the company.

### Materiality Matrix



### Significant Issues and Impacts on Business Operations Analysis

Significant Issues and Impacts on Business Operations	Internal Stakeholders	External Stakeholders	Topics Presented in the Report
Good corporate governance	<ul style="list-style-type: none"> <li>• Companies in the financial business group</li> <li>• Directors, executives and employees</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders</li> <li>• Customers</li> <li>• Trade partners</li> </ul>	<ul style="list-style-type: none"> <li>• Good corporate governance</li> </ul>
Implementation of market conduct	<ul style="list-style-type: none"> <li>• Companies in the financial business group</li> <li>• Directors, executives and employees</li> </ul>	<ul style="list-style-type: none"> <li>• Customers</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable business operation strategy</li> <li>• Responsibility towards Customers</li> </ul>
Digital development	<ul style="list-style-type: none"> <li>• Companies in the financial business group</li> </ul>	<ul style="list-style-type: none"> <li>• Customers</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation and dissemination of innovative corporate social responsibilities</li> </ul>
Code of conduct and ethics	<ul style="list-style-type: none"> <li>• Companies in the financial business group</li> <li>• Directors, executives and employees</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders</li> <li>• Customers</li> <li>• Trade Partners</li> </ul>	<ul style="list-style-type: none"> <li>• Code of conduct and ethics</li> <li>• Anti-corruption</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>• Companies in the financial business group</li> <li>• Directors, executive and employees</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders</li> <li>• Customers</li> <li>• Trade partners</li> </ul>	<ul style="list-style-type: none"> <li>• Risk factors</li> <li>• Internal control and risk management</li> <li>• Good corporate governance</li> </ul>
Human resource management	<ul style="list-style-type: none"> <li>• Companies in the financial business group</li> <li>• Directors and executives</li> </ul>	<ul style="list-style-type: none"> <li>• Trade Partners</li> </ul>	<ul style="list-style-type: none"> <li>• Fair treatment of labor</li> <li>• Respect for human rights</li> </ul>
Enhancement for financial literacy	<ul style="list-style-type: none"> <li>• Companies in the financial business group</li> </ul>	<ul style="list-style-type: none"> <li>• Customers</li> <li>• Community, environment and society</li> </ul>	<ul style="list-style-type: none"> <li>• Community and social development</li> </ul>
Community, environment and society's accountability	<ul style="list-style-type: none"> <li>• Companies in the financial business group</li> </ul>	<ul style="list-style-type: none"> <li>• Customers</li> <li>• Community, environment and society</li> </ul>	<ul style="list-style-type: none"> <li>• Community and social development</li> </ul>

#### **4. Verify the Significant Issues and Impacts on Business Operations**

The company will assemble key issues and propose them to the executives and the Corporate Governance Committee; therefore, they can acknowledge and give the operational guidelines which have been reported in business sustainability report and the company's website.

#### **5. Review the Significant Issues and Impacts on Business Operations**

The company provided the reviewing information process after the report has been published. However, the reviewing process was provided in order to collect opinions and suggestions for improving the contents in the next report.

#### **Quality Inspection of Report**

The contents disclosed in the business sustainability report and the company's website have been audited and reviewed by competent authority with accuracy, completeness and compliance with the practical guideline of corporate social responsibilities for sustainable business development policy.

#### **Inviting the Trade Partners to Join the Anti-Corruption Association**

The company encouraged customers and sponsors to be aware of the importance of building corruption-free community. The company invited them to join the anti-corruption alliance for the sake of preventing fraud, bribery and corruption by sending letters to customers and sponsors to ask for cooperation in refraining from giving gifts, rewards, other benefits or receptions to employees.

#### **Credit Underwriting Following Risk of Environment, Society and Good Governance**

For credit underwriting, we are aware of the importance of environment, society and good governance. However, credit underwriting has strict and discrete approval processes. The topics to be considered are the risks of environment, society and good governance. In case the businesses of customers bring about negative side effects on economy, society and environment, the bank will not support them.

#### **Customer Relationship Management**

The bank is committed to raising the level of service quality by conducting a research on the satisfaction of customers who received the service experiences at our branches in

order to understand their requirements as well as collecting the information through call center service and branches. Thus, we can improve the service quality based on their requirements and can also determine the indicators of service quality. Besides, the bank has provided operating guide books for branch operations as to set the standard of services and meet the customers' satisfaction.

The bank applied the customer satisfaction survey result of branch services to improve the quality services with the following actions:

1. Communicate to the branches' employees to have awareness of quality services.
2. Conduct a Role Play of service delivery and verify the quality of services continuously.

As a result, in the year 2019, the level of customers' satisfaction of services at branches was 95.30%, increased by 6.27% when compared to 89.68% of the year 2018.

#### **Supply Chain Management**

The company is aware of the importance of growing business without effects to the society and environment including supply chain. The company also puts the emphasis on the collaboration from all trade partners to develop the business operation process together with elevating the quality of environmental and social performances according to the code of conduct.

The company has determined the procurements and services' practical guidelines for the 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 the budget of operation for each time and it must be considered and approved 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** will have the steps as follows:

1. Acquire the lists of suppliers and providers to meet the needs of buyers.
2. Select the suppliers and the providers 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 procures good quality products at appropriate price, and sellers have no records of corruptions, or operate illegal business, no illegal labor policy, treat the trade partners with transparency, fairness, take care of occupational safety in the workplace, and save environment in order to create a supply chain for mutual business operations which will benefit employees, community, society and environment as whole.
3. When received a list of suppliers or vendors which passed the selection process, the next step is evaluation process to find suppliers or vendors who provide supplies with good quality, appropriate cost and appropriate price.

In the year 2019, the bank had 727 trade partners, decreased by 8.78% when compared to 797 trade partners of the year 2018. The trade partners acknowledged to follow the bank's code of conduct and ethics. And the bank informed them of procurement rules for understanding, accuracy and transparency.

### **Monitoring, Auditing and Evaluating Results of Trade Partners**

The company has monitored and assessed the performance of partners in different ways, such as the evaluation of satisfaction for services with the way to receive their suggestions and complaints. However, to ensure that the company has received the products and good services as required, the company has the procurement management team to check out the products and services, and provide suggestions to the partners to improve and develop the quality of products. In case the partners cannot follow the standard, the company will consider not using the service.

### **Tax Management**

The company was listed on the Stock Exchange of Thailand and was the financial business group that operates the business with transparency and stability according to the good governance principles. The company is committed to operating the business in conformity with the regulations and the rules of tax law.

#### **Tax Management Strategy**

The company has planned in revenue tax for the maximum benefits of the company and the stakeholders as well as complied with the regulations of revenue tax.

#### **Tax Risk Management**

The company provides the revenue tax risk management system together with the seminars and training to improve knowledge of related employees by taking into consideration of the risk, responsibilities and fair treatment of stakeholders and related persons.

#### **Tax Incentives**

The company exercises maximum tax incentives according to laws under the sustainable business operation and makes use of tax structure accurately. As a result, tax avoidance has not occurred. Tax incentives cover periodic tax exemption measures or other privileges all of which are dependent on the tax policy of each country or local tax policy imposed on businesses with the natures under related requirements.



LH Financial Group Public Company Limited adheres to good corporate governance principles as the guideline for business operation along with the sustainably social and environmental development. The company focuses on creating the culture of corporate governance in the organization which the company has established the Corporate Governance Committee to have the duties in determining, reviewing the corporate governance policy and representing the company in communicating and operating the corporate governance activities to have the same standard throughout the organization. Having the business ethics will create the competitiveness and trust among shareholders, investors, stakeholders and all related parties. This will be the main factor in business operations with efficiency, transparency and trust. This includes the enhancement of management with honesty, adding value in business, stability and sustainable growth as well as placing the importance on internal control, internal audit, equitable treatment of shareholders and stakeholders, supervision to prevent conflicts of interest according to the regulatory requirements, adequate disclosure of information while considering risks and appropriate risk management.

### Receiving Organization of the Year 2019 in Financial Business Industry Category

LH Financial Group Public Company Limited was awarded the “Organization of the Year 2019 in Financial

The Board of Directors has approved to appoint the sub-committees as to supervise various operations to be more efficient. The sub-committees include:

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

Each of the sub-committees will supervise the business operation following the vision, mission, operation plan and good corporate governance principles as well as clearly indicate the roles and responsibilities in writing. The good corporate governance of the company consists of 4 main principles to which the Board of Directors, executives and employees shall adhere as follows:

1. Transparency : Transparency in operations and information disclosure to related parties
2. Integrity : Honesty
3. Accountability : Responsibility for the performance
4. Competitiveness : Ability to compete with rivals

Business Industry Category” from the Best Practice Award 2019 Program by The For Social Foundation with the aim to praise and support any organization with sustainable success.





The company is committed to achieving continuous operation in good corporate governance. **As a result, the company has received the score from the Corporate Governance Report of Thai Listed Companies 2019 in the level of "Excellence: 5 Stars" for 5th 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 acknowledgement and recommendations for further improvements to the better corporate governance of the company.



In addition, the company is also aware of the rights and equality of all groups of shareholders and intends to encourage the shareholders to rigorously participate in corporate management and provides check and balance mechanism. **As a result, the company received "Excellent and Exemplary" rating evaluation of Annual General Meeting of Shareholders 2019 by the Thai Investors Association,** the Thai Listed Companies Association and the Securities and Exchange Commission. The company has received a full score of 100 for 7 consecutive years since 2013.



### Good Corporate Governance Policy

The company has defined the good corporate governance policy in writing by referring to the Corporate Governance Code: CG Code of the Securities and Exchange Commission. It consists of the principles and guidelines in relation to good corporate governance for the Board of Directors to use as the guidelines for business operations and for executives and employees to adhere to as the operational guidelines. This is to ensure 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 was approved by the Board of Directors meeting on October 15, 2019.

The good corporate governance policy is classified into 8 principles 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 on the company's website ([www.lhfg.co.th](http://www.lhfg.co.th)).*

### Compliance with the Good Corporate Governance Principles

The Board of Directors is aware of the roles and responsibilities in enhancing corporate governance to sustain the business growth, effective management, 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 supervising the management to align with strategies and required plans by considering the maximum benefit of the company. It will also monitor the management to ensure that the strategy is effectively implemented and meets the goals and required plans on a monthly basis.

2. The Board of Directors supervises and ensures the company achieve the governance outcomes in the following matters:

- Being competitive with good performance by considering long-term impacts
- Conducting business operations with ethics, respect for rights, accountability on shareholders and stakeholders
- Being beneficial to society, developing or reducing environmental impacts
- Adaptability under risk factors



3. The Board of Directors supervises the executives to perform their duties with responsibilities, conservatism, honesty and compliance with laws, regulations and resolutions of shareholders' meeting, and also clearly determines the scope of duties and responsibilities and assignments for the President as well as monitors the President's performance to align with the roles and assignments while not giving a priority to self-interests 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. In case there is any special agenda item, the extra meetings will be arranged as deemed appropriate and necessary. The company has informed all directors in advance so that they can schedule and attend the meeting, and disclosed the meeting schedule on Intranet of the company. For each meeting, the company secretary will inform all departments for acknowledgement of the meeting date at least 14-21 days in advance and allow them to propose any key matters to put in the agenda.

- The directors are responsible for attending the meetings at least 75% of the total Board of Directors meetings held each year except having appropriate reasons and necessities. In the meeting, the directors will discuss significant matters and, for some agenda items, the directors will invite executives to attend the meeting and explain more details for such agenda item as directly related parties.

- The agenda of the Board of Directors meeting shall be determined by the chairman, and Chief Executive Officer and President to jointly consider the matters to be included in the agenda. The agenda shall be clearly specified that they are matters for acknowledgement, matters for consent or matters for approval depending on the nature of each agenda.

- The Board of Directors assigned the company secretary to submit the notice of the meeting not less than 7 days before the meeting date together with supporting documents at least 5 days before the meeting date with accurate, complete and sufficient information for the directors to have adequate time to study the agenda and 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 that requires a resolution with a vote of not less than two-thirds of the total number of the directors and a director who has interests in that agenda shall abstain from voting; refrain from giving comments on that agenda or leave the meeting.

The Board of Directors meeting takes about 2 - 2.3 hours for each meeting. The chairman allocates

sufficient time for each agenda. After the meeting is completed, the company secretary has duties to provide the meeting minutes in writing covering complete details, opinions and significant information within the appropriate time. Once the meeting minutes is certified by the Board of Directors, the company secretary will keep it and relevant documents systematically for audit and reference purposes.

5. The Board of Directors may seek the opinion from the independent consultant or external professional if necessary; it deems liable to the company.

6. The chairman allowed non-executive directors to be able to hold a meeting to discuss the issues or problems of their interest about the management and find 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 directors for acknowledgement. In the year 2019, 1 of such meetings was held.

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

The Board of Directors assigned the Nomination and Remuneration Committee to consider the method for assessing the performance 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 align with the vision, mission and long-term goal of the company. Responsibilities, achievement of objectives and business situations as well as business environments during that period have also been taken into account. The assessment comprised 2 major parts which consist of financial key performance indicators (Financial KPI) and non-financial key performance indicators (Non-Financial KPI) and the assessment results were proposed to the Nomination and Remuneration Committee meeting to consider the remuneration and bonus. After the Nomination and Remuneration Committee considered and assessed such performance, the assessment results will then be proposed to the Board of Directors meeting for approval.

## **Principle 2: Define objectives that promote sustainable value creation**

1. The Board of Directors shall define the company's objectives and main goals for the sustainable growth in compliance with creating value to the company, customers, stakeholders and society as whole.

2. The Board of Directors supervise and review the business plan, budget and strategies on semi-annual basis to ensure that they correspond to the objectives, core goals, economic conditions and competition.

### Principle 3: Strengthen board effectiveness

The Board of Directors is considered the heart of good corporate governance. There are experts in various fields with experiences, leadership, vision, independence in making decisions and dedication. Moreover, they perform their 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 composes of well-qualified persons who have expertise, leadership, vision, independence in making decisions and experiences that are useful and necessary for business operation, devote their time, and fully operate their duties according to their responsibilities, conservatism and honesty for the highest benefit of the company and the shareholders as well as supervise the good management of the company.

The company has determined the structure of the Board of Directors to have the number of directors appropriate for business, consisting of 11 directors which are 2 female directors and 9 male directors. The election of directors is in accordance with the resolution of the shareholders' meeting, rules, regulations and the articles of association. The composition of the Board of Directors shall conform 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<sup>1</sup> 4 positions**, accounting for 36.36% of the Board of Directors which includes Mr. Adul Vinaiphath, Mr. Pradit Sawattananond, Mr. Somsak Assavapokee, and Dr. Supriya Kuandachakupt.
- **Executive director<sup>2</sup> 3 positions**, accounting for 27.28% of the Board of Directors which consists of Mrs. Sasitorn Phongsathorn, Mr. Wu, Kuo-Chin and Mr. Naporn Sunthorn chitcharoen.
- **Non-Executive Director 4 positions**, accounting for 36.36% of the Board of Directors which consists of Mr. Rutt Phanijsaphand, Mr. Li, Ming-Shieh, Mr. Shih, Jiing-Fuh, and Mr. Khunawut Thumpomkul.

Note <sup>1</sup>

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

<sup>2</sup>

**Executive director** director refers to directors who are responsible for administration in the position of manager, 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 co-signing with other directors.

The Board of Directors structure is proportionate and fair, and for the independence of the chairman, and allows the separation of the powers and duties for policy determination, supervision and regular management. The chairman of the Board of Directors and the chairman of the Audit Committee shall not be the same person as the Chief Executive Officer and the President. The explicit separation of powers between each other does not allow anyone to have unlimited power as to check and balance, and review the management.

- The Board of Directors requires the qualifications of the independent directors are in line with the good corporate governance guideline as prescribed in the 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-thirds of the total number of the directors, whichever is higher. The independent directors must be the directors who are not the employees or staff who receive salary from the company. They are also independent from the major shareholders of the company and can take care of the interests of the minority shareholders.

*The company reveals the details of the Independent Directors' Qualifications under the topic of Management Structure on Independent Directors Qualifications.*

- The nomination of directors and independent directors must be considered by the Nomination and Remuneration Committee to have the qualifications that conform to related laws, regulations of supervisory agencies, and the articles of association with regard to directors and good corporate governance principles by considering their knowledge, experience, skill, various expertise, honesty and ability that benefit the company, ability to share opinions independently, understanding the business of the financial business group and no sexual discriminations.

#### 2. Nomination of Directors

The Board of Directors has set the term of the director position in accordance with the Public Company Limited Act, the articles of association with transparency and clearness. To nominate any person or propose the existing directors to be reappointed as directors shall require their profile and sufficient details including criteria and method of nomination for shareholders' voting.

- The company gives the opportunity to the minority shareholders to nominate qualified persons to be director.

- The Nomination and Remuneration Committee is the committee to nominate and to scrutinize the qualified persons based on their knowledge and experience including financing, banking, economy, laws and other professional areas by considering the organization's necessity, good corporate governance, independent directors' qualifications according to the related laws and the articles of association.

In addition, the Nomination and Remuneration Committee will nominate the qualified persons to be directors to the Board of Directors for consenting before proposing their names to the shareholders' meeting for approval.

### 3. Number of Directorship 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 which conform to the good corporate governance principles by carefully considering their working potential of a director who will hold a position in various companies to ensure that directors will be able to devote sufficient time to perform their duties as follows:

- Director, Chief Executive Officer and President, and authorized persons can be in the position of either chairman or executive director in other companies not more than 3 business groups and not more than 5 listed companies on the Stock Exchange of Thailand or abroad.

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

### 4. Term of Independent Directors

The term of independent directors conforms to the Public Limited Companies Act and the Articles of Association that the independent directors can hold the position no more than a maximum of 9 consecutive years according to the Bank of Thailand's regulations.

In addition, as the company has specified the term of office for independent directors that they can hold their positions for not more than 9 consecutive years in accordance with the regulations of the Bank of Thailand by allowing independent directors who have been in office for more than 9 years to be able to continue their positions within 2022.

### 5. Number of Directors to Retire by Rotation

At every Annual General Meeting of Shareholders, one-thirds of the directors, or, if the number is not a multiple of three, then the number nearest to one-thirds must retire from office. However, the directors who have been in office longest shall retire first, and, if there are any disagreements arising, it is suggested to use the drawing of lots, and the directors who vacates office may be re-elected.

### 6. Sub-committees

The management structure of the company consists of the Board of Directors who has decentralized for the purpose of more effective management and transparency in management. The Board of Directors has appointed the sub-committees to help study the details and screen the work so as to ease the burden of the Board of Directors and consider various matters and report their performance to the Board of Directors. The sub-committees consist 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 are independent directors for the sake of being 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.*

*The company reveals the details of the Audit Committee with knowledge and experiences in the audit of the financial statements in the Management Structure, No.2 The Audit Committee.*

### 7. Company Secretary

- The Board of Directors has appointed Mr. Vichian Amornpoonchai, First Executive Vice President, Corporate Affairs and Legal Group, to be the company secretary since May 15, 2009. His duties involve providing some advice regarding laws and regulations that the Board of Directors should acknowledge, and monitoring activities of the Board of Directors. In addition, the company secretary shall cooperate with related parties to ensure that the resolutions of the Board of Directors and the shareholders' meeting have been followed. In addition, the company secretary has the scope of duties and responsibilities with responsibility, conservatism and honesty according to the laws.

- The Board of Directors has encouraged and supported the company secretary for trainings and developments of necessary skills and knowledge in law, accounting, or corporate secretarial duties.

*The company has disclosed the profile of the company secretary in the topic of management structure, No.8 The Company Secretary.*

## 8. Remuneration of Directors and Executives

The remuneration of the directors determined by the Annual General Meeting of Shareholders in monetary form consists of salary and meeting allowances. It was also consented by the Board of Directors based on the proposal from the Nomination and Remuneration Committee, and clearly defined, fair, reasonable, transparent and in conformity to their duties, the company's performance and individual performance which also aligns with industry and sufficient to maintain the desired directors. Moreover, it shall be proposed to the shareholders' meeting for approval on an annual basis.

## 9. Self-assessment of the Board of Directors

The Board of Directors provides the self-assessment for the Board of Directors and the sub-committees in form of collective assessment, individual assessment and cross-assessment at least once a year to review the performance, troubles and obstacles from last year with the aim to enhance more efficient performance because the Board of Directors is clearly aware of their roles and responsibilities. The self-assessment is essential to assess the appropriateness of the Board of Directors' composition and its performance. The assessment results and recommendations from the directors shall be applied to improve their duties of the Board of Directors and individual director. The form of self-evaluation of the Stock Exchange of Thailand has been applied according to the company's business environment and operations. The self- assessment includes:

- Self- Assessment of the Board of Directors and all sub-committees
- Self- Assessment of the Board of Directors and the sub- committees on individual basis
- Cross- Assessment of directors
- Good Corporate Governance Self-Assessment

## • Self-assessment of the Board of Directors and Sub-committees

**Self-assessment** is divided into 6 areas as follows:

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

**Scoring:** The assessment form contains scores so that directors can compare the result of each topic year over year. Here is the definition of scoring system.

- 0 = Strongly disagreed or never conducted
- 1 = Disagreed or seldom conducted
- 2 = Fairly or moderately conducted
- 3 = Agreed or well conducted
- 4 = Strongly agreed or excellently conducted

**Evaluation Method and Results,** at the meetings of the company's board of directors and the sub-committees, the directors thereof jointly conducted an evaluation by marking a score for each assessment item. In a 2019 collective assessment, most items were marked in the score of 4.

## • Self -Assessment of the Board of Directors and the Sub-Committees on Individual Basis

**The assessment** is divided into 3 areas as follows:

1. Structure and qualifications of directors
2. Meeting of the board and sub-committees
3. Roles, duties and responsibilities of directors

**Scoring:** The assessment form contains scores so that directors can compare the result of each topic year over year. Here is the definition of scoring system.

- 0 = Strongly disagreed or never conducted
- 1 = Disagreed or seldom conducted
- 2 = Fairly or moderately conducted
- 3 = Agreed or well conducted
- 4 = Strongly agreed or excellently conducted

**Evaluation Method and Results,** the company secretary and the secretaries of sub-committees sent the individual directors' self-assessment in which they hold an office, for their self-assessment, the completed forms were then returned to the secretary of each committee.

- **Cross-Assessment of Directors**

**Cross-Assessment** is the assessment to evaluate the responsibilities, roles and duties of the chairman and directors.

**Scoring:** The assessment form contains scores so that directors can compare the result of each topic year over year. Here is the definition of scoring system.

- 0 = Strongly disagreed or never conducted
- 1 = Disagreed or seldom conducted
- 2 = Fairly or moderately conducted
- 3 = Agreed or well conducted
- 4 = Strongly agreed or excellently conducted

**Evaluation Method and Results** the company secretary submits the cross-assessment of directors to the chairman to evaluate them individually and in turn the individual directors evaluate the chairman. The completed forms will then be returned to the company secretary to report the result to the directors.

- **Good Corporate Governance Self-Assessment**

The Board of Directors has provided the self-assessment on the good corporate governance principles as a tool for directors to evaluate themselves on the issues that the company has done or has not, for an adequate disclosure of the company. The Board of Directors has analyzed the evaluation results, recommendations and observations in order for them to apply the results to align with the business operation environments as follows:

**The assessment is** divided into 4 areas as follows:

1. Rights of Shareholders and Equitable Treatment of Shareholders
2. Roles of Stakeholders
3. Information Disclosures and Transparency
4. Responsibilities of the Board of Directors

**Scoring:** No scorings are specified in the assessment form; only check boxes are provided for checking whether a particular practice had been followed or not:

- If the company has fulfilled the principles of good corporate governance, please check (✓) in the "Yes" box
- If the company has not yet complied or not fully implemented any principles of good corporate governance, please check (✓) in the "No" box

**Evaluation Method and Results,** the Corporate Governance Committee collectively conducted an evaluation and proposed the results of the self- assessment to the Board of Directors for consent. The assessment results of good corporate governance for the year 2019, most items were marked in "Yes" box.

**Principle 4: Ensure effective CEO and employee management**

The Board of Directors has appointed the Nomination and Remuneration Committee to clearly and transparently nominate the directors, Chief Executive Officer and President, and define their remunerations which are consistent with their roles and responsibilities. The remunerations 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 Directors, Executives and Employees**

The company pays attention to increase efficiency of the directors, executives, employees, secretary team, compliance team, internal audit team and corporate governance team. The company has the policies to encourage them to attend external trainings and in-house seminars to improve their skills, knowledge and competencies to accommodate both short-term and long-term business growth. Such trainings include various training courses held by the Institute of Directors, 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 supporting the staff to attend a training course that benefits their duties. The company will notify the seminar programs to the directors in advance.

**In the year 2019, the directors attended the trainings and seminars as follows:**

Name of Directors			Training and Seminar Program
1.	Mr. Rutt Chairman	Phanijphand	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> </ul>
2.	Mr. Adul Independent Director	Vinaiphat	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> <li>- <b>Sustainable Business in the Digital Era: Learn Fast - Act Fast</b> Arranged by EY Company Limited Date: November 25, 2019 Venue: Crystal Hall at The Athenee Hotel</li> </ul>
3.	Mr. Pradit Independent Director	Sawattananond	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> <li>- <b>Cyber Resilience Workshop</b> Arranged by the Bank of Thailand Date: June 20, 2019 Venue: The Bank of Thailand Learning Center of the Bank of Thailand</li> <li>- <b>Sustainable Business in the Digital Era: Learn Fast- Act Fast</b> Arranged by EY Company Limited Date: November 25, 2019 Venue: Crystal Hall at The Athenee Hotel</li> </ul>
4.	Dr. Supriya Independent Director	Kuandachakupt	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> <li>- <b>Cyber Resilience Workshop</b> Arranged by the Bank of Thailand Date: June 20, 2019 Venue: The Bank of Thailand Learning Center of the Bank of Thailand</li> <li>- <b>Sustainable Business in the Digital Era: Learn Fast- Act Fast</b> Arranged by EY Company Limited Date: November 25, 2019 Venue: Crystal Hall at The Athenee Hotel</li> </ul>
5.	Mr. Somsak Independent Director	Assavapokee	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank</li> </ul>
6.	Mr. Li, Director	Ming-Shieh	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> <li>- <b>Director Accreditation Program (DAP) 166/2019</b> Arranged by Thai Institute of Directors Association Date: November 18, 2019 Venue: Thai Institute of Directors Association</li> </ul>
7.	Mr. Napom Director	Sunthornchitcharoen	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> </ul>
8.	Mr. Shih, Director	Jiing-Fuh	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> </ul>
9.	Mr. Wu, Director	Kuo-Chin	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> </ul>
10.	Mr. Khunawut Director	Thumpomkul	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> </ul>
11.	Mrs. Sasitorn Director	Phongsathorn	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> </ul>



## **2. The Remuneration and Employee Welfare**

The company sets the remuneration and welfare for its employees appropriately to ensure a good standard of living by emphasizing on fairness and competitiveness. 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 in the same industry to maintain the employees who have achieved the expectations of the company.

## **3. Provident Fund**

The company established a provident fund as good benefits for the employees. It is an important factor to encourage and motivate them to perform their tasks and their good standard of living. They 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 elected by fund members and another committee appointed by employer. These committees have duties and responsibilities to monitor and control the fund management which includes formulating the investment policy on behalf of fund's members. In addition, there is a multi- investment fund policy or "Master Fund" options for employees to pick up by themselves.

## **4. Orientation Program for New Directors**

The company provides an orientation meeting for new directors. In this meeting, the Chief Executive Officer and the President, and top executives will give briefings on the vision, mission, performance, strategies and key business targets including nature of business, and relevant documents including roles and responsibilities of directors, laws and regulations related to the business, annual report, and other information of the company are also provided.

## **5. Succession Plan for Top Executives**

The Board of Directors pays attention to the development of successors for key positions for continuous business operations and to ensure that the company has prepared appropriate personnel for the key positions which are important to business operations.

### **Succession Plan for Executives and Key Positions**

To get the organization ready for the key positions in the future, the company has developed successors

by providing exclusive programs for top executives and successors to attend, allowing more participations in the Board of Directors and the Management Committee, being the company's representative for various operations to ensure stability and continuity of the company's business operations and to ensure that the company has prepared staff to fill in important positions critical to the company's business operations. The Nomination and Remuneration Committee will select and scrutinize the qualified persons who have knowledge, abilities and various experiences including sufficient understanding in business, economy, laws and other areas by taking into account the organization's necessity and the good corporate governance. The company has provided the Management Development Program and Workshops for developing the executives in the future plan. The program provides learning in 4 dimensions namely, Visionary Leadership, Leadership Role & Situational Leadership, Change Leadership and Management & Developing People.

### **Nomination of Directors and Top Executives**

The qualified candidates with sound knowledge, experiences in various areas and understanding in banking, finance, economy, laws and related fields, will be screened against the nomination criteria to form the Board of Directors as required, and then prepare the board skill matrix to help the nomination to respond to the direction of the company. The Nomination and Remuneration Committee will propose the Board of Directors to consider the appointment of directors and/or independent directors, in case of vacancy from other causes rather than completing the term or 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 for the nomination of directors of the company in the Management Structure.*

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 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, No. 1 Nomination of Directors and Independent Directors.*



Regarding the nomination criteria of the top executives, the Nomination and Remuneration Committee will consider nominating the persons with the proper competence and qualifications by considering persons with ethics and honesty to fill in the positions of the top executives. The basic factors used for consideration are the qualifications, knowledge, and experiences. The Nomination and Remuneration Committee will propose the selected persons to the Board of Directors for appointment.

#### **Remuneration of Directors and Executives**

- The Nomination and Remuneration Committee chaired by the independent directors shall lay down the policies, methods and criteria in remunerating the directors and President with fairness, reasonableness and transparency which links to the company's operating results and the performance of each director in line with industry's standards. The remuneration must be high enough to retain the directors.

- Directors' remuneration is fixed by the shareholders' meeting in pecuniary form 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 listed companies on average according to a survey report on remuneration rates for directors of listed companies by the Thai Institute of Directors. The rates of monetary remuneration and other compensations for the directors approved by the 2019 Annual General Meeting are disclosed in the annual report.

*The details of compensations for the directors approved by the shareholders' meeting are disclosed in Management Structure, No. 9: Remuneration for Directors and 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 promotes the responsibility between the company and all groups of stakeholders.

##### **2. Determining the policy on the treatment of stakeholders**

- Raise awareness to work in a moral manner and follow guidelines to carry out the work honestly and fairly for the company, stakeholders, public and society.

- Disclose the information of the company to shareholders, investors, and public accurately, comprehensively and in a timely manner, according to related laws and regulations as well as cooperate with regulators by providing reports with accuracy, completeness and in a timely manner.

- Set up 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 including security and sustainable growth.

- Establish the code of conduct and ethics of the company in writing to be used as guidelines for all groups of stakeholders consisting of internal stakeholders, namely, employees and executives, and external stakeholders, namely, shareholders, customers, trade partners, competitors, government sectors and other agencies as well as to ensure operations with transparency. In addition, the company supported the cooperation between the company and stakeholders in creating a mutual benefit and to ensure that the stakeholders received protection and good treatment.

- Establish the ethics of directors and employees and promote their participations in order for them to perform their duties with ethical, honest, moral and conservative principles and practices and prevent any acts that violate the rules and regulations which may have a negative impact on the company's reputation.

The company has published the good corporate governance policy, code of conduct and code of business ethics, code of ethics for directors and employees through the company's intranet and included them in the training curriculum for employees. The company also published them on the company's website as detailed below.

#### **Section 1 Intention**

The purpose of the code of conduct of the company and the ethics of directors and employees is to provide good practical guidelines as a working standard for all employees and directors. The company is considered the trusted financial institution as a source of funding and emphasizes the business operation with honesty and balance between operating results and impacts 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 honesty and reliability as well as facilitate customers. The company also performs its business with regard to the corporate governance principles to ensure the balance between the company and stakeholders. The company's code of

conduct, and code of ethics can be categorized into 4 sections as follows:

Section 1: Intention

Section 2: The Company's Code of Conduct

Section 3: The Code of Ethics for Directors

Section 4: The Code of Ethics for Employees

### **Definitions**

#### **"Code of Conduct"**

Refers to rules of practices 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 practices for controlling physical and verbal behaviors that employees shall adhere to and practice regularly 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; trainees, permanent employees and the employees with special contracts.

## **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 to strictly conform to related laws, regulations and rules, including anti-corruption policy, and anti-money laundering and combating the financing of terrorism policy.

2.1.2 Prevent and avoid any action that may lead to conflicts of interest.

2.1.3 Perform duties as a professional who has sound knowledge, abilities and skills cautiously.

2.1.4 Keep confidentiality and shall not use the internal information or the confidential information to seek unlawful benefits for oneself or others.

### **2.2 Roles of Directors and Executives**

The company's directors and executives shall have awareness with regard to their duties and responsibilities under the moral and ethical framework to promote good governance at all levels in the company as follows:

2.2.1 Directors and executives shall carefully perform their duties and oversee operations with honesty, fairness, morality, responsibility and ethics for the maximum benefit of the company and stakeholders under the framework and guidelines of Business Judgment Rules, 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 good corporate governance, which will boost up the confidence for shareholders, customers, regulators and all stakeholders for maximum benefits to the company, industry and nation. For this reason, the good corporate governance policies and ethics has been set clearly in writing, as well as communicated with employees and executives to follow effectively.

2.2.3 Directors shall follow good corporate governance principles and shall be the link between shareholders and management team by determining policies that are 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, standards 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 to monitor the company to carry out its business appropriately in accordance with laws, rules and regulations strictly.

2.2.5 Directors shall oversee that the company has policies and efficient risk management system to handle the significant risks of the company. They shall supervise the risk management committee to perform its duties properly with expertise and shall not be dominated by any business units. In addition, the executives shall be aware of potential risks in a business, protect the company's benefits and limit any damages that may occur to 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 particularly related to the company. The transactions shall adhere to the company's benefits and avoid any conflicts of interest that may arise or be expected to occur. In case of conflicts 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 that comply with related regulations of the government agencies

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

2.3.4 Set the risk management system that aligns with the business to ensure that the company is able to manage potential risks 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 trainings regularly.

2.4.4 Provide fair compensations for employees according to their fair performance evaluation.

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

2.4.6 In case of employee's investigation on his/her operations, the company will take care of its employee to cooperate with both internal and external audit and compliance units to ensure fairness.

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

2.4.8 Prevent any threats both verbal and physical that may affect the honor or human dignity of others in the workplace

2.4.9 Provide appropriate communication channels for complaints and whistleblowing

## 2.5 Customer Accountability

The company will pay attention to customers and treat them with accountabilities 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, service fee and interest rate correctly, clearly and timely to help customers gain 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 to prevent misleading.

2.5.3 Protect the confidentiality of information of customers, except in case that their consent is obtained or in case that the company has to abide by laws.

2.5.4 Provide a process to gather complaints from customers and handle them 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 receptions arranged with the intention that could be contributable to incorrectly benefit customers.

## 2.6 Conflicts of Interest

The company will provide measures to manage conflicts of interest in business operation 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 related parties to protect the misuse of internal information from their positions, duties or operations for unlawful personal interests or interests of others.

(2) Arrange a separate working area to prevent information leakage between business units by putting the business units that may have conflicts of interest apart.

### 2.6.2 Transactions with Related Persons and Connected Transactions

(1) Transactions 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 persons.

(2) The employees who have interests or involve in any transaction shall not participate in the decision-making process of that transaction to ensure that the decision-making is considered for the maximum benefits of the company.

- (3) Set the regulations in 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 conservatism, reasonability and proper value suitable for occasions and tradition.
- (2) Do not offer a bribe, reward, provide or claim for any other inappropriate benefits either directly or indirectly to/ from customers, a government agencies, a private sector, or a third party to influence their neutral judgment or to influence others on their duties as to gain improper benefits.

## 2.7 Information Management

The company has guidelines to appropriately manage and communicate its information as follows:

### 2.7.1 Information Management

- (1) Protect, store and maintain customers' information including the company's information required by laws not to disclose it, collect, maintain and use the customers' personal information appropriately.
- (2) Not disclose customers and the company's information, except in case where customers give consent or to comply with related laws.

### 2.7.2 Communication

Communications, statements or provisions of any information related to the company, its business and customers shall be conducted 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 only.

## 2.8 Overall Supervision

The company shall operate its business in accordance with related laws, company's regulations and policies including the principles of good governance as follows:

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

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

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

2.8.4 Enforce a disciplinary action against those who do not comply with laws and regulations appropriately by considering the effect and nature of offenses and ensure the fairness to all parties without discriminations.

2.8.5 Provide communication channels for whistleblowing or reporting suspicions about honesty or any action that does not comply to the related laws and regulations with appropriate process to cope with such issues and to protect a whistleblower from effects and/or damages.

## 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 agreements 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 offer 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 their mind to use other company's services.

2.9.3 The company shall not attack its competitors or perform any action that is considered a monopoly or reduces competition or restricts 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 awareness and sense of environmental responsibility.

### Section 3 Code of Ethics for Directors

Since the Board of Directors plays an important role in leading the company to success by determining policies and directing the employees' behaviors to the right directions, consequently, under the Code of Conduct and Ethics to serve as a good role model for the executives and all levels of employees.

**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 discriminations or abstentions by upholding the principle of equality.

3.1.3 Perform the duties professionally with knowledge, skills, determination and caution, and apply the existing knowledge and skills to manage duties for the company to the fullest.

3.1.4 Refrain from seeking 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 benefits and other person's interests financially.

3.1.5 Supervise the company's operations to be in compliance with related laws, regulations and the government's policies, and 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 Shareholders, Customers, Creditors, Trade Partners and Employees

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

3.2.2 Protect customers' interests, pay attention and take responsibility to them, including providing them with good 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 competitors and do not seek their information dishonestly and unfairly.

3.2.4 Supervise to ensure equal employment opportunities and establish other employee-related principles to build confidence that they 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 society and environment.

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

3.3.3 Promote environmental awareness and responsibility.

### Section 4 Code of Ethics for Employees

**4. Code of Ethics for Employees** consists of 4 areas as follows:

#### 4.1 Integrity

Integrity is a fundamental qualification of employees and executives at all levels of the company. The employees and executives at all levels have opportunities to provide gains or incur damages to 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 customers and public as whole.

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

1. Understand the importance of Code of Ethics for Financial Professionals that they have to adhere to honesty as their first priority.
2. Be a coordinator who passes on the policies of the government agencies and shareholders to related parties to understand and put them into practices.
3. Be a leader who is 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 praises and/or rewards to executives and employees who work with honesty, sincerity and morality.

5. Build trust, reliability and satisfaction to customers by pointing out disadvantages, inaccuracy and impact arising from giving bribes, rewards or other undue benefits to employees and executives.

#### **B. Code of Conducts for Employees**

1. Understand that honesty is the foundation for building trust and confidence among customers as to achieve the success in operating business and to develop a higher ethics.
2. Perform duties with honesty and protect the company's benefits as their own business.
3. Provide 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 benefits or embezzle the assets that should belong to the company or its customers.
5. Shall not disclose the information about customer's projects 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 seek personal benefits.
7. Avoid receiving valuable things or gifts but in case of unavoidable situation, the employee shall receive them for the company as a service provider and shall not hold it for personal benefit.
8. Shall not exploit his/her position for personal benefits and shall not allow another person to seek benefits from his/her own name or position.
9. Shall not solicit for any other assets from customers, except expenses and fees charged by the company.
10. Shall not give hope or pledge to customers with regard to the particular subject that he/she has no authority delegated.
11. Attempt to resolve customers' problems and be ready to assist as much as possible if the case is not contrary to the company's benefits and it shall not cause any damage to the company.

12. 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 major types of information of the company. The critical information includes:

- Financial information, account, 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 confidential information of the company is very important for any financial and banking business. To some extent, by the nature of the business, the employees are privy to the confidential information of customers, which, if disclosed, can cause some damages to the customers or other parties. Therefore, a guideline has been laid down to protect the reputation and avoid any damage to the company and its customers.

#### **A. Code of Conducts for Supervisors and**

##### **Executives**

1. Receive guidelines and regulations from the coordination unit to apply to the company's 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 responsible for controlling employees' operations to be in accordance with the regulations of keeping the confidential information.
4. When all employees realize about such practices, supervisors 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 feedbacks to adjust the company's practices to suit its operations.



## **B. Code of Conducts for Employees**

1. Keeping the confidentiality of the company and its customers is a fundamental principle of business. The employees shall maintain customer confidentiality and they shall not disclose the company's information that have not yet been disclosed to the public, except when getting permission from the customer or in accordance with the laws or getting permission from top executives.
2. The employees shall not use the information obtained or has been prepared by their assigned duties to seek personal benefits or other persons' benefits.
3. The employees shall be aware of the defined procedures. In case of any obstacles or opinions and suggestions, the employees shall consult with the supervisors and executives to adjust the procedures to suit the company's operations.
4. The employees shall keep the confidentiality of the customers' information strictly and shall not exploit customers' information for their own benefits.
5. In some cases, the employees shall not disclose customers' information to other employees or other departments because it may lead to conflicts of interest.
6. The 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 employees shall not take personal matters or the customers' information and colleagues' information to criticize in a negative way.

## **C. Exceptions**

The company may disclose confidential information in some cases as follows:

- When required by laws such as court writ
- As a social responsibility and obligation

- As per a special request and a written consent from customers is required

## **4.3 Professional Ethics**

To create an awareness of the executives and employees regarding 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 Supervisors 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 under supervision 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 all levels.
4. Executives shall develop their employees to have knowledge and expertise in products and services for maximum benefits of customers.
5. Shall not induce customers to use the company's products or services through fraudulent propaganda or information that exaggerates facts which will lead to the misunderstanding among customers.

### **B. Code of Conducts for Employees**

1. Have a good attitude and loyalty to the company
2. Perform duties with the best knowledge and abilities efficiently under the standards of their duties attentively and responsibly.
3. Provide the important information to customers in regard to their benefits, terms and conditions based on the fact completely and clearly.
4. Avoid inappropriate behaviors, such as temptation, drug, all types of gambling, insolvency and immoral, which may have a negative effect on their image and the company.
5. Always treat all customers with equality, honesty and good manners.

6. Cooperate and promote activities that will generate mutual understanding at all levels.
7. Follow laws, regulations and standards 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 with a stable of financial status to ensure that it will not cause any damage to customers and the public.
10. Compete with peers or other companies under the defined rules and regulations without blaming and defaming others.
11. Behave properly in public on behalf of the company.

#### **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, a financial professional, the company shall realize and be aware of social benefits in both business operations or individual.

#### **A. Code of Conducts for Supervisors 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 a good model and encourage the members of the company to realize the importance of social activities.
3. Specify the purposes of the business to benefit society and be aware of not operating any business that can cause damages 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 policies or regulations according to the scope of social practices defined by the company strictly.
2. Participate in social and community activities by cooperating and supporting suitable for their status and opportunity.
3. Preserve the nation's arts and culture.
4. Shall not cooperate or support any operations that lead to damages on environment and society.
5. Shall not cooperate or support any operations which aim to endanger morality or to promote vigil.

#### **Whistleblower Policy**

The company has determined the whistleblower policy to ensure effectiveness and give the opportunity to both external and internal stakeholders to 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. Moreover, the company will also protect the whistleblowers from any impacts or damages. The practical guidelines are as follows:

#### **1. Whistleblowing / complaints of fraud and corruption**

- The employees shall 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 shall inform any suspected acts through the channels set by the company.
- The employees must collaborate with any investigation process and provide the facts of any cases of corruption which they have seen.

#### **2. Issues for whistleblowing / complaints about corruption include;**

- Misuse of authority to seek any benefits 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.

- Discovering 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 collaborating in investigation process or refusing to involve in corruption such as being bullied at work, downgraded, penalized, dismissed from work or other impacts that harm the whistleblower.

In addition, complaints related to problems and/ or disputes between individuals or anonymous complaints are not counted as whistleblowing / complaints about corruptions.

### **3. Channels for whistleblowing / complaints of fraud and corruption**

Witnesses of suspected corruptions or receivers of the impacts from refusing to engage in corruptions can raise any concerns/ lodge any complaints with or without name given together with defining the facts or providing obvious and sufficient evidence through the chairman of the Corporate Governance Committee.

### **4. Protection for whistleblowing 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 hold harmless to the informants.

1. The company will protect the persons who collaborate with the company for whistleblowing or refusing to engage in corruption from any trouble, danger or unfair treatment arising from the collaboration of anti-corruption whistleblowing.

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

3. In case the whistleblowers/ complainants found to be at risk, they can request for appropriate protective measures from the company.

4. To protect the rights of complainants supplying information in good faith, the company will keep their personal information confidential 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 subject to disciplinary actions.

5. In case, the employees or the executives are found guilty of unfair treatments or causing damages to others which is motivated by the fact that others have

reported/ complained or refused to involve in corruption, this is subject to disciplinary actions.

### **Channels and Complaints**

The company has provided various channels for both external and internal stakeholders to whistleblowing any clues of corruptions and report any corruption. Then, the working group will screen and consider the facts of misconduct or corruption case and report the progress and results to the President and the Corporate Governance Committee.

### **Complaints via the independent directors**

The company has channels for shareholders, investors, customers, and public can lodge a complaint via independent directors of the company which consists of 4 members as follows:

Mr. Adul Vinaiphat  
Chairman of the Audit committee  
Tel. 08 1834 0104 Email: [adulv@lhbanks.co.th](mailto:adulv@lhbanks.co.th)  
Mr. Pradit Sawattananond  
Member of the Audit committee  
Tel. 08 1868 1487 Email: [pradits@lhbanks.co.th](mailto:pradits@lhbanks.co.th)  
Mr. Somsak Assavapokee  
Member of the Audit Committee  
Tel. 08 5485 4269  
Email: [somsaka@lhbanks.co.th](mailto:somsaka@lhbanks.co.th)  
Dr. Supreeya Kuandechakupt  
Member of the Audit Committee  
Tel. 08 5901 5888  
Email: [supriyak@lhbanks.co.th](mailto:supriyak@lhbanks.co.th)

### **Company's website**

[www.lhfg.co.th](http://www.lhfg.co.th)

### **Company's email address**

[presidentoffice@lhbanks.co.th](mailto:presidentoffice@lhbanks.co.th)

### **3. Disclosure of policy compliance and reporting for sustainable business development**

The company has a policy for corporate social responsibility (CSR) for sustainable business development by applying the business ethics together with good corporate governance and placing CSR as the main process of business operations (CSR-in-Process) and outside the main process of business operations (CSR-after-Process). It also reinforces the executives and staff at all levels to participate and volunteer to build awareness of social responsibility. Besides, it also lays a strong foundation for sustainable development which leads to sustainability of social and national development.

### **Social Responsibility for Sustainable Business Development Policy**

The company realizes the business operation under the social responsibility for the sustainability in the business with the focus on treating 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 on the economy, society and environment. The company regulates the policy of social responsibilities for sustainable business development 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 formulates the policy and practical guideline 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 inevitably. The regulation on the policy and practical guideline will lead the way for people in the organization to operate in relation with social responsibility in both and out the society in the main process of business operations or CSR-in-process and vice versa, CSR-after-process by focusing on the participation and volunteer of executives and all employees in CSR activities.

The policy on social responsibilities for sustainable business development consists of the principles and practical guidelines so that the directors, executives and all employees can conform to the following 9 areas:

1. Good Corporate Governance
2. Fair Business Operation
3. Anti-Corruption
4. Respect for Human Rights
5. Fair Treatment of Labor
6. Responsibility Towards Consumers
7. Cooperation in the Development of Community and Society
8. Environmental Management
9. Innovation and Dissemination of Innovative Corporate Social Responsibilities

• **Disclosure for Policy Compliance and Reporting Social Responsibility** The company discloses the practice following the policy of social responsibility in the Annual Registration Statement (Form 56-1), annual report and company’s website, including the participation of employees in conformity to the policy and creating the awareness of social responsibility.

### **4. No violations 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 violations of basic rights should occur and that there must be due consideration of any operation that might impact public feelings. This is at the root of human resource management and development.

The company is aware of fair treatments of employees, ensures that employees receive remunerations and benefits appropriately, empowers staff for their future careers and encourages the participation of employees as well as opens various channels to receive complaints and reports inappropriate actions of employees in various channels. Staff members are able to voice their opinions, report or lodge complaints or concerned issues which are considered unfair, corruptive or misconducted through supervisors or other channels. The company has regulated steps for receiving complaints and carrying out an independent investigation and making a decision based on the results with remedies based on human rights. Staff members are encouraged to share opinions when discovering actions that might violate human rights. This will be useful for identifying problems and reaching solutions for this issue.

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

### **Occupational Health and Safety Policy in Workplace**

The company has determined the occupational health and safety policy for the workplace and established the Safety Healthy Environment Committee (SHE) in order to achieve the policy.

### **5. Reinforcement of Fair Treatments for Stakeholders**

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

### **Fair Treatments of Trade Partners, Competitors and Creditors**

The company has encouraged treating the trade partners, trade competitors and creditors fairly in both costs and compensations. For example, the company manages its procurements by determining adequate delivery period, fair trade agreements and do not involve in any activities that are the violations of property and intellectual property infringements including payments for usage or acquisition of properties fairly and timely.

## Principle 6: Strengthen effective risk management and internal control

### 1. Internal Control and Internal Audit

The Board of Directors encourages and pays attention to internal control activities in 5 areas to ensure that the company has adequate and appropriate internal control system which will achieve the established objectives of business operations under good compliance and good internal control including:

- Environment
- Internal control in the organization
- Risk assessment
- Information technology system control and communication activities
- Monitoring and evaluating

### 2. Risk Management

The Board of Directors pays attention to risk management across the organization and monitor the financial business group to have the risk governance framework and 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, as well as regular review for the adequacy of risk management and the effectiveness of risk management.

### 3. Compliance with Regulations

The Board of Directors, executives and employees of the companies in the financial business group have complied with related laws, regulations and rules to ensure that all companies operate with responsibilities, transparency, equal treatments of stakeholders, management with honesty and supervise for their compliance with regulations. The companies operate their duties in line with the supervisory regulations, provide the regulations to control related transactions, report the performances, manage the business according to the good corporate governance principles, store their information and book the accounts according to the financial reporting standards.

#### Head of Compliance

The company has appointed Mr. Weeravej Sirichatchai, Executive Vice President, Compliance Group as the Head of Compliance since July 2, 2018 with duties and responsibilities as follows:

1. Compliance tasks
2. Information technology compliance tasks
3. AML/CFT compliance

## Profile of the Head of Compliance

**Name** Mr. Weeravej Sirichatchai  
**Position** Executive Vice President, Compliance Group  
**Age (Years)** 47

#### Education

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

#### Training

- Practical Knowledge for Compliance on Securities Business
- Regulatory Compliance and Law Enforcement on Money Market and Capital Market
- Compliance Certificate on Debt Instruments
- AML/CFT Basic Knowledge (AML computer-based training)
- Compliance Officer, Chulalongkorn University and the Thai Bankers' Association
- IT Risk Management Implementation Guideline and Sa-IT Examination Guideline
- Thailand Data Protection Guideline (TDPG 2.0)

#### Work experiences in the past 5 years

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

Period	Position	Organization Company
Aug. 2019 - Present	Executive Vice President, Compliance Group	LH Financial Group PLC
Jul. 2018 - Present	Secretary to the Corporate Governance Committee	
2013 - 2018	SVP, Consolidated Supervision & Foreign Banking Regulations Division	The Siam Commercial Bank PLC
2012 - 2013	FVP, Head of Legal Department	
2010 - 2012	FVP, Head of Compliance Department	
2008 - 2009	FVP, Head of Compliance Department	
2008 - 2008	VP, Head of Compliance Department	Kasikorn Bank PLC

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

Jul. 2018 - Present	Secretary to the Corporate Governance Committee	Land and Houses Bank PLC
Jul. 2018 - Aug. 2019	Executive Vice President, Compliance Group Head of Compliance and Secretary of the Corporate Governance Committee	

## **Duties and Responsibilities of Compliance, Information Technology Compliance, AML/CFT Compliance**

### **Compliance Tasks**

- To be a center of government rules and regulations regarding commercial bank business.
- To oversee, monitor and control operations of the bank 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 and regulations for all employees.
- To evaluate appropriateness of processes and practices concerning compliance and release of new products or new line of businesses to ensure the conformity with the operational risk management.
- To randomly review operations of various departments in the organization to align with monitoring and control basis and follow up on identified defects and suggest approaches for improvements to the management team and the Corporate Governance Committee.
- To submit the 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 regulatory requirements.
- To accelerate, follow up and clarify corrections on complaints obtained from government organizations such as the Bank of Thailand and the Office of Securities and Exchange Commission, etc.

### **Information Technology Compliance Tasks**

- To be a data center for Foreign Account Tax Compliance Act (FATCA) and related IT technology by setting up supervision guidelines or rules and regulations and work process to ensure compliance with applicable laws, policies, rules, manuals and procedures and randomly review, control and monitor the compliance and identified defects as well as propose any solution to the management team and the Corporate Governance Committee.
- Request for permission, waiver and discussion, and inform in Information Technology and FATCA, acting as the center between the bank and regulators.

- Ensure the use of IT outsourcing services, with the role of supervisor in alerting relevant units that use IT outsourcing services to renew the contract in accordance with the stipulated terms / agreements.
- Ensure the review of policies, regulations relating to IT and FATCA with the role of the supervisor in alerting relevant units to review them in accordance with the period specified by the compliance unit.
- To prepare and submit the annual report to the Bank of Thailand and the Office of Securities and Exchange Commission.

### **AML/CFT Compliance Tasks**

- Supervise operations in accordance with FATF regarding the Anti-Money Laundering and Combating the Financing of Terrorism: AML / CFT to align with laws, policies, regulations, manuals, and procedures that are relevant, be the official information center in the said field, evaluate the implementation of relevant policies, regulations, manuals and procedures as well as report to the supervisor according to hierarchy.
- To randomly review the operations concerning AML/CFT, FATCA and information system to review, control and monitor the compliance and identified defects as well as propose any solution to the management team and the Corporate Governance Committee.
- To inspect financial transactions according to the letters and official orders and courts.
- To develop electronic data transmission system based on the orders of government organizations under the applicable laws such as Financial Information System (FIS) of the Office of the National Anti-Corruption Commission (NACC), FinXML of the 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 official orders such as data of specified persons and persons having high risk of money laundering obtained from AMLO.
- To regularly provide knowledge and trainings 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 in conformity with relevant international standards.

#### **The number of employees in the Compliance Group, Information Technology Compliance Office and AML/CFT Compliance Office as of December 31, 2019**

The number of employees in the Compliance Group, the Information Technology Compliance Office and AML/CFT Compliance Office totaled 22 persons consisting of 9 in the Compliance Group, 5 in the Information Technology Compliance Office and 8 in the AML/CFT Compliance Office.

#### **4. Prevention of Conflicts of Interest**

The Board of Directors realizes the transactions with conflicts of interest, connected transactions or inappropriate connected transactions for which pricing and conditions should be determined similarly to those with external parties. In addition, the disclosure of information shall conform to regulations, rules and laws.

##### **Conflicts of Interest Policy**

The Board of Directors realizes the importance of building trust and credibility in business operations and benefits of shareholders and all groups of stakeholders, protecting them from damages that may affect the reputation and image of the company. The company has determined the conflicts of interest policy with the following principles and guidelines:

##### **Conflicts of Interest Principle**

1. The transactions of the company shall avoid the conflicts of interests deliberately and reasonably. Moreover, the transaction should be conducted independently under the good ethical framework for benefits of the company, shareholders and all groups of stakeholders. Therefore, the directors or executives who may have benefits related to the company's transaction shall not be permitted to consider and approve such transaction.

2. To conduct any transactions between the companies within the financial business group, the transactions shall follow the same rules and conditions similar to those applied to other persons in the normal course of business at a similar level of risk required by policy, regulations and related laws.

3. The related party's transactions, transactions connected to related parties and an information disclosure shall be in line with rules, regulations and laws.

4. The directors and executives shall follow the internal use of information policy strictly.

5. The directors and executives shall accurately and adequately disclose the information about the transactions with the companies within the financial business group for the benefit in making decisions, considering and approving the company's transactions or the transactions of companies within in the financial business group.

6. Trading of the securities must be in accordance with the rules and regulations of securities trading.

##### **The Practical Guidelines for Conflicts of Interest**

The company pays attention to prevent the conflicts of interest with the guidelines as follows:

1. To determine the measures to prevent unlawful use of information.

2. To determine the operational regulations to prevent any action that may cause conflicts of interest, connected transactions or improper related transactions.

3. To determine the measures to monitor, control and follow up their implementation.

- The Board of Directors of the company have regulated that the company transactions shall eliminate conflicts of interest and be independent under business ethics 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 for decision making and approval of the company's transactions.

- The company has disclosed the details of the transactions that may cause conflicts of interest or the connected transactions according to the regulations 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 the disclosures of related transactions in the notes to the financial statements.

In the year 2019, the company has no transactions required to notify the Stock Exchange of Thailand.

- The directors must immediately inform the company when having the conflicts of interest both directly and indirectly in any contracts of the company or any doubt for conflicts of interest.

At the meeting of the Board of Directors or the shareholders' meeting, the company has determined that the Board of Directors, executives, or shareholders with the stake holding in any agenda shall reveal the information about their stakes and related persons to the meeting. They have no rights to vote in such agenda in order to allow the meeting to consider the transaction with the possible conflicts of interest and make the decision for the company's benefits, and also cannot attend to consider such agenda.

- Any director or person who may have the stakes or the conflicts of interest, that director shall not consider and not have the authority to approve the operations of the company and also cannot cast the vote for such agenda as required by the Office of the Securities and Exchange Commission and / or the Stock Exchange of Thailand and the interest shall be recorded in the resolution of such agenda.

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

- The Board of Directors realizes the transactions with conflicts of interest, connected transactions or inappropriate connected transactions for which pricing and conditions should be determined similarly to those with external parties. In addition, the disclosure of information shall conform to regulations, rules and laws.

## **5. Report on the Changes in Holding of Securities and Derivatives**

The Board of Directors has determined the directors and the first 4 executives 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 their connected persons as follows:

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

(2) Underage child

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

- The report on the change in holding of securities and derivatives within 3 working days as from the date of buying, selling, transferring or receiving the transfer of securities or derivatives shall comply to the announcement of the Securities and Exchange Commission.

- Notify the Board of Directors or the company secretary of securities trading of the company at least 1 day before trading session.

- 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 for filing and submit the copy to the chairman of the Board of Directors and the chairman of Audit Committee.

## **Anti-corruption Policy**

The company is determined to operate its business in line with law, honesty, moral principles and in compliance with good corporate governance, code of conduct and business ethics, as defined in organizational values (PRO-AcTIVE). The company also aims to perform business together with social responsibility by following business ethics and good corporate governance. The company operations focus on cooperative social responsibility consistently; therefore, the anti-corruption policy has been regulated including using the Thai Private Sector Collective Action Coalition Against Corruption (CAC) guidelines for operations. The principles and procedures are as follows:

### **Practical Guidelines**

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

#### **1.1 Gifts, Presents, Receptions 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 inappropriate business agreement. It is required to follow the regulations in the code of conduct and business ethics, the code of ethics for directors and the code of ethics for employees.

#### **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 conflict with laws and morals.

#### **1.4 Activities and Political Participation**

1. The company shall not invest money or company's resources to support any political candidate or political party or for any political campaign or movement. Except support that is legally approved and promotes overall democracy needs approval from the Board of Directors 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 it to be part of the organizational culture.

3. The Board of Directors shall not ignore or be inactive when seeing any 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.

4. The company provides business supervision and operations of the companies in the financial business group under the standard internal control mechanisms; assesses significant risks; arranges efficient control activities; and also delegates responsibilities appropriately. Besides, reliable and sufficient information system is required to monitor and evaluate the internal control regularly.

5. The company requires that the companies in the financial business group disseminate the anti-corruption policy via both inside and outside channels, for example, intranet, company's website and annual report. Such policy is the practice under the Thailand's law regarding the anti-corruption.

6. Any 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.

7. In case the employees break the rules and regulations by performing corruption actions, it will be considered as an abuse of disciplines and subject to disciplinary actions as per the regulations specified by the company. 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 Board of Directors oversees and pays attention to the disclosure of its important Information both financial and non-financial to be completed, timely, transparent, easily accessible, 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 in compliance with the related laws and regulations in both Thai and English version via various

channels which are convenient to access, easy to search, equal and reliable as follows:

1. The company's website ([www.lhfg.co.th](http://www.lhfg.co.th)) where information is available in 2 languages: Thai and English

2. IR/ PR news of the company

3. Analyst meeting

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's resolutions and other matters.

6. The Securities and Exchange Commission's website such as the report of changes in securities holding of the executives (Form 59-2), the list of directors and executives, financial statements, annual report and annual report form (Form 56-1), etc.

7. Send the Notice to shareholders by post

8. Newspapers' announcement

- The Board of Directors places the emphasis on the quality of financial statements and adequacy of 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 the certified public accountants and endorsed by the Audit Committee and the Board of Directors before disclosure.

In addition, the company has disclosed unreviewed / unaudited quarterly financial statements in the notes to financial statements, MD&A on a quarterly basis and Capital Requirement Disclosure (Pillar 3 Report) of the financial business group for investors to acknowledge information and the change of financial position and operation result which could be beneficial for the shareholders, investors and general public.

- The Board of Directors provided the report on its responsibilities for financial statements and financial information which show together with the auditor's report in the annual report. The company's financial statements comply with the Financial Reporting Standards and appropriate policies regularly.

- The company published the 2018 annual report within 120 days from the end of the fiscal year through the SET website on March 13, 2019 and the company's website.

The company has the channels of information and contact at:

Address : 1 Q. House Lumpini Building,  
5<sup>th</sup> 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 indirect 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, receiving requests, coordinating for information provision and building good relationships among the company and shareholders, investors, analysts, and other related organizations.

- The company prepared several reports for disclose to public on a basis of fairness and easy to understand together with the explanations of the annual performance and major events to the shareholders and assesses the adequacy of internal control.

- The Board of Directors has assigned the Audit Committee to review the financial report of the company and subsidiaries to ensure that they follow the financial reporting standards and disclose the information adequately.

- The company has disclosed the reports of sub-committees and the authority and members of the Board of Directors as well as sub-committees; total number of meetings; total number of attendance of individual director; remuneration and profiles of directors, executives, company's information and reports from the certified public auditors in the annual report and annual registration statement (Form 56-1) and the company's website.

- The company reports meeting details and documents of the shareholders' meetings in Thai and English. These are also released for investors to note in advance of meeting through the publicized channels of the Stock Exchange of Thailand — SET and main website of the company. It also allows 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 on such matters.

## 2. Investor Relations Function

- The company assigns the company secretary to be responsible for investor relations, publicize the information of the organization in both financial and general information to the shareholders, investors, securities analysts, and related supervising bodies via the channels which are the Stock Exchange of Thailand, the Securities and Exchange Commission and the bank's website under the topic of "Investor Relations" in order that 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 participants to make the inquiries with transparency participated by the top executives. The summary report will be then prepared and submitted to the Board of Directors. In the year 2019, the company has provided investor relation activities as follows:

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



2. To arrange 1 press conference with approximately 40-45 mass media attended.



3. To send information to media, interview top executives for several times.

### 3. The Appointment of Auditor and Determination of Audit Fee

The Audit Committee considered the qualifications and the performance of auditor, proposed to the Board of Directors for consent and the board will propose it to the shareholders meeting for approval. The audit firms to be appointed as the company's auditor shall be 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 financial business group shall have the same auditor which currently is EY Office Limited.

The remuneration of the auditors in the year 2019 compared to the year 2018 of the LH Financial Group Public Company Limited and the subsidiaries as follows:

#### 1. The Audit 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 Remuneration of auditors

**Table : Remuneration of Auditors in 2019 and 2018**

Scope of Work	Audit Fee (Baht)		Changes Addition (Reduction)	
	2019	2018	Amount (Baht)	Rate (%)
<b>1. Review Fee</b>				
- The First Quarter as at 31 <sup>st</sup> March	130,000	130,000	-	-
- The Third Quarter as at 30 <sup>th</sup> September	130,000	130,000	-	-
<b>2. Audit Fee</b>				
- For the 6-month period ended 30 <sup>th</sup> June	310,000	310,000	-	-
- For the year ended 31 <sup>st</sup> December	310,000	310,000	-	-
<b>Total</b>	<b>880,000</b>	<b>880,000</b>	<b>-</b>	<b>-</b>

##### 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 Remuneration of auditors

**Table: Remuneration of auditors in 2019 and 2018**

Scope of Work	Audit Fee (Baht)		Changes Addition (Reduction)	
	2019	2018	Amount(Baht)	ร้อยละ
<b>1. Review Fee</b>				
- 1 <sup>st</sup> quarter ended 31 <sup>st</sup> March	725,000	700,000	25,000	3.57
- 3 <sup>rd</sup> quarter ended 30 <sup>th</sup> September	725,000	700,000	25,000	3.57
<b>2. Audit Fee</b>				
- 6-month period ended 30 <sup>th</sup> June	1,600,000	1,500,000	100,000	6.67
- Fiscal year ended 31 <sup>st</sup> December	1,600,000	1,500,000	100,000	6.67
<b>Total</b>	<b>4,650,000<sup>(1)</sup></b>	<b>4,400,000<sup>(1)</sup></b>	<b>250,000</b>	<b>5.68</b>
<b>3. The audit of TFRS 9 <sup>(2)</sup> impairment</b>	500,000	500,000	-	-
<b>4. Other audit fees</b>				
- Electronic funds transfer service assessments	-	200,000	(200,000)	100.00
- LCR disclosure auditing (twice a year)	-	300,000	(300,000)	100.00
<b>Total*</b>	<b>5,150,000</b>	<b>5,400,000</b>	<b>(250,000)</b>	<b>(4.63)</b>

Note

<sup>(1)</sup> The audit fee excluding the fee from employees' benefits reviewed by actuarial expert testimony which will be charged to the bank based on actual costs incurred, estimated not to exceed Baht 200,000 per year. And it has included fee from reviewing and auditing to be reported to the CTBC's auditors.

<sup>(2)</sup> Since the Federation of Accounting Professions of Thailand has postponed the enforcement of the standard from January 1, 2019 to become effective on January 1, 2020, therefore, an audit fee of 500,000 baht was not charged from the assessment of TFRS9 impairment of this standard in 2018. This amount will be charged for the audit year 2019

- 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 Remuneration of auditors

**Table: Remuneration of auditors in 2019 and 2018**

Scope of Work	Audit Fee (Baht)		Changes Addition (Reduction)	
	2019	2018	Amount (Baht)	Rate (%)
<b>1. Review Fee for financial statement</b>				
- The First Quarter as at 31 <sup>st</sup> March	80,000	75,000	5,000	6.66
- - The Third Quarter as at 30 <sup>th</sup> September	80,000	75,000	5,000	6.66
<b>2. Audit Fee for financial statement</b>				
- For the 6-month periods ended 30 <sup>th</sup> June	470,000	450,000	20,000	4.44
- For the year ended 31 <sup>st</sup> December	470,000	450,000	20,000	4.44
<b>Total</b>	<b>1,100,000</b>	<b>1,050,000</b>	<b>50,000</b>	<b>4.76</b>

- 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 Remuneration of auditors

**Table: Remuneration of auditors in 2019 and 2018**

Scope of Work	Audit Fee (Baht)		Changes Addition (Reduction)	
	2019	2018	Amount (Baht)	Rate (%)
<b>1. Review Fee for financial statement</b>				
- The First Quarter as at 31 <sup>st</sup> March <sup>1</sup>	20,000	20,000	-	-
- The Third Quarter as at 30 <sup>th</sup> September <sup>1</sup>	20,000	20,000	-	-
<b>2. Audit Fee for financial statement</b>				
- For the 6-month period ended 30 <sup>th</sup> June	215,000	215,000	-	-
- For the year ended 31 <sup>st</sup> December	215,000	215,000	-	-
<b>Total</b>	<b>470,000</b>	<b>470,000</b>	<b>-</b>	<b>-</b>

- 2.3.2 Other service fees  
-None-



## **Principle 8: Ensure engagement and communication with shareholders**

### **1. Rights of Shareholders**

This means not to conduct any act of infringement or derogation of the rights of shareholders and all shareholders are encouraged to exercise 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 is committed to ensuring equitable treatments 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 appointing or removing directors and determining the director's remuneration, appointing auditors and determining audit fees, rights to express an opinion and question in the shareholders' meeting and rights to obtain relevant and adequate information in time via easy accessible 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 directors, executives and 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 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](http://www.lhfg.co.th) for all stakeholders in order for them to perceive the information. The website covered both Thai and English versions and can be easily accessed.

- The company also encourages shareholders to fully exercise their rights by providing them with convenient access to exercise their right to participate in the Annual General Meeting of shareholders and vote. In addition, the company does not restrict the shareholders' attending and voting opportunities and the voting process has a hassle-free way such as providing relevant information via its website, setting up a dedicated company secretary function for direct communication

with shareholders, giving an opportunity for shareholder to propose agenda in the shareholders meeting and nominating qualified candidates for directors positions and facilitating attendance in shareholders meetings.

- The company disclosed the resolution of the Board of Directors meeting No. 2/2019 on February 25, 2019. The resolution has determined the 2019 Annual General Meeting of Shareholders to be held on April 22, 2019. The agenda of the 2019 Annual General Meeting of Shareholders on February 25, 2019 was disclosed in both Thai and English via the SET Community Portal on March and disclosed the materials of the Annual General Meeting of Shareholders via the SET Community Portal and the company's website in both Thai and English version on March 13, 2019.

### **3. Shareholders Meeting**

- Before the Annual General Meeting of Shareholders, to encourage and support all groups of shareholders and institutional shareholders to place the importance on attending the meeting, the company provides an invitation letter for shareholders to inform them of meeting schedule, agenda and supporting documents in both Thai and English which clearly specify whether the matters are for acknowledgement, approval or consideration including directors' opinions, facts and reasons of each agenda sufficient to make decisions. And such information is disclosed to public via SET Portal and the company's website at [www.lhfg.co.th](http://www.lhfg.co.th) 30 days prior to the shareholder's meeting day to allow the shareholders enough time to consider. In addition, the company shall submit an invitation letter and supporting documents to the shareholders not less than 7 days before the shareholders meeting according to law. The company promulgates in the daily Thai newspaper for 3 consecutive days at least 3 days prior to the meeting and the forwarded documents are the same information publicized including;

1. Invitation letter including explanation and reasons for each agenda items and the Board of Directors' opinions.

2. Annual report in QR code.

3. Biographies of the directors who are proposed for re-election by the shareholders.

4. Details of the shareholders' registration and document verification before the meeting, proxy, voting, and method of vote counting.

5. Articles of Association of the company, only part related to the shareholders meeting.

6. Proxy form A, form B and form C.

7. Biographies of the independent directors to be a proxy on behalf of the shareholders to attend the meeting.

8. Definition of independent directors.

9. Map of venue for the shareholders' meeting.

#### 10. Annual report request form

- 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. Besides, a shareholder or many 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 in conformity to the Annual General Meeting of Shareholders checklist of the Thai Investor Association.



#### At the Date of the Shareholders Meeting

- The company has attached the registration form together with the notice of the annual general meeting of shareholders and dispatched them to the shareholders for their convenient registration for the meeting.

- The company conducts the shareholders' meeting in order to make the meeting fast and accurate, which starting from the process of preparation for the list of attendance, registration, processing voting results following each agenda and the summary report of the shareholders' meeting.

- On the date of the shareholders' meeting, the shareholders can register 2 hours before the meeting starts. The company provides the convenience for the shareholders prior to the meeting such as preparing place and staffs in order to run the registration smoothly and fast.

- The company has implemented the computer system in the shareholders' meeting in order to make the meeting quick, correct and accurate for the convenience starting from registration, printing voting forms, processing voting results following each agenda and the summary report of the shareholders' meeting.

- The company provides staffs to monitor and count the votes throughout the meeting.

#### Meeting Attendance

- To protect shareholders' rights to attend the meeting and ensure equitable treatments 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. The company utilized a computer and barcode system for registration and printing of voting form for each agenda item to facilitate shareholders' participation, and to ensure prompt and accurate registration.

- During the meeting, the shareholders can register to attend the meeting and can exercise their rights to vote in the agenda that is not yet voted.

- In the 2019 Annual General Meeting of Shareholders, the company nominated 2 independent directors, the chairman of the Audit Committee and member of the Audit Committee. The company has sent the notice of AGM 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 in both Thai and English.

- In the 2019 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 auditor and legal consultants for observing the shareholders' meeting to become transparent and comply 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 questions in advance for the board of directors' explanation in the meeting via the company's website at [www.lhfg.co.th](http://www.lhfg.co.th) or send an e-mail to the company secretary at [presidentoffice@lhbank.co.th](mailto: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, top executives of the company and subsidiaries, as well as the auditors to attend the shareholders' meeting to answer the queries. The directors and management will clearly explain and clarify such matters. And the company will record the minutes of the meeting with complete and relevant information so that the shareholders can review it later.

#### **Conducting the Meeting and Voting**

- **Before the meeting starts**

- The chairman opens the meeting and welcomes the shareholders. The chairman will inform about the 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.

- **Conducting the Meetings**

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

- 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-thirds of the 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-thirds 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 to express their comments and suggestions. The directors and related executives are responsible for explaining and answering the queries of shareholders.

- The 2019 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.

- **Voting Process**

- The company uses the voting cards for voting in each agenda.

- For each agenda, the shareholder who attended the meeting present in person or being represented by proxy is entitled to one vote per share, especially the agenda of appointing the directors to replace those retiring by rotation that the voting shall be one by one vote for the purpose of equitable treatment

of the shareholders in the voting process, the company shall utilize voting forms for all agenda. After the vote count is completed, voting results of each agenda will be announced to the meeting, by specifying the vote results as "Approved", "Disapproved", "Abstained" and "Voided Ballot".

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

- **After the Shareholders Meeting**

- The company published the resolution of the 2019 shareholders meeting and result of the votes for each agenda in both Thai and English versions within the meeting date of 22 April 2019, 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](http://www.lhfg.co.th).

- The company created the minutes of shareholders meeting in both Thai and English versions by recording the minutes of the meeting in its entirety, containing the important information such as name list of attending directors and absent directors, resolution of the meeting, result of votes in each agenda divided into "Approved", "Disapproved", "Abstained" and "Voided Ballot", queries and answers and opinions of the meeting.

- The company provided video recordings of the shareholders meeting and published them on the company's website.

- The company submitted the copy of the 2019 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 May 2, 2019 and post 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 conflicts of interest or the use of internal data for taking advantages for their own interests and other people dishonestly.

#### **7. Protection of Rights of Minority Shareholders**

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

- The company pays attention to the shareholders' meeting as the important opportunity that the shareholders can exercise their rights to participate in decision making process of the company's activities which are facilitated by the company as follows:

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

The company allows shareholders in both individual and group who hold shares of not less than 0.01% of the 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 the mentioned issues 3 months before the end of accounting period and published the related rules and details on the company's website as well as 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](http://www.lhfg.co.th)
- E-mail to the company secretary at [presidentoffice@lhbhbank.co.th](mailto:presidentoffice@lhbhbank.co.th)
- Letter to the company secretary
- Facsimile number 0 2677 7223

For the nomination of qualified candidates to be elected as directors, the Nomination and Remuneration Committee will consider their qualifications and propose the Board of Directors to submit them to the shareholders meeting for approval. For any matters that have not passed the consideration of the Board of Directors and/or the Nomination and Remuneration Committee, the company will notify the shareholders together with the reasons at the Annual General Meeting of Shareholders and post them on the company's website and other channels as deemed appropriate.

At the 2019 Annual General Meeting of Shareholders on 18 September 2018, the company disclosed and announced that minority shareholders can propose various matters and nominate a qualified persons to be considered and appointed as directors from 1 October - 31 December 2018. And on 15 January 2019, the company posted the results of the minority shareholders' proposals to be included in an agenda of the 2019 Annual General Meeting of Shareholders on the company's website.

- The company will not add the shareholders' meeting's agenda which is not notified in advance without necessity especially for the special occasion when the shareholders have to spend time 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 of Listed Companies of the Thai Investors Association and the Thai Institute of Directors Association.

## **8. Protection of Internal Information Usage**

### **• Insider Trading Policy**

The Board of Directors realizes to keep and protect the internal information usage, the company has set up a policy in writing to oversee 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 so that they can perform their duties with honesty, fairness, compliance with laws and regulations and do not give priority to their own interests over the responsibilities towards the company. Moreover, the employees are not allowed to use the information for personal gain. For good corporate governance, the insider trading policy is as follows:

1. The directors, executives and employees including their spouses and minor children who are privy to sensitive information and financial statements which have not been disclosed to the public may not propagate or disclose them to other persons, both inside and outside the company, especially, in 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 shall not be allowed to buy, sell, transfer or accept the transfer of the company's shares 30 days before the public disclosure of the financial statements.



LH Financial Group Public Company Limited operates the business by adhering to good corporate governance principles which have been specified in writing in order to be used as guidelines for directors, executives and all employees in consistency with laws. Consequently, it will result in fair business operation without seeking other interests, avoiding any operations which may cause conflicts of interest and taking into consideration the utmost interest of the company, customers and stakeholders.

The company is confident that the fair business operation will bring about confidence of relevant sectors, which will, in turn, yield long-term benefits for 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 law and fair competition and coordinate with the government agencies such as encouraging employees to be aware of the importance of compliance with law, supporting trade competition under the scope of laws, keeping trade secrets, and

refraining from obtaining information of partners and trade competitors unfairly.

The company promotes fair treatment for stakeholders both in terms of costs and returns, for instance, procurement, appropriate delivery period, fair trade agreements and refraining from any activity which infringes property and intellectual property including settling utilization fees or acquisition fees fairly such as making payments to creditors in a timely manner on a monthly basis.

The company has determined the procurement method, and other service method as to receive quality products and services at an appropriate price by specifying 6 methods of procurements as follows; price method, quotation method, bidding method, continued method, special method and urgent method. The appropriate method depends on financial amounts of the each transaction. In addition, the company has determined the criteria for selecting suppliers and service providers in order to have fairness and equality by selecting from the stability of their businesses, specifications of products and services and prices considered by the Procurement Committee.





LH Financial Group Public Company Limited is determined to be a corruption-free organization, and runs the business with integrity, fairness, and accountability to community and all groups of stakeholders according to the code of conduct, ethics, and the good corporate governance principles. The company also strictly conforms to government and private sector's regulations.

The Board of Directors emphasized the importance of anti-corruption, thus, set up the anti-corruption policy depicting the roles and responsibilities and operation guidelines for directors, executives and employees to strictly follow as well as defined the punishments reflecting the direction and scope of work of the company in acting against and preventing corruptions. The company is strongly determined to establish the policy consistent with operation guidelines against all forms of corruptions in order to bring about the transparency and good governance. Moreover, the whistleblower policy has also been established as a channel for stakeholders to whistleblow any acts of offenses or corruptions and the whistleblower and a person who say no to corruptions and their information will be kept protected and confidential. The accused will receive a fair treatment as well.

The company also defined conflicts of interest policy to prevent any damages to the company's interests and then signed the MOU with Thailand's Private Sector Collective

Action Coalition Against Corruption to show the intention for anti-corruption by recognizing the responsibilities of the company's leadership in anti-corruption activities.

The company has published an anti-corruption policy and whistleblower policy, including a conflicts of interest policy through the company's intranet for directors, executives and employees at all levels to acknowledge and follow.

The company has expressed its intention to be a social force that rejects all forms of corruptions by participating in various activities held by government agencies and other agencies such as the National Anti-Corruption Commission (NACC), the Office of Public Sector Anti-Corruption Commission (PACC) and the Anti-Corruption Organization of Thailand (ACT), etc.

The company has full confidence that the frameworks, guidelines and directions given are effective against any illegal acts or corruptions in Thai society. This reflects the commitment and dedication to promote transparent and corruption-free organization. The company aims to have related persons cooperate with good support and realize that employees must strictly adhere to anti-corruption policy such as not giving or receiving gifts and benefits in New Year's Eve or other occasion specified in the code of conduct for employees.





LH Financial Group Public Company Limited emphasizes the fair and equal treatment of relevant parties such as employees, surrounding communities and societies; respects human rights and dignity of all people, good relationship; refrains from violation of basic rights; takes caution in every process that affects the feelings of public, and is opposed to any form of discrimination against races, ethnics, colors, family origins, societies, religion, gender, ages, physical appearances, languages, political beliefs, wealth, or any socio-economic status.

The company pays attention to caring all levels of employees to ensure they obtain fair returns and benefits; develops their potential to improve their capacities for occupational progress, and encourages their engagement. The company also provides channels for whistleblowing and lodging complaints and reports of inappropriate behaviors of any employees, directors or executives. As a result, the employees can lodge a complaint and whistleblow any matter regarding unfair, corrupted or incorrect acts or negligence of duties which can cause damages to the company. In this regard, the company has determined the process for accepting complaints and disseminated it to all staff. Such process is independent in inspection and decision-making process by considering the outcomes as well as remedies to be in accordance with the human right principles. The company also encourages and gives opportunities for employees to participate in sharing opinions on the case where entity or individual committed any acts that may violate human rights for the purpose of reflecting problems and finding solutions.

The company has supported and respected the protection of human dignity without forced labor and child labor exploitation that affects the confidence of external stakeholders.

Respect for human rights is a basic practical guideline the company strictly adheres to by determining the practical guidelines as follows:

- Arranging the number of leaves and holidays as required by law or beyond the requirements of law for some holidays so that employees can sustain their work-life balance.
- Supporting the knowledge enhancement for developing employees' potential.
- Clearly determining the criteria for investigation and disciplinary action for fair punishment along with the same standard of practical guidelines.
- Supporting each department in the company to set team building activity as a policy to promote and support good relationship, engagement and harmony among each department's members, and to take part in creating social activities.





LH Financial Group Public Company Limited regards human resource management as an important mission in developing and supporting the human resource management in terms of both skills and benefits of employees. The company has established the Human Resources Development Committee to manage and develop the human resources effectively, efficiently and in consistent with the company's strategies.

### Important Management Principle and Human Resource Development

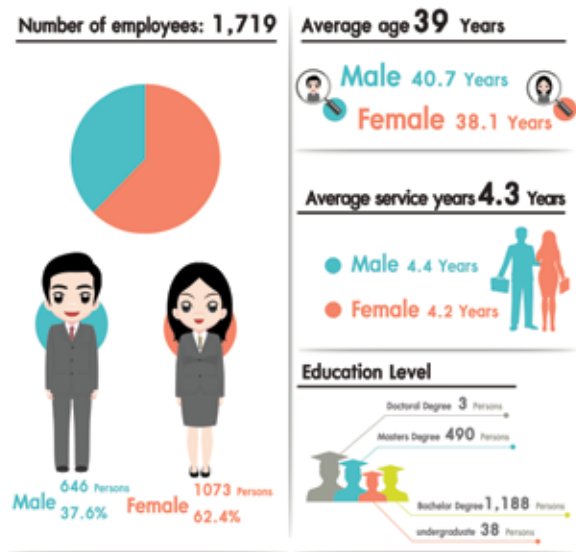
The company strives to improve human resource management by using innovations comparable to the leading organizations in the country as well as support proactive operation of all departments in order to achieve business goals and continually strive to provide employees with further trainings and to promote quality of work life, by taking into account the fair treatment of employees and human rights.

For sustainable growth, the company focuses on taking care of employees in various ways. The company believes that the development of skills, abilities, motivations, positive work environments, good

occupational health and good welfare benefits will enable them to perform their duties with full potential which, in the end, results in positive impacts on customers and stakeholders.

The total number of employees of LH Financial Group Public Company Limited financial business group as of 31 December 2019 was 1,719 persons.

### Employee data in 2019



### Employee Data Classified By Business Group in 2019

		<b>LHFG</b>	<b>LH BANK</b>	<b>LH Fund</b>	<b>LH Securities</b>
Sex	Male	122 (46.4%)	419 (34.1%)	34 (40.5%)	71 (49.7%)
	Female	141 (53.6%)	810 (65.9%)	50 (59.5%)	72 (50.3%)
	Total	263 (100%)	1,229 (100%)	84 (100%)	143 (100%)

### Employee Recruitment

The company has focused on creating the processes and various channels and methods to approach applicants as to keep up with the rapidly changing lifestyle in the digital world. The company provides various recruitment

channels on social media such as Facebook and LINE, provides recruitment activities such as Tech Career Day and Chance for Friends activities which encourage employees to refer friends to work with the company.

## Tech Career Day Activity



## Chance for Friends Activity



## Employee Nomination Criteria

The company has nominated employees for working by considering their knowledge, abilities and the company's criteria. The company has focused on nominating employees whose beliefs and values are in line with the company's. PRO-Active test has been provided to all applicants and the test result has also been considered in the recruitment process to ensure the right candidates are selected.

## Equality and Diversity

The company pays attention to the practice that treats all employees with fairness according to the labor law and standing up for human rights without discrimination regardless of race, skin color, sex, religion, political views, revocation of citizenship, social background and any other form of discriminations related to both internal and external stakeholders. The company does not engage in illegal labor practice and child labor abuse. These guidelines are applied to all employees ranging from executives to operational employees. Moreover, the company also offers work opportunities for persons with disabilities.

## Hiring Persons with Disabilities

### Joining the project for supporting and developing the life quality of people with disabilities

The company has offered job opportunities and generated income for persons with disabilities by joining in the project arranged by the Thai Bankers' Association, where contractors hired people with disabilities to work for the Thai Red Cross Society in many provinces. Similarly, the company has also hired persons with disabilities as employees.

## Hiring Retired Employees

The company always realizes the importance of age-friendly business and has a management approach to support the elderly society by setting the criteria for hiring retired employees who have potential. Not only does it help the elderly earn income, it is also beneficial to the organization as it helps tackle labor shortage.

**Table: Number of Retired Employees Getting Hired**

	2019	2018	2017
Accumulated number of retired employees getting hired (Person)	10	9	9
Number of retired employees per year (Person)	7	5	4

## Sustainable Growth and Human Resources Development

The company has supported and instilled its employees with PRO-Active, which is a core value, by operating the master plan which includes creating perception and attitude through communication channels, practice and belief & individual mindset activity to build group habit norm & corporate value. The company has continuously instilled the value in both new and existing employees.

## Welcome Newcomer Activity

All new employees have to join the "Welcome Newcomer" on their very first day. The activity aims to create favorable impression on the newcomers, to introduce the company's core values, and to give tips or advice on the work life with the organization such as introducing a newcomer to colleagues, recommending nearby canteens so they are comfortable with new environment and eventually adaptable to their work.

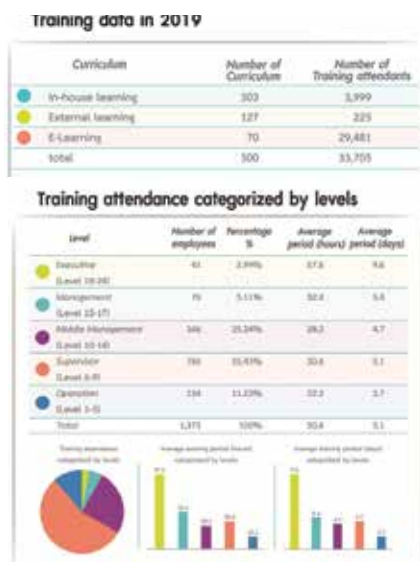
## Activities to Promote Organization's Core Values in Orientation Program

The company has arranged an activity to promote corporate values together with executing the orientation program by providing learning activities through a role play (Action Learning).



## Employee Potential Development

Employees are a significant factor driving the company's success. Consequently, the company has employed potential development plan to enhance the employees' knowledge, abilities and skills so they can professionally fulfill their job junctions. The company also offers opportunities for them to maximize their full potential, to enhance their self-development and to attend training courses. The requirements of human resource development play a significant role in the career path of employees.



In 2019, the company devised a strategy and laid down human resource guidelines which focused on working flexibility, resilience, and fastness. It has, therefore, developed a platform to expand learning channels, created a mechanism to turn knowledge into action, and provided activities for employees to be able to learn anywhere, anytime, any device without limitation under LHFG People Connect maximizing employees' potential to keep abreast of knowledge and rapid change.



Additionally, the company expanded its leaning curriculum and made various leaning alternatives available for employees to get access more easily with just 1 User 1 Password.



## Human Resources Development - Executives and Key Successors

The company highlights the importance of executive development by assigning the Nomination and Remuneration Committee to develop a policy, guidelines, and a succession plan as well as to support leader development systematically and continuously.

The leader development program in 2019 underlined the leadership development from the principle of efficiency: Lead Self, Lead Team & Lead Change/Culture which covered ideas and practices which yielded efficient results. Learning processes comprise learning in classroom, goal setting for self and team developments, and knowledge sharing among learners, supervisors, and mentors.





## Leadership Development Journey :

### 7 Habits of Highly Effective People : Report Out Session



#### Annual Performance Appraisal

The company sees the annual performance appraisal as an essential part to enhance work efficiency. It emphasizes employee's participation by allowing them to set key performance indicators (KPI) in line with the goals of the organization. The company clearly explains its employees about performance appraisal in order to create efficiency, moreover, the company has developed the online performance appraisal curriculum for self-learning of employees at anytime and anywhere through the company's communication channels.

The two factors used in the annual performance appraisal are expected behaviors (Potential) and key performance indicators (KPI). The ratio between the two factors is determined against employees' levels and has been approved by the Human Resources Development Committee to ensure its appropriateness and efficiency. The details of expected behaviors of middle management and above are also determined by highlighting their leadership skills reflected from team management and organizational development.

#### Determining and Managing Remunerations

The company is careful to determine and manage remunerations by focusing on fairness and competitiveness. Therefore, the company has a policy for annual salary increase and bonus payments based on annual performance results. Special salary adjustment is also considered by referring to salary survey in financial industry so the company can retain the employees who can meet expectations. All remunerations mentioned above are considered and approved by the Nomination and Remuneration Committee to assure fairness and transparency and accountability.

## Communication and Pride Building in the Organization

In 2019, the company was aware of the importance of communication and pride building in the organization by providing the multimedia and communication channels to ensure that employees received information, exchanged their ideas within the organization thoroughly. In addition, the company provided various activities to increase engagements that make the employees proud and promote a positive work environment in the organization.

The company recognizes the value of employees, which is an important factor in business operations. The company has a policy to give honor pins employees who have been working with the company for 10-year tenure to praise and lift the morale of employees who dedicated themselves to the organization for a long time. In 2019, the company held the ceremony to present an honor pin to 16 employees who have been serving the company for 10 years.

**Table: Number of employees who have been working for 10 years.**

	2019	2018	2017
Number of employees who have been working for 10 years.	16	43	47



## Raising Awareness through Communication Channels

The company considers communication as a crucial factor to drive the organization, unify employees and increase their engagement in forming sustainable organization, and also sets up a strategy and communication plan with diversity covering both internal and external communications.

The company emphasizes the development of employees' potential through various internal communication channels to facilitate easy access and ensure communication continuity. To raise awareness

among employees, the company employs efficient content management and channel management to achieve the goal which is to build awareness and create the attitude of shared values. There are 2 types of media consisting 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, LH Bank People LIVE, and the newly developed application: LHFG People Connect.

**2. Offline Media** consists of activities helping build pride in the organization, increase engagement between the bank and employees through on-site development activities intended to inform employees about the direction and policies of the bank as to strengthen the relationship among employees who work in different branches nationwide and to enhance the quality of life of employees (Care & Share) It is one of the easiest way to reach them.

## Welfare and Employee Engagement

The company prioritizes the mental and physical health of employees. Consequently, it provides an extensive employee package which varies according to their benefits. Besides, the company frequently reviews and adjusts the benefit package to match with the current situation. The company also arranges various activities for health promotions and medical check-ups. After receiving their health check-up results, the company sets up the follow up activities with doctors so that its staff can consult or inquire about their health from the results with doctors. Moreover, the company provides free influenza vaccination and also offers special discount for employees' family members who wish to receive vaccinations or medical check-ups.





In addition, the company has promoted activities that help build relationships and unity among all staffs and business units by allocating a budget for staff activities within / across departments.

### Good Remunerations and Benefits

Good benefits and welfare are significant factors for boosting the employees' morale. The company has built an appropriate and fair system of remunerations and benefits, so that they can have good quality of life. The benefits are as follows:

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

### Good Environment and Workplace Safety

The company emphasizes the good working environment and safety for the employees by establishing the Safety Healthy Environment Committee (SHE) as a mechanism to implement policies, safety occupational health plan for their safety in a workplace as detailed below:

- Communication, knowledge sharing and making understanding of occupational safety through various channels
- Annual fire drill



- Establishing the SHE hotline to receive reports on unsafe incidents and coordinate with related agencies in order to provide immediate assistance. However, in 2019, no employees were injured while working.

**Table: Number of employees injured while working**

	2019	2018	2017
Number of employees injured while working	0	0	0

- CARE project, the activity to promote health  
For safety, the company also provides health and safety communication and warns employees of any health hazard or risk incidents such as the measurement of dust particles (PM 2.5).





As the financial business is related to the economic and financial conditions of the country, the business operation can likewise impact the national economic drive and investment in a wider range than any other business. Land and Houses Bank Public Company Limited, therefore, has determination to define efficient standard operating procedure which is conducive to social responsibility, especially towards consumers who are the bank's priority stakeholders.

The bank prioritizes the benefits and satisfaction of customers by launching the products and services with quality responding to the demands of all customers. There are many areas of development to accommodate more convenience. The details of products and services are clearly and accurately presented to customers through various channels which can be easily accessed so that they have enough information regarding our products and services including sales promotions for making decisions. Moreover, the bank emphasizes and operates its business under the market conduct.

### Fundamental Rights of Consumers

The bank announces the fundamental rights of

consumers in order to make them aware of their rights eligible from using services via the bank's website as follows:

Rights of Consumers	Products	Personnel or Processes
1. Right to receive correct information	<ul style="list-style-type: none"><li>The consumers shall receive clear explanation about the differences between the main products of bank and the products of securities and insurance.</li><li>The consumers shall receive the information of product details, risks, conditions, benefits such as in the form of APR (Annual Percentage Rate) or IRR (Internal Rate of Return) and related hypotheses.</li><li>The consumers shall receive the information of an advertisement or other marketing media in sales promotions correctly and appropriately.</li></ul>	<ul style="list-style-type: none"><li>The consumers shall receive the fact sheet summarizing the main information when they are offered securities and insurance products. The fact sheet must indicate the characteristics and risks of the products with concise and straightforward wording, and is in line with the form required by the Office of The Securities and Exchange Commission (SEC) and the Office of Insurance Commission (OIC), as supplementary for making the decision to buy the products.</li></ul>
2. Right to choose the financial products and services freely		<ul style="list-style-type: none"><li>The consumers have the right to freely invest and can deny buying the securities and insurance products.</li><li>The consumers have the right to deny buying the products of securities and insurance which are bundled with the products of the bank. The bank shall give the right to the consumers in choosing to buy or not to buy such products.</li><li>The consumers have right to give the consent or deny giving the consent to reveal the information as mentioned in the letter of consent given separately from the purchase agreement.</li></ul>
3. Right to claim for fairness		<ul style="list-style-type: none"><li>The consumers have the right to claim to all branches of the bank selling the products of securities and insurance (point of sale) with the evidence to prove that the bank has acknowledged the claims.</li><li>The consumers shall be able to ask for more information for better understanding of the products from the call center of the seller's bank.</li></ul>
4. Right to claim for compensation		<ul style="list-style-type: none"><li>The consumers have the right to receive appropriate compensation if it is proven that the bank fails to conform to the good product offer policy with intention or negligence causing damage to the consumers.</li></ul>

### Fair Treatment of Consumers

The bank has been conducting the social responsibility in CSR-in-Process by implementing the practical

guideline in the corporate social responsibility for business sustainability policy and to create the business innovation until it is part of working processes, product development as well as service standards. The main objectives are to

reduce the potential negative impacts on the stakeholders in all aspects and to create the awareness of social responsibility among directors, executives and employees.

The bank has developed a working process by imposing regulation, establishing standard operational guideline, creating organizational structure, and assigning separate duties to each department properly (Three Lines of Defense) with clear process of operation, quick and accurate system, and effective control. The bank also designs the systems enabling correct and mutual understanding among employees and related parties. The system is intended to reduce errors, and can be audited, monitored and evaluated efficiently so that it can bring forth the highest benefits to customers who use the services including:

- For savings and current accounts without transaction movements for more than 1 year, the bank will notify the balance and condition of account maintenance fee deduction to customers 30 days in advance.
- For debt collection, collectors must introduce themselves to customers by telling their names and objective correctly and appropriately. In case of face to face communication, permission on debt collecting certified by the bank must be shown to customers. The bank specifies the time and frequency of debt collection which is proper and conforms to the law and practice of the Bank of Thailand and related official entities.
- The disclosure of full details of products and services is factual without distortion or misleading information, detailing the terms and conditions of products and operating procedures which allow customers to accept the terms and conditions before making their decisions.
- The disclosure of announcement on the interest rates and fees is made in advance before the effective date of any changes in order to keep customers informed before making decisions. The publication will be done by posting announcement at the bank's branches and on the website at [www.lhbank.co.th](http://www.lhbank.co.th). The announcement clearly specifies the rate against the credit line and type of customers, details and conditions of such products so that the customers can consider before making decisions.

The bank also provides various communication channels which can be easily accessed by customers. They can view the details of products and services, news and information of the bank quickly. The channels for publicizing such details are divided into 2 ways as follows:

- Off-Line media consists of many types of printed media at the branches of the bank and outside media including direct mails to customers.
  - On-Line media consists of the contents via ATM machines, LCD, Website, Line, Facebook, YouTube, radio, television including SMS Alert service informing the movements of customer's accounts.
- The bank provides its employees with sound knowledge of products and services' information so that they can give the information correctly and quickly. This is to ensure customers' experience in using smooth services. The bank also has a Call Center to provide advisory service available 24 hours daily at 0 2359 0000 or 1327.

The bank provides channels to receive complaints, suggestions, and critiques by having the independent unit to handle those issues as well as resolving customer complaints. The information was collected as to improve the standard of operation and service. Various channels to receive the complaints are as follows:

- Head Office or Branches
- Contact Center: 0 2359 0000 or 1327
- Website: [www.lhbank.co.th](http://www.lhbank.co.th)
- Official Facebook Fanpage

The bank pays attention to the confidentiality of customers' data by not revealing them unless the written consent is provided.

## Research and Customers' Satisfaction Measurement

The bank sees the customers' highest satisfaction in using our products and services and ensures customers receive products and services with quality and fairness by outsourcing a professional, experienced agency to conduct a research on customers' satisfaction and recognition of our brand, products and services among public to measure the level of customers' satisfaction with standardized methods, and with a procedure to obtain complete and transparent data in both qualitative and quantitative sampling. The collected information will then be used to develop and improve products and services in order to address the needs of customers in each segment to increase their satisfaction.



## Providing Savings Account for Basic Financial Service Access

The bank provides many financial products under the concept of promoting inclusive financial access to stimulate economic growth sustainably and thoroughly by supporting public including the elderly and the disabled to gain easy access to financial products and services with low cost. This important mechanism serves as an initiative on supporting all individuals to learn basic financial planning, gain access to financial services, cultivate savings attitude, and expand to other products.

### Criteria for Opening Basic Banking Account

- Savings account
- 1 person / 1 account
- Receive savings account's interest rate

- No minimum balance when opening an account (can start with zero balance)
- No account maintenance fees
- No fees for ATM / Debit card used with the basic banking account

In case a customer applies for ATM / Debit card with the aim to support individuals holding valid state welfare cards and having rights to receive benefits from state welfare cards or to foster Thai citizens with the age over 65 years old to get easy access to financial services. Moreover, the bank always recommends such customers to open a basic deposit account to support the government's policies.

#### Customer Qualifications

- Individuals holding valid state welfare cards or those with the age over 65 years old
- Individuals with child care subsidy having children from birth to 3 years of age
- Individuals with allowance for the elderly
- Individuals with disability living allowance
- Individuals with compensation for being village health volunteers
- Individuals with other social welfare benefits

The above savings account can be coupled with other services of banks such as

- LH Bank PromptPay service
- ATM / debit card service
- Mobile App LH Bank M Choice service
- LH Bank Speedy internet service
- LH Bank SMS Alert service
- Utility bill payment service

#### Arbitration and Result Notification to Whistleblowers According to Service Level Agreement (SLA)

The bank has determined the Service Level Agreement (SLA) to set the duration of processing financial services for retail individual customers. The agreement, covering services in the field of credits, deposits, electronic cards and general services, is intended to upgrade the financial service standards and to set the standards for receiving and handling customer's complaints, and expected to eventually reduce the number of complaints. The Service Level Agreement (SLA) reflects the bank's commitment to deliver more efficient, faster and more convenient services, to respond to the customers' needs well so that they can realize the bank's operation. Moreover, the Service Level Agreement ensures the correctness and completeness of facts and / or information, the cooperation of customers, and force majeure, uncontrollable situations and / or situations where the bank shall comply with the business continuity management plan.

The bank has disclosed the Service Level Agreement (SLA) on the bank's website at [www.lhbank.co.th](http://www.lhbank.co.th) covering 5 financial services as follows:

- 1. Receiving and Handling Complaints** consists of
  - Confirmation of complaints through various channels
  - Notification of conclusion or progress on correcting complaints in every channel

- 2. Loan for Retail Individual Customers** consists of

- Release of collateral
- Ownership transfer of cars / motorcycle to borrower when debt is paid off and the bank will be in charge of the whole process to get such transfer completed.
- The bank will consider restructuring troubled debts and notifying customers the result of the troubled debt restructuring on the date the bank receives all required documents.
- Issuing a confirmation letter for debt settlement
- Request for credit account statement

- 3. Deposits** consists of

- Banking transactions such as cash deposit / withdrawal through ATM / CDM of the same bank or different banks with an error occurred : no money received or incorrect balance (excluding suspected fraud or corruption).
- Fund transaction or e-wallet top up via ATM, CDM, internet, mobile banking but the system malfunctioned causing no money received, the bank will check the error, notify a customer, and correctly adjust that transaction.
- Request to check list of transfers to wrong account in the case of transfers to the same bank or other banks or e-wallet (excluding suspected corruption cases), the bank will check the error and inform the customers.

- 4. Electronic Cards** consists of

- Freezing electronic cards such as ATM cards and debit cards
- Advising against the debit card holder's payment
- Checking the debit card's transaction data at the point of sale locally and return money to owner

- 5. General Services** consists of

- Customers can request for various information such as the calculation of interests for credit / hire-purchase of no longer than 12 months and 6-month statements which will be given to them in writing.

#### Market Conduct

All companies in the LH Financial Group Public Company Limited financial business group have been emphasizing and supporting operations according to the market conduct for sustainability. We expect our customers will:

1. Receive sincere and fair services
2. Receive appropriate suggestions
3. Receive fair prices and conditions
4. Receive convenient services and proper solutions
5. Receive knowledge and understanding of their own rights and duties





Land and Houses Financial Business Group has been operating its business under sustainable development concept while it eagerly fulfills its social responsibility. The companies under the group play the crucial role in promoting social activities in various occasions with the expectation for the highest benefits to the society and community. The creative and beneficial activities are conducted for supporting 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 Thai society with the hope to enhance and strengthen Thai society to be able to establish strong social foundation as guided by sustainable development concept.

3 Dimensions of social activities are as follows:

1. Education
2. Society
3. Arts and Culture

### 1. Education

Education is the foundation of all success stories, thus, the financial business group always realizes the significance of educational support, knowledge development, and quality of Thai juveniles by, for example, encouraging employees and customers to donate books to promote knowledge of prisoners under the project, "Give Books and Learning Materials to the Department of Corrections". The bank also supports scholarship programs throughout the country with the purpose to support the youths who are good at study but unable to afford to pursue higher education. The donation of used computers to different schools was to enable students to be able to learn and explore outside their classrooms.



Students from Chitralada Technology Institute  
Visiting the Bank



Donate Books for the Development of Prisoners to the  
Department of Corrections

#### • Scholarship Project

As the bank realizes the importance of education and the development of youths who, in the future, will be the main strength and powerful driver of the nation in the long run; therefore, it has set up a scholarship project providing 18 scholarships across the country for 3 consecutive years. The project was intended to help the youths with high academic performance, possessing academic capability, and being determined to pursue higher education. This project can help them realize the value and the importance of education as well as provide a sustainable way to increase the quality human resources.

#### Main Objectives

- To bring the educational stability to the 7<sup>th</sup> grade students with high academic performance but lack of money to be able to continue their education until 12<sup>th</sup> grade level.
- To instill the youth to realize the value and the importance of education
- To increase the number of potential and quality human resources to the society.
- To carry out activities that benefit and help society and country as a whole (Corporate Social Responsibilities).

#### Nature of Scholarship

- It is a scholarship for junior high school to high school students who have excellent academic record and good behaviors.
- It is offered for youths in a wider area across 6 regions where the bank's branch networks are located.
- There are 18 scholarships in total.

#### Qualifications of Eligible Candidates

- Thai nationality with a domicile in Thailand.
- Age between 11 - 18 years old.
- An underprivileged person who lacks opportunities due to poverty, or a person who is orphan and being looked after by a guardian that is poor, or a person who is under the care of a foster home or foundations.
- Having good behaviors and being a disciplined person.

The bank has permitted its branches in 6 regions across the country to select eligible schools and students.

**List of schools joining the 2019 scholarship project includes:**

- Anurajaprasit School, Bangkok
- Thanyarat School, Pathumthani
- Chuen Chom Pittayakarn School, Maha Sarakham
- Hua Hin Wittayakom School, Prachuap Khiri Khan
- Phuket Wittayalai School, Phuket
- Sankamphaeng School, Chiang Mai

#### Scholarship's Activity Pictures



Anurajaprasit School, Bangkok



Sankamphaeng School, Chiang Mai



Financial Support for the Thai National Pencak Silat Team

#### Used Computers Donation Project

The bank endeavored to fulfill educational gap for urban or up-country to have the same standard. The bank, therefore, arranges the used computers project to donate the used computers and notebooks with good condition and ready to use to schools located near the bank's branches and schools located in up-country but lack of capital. The bank provides this project for educational resources, so that students can fully search for knowledge and information and for optimal benefits and also get prepared to knowledge-based society.



Donating Used Computers and Notebooks to Satriwithaya School

The project "Old Calendars We Need" was conducted to collect donated desk calendars to be used for producing pedagogical materials, Braille books, and notebooks for the Bangkok School for the Blind.



Donating Old Calendars under "Old Calendars We Need" project to the Bangkok School for the Blind



## 2. Social Activities

Various projects which support social and environmental development and drive positive changes in communities have been implemented through a wide range of supports such as providing budget, donating materials, providing aids in an emergency, voluntary activities for employees, internal activities for employees to donate money and materials to different public charities, and sharing knowledge and skills. All activities were stimulated by the group together with its alliances, network associates, customer groups, and all the stakeholders nearby the bank. The group believes that delivering public activities cannot be achieved by one organization alone. It, in fact, needs concrete collaborations from related parties to help tackle problems and bring about constructive changes to the society for sustainable growth. The group participated and supported many activities initiated by different associations by receiving donation from ATMs and LH Bank counters nationwide, persuading employees and customers to donate money to help victims of disasters and calamities, engaging in anti-corruption actions as to encourage Thai communities to reject all forms of corruptions, adhering to market conduct, co-signing of MOU with other parties, determining the guidelines for sustainable banking operations in the areas of responsible lending or Thailand Sustainable Banking, and participating in the Block Chain The Series Project which helps support Thai financial innovation development that leads to financial industry development of the nation.

LH Financial Group Public Company Limited, Land and Houses Fund Management Company Limited, Land and Houses Securities Public Company Limited, all together received “Social Outcome Investor” acknowledgement from Thaipat Institute, in recognition of their principle-based approach on sustainable investment by incorporating environmental, social, and governance (ESG) considerations into their investment policies. Their returns on investment were spent on corporate social responsibility activities.



LH Bank co-signs MOU with related parties on “Thailand Sustainable Banking”

Land and Houses financial group comprises LH Financial Group Public Company limited, Land and Houses Fund Management Company Limited, and Land and Houses Securities Public Company Limited have signed the MOU to drive Thai capital market towards sustainable development.



Land and Houses Financial Group Helps Flood Victims in the Northeastern Region

- **Voluntary Activity for Social Development**

We are Family RUN for CHANGE Project was designed to encourage employees to engage in social activities and provide a chance for them to build up healthy relationship. The project bound together all employees to run 30 kilometers within 30 days. Every running step was turned into donation to the Foundation for Slum

Child Care (FSCC) under the Royal patronage of H.R.H. Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra. The Foundation helps create better lives and future of children from birth to 5 years. There are four child care centres being operated under the foundation including Baan Som Wai; Baan Sua Yai; Home of Hope; Baan Srinakarin.



RUN for CHANGE Project donates Baht 300,000 to the Foundation for Slum Child Care (FSCC) under the Royal Patronage of H.R.H. Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra.



Sanitation of Thai youths is considered crucial that everyone in the society should be aware of and should give them a hand, particularly clean drinking water and hygienic and standardized toilets with safety and sanitation are made available for them. Hence, the group has launched a project with its goal to bring happiness to children by transforming their old, worn out toilets into those with better hygiene and sanitation.



Currently, blood reserves at the Thai Red Cross are inadequate for patients' urgent needs. The bank comprehended the problem and was eager to be part of supports for social activities. Thus, the bank initiated a voluntary social activity by inviting all employees to donate blood annually. In 2019, the company had encouraged its staff to join the project, "Volunteer Spirit, Blood Donation with Heart, One Gives, Three Receive" and supplied the donated blood to patients in hospitals throughout the country.



The Project, "Volunteer Spirit, Blood Donation with Heart, One Gives, Three Receive" with Thai Red Cross

#### • Promoting and Developing the Education of Thai Youths

The bank sees Thai youths as the future of the country. It strives to enhance their moral sense and sharpen their academic skills. Therefore, the bank joins the Thai Bankers Association to create the financial literacy project which is the prototype of financial literacy plan for the country. It was a manifestation of how banking sector can distribute financial discipline, knowledge, expertise, and skills to create benefits for community and society. This also echoes the bank's intention to generate intellectual capital, and eventually form sustainable quality society. The pilot target of the project is university students. Staff of the bank will be sent to be a trainer to teach them some monetary knowledge via activities to activate recognition and understanding leading to positive changes in their financial behaviors.

The financial literacy project will wholly help improve financial management skills, create financial disciplines, and embed ethics for anti-corruption practices in order to build up a sustainable and stable economic foundation for the society.

#### Objectives of 2<sup>nd</sup> Year (2019) Financial Literacy Project

1. To drive financial literacy project for public as stipulated by 5-year strategic plan of the Thai Bankers Association.
2. To develop the expertise and personal financial management skills to the member banks' personnel to be voluntary trainers and to conduct site visit sharing financial knowledge to students from selected or assigned universities under the idea of "1 bank, 1 university." Activities conducted to promote financial literacy are based on contents, curriculum, and practices standardized by the Thai Bankers Association.
3. To raise awareness of effective personal financial planning among university students under project implementation model.

#### 2<sup>nd</sup> Year Project Performance (2019)

1. Have improved financial literacy and created financial discipline for 520 trainers from 11 member banks.
2. Have shared knowledge to 12,500 students from 22 universities.
3. Have created positive attitudes towards banks among the target students.

## Satisfaction Assessment Result of Trainers



## Satisfaction Assessment Result of Students



"Financial Literacy Project"  
Sharing Financial Knowledge to Public

Land and Houses financial business group held a special seminar, "Be Prepared for the new Land and Building Tax Act" for favored customers to help them plan for effective tax management.



Sharing knowledge and helping customers get prepared for the new Land and Building Tax Act



### Hiring the Elderly to be the Trainers

The bank has been arranging the “Workshop My Bank My Love” on a yearly basis with the main aim to build up good relationship between customers and the bank by providing valuable and beneficial activities to customers. The bank also hired the elderly with different skills to be trainers and share their skills such as cake decorations, 3D jelly flowers, D.I.Y decoupage on baskets, and essential oil scented candles for health, etc.



### 3. Arts and Culture

The bank joins many traditional activities with local people living nearby the bank’s service centers, for example, supporting the Chinese New Year, Children's Day to strengthen and promote the traditions, arts and culture with the community around the bank’s branches.



Supporting Children's Day Activity at Anurajaprasit School



Supporting Children's Day Activity at Anurajaprasit School



The bank joins the Chinese New Year Festival, by giving the sacred oranges to the valued customers.



Land and Houses Bank Public Company Limited is aware of the importance of the environmental problems seeing that business activities can bring about direct and indirect impacts on environment. As time passes, such impacts cause pollutions and leads to natural disasters which eventually result in huge losses. Thus, the bank has implemented several measures to reduce pollutions and to preserve environment by promoting energy and paper saving in the organization.

### ECO-Friendly Products

The bank recognizes the importance of environment and values the careful use of natural resources by selecting the environmentally-friendly products (Eco-Friendly) namely “Happy Farmers” to be gifts given to customers. Using Happy Farmers’ products also promotes indigenous rice varieties in various areas, inherits Thai farmers’ legacies by making them available for everyone, and helps generate income for local housewives.



Eco-Friendly products helps Thai Farmers

### Green Office Project

All of the bank’s business activities which consume resources and energy leave environmental footprints such as waste and polluted water. Inevitably, the bank shares 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 whole world.

The bank pays attention to good environmental management. Therefore, it assigns the Occupational Safety, Health and Environment Committee to study and develop the practical guideline for the Green Office project since 2012 by creating understanding of the environmentally-friendly management on resources,

energy and environment. The ultimate goal is to have an efficient use of resources and energy to uphold the standard of office to be more environmentally-friendly. The bank also encouraged employees to minimize energy consumption and pollutant emission to the public.

### Implementation of Green Office Project

1. Use energy saving devices
2. Make the most of natural light
3. Design an office layout
4. Promote 5S activity
5. Check lighting standard values of office building
6. Check air conditioners and ventilators
7. Increase green space in office

### Encouraging Employees to Participate in Effective Use of Resources

1. Provide information and training on environment and promote energy saving via internal media such as Intranet.
2. Support the reuse of materials such as reused papers.
3. Promote the reduction of paper use and number of printers, provide photocopier pool, and change employees’ behaviors to always think twice before printing.
4. Reduce and deny the use of papers used for meeting by sharing the information through electronic channels.
5. Turn off the building light when no one is in the room or meeting room for a long time and turn off the light in some areas during lunch break.
6. Turn off computer screens during lunch break.
7. Promote the participation of employees in the Total Productive Maintenance (TPM) program to comprehensively manage and reduce the loss to zero.
8. Constantly promote 5S activity.

Although the attempts mentioned above do not significantly reflect any numerical results of how much the energy and expense has been decreased, they help raise awareness among employees and make a behavioral change in their daily life.

### Vehicle Service Management

The bank has the policy for Carbon Dioxide reduction from the bank’s vehicles by employing the e-Car service system to support the effective vehicle management. The bank has also applied the Ecolution concept such



as choosing alternative energy, energy efficiency and effective transportation to reduce fuel consumption and Carbon Dioxide emission as follows:

1. Plan routes with appropriate schedule for carpooling service for all employees.
2. Reduce backhaul
3. Take good care of engine according to preventive maintenance schedule and consider switching to other alternative engines such as hybrid cars, etc.

### Energy Management

The bank continues to manage electricity and tap water in order to achieve efficient and effective use such as:

- The bank has renovated the office building and maintained office supplies in an environmental-oriented manner as to reduce pollution, save energy and costs.
- The bank has reduced the number of single function office supplies and replaced them with new energy-saving technologies with less pollution. The ongoing project helps reduce energy-related costs and other expenses such as paper cost, the maintenance cost of office supplies, and procurement cost. Moreover this project helps save the space of office supply placement.
- The bank has used energy saving fluorescent tubes and LED tube lights, with the wattage suitable for space, and the size proper for cables. The office decoration also employs soft colors, natural light as much as possible and installed water-saving taps.

### Carbon Footprint Reduction

In order to promote learning about global warming reduction, the company, therefore, follows the guideline developed to eliminate greenhouse gas, and carbon footprint. It also applies the calculation standard for the reduction of carbon dioxide emission. The standard is in line with the Care the Bear: Eco Event Kit project initiated by the Stock Exchange of Thailand with the purpose to reduce the use of energy from electrical equipment and switch to more efficient and energy-saving electrical equipment.

Consequently, the company had replaced fluorescent tubes with LED tubes since 2016 until 2019. Currently, 2,121 fluorescent tubes has already been replaced and saved energy consumption by approximately 25 percent. As LED tubes produces less heat than traditional fluorescent lamps, they could reduce the carbon dioxide emissions by 824,393 Kg.Co<sub>2</sub>e, equivalent to growing 91,599 large trees to absorb the amount of carbon dioxide gas.

Replacing Fluorescent Tubes with LED Tubes Project	
Number of fluorescent tubes replaced by LED tubes	2,121 tubes
Number of hours spent	20,000 hours/tube
Amount of carbon dioxide emission reduced	824,393 Kg.Co <sub>2</sub> e
Number of large trees equivalent (absorbing carbon dioxide gas)	91,599 trees

- The bank has measured wind velocity of air conditioners, adjusted the wind speed to meet the standard and to be suitable for working environment, increased air conditioners' efficiency, and reduced cost from energy loss.

The bank has sent staff to receive the following trainings from various institutions, both public and private, so they gain knowledge and understanding on the above issues.

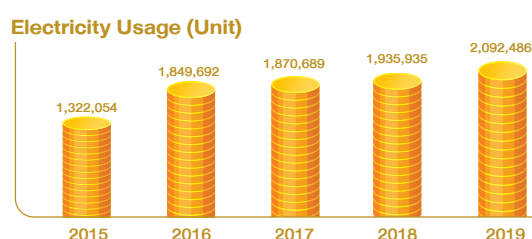
- Trees Associate Existing Building Training by Thai Green Building Institute
- Thailand Electrical Installation Standard Program by Engineering Institute of Thailand Under H.M. The King's Patronage
- Air Conditioning System, Water Pump System, Fire Hose System Training by Engineering Institute of Thailand Under H.M. The King's Patronage

### Electricity Management

The bank has focused on environment, economy and society, management of cost reduction, especially energy cost. The bank, as a financial service provider,

requires great amount of energy including lighting system, air-conditioning system and computer system. The bank, therefore, sets a practical energy guideline for related units, monitors environmental impacts and measures energy efficiency constantly.

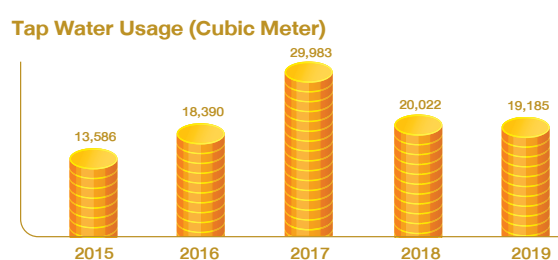
In the year 2019, the bank renovated its spaces to support the business expansion which requires more meeting rooms and multi-purpose areas for trainings, seminars and many more activities. As a result, in 2019, the bank had the total electricity usage of 2,092,486 kWh, increased by 8% when compared to 2018



## Water Management

The bank has uses water from the Waterworks Authority of Thailand for business operation of which the most usage is in an office, washing and tree watering. The bank has been trying to reduce water consumption so the bank regularly checks pipes, water meters and equipment and also uses water saving sanitary ware, tap and bidet shower.

In 2019, the tap water usage totaled 19,185 units, decreased by 4% when compared to 2018. The water consumption reduced was due to the bank's campaign for employee cooperation in water saving.



## Paper Management

The bank is fully aware that paper is a main office consumable which is needed in different stages of operations in financial service business, such as printing internal reports, documents for customers, receipts, and contract documents. As known that producing the paper needs natural resources which are trees while there are massive rubbishes from used papers. Therefore, campaign and activities to raise awareness among employees to use paper economically by avoiding typing errors and promoting paperless operation model have been set up.

## Pool Printer Management Project

The bank has replaced the single-function printers with the multi-function (4 in 1) printers and set them as a pool for which one printer is shared among different departments. This results in the lower usage of electricity and space.

## Changing Invitation Letter in Paper Form to Electronic-based Platform

The bank has changed the process of preparing the meeting's materials for different committees from papers to e-documents. As a result, this process can help reduce paper consumption by approximately 20,000 pieces a month.

## Developing financial services to be more digital.

This enables financial transactions to be performed daily, anytime, and anywhere. Not only can it reduce the cost and the amount of paper used, it also helps reduce the use of ink, reduce the amount of waste caused by paper usage and enhance work efficiency due to time saving in preparing documents, putting them into envelopes and posting them via postal service.

## Paper Usage

The amount of papers used in operations for the year 2019 was 14,724 reams, increased by 3% when compared to 15,205 reams in 2018 due to the significant change in sharing files via electronic platform.



## Paperless Guidelines

The bank provides the paperless guidelines with the aim to ensure that saving the papers and reducing the paper usages are systematic and concrete by adhering to the following practical guidelines:

1. Surveying and planning
2. Application of technology by increasing electronic channels in operations instead of the paper based ones
3. Using paper economically
4. Monitoring and evaluation
5. Behavioral change among employees

## 1. Surveying and Planning

The bank has surveyed the data of paper usage in each year by taking into account the numbers of employees, departments and work supports as well as developed a clear plan for paper usage by reducing paper usage 5-10% of the total number of papers used each year.

## 2. Application of Technology

The bank has supported and encouraged employees to adopt more information technologies in the operations such as sending letter, disseminating information and knowledge through electronic channels. There are push-forward activities to ensure that the implementations are in line with paperless plan as follows:

- Meeting tasks for each committee has been changed from the paper pack of invitation letter to on electronic platform.
- The trainings with a lot of training materials are suggested to send them by email.
- Correspondence is made via email such as urgent circulars.
- Keep the copies of documents from external agencies and internal documents as scanned files instead of photocopies.

## 3. Efficient Use of Papers

To save the papers more effectively, it can be started from basic step by having one-side used papers separated then proceed with the following steps:

- Setup common areas for everyone to use one-side used papers and advocate employees to reuse them.
- Inform all employees of where the one-side used papers common areas are.
- Reuse them to be the note or note book.
- Use the reused papers to note the informal messages or record internal messages or memos among departments.

## 4. Monitoring and Evaluation

To make paperless process more effective and concrete, the bank has monitored the paper usage statistics in each department. The information will be analyzed and used for carrying out efficient paperless operations.

## 5. Behavioral Change

The most important thing for the most effective paperless operations begins with behavioral change among employees in all departments to have responsible attitudes and collaborative practice such as:

- Separate used papers and sort them into 3 R principles as follows:
  1. Reduce amount / size
  2. Reuse
  3. Recycle / reused paper selling
- Use one-side used papers for rough drafts instead of using new papers and print them in economy mode.
- Review all processes and improve any part if needed and adjust paper usage criteria of each department in order to be more effective and relevant to real operations.

## Used Paper Management

On average, Thai people used papers 3.9 million tons or about 60 kilograms per person per year. Thus, to respond to this need, 66.3 million trees need to be cut per year or 126 trees must be cut down every minute.

1 ton of used papers can substitute 15 trees to be cut down. If all Thai people use papers prudently by using both sides of paper, up to 1.3 million trees will be saved. If all Thai people turn to use handkerchiefs instead of paper napkin, 3,315,000 trees will be saved.

In general, almost half of the pile of garbage has values, it can be recycled which can be separated as 19% paper, 13% plastic, 8% glass and 5% metal. Paper is the largest amount which is considerably 2.47 million tons from all over the country. These used papers must be collected and shipped to the paper factories in order to be used as raw materials to produce recycled papers as the paper factories need 2.5 million tons of scrapped papers per year. Therefore, the good method to increase the recycled papers is to collect used papers from offices and households by separating them from other types of garbage so that it is convenient to store 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 realizes and pays attention to the reduction of paper garbage. As a result, there is the recycle of used papers and the bank has imposed the operation regulations of document storage and document destruction such as recycling expired documents as detailed in the table below:

	2019	2018	2017	2016
The amount of documents which are due to be destroyed (Box)	2,115	721	599	1,701
The weight of documents (Kilogram)	30,250	8,712	7,037	19,048
The trees that can substitute the cut down trees to produce papers per 1 ton <sup>1</sup> of used papers (Tree)	454	131	106	286

Remarks: <sup>1</sup> 1 ton of used papers can substitute up to 15 trees of the cut trees to produce papers.

Source: "Green Science project," Paperless Manual, Faculty of Science, Srinakharinwirot University.

Calculation formula: Tree cutting replacement = 15 trees / 1 ton X weight of used papers.

### Measurement of Intensity of Light in Workplace

The bank pays attention to the dangers of light that may impact employees. In case of insufficient illumination, it causes negative effects to the eyes and may cause simple accidents such as failure to manipulate tools or equipment which may pose some dangers including mental health, low 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 lighting level.

#### Lighting Measurement and Data Collection Process

1. Measure specific working area: focusing on the lighting intensity of particular areas where operators need to perform sight-specific work.
2. Measure the average intensity of general areas: such as walkways and working areas.

**The results of measurement of intensity of light in a 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 (Seiri), Set in order (Seiton), Shine (Seiso), Standardize (Seiketsu) and Sustain (Shitsuke). The activity helps keep a workplace and environment neat and clean. Staff are mentally healthier and more disciplined. This in turn results in saving of resources and costs. In addition, it contributes to a quality and efficient work. The 5S activity gains good cooperation from employees and the bank has a continued implementing this activity.

### 5S Results

1. Results of **Sort**
  - Cutting down the consumption of resources
  - Having more space for other purposes
  - Having a more spacious, splendid and clean workplace resulting in a better mood of employees
2. Results of **Set in order**
  - Settling the common and troublesome searches
  - Increasing work efficiency
  - Creating good image for organization
3. Results of **Shine**
  - Having a pleasant working environment
  - Cutting down the consumption of resources
  - Increasing efficiency of tools and equipment while decreasing frequent breakdown of office automations
4. Results of **Standardize**
  - Having neat and tidy workplace
  - Employees in a good mood and willing to work better
5. Results of **Sustain**
  - All employees have a good habit and attitude towards work
  - Customers receive quality and fast service

### LH BANK ATM Stops Global Warming

The bank has played part in helping slow down global warming constantly by providing more options for customers with no printing of slips from ATM machines so we can reduce natural resources and reduce global warming through our ATM machines. As of 31 December 2019, the bank had a total of 199 ATM machines and 6 automatic cash deposit machines and tried to reduce the usage of electricity for ATM machines especially those in shopping malls by setting the power switch of the machines according to operating hours of the shopping mall.

## Environmental Campaign

The company focuses on creating environmental awareness among employees and encouraging them to protect the environment in their daily life by saving energy, using resources economically, preserving the ecosystem, reusing, recycling, and reducing. The company has shared the knowledge about environmental preservation to staff through LHFG People Voice channel which is broadcast on the second and forth Friday of every month. What's more, the company has invited all employees to share their ideas on how to safeguard the environment. The practices recommended can be applied in daily life such as using reusable water bottle instead of single use plastic glass, using cloth bag instead of plastic bag, and turning off computers during lunch break or when they are not in use for a long time.

The campaign has also been promoted through internal communication channel such as Intranet: LH BANK People: Pro Eco column providing employees with contents which could be applied in real practice both at their home and in their workplace such as:

- Easy ways to save a number of liters of water
- 10 ways to reduce wastes
- Easily save energy for office staff
- Efficient way to save water to fight with drought crisis: Be aware but not panic
- Know tissue before using it via a topic "tissues from recycled pulps, a new way to care for environment"





Land and Houses Bank Public Company Limited has committed to creating business innovations for the benefits of business and society. Moreover, financial products and services are being tailored continuously as to facilitate and meet customers' needs and support the new era of digital transformation and government's policy that aims toward digital economy. And the bank is well aware of this trend and enhances the development of product innovations, and digital banking to help customers save their time, reduce their expenses and receive more convenient services.

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

**Mobile Banking (LH Bank M Choice)** is a service to facilitate financial transactions via mobile phones such as fund transfer, balance checking, bill payment at every day, anywhere and anytime. Nowadays, mobile phones have become part of life. This new service channel has no limitations in terms of 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 more convenience in conducting financial transactions every day, anywhere, anytime. LH Bank Speedy has double security system to assure security with easy-to-use menu that allows the fund transfer within the bank, fund transfer to the account of other banks, PromptPay fund transfer and payment for commodities and services, loan payment, checking the cheque status, stop cheque, checking and buying funds and tracking insurance purchased through the bank, checking account status and searching the bank branches. For better security, the bank immediately sends message (SMS) to confirm the results of all transactions to the customers.



**LH Bank Debit Chip Card** is a card to be used for doing transactions via all ATM machines of all banks with securities by recording information into a Chip Card, safe from ATM skimming, customers can trust in their financial transactions and use it to inquire the account balance, withdraw at the UnionPay International (UPI) ATM and also purchase stuffs and services at the stores or online shopping conveniently as well as receive various privileges and special promotions from participating stores with UPI.



**LH Bank Debit Premium Card** is a card with personal accident protection up to Baht 300,000 which insured by CHUBB Samuggi Insurance Co.,Ltd., customers just inform their health profile in the application form without health check, this service will be effective immediately and provide coverage for all medical expenses arising from an accident. Customers just show the LH Bank Premium card together with ID card to a contract infirmary.

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

1. Mobile Banking (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 new choice of fund transfer service companies or corporates which require transferees to link their account with their tax ID

**My Portfolio Service** is an online service via LH Bank M Choice and LH Bank Speedy consisting of safe box, deposit, loan, securities, mutual fund, debenture, private fund and insurance.



**Mobile Payment Service** is a service for retail stores that would like to add another channel through QR Code by partnering with leading E-Wallet agencies from Thailand such as Rabbit LINE Pay, AirPay, TrueMoney and from other countries such as WeChat and Alipay from China. The QR Code scan can be taken in Thailand and in other countries. The service helps boost up the stores' sales volume, helps retailers not to spare loose change for their customers and provides transfer security because the bank will transfer the money to the store on the next day.

However, the bank has been publicizing the products and services to customers to ensure accuracy for their optimal benefits.

The bank was open and supported the creativity and development of new innovations which will result in continuity of creating quality innovations with social responsibility, and regularly observations on the business operation are ensured to avoid risks or negative impacts on society and environment. However, if such risks or negative impacts are identified, the bank will take actions immediately.

#### **Certification of information security management system standards (ISO/IEC 27001:2013)**

Land and Houses Bank Public Company Limited received the certificate for the information security management system standards (ISO/IEC 27001:2013) to enhance the management of information security of payment infrastructure to international standard, consisting of BAHTNET system and ICAS system to prevent the cyber threats that may cause financial loss and reputational damage which may affect the people and economy in a wider scale.



#### **Raising Awareness on Information Security**

The bank organized a training course on information security awareness for directors and executives of the Land and Houses financial business group to be informed about the changes occurred to data protection system and information system (Cyber Security) locally and internationally. This is to raise the level of cautions in preventing the threats caused by the changing trends in the digital world so that the bank will be able to cope and prevent risks quickly and efficiently as well as provide knowledge on the Cyber Security Act B.E. 2562, Personal Data Protection Act 2562, information technology risks and updates of new IT threats in order for employees to apply knowledge to work effectively and aware of the safer use of computers which is the creation of awareness in the use of information technology in the organization.





The Board of Directors is responsible for managing operations to ensure that the financial business group's internal and external transactions are sufficiently controlled. The companies within the financial business group have reported the internal transactions within the group to the Board of Directors. The company operates its business within the framework of controls based on written policies, regulations and guidelines. This is to build up confidence that the company is fully capable of managing its business according to the established policies. The duties, responsibilities, and structures of sub-committees have also been properly defined in order to achieve the objectives.

The operating results of companies within the financial business group along with business trends, projections and operating results compared to targets are regularly reported to the Board of Directors.

The Audit Committee is responsible for nominating the auditor by considering the auditor's qualifications and performances, and audit fee to the Board of Directors yearly in order to ask for approval in the shareholders meeting. The Audit Committee also takes charge of verifying the financial statements. The auditors shall be invited to attend the Audit Committee meetings to propose significant issues related to the internal control environment and the financial statements. The auditor of the company is EY Office Limited who audited the 2019 financial statements and provided the reports with unqualified opinions. Moreover, the Audit Committee has to consider the qualifications and suitability of the head of internal audit department which had been considered by the management team. The nomination, dismissal and rotation of the head of internal audit department will be consented by the Audit Committee as mentioned in the Audit Committee Charter.

The control group is able to work independently to audit and monitor the operations, then directly reports to the Audit Committee. The auditing and monitoring processes focus on the risks and compliance with regulatory requirements and 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**

These units are responsible for auditing and evaluating the adequacy of internal control as well as monitoring the operations against the policies, regulations, operation procedures and code of conduct including laws and regulations. They will also audit and evaluate the suitability of risk management, efficiency of human resource management, validity and reliability of data, as well as determine the customer's data protection measures, suggest the guidelines to improve the operations and regularly report the audit results to the Audit Committee and the Board of Directors.

**Duties and Responsibilities of the Head of Control Group**

1. General Audit
2. Branch Audit
3. Information Technology Audit

## Profile of the Head of Control Group

<b>Name</b>	<b>Mrs. Wilawan Sutthibutr</b>
<b>Position</b>	Executive Vice President of Control Group
<b>Age: (Years)</b>	53
<b>Education:</b>	<ul style="list-style-type: none"> <li>• Master of Business Administration, Kasetsart University</li> <li>• Bachelor of Economics, Kasetsart University</li> </ul>
<b>Training</b>	<ul style="list-style-type: none"> <li>• Certified Professional Internal Audit of Thailand: CPIAT</li> <li>• Governance and Law Enforcement in Money Market Program : Chula Unisearch, Chulalongkorn University</li> <li>• Fund Performance Optimization Workshop Program : the Securities and Exchange Commission</li> <li>• Law enforcement of Anti-Money Laundering Office Program : Chula Unisearch, Chulalongkorn University</li> <li>• Insurance Compliance Officer Program : Chula Unisearch, Chulalongkorn University</li> <li>• Securities Business Oversight for the Most Responsible Persons in Regulatory Affairs Program : the Thai Bankers' Association</li> <li>• Credit Risk Management for Financial Institutions Program</li> <li>• Securitization and Interest Rate Risk Hedging Program</li> <li>• Advanced Financial Institution Credit Risk Analysis Program</li> <li>• Regulatory Guidelines of Basel II Program</li> <li>• 7 Habits of Highly Effective People Program</li> <li>• Intermediate Credit Seminar Program</li> </ul>
<b>Shareholding (%)</b>	- None -
<b>Family relationship with executives</b>	- None -

### Work experiences in the past 5 years

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

Period	Position	Organization/Company
Aug 2019 - Present	Executive Vice President, Control Group	LH Financial Group Public Company Limited
1999 - 2018	Senior Vice President	Bangkok Bank PLC

#### Current Position in Non-Listed Company on the Stock Exchange of Thailand – None –

Jul. 2018 - Aug. 2019	Executive Vice President, Control Group	Land and Houses Bank PLC
1995 - 1999	Manager	Nava Thanakit Finance and Securities
1991 - 1995	Assistant Manager	Thanachart Capital Fund Co., Ltd

#### **Duties and Responsibilities of General Audit, Branch Audit and Information Technology audit**

- Determine objective, goal, scope of audit program and plan for internal audit
- Provide and update the internal audit manual in accordance with the Bank of Thailand's regulations and the international standards for the professional practice of internal auditing
- Administrate the general audit function, branch audit function, information technology audit function and supervise the operation of the internal audit officers
- Approve audit program, evaluate the sufficiency and efficiency of internal control to reduce risk and evaluate the quality of performance as assigned
- Evaluate the reliability and accuracy of financial and operational information
- Ensure that the operations comply with the policies, goals, objectives, operation plans, operation regulations as well as relevant laws and regulations of the official agencies
- Set the performance standards and verify whether auditors' performance comply with the audit standard as well as control the audit operation plans
- Propose the audit results to the top executives of each department, the Chief Executive Officer and the President, the Audit Committee and the Board of Directors as appropriate
- Sharpen the skills of auditors to be able to catch up with trends or changes in the economy and society.
- Provide the performance assessments for all levels of auditors
- Give advice, opinion and suggestion about the operation guidelines in accordance with rules, regulations, announcements and internal control
- Perform the duties assigned by the Audit Committee
- Monitor the high risk transactions, particularly, those money transfers made by fraudsters or call center gangs, etc.
- Propose the results of special audit analysis to the Chief Executive Officer and the President, and the Audit Committee for acknowledgement
- Propose the results of special audit with the documentary evidence to the top executives of each department so they can lay down accurate and appropriate guidelines
- Follow up the progress of review process specified in audit reports

#### **The number of employees in the Internal Audit department as of December 31, 2019**

There are 31 staffs in the Internal Audit department consisting of 9 in the general audit department, 13 in the branch audit department, and 9 in the Information Technology audit department.

#### **The Data Of Significant Penalty Charges Under The Governing Laws**

##### **LH Financial Group Public Company Limited**

In 2019, there were no significant penalty charges under the governing laws.

##### **Land and Houses Bank PLC**

In 2019, there were 2 penalty charges under the governing laws in the total amount of Baht 325,000.

Item	Charger	Section	Issue	Charge (Baht)
1	Bank of Thailand	Section 37 Financial Institutions Businesses Act, B.E. 2551.	Regulations on Commercial Bank Branch Operations: Offsite Service	78,750.00
2	Bank of Thailand	Section 41 Financial Institutions Businesses Act, B.E. 2551	Criteria for accepting deposits or money from public: No KYC checking (Know Your Customer : KYC)	246,250.00



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 2019, 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 2019, the company and its subsidiaries had significant business transactions with its related parties. They were based on the trade terms and conditions agreed by the company and its subsidiaries on one side, and related persons and businesses on the other, which is a normal practice and were disclosed in Note 41 to the financial statements of the company and its subsidiaries.

## Transactions during the Year 2019

During the year 2019, 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)

Connections <sup>/1</sup>	Consolidated Financial Statements					
	Interest income	Fees and service income	Dividend incomes	Other operating income	Interest expenses	Other operating expenses
1. The major shareholders	-	-	-	-	51.18	46.85
2. Related companies	27.27	52.05	139.60	-	-	-
3. Directors and executives	0.25	-	-	1.40	-	-
4. Related persons	1.14	-	-	-	-	-
<b>Total</b>	<b>28.66</b>	<b>52.05</b>	<b>139.60</b>	<b>1.40</b>	<b>162.86</b>	<b>159.89</b>

**Notes:** <sup>/1</sup> The nature of connections is described in the Note 41 to the financial statements "Related party transactions"

(Unit: Million Baht)

Connections <sup>/1</sup>	Separate Financial Statements						
	Interest income	Dividend income	Supporting service income	Other operating income	Interest expenses	Other operating expenses	Fees and service expenses
1. The company's subsidiaries	4.74	1,570.01	188.17	1.45	67.09	-	0.22
2. Related companies	-	28.52	-	-	-	0.06	-
<b>SOU</b>	<b>4.74</b>	<b>1,598.53</b>	<b>188.17</b>	<b>1.45</b>	<b>67.09</b>	<b>0.06</b>	<b>0.22</b>

**Notes:** <sup>/1</sup> The nature of connections is described in the Note 41 to the financial statements "Related party transactions"

## The Outstanding Balances

As at 31 December 2019, the outstanding balances of significant transactions between the company, its subsidiaries and their related parties can be summarized as follows;

(Unit: Million Baht)

Connections <sup>/1</sup>	Consolidated Financial Statements									
	Investments – cost	Loans 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. Major shareholders	-	-	-	9.55	2,857.63	589.89	-	1.84	0.43	-
2. Related companies	2,210.43	3,520.00	9.49	39.47	6,169.83	-	-	8.01	1.07	21.19
3. Directors and executives	-	10.76	-	-	71.92	-	20.00	0.13	-	-
4. Related persons	-	15.54	0.01	-	1,764.50	-	41.20	1.48	-	-
<b>Total</b>	<b>2,210.43</b>	<b>3,546.30</b>	<b>9.50</b>	<b>49.02</b>	<b>10,863.88</b>	<b>589.89</b>	<b>61.20</b>	<b>11.46</b>	<b>1.50</b>	<b>21.19</b>

**Notes:** <sup>/1</sup> The nature of connections is described in the Note 41 to the financial statements "Related party transactions"

(Unit: Million Baht)

Connections <sup>/1</sup>	Separate Financial Statements						
	Interbank and money market items (assets)	Investments – cost	Accrued interest receivables on investments	Other assets	Accrued interest expenses on interbank and money market items (liabilities)	Accrued interest expenses on interbank and money market items (liabilities)	Other liabilities
1. The company's subsidiaries	28.98	84.10	0.48	28.92	360.00	0.03	0.30
2. Related companies	-	487.50	-	-	-	-	-
<b>Total</b>	<b>28.98</b>	<b>571.60</b>	<b>0.48</b>	<b>28.92</b>	<b>360.00</b>	<b>0.03</b>	<b>0.30</b>

**Notes:** <sup>/1</sup> The nature of connections is described in the Note 41 to the financial statements "Related party transactions"





The Audit Committee consists of 4 independent directors as follows:

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

Mrs. Wilawan Sutthibutr, Executive Vice President, Control Group is the secretary.

The Audit Committee has performed its duties under the scope of responsibilities prescribed in the Audit Committee Charter assigned by the Board of Directors.

During the year 2019, the Audit Committee had a total of 13 meetings and reported the results of each meeting to the Board of Directors with the summary as follows:

### 1. Review of Financial Report

To review the financial statements prepared under the financial reporting standards and to ensure the accuracy and completeness of information, adequacy of information disclosure, auditing results, and significant risks.

In addition, the committee has reviewed the company's performance quarterly and has arranged meetings with the auditors to ensure that they perform their duties and give opinions independently as well as report all issues identified to the Audit Committee.

### 2. Internal Control and Internal Audit

To review and evaluate the adequacy of the internal control system conducted by scrutinizing the issues detected in the internal audit reports and auditor's reports to evaluate the adequacy, suitability and effectiveness of the internal control. The committee is also responsible for evaluating the independence of the internal audit department and the compliance to the charter of internal audit department.

### 3. External Auditor

To select the auditors by considering their knowledge, ability, experience, reliability, sufficiency of resources, independence and audit quality in the previous year. The audit fee has been set by considering the scope of responsibilities.

In the year 2019, the auditor of the company was EY Office Limited who audited the financial statements for the year 2019 and presented the financial statements with unqualified opinions.

### 4. Related Party and Conflicts of Interest

Considering the related transactions or conflicts of interest is conducted by verifying them against laws and regulations of the Stock Exchange of Thailand to ensure transparency, stability and protection of benefits of the financial business group and shareholders. The accuracy of the company's information disclosure, particularly that is potentially related to conflicts of interest, is also taken into account.

### 5. Risk Management

Setting the internal control system and risk management both in overall structure and in activity levels needs to comply with international standards to ensure that the company will achieve its goals efficiently and effectively as well as adhere to the laws properly.

### 6. Self - Assessment

The self-assessment is conducted by assessing the important activities of the Audit Committee against the Audit Committee's charter, relevant rules and regulations as well as good practices. The assessment results indicated that the Audit Committee had performed its duties and responsibilities adequately and efficiently as specified in the Audit Committee's charter, relevant rules and regulations as assigned by the Board of Directors.

The Audit Committee has fulfilled its duties as whole and expressed its opinions 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 a professional. In addition, the company has sufficient and suitable internal control systems suitable for business operations and conforming to the related rules and regulations and laws.

(Mr. Adul Vinaiphat)

Chairman of Audit Committee



The Nomination and Remuneration Committee consists of 3 members as follows:

1. Mr. Somsak Assavapokee Chairman of the Nomination and Remuneration Committee
2. Mr. Shih, Jiing-Fuh Member of the Nomination and Remuneration Committee
3. Dr. Supriya Kuandachakupt Member of the Nomination and Remuneration Committee

Mr. Ruangsak Vitavaskarnvej, First Senior Vice President, Human Resource Group is the secretary.

The Nomination and Remuneration Committee has performed its duties under the scope of responsibilities prescribed in the appointment announcement of the Nomination and Remuneration Committee assigned by the Board of Directors.

During the year 2019, the Nomination and Remuneration Committee had a total of 5 meetings and reported the results of each meeting to the Board of Directors with the summary as follows:

1. Nominate executives to replace those whose contracts expired.
2. Consider the renewal of the retired executives with fixed term contract.
3. Consider the criteria and practices regarding employment of retired employees.
4. Consider the budget for the employees' annual bonus payment in 2019, and salary increase, promotion, budget for position adjustments and budget for salary increases for special cases for the year 2020 to propose to the Board of Directors.
5. Consider the annual performance and the bonus rate for the year 2019 and the rate of salary increase for the year 2020 for the Chief Executive Officer and President to propose to the Board of Directors.
6. Consider the nomination of directors to replace the directors whose term expired.
7. Consider the self-assessment of the Nomination and Remuneration Committee for the year 2019 in accordance with corporate governance principles.
8. Consider and consent the determination of remuneration of directors, meeting allowances for 2020 and directors' gratuity for the year 2019.

(Mr. Somsak Assavapokee)

Chairman of Nomination and Remuneration Committee



The Board of Directors of LH Financial Group Public Company Limited is responsible for the separate 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 with discretion. Material information regarding accounting policy and requirements for financial statements 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 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 reporting and an internal control. The Audit Committee's opinions on these issues are included in the Audit Committee Report in this annual report.

The financial statements of the company were audited by the certified public accountant of EY Office Limited. In the audit, the company has supported all information, data and documents in order that the auditor would be able to audit and address opinions to the financial reporting standards. The auditor's opinions were included in the report of independent auditor in this annual report.

In the Board of Directors' point of view, the company has an appropriate and adequate internal control 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



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 2019, 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 2019, 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 2019, the Group had total loans to customers of Baht 155,866 million (accounting for 65% of total assets) and allowance for doubtful accounts of Baht 4,003 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 process in recording allowance for doubtful accounts.
2. I assessed and tested the internal controls relevant to recording the allowance for doubtful accounts such as collection of loan repayments, classification of loans, valuation of collateral, establishment of assumptions and calculation of the allowance for doubtful accounts, by making enquiries and testing, on a sampling basis, the operation of controls relevant to recording the allowance for doubtful accounts designed by the Group.
3. I tested, on a sampling basis, the data used in calculation of the allowance for doubtful accounts to their sources 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 2019 amounting to Baht 6,607 million, accounted for 76% 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: 28 February 2020



## LH Financial Group Public Company Limited and its subsidiaries

### Statements of financial position

As at 31 December 2019 and 2018

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
<b>Assets</b>					
Cash		1,635,585	1,839,707	10	6
Interbank and money market items - net	6	18,569,123	18,991,507	28,977	2,075
Derivative assets	7	241,376	111,046	-	-
Investments - net	8	66,288,635	67,360,383	8,595,696	8,861,082
Investments in subsidiaries	9	-	-	31,960,323	31,960,323
Loans to customers and accrued interest receivables	10				
Loans to customers		155,866,415	159,347,774	-	-
Accrued interest receivables		217,062	227,333	-	-
Total loans to customers and accrued interest receivables		156,083,477	159,575,107	-	-
Less : Deferred revenue		(26,029)	(33,824)	-	-
Allowance for doubtful accounts	11	(4,002,771)	(3,789,500)	-	-
Revaluation allowance for debt restructuring	12	(13,985)	(11,994)	-	-
Loans to customers and accrued interest receivables - net		152,040,692	155,739,789	-	-
Investment properties - net	14	-	-	36,853	36,985
Properties foreclosed - net	15	73,734	87,949	-	-
Premises and equipment - net	16	280,192	291,709	1,679	-
Intangible assets - net	17	499,875	461,173	-	-
Deferred tax assets	18.1	306,243	282,761	-	-
Accrued interest receivables on investments		285,685	290,818	484	484
Securities business receivables - cash accounts	10.4	62,370	86,147	-	-
Dividend receivable		-	42	-	-
Other assets - net	19	447,777	390,159	35,913	9,271
<b>Total assets</b>		<b>240,731,287</b>	<b>245,933,190</b>	<b>40,659,935</b>	<b>40,870,226</b>

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 2019 and 2018

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
Note		2019	2018	2019	2018
<b>Liabilities and owners' equity</b>					
Deposits	21	164,984,781	168,164,028	-	-
Interbank and money market items	22	10,466,992	9,231,491	360,002	3,388,000
Liabilities payable on demand		52,083	172,822	-	-
Derivative liabilities	7	35,634	-	-	-
Debts issued and borrowings - net	23	21,805,590	26,202,975	4,996,265	2,995,942
Interest payables		581,130	563,532	26,123	14,423
Accrued expenses		497,972	497,732	1,498	990
Provisions for liabilities	24	225,153	144,917	39,758	81
Tax payable		418,931	362,036	65,302	34,139
Revenue received in advance		258,417	287,586	-	-
Accounts payable on securities trading		-	-	-	141,672
Deferred tax liabilities	18.1	32,805	2,346	27,133	-
Payables to Clearing House		3,107	136,033	-	-
Securities business payables		69,989	81,266	-	-
Other liabilities	25	135,924	377,347	3,574	1,363
<b>Total liabilities</b>		<b>199,568,508</b>	<b>206,224,111</b>	<b>5,519,655</b>	<b>6,576,610</b>
<b>Owners' equity</b>					
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	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	8.2	(309,288)	(269,725)	313	(108,237)
Retained earnings					
Appropriated - statutory reserve	27	1,422,720	1,173,410	545,300	423,500
Unappropriated		9,237,771	7,993,818	3,783,093	3,166,779
Equity attributable to the Company's shareholders		41,162,777	39,709,077	35,140,280	34,293,616
Non-controlling interests of the subsidiaries		2	2	-	-
<b>Total owners' equity</b>		<b>41,162,779</b>	<b>39,709,079</b>	<b>35,140,280</b>	<b>34,293,616</b>
<b>Total liabilities and owners' equity</b>		<b>240,731,287</b>	<b>245,933,190</b>	<b>40,659,935</b>	<b>40,870,226</b>

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 2019 and 2018

(Unit: Thousand Baht except earnings per share expressed in Baht)					
		Consolidated		Separate	
		financial statements		financial statements	
	Note	2019	2018	2019	2018
<b>Profit or loss:</b>					
Interest income	30	8,643,260	8,499,965	4,741	5,176
Interest expenses	31	(4,157,144)	(3,694,746)	(182,577)	(85,612)
<b>Net interest income (expenses)</b>		<b>4,486,116</b>	<b>4,805,219</b>	<b>(177,836)</b>	<b>(80,436)</b>
Fees and service income	32	940,399	826,795	-	-
Fees and service expenses	32	(210,991)	(145,571)	(10,332)	(9,507)
<b>Net fees and service income (expenses)</b>		<b>729,408</b>	<b>681,224</b>	<b>(10,332)</b>	<b>(9,507)</b>
Gains on trading and foreign exchange transactions	33	118,915	1,711	142,456	-
Gains on investments	34	1,095,332	341,997	499,487	4,717
Dividend income		1,442,669	1,208,383	2,096,858	2,277,235
Supporting service income		-	-	188,167	-
Other operating income		31,418	21,487	1,926	1,472
<b>Total operating income</b>		<b>7,903,858</b>	<b>7,060,021</b>	<b>2,740,726</b>	<b>2,193,481</b>
<b>Other operating expenses</b>					
Employees' expenses		1,607,194	1,439,470	179,521	2,474
Directors' remuneration	35	46,848	42,742	22,754	18,485
Premises and equipment expenses		731,300	750,071	134	132
Taxes and duties		227,776	219,874	249	17
Advertising and promotional expenses		107,179	91,404	1,911	1,386
Amortisation on intangible assets		118,314	64,974	-	-
Other expenses		166,632	159,592	4,351	3,399
<b>Total other operating expenses</b>		<b>3,005,243</b>	<b>2,768,127</b>	<b>208,920</b>	<b>25,893</b>
<b>Bad debts, doubtful accounts and impairment loss</b>	36	<b>1,092,852</b>	<b>570,163</b>	<b>-</b>	<b>-</b>
<b>Profits before income tax expenses</b>		<b>3,805,763</b>	<b>3,721,731</b>	<b>2,531,806</b>	<b>2,167,588</b>
Income tax expenses	18.2	(591,166)	(613,542)	(96,190)	-
<b>Profits for the years</b>		<b>3,214,597</b>	<b>3,108,189</b>	<b>2,435,616</b>	<b>2,167,588</b>
<b>Other comprehensive income (loss):</b>	37				
Items to be recognised to profit or loss in subsequent periods:					
Gains (losses) on revaluation of available-for-sale investments					
- net of income taxes		(39,563)	(579,855)	108,550	(158,480)
Total items to be recognised to profit or loss in subsequent periods		(39,563)	(579,855)	108,550	(158,480)
Items not to be recognised to profit or loss in subsequent periods:					
Actuarial gains (losses) - net of income taxes		(26,645)	2,734	(2,813)	-
Total items not to be recognised to profit or loss in subsequent periods		(26,645)	2,734	(2,813)	-
<b>Other comprehensive income (loss) for the years</b>		<b>(66,208)</b>	<b>(577,121)</b>	<b>105,737</b>	<b>(158,480)</b>
<b>Total comprehensive income for the years</b>		<b>3,148,389</b>	<b>2,531,068</b>	<b>2,541,353</b>	<b>2,009,108</b>

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



## LH Financial Group Public Company Limited and its subsidiaries

### Statements of comprehensive income (continued)

For the years ended 31 December 2019 and 2018

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2019	2018	2019	2018
<b>Profits for the years attributable to:</b>					
The Company's shareholders		3,214,597	3,108,189	2,435,616	2,167,588
Non-controlling interests of the subsidiaries		-	-		
		<u>3,214,597</u>	<u>3,108,189</u>		
<b>Total comprehensive income for the years attributable to:</b>					
The Company's shareholders		3,148,389	2,531,068	2,541,353	2,009,108
Non-controlling interests of the subsidiaries		-	-		
		<u>3,148,389</u>	<u>2,531,068</u>		
<b>Earnings per share of the Company's shareholders:</b>	<i>38</i>				
Basic earnings per share					
Profits for the years (Baht per share)		0.152	0.147	0.115	0.102

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 2019 and 2018

(Unit: Thousand Baht)

	Consolidated financial statements									
	Equity attributable to the Company's shareholders									
	Other component of owners'									
	equity - Revaluation		surplus (deficit) on		available-for-sale		investments - net		of income taxes	
Note	Issued and paid-up share capital	Share premium	Retained earnings		Appropriated - statutory reserve		Unappropriated		Total equity attributable to the Company's shareholders	
			investments - net		of income taxes		of income taxes		Non-controlling interests of the subsidiaries	
										Total
<b>Balance as at 1 January 2018</b>	21,183,661	9,627,913	310,130	918,910	6,514,331	38,554,945	2	38,554,947		
Appropriated to statutory reserve	-	-	-	254,500	(254,500)	-	-	-	-	-
Dividends paid	-	-	-	-	(1,376,936)	(1,376,936)	-	(1,376,936)	-	(1,376,936)
Profit for the year	-	-	-	-	3,108,189	3,108,189	-	3,108,189	-	3,108,189
Other comprehensive income (loss) for the year	-	-	(579,855)	-	2,734	(577,121)	-	(577,121)	-	(577,121)
Total comprehensive income (loss) for the year	-	-	(579,855)	-	3,110,923	2,531,068	-	2,531,068	-	2,531,068
<b>Balance as at 31 December 2018</b>	21,183,661	9,627,913	(269,725)	1,173,410	7,993,818	39,709,077	2	39,709,079		
<b>Balance as at 1 January 2019</b>	21,183,661	9,627,913	(269,725)	1,173,410	7,993,818	39,709,077	2	39,709,079		
Appropriated to statutory reserve	-	-	-	249,310	(249,310)	-	-	-	-	-
Dividends paid	-	-	-	-	(1,694,689)	(1,694,689)	-	(1,694,689)	-	(1,694,689)
Profit for the year	-	-	-	-	3,214,597	3,214,597	-	3,214,597	-	3,214,597
Other comprehensive loss for the year	-	-	(39,563)	-	(26,645)	(66,208)	-	(66,208)	-	(66,208)
Total comprehensive income (loss) for the year	-	-	(39,563)	-	3,187,952	3,148,389	-	3,148,389	-	3,148,389
<b>Balance as at 31 December 2019</b>	21,183,661	9,627,913	(309,288)	1,422,720	9,237,771	41,162,777	2	41,162,779		

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 2019 and 2018

(Unit: Thousand Baht)

Separate financial statements								
Other component of owners' equity - Revaluation surplus (deficit) on available-for-sale investments - net of income taxes								
Note	Issued and paid-up share capital	Share premium	Retained earnings		Total			
			Appropriated - statutory reserve	Unappropriated				
	21,183,661	9,627,913	50,243	315,100	2,484,527	33,661,444		
27	-	-	-	108,400	(108,400)	-		
28	-	-	-	-	(1,376,936)	(1,376,936)		

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 2019 and 2018

	Consolidated		(Unit: Thousand Baht)	
			Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
<b>Cash flows from operating activities</b>				
Profits before income tax expenses	3,805,763	3,721,731	2,531,806	2,167,588
Adjustments to reconcile profits before income tax expenses				
to net cash provided by (paid from) operating activities				
Depreciation and amortisation	214,035	183,073	134	112
Bad debts, doubtful accounts and impairment loss	1,092,852	570,163	-	-
Provisions for employee benefits	58,946	26,979	3,585	29
Losses on impairment of properties foreclosed	-	38	-	-
Losses on disposals/write-offs of leasehold improvements and equipment	1,425	328	-	-
(Gains) Losses on trading and foreign exchange transactions	(135,868)	2,192	(142,456)	-
Gains on sales of investments	(1,095,332)	(341,997)	(499,487)	(4,717)
Net interest (income) expenses	(4,486,116)	(4,805,219)	177,836	80,436
Dividend income	(1,442,669)	(1,208,383)	(2,096,858)	(2,277,235)
Cash received on interest income	7,123,551	6,994,983	431	866
Cash paid on interest expenses	(4,135,071)	(3,540,547)	(167,492)	(70,474)
Cash paid on income taxes	(472,506)	(627,163)	(10,710)	(5,220)
<b>Profits (loss) from operation before changes in operating assets and liabilities</b>	<b>529,010</b>	<b>976,178</b>	<b>(203,211)</b>	<b>(108,615)</b>
(Increase) decrease in operating assets				
Interbank and money market items	406,919	96,864	(26,902)	4,025
Trading investments	18,437	(27,341)	-	-
Loans to customers	2,503,397	(5,817,081)	-	-
Properties foreclosed	14,215	14,150	-	-
Securities business receivables - cash accounts	23,777	103,065	-	-
Other assets	45,788	(66,056)	(28,272)	(900)
Increase (decrease) in operating liabilities				
Deposits	(3,179,247)	24,433,343	-	-
Interbank and money market items	1,235,501	(6,114,654)	(3,027,998)	1,990,000
Liabilities payable on demand	(120,739)	(46,962)	-	-
Short-term debts issued and borrowings	(3,393,512)	(14,684,492)	-	-
Accrued expenses	28,071	(28,584)	508	(251)
Provisions for liabilities	(12,966)	(10,712)	32,575	72
Payables to Clearing House	(132,926)	(13,520)	-	-
Other liabilities	(182,728)	(31,764)	(26,103)	33,485
<b>Net cash provided by (used in) operating activities</b>	<b>(2,217,003)</b>	<b>(1,217,566)</b>	<b>(3,279,403)</b>	<b>1,917,816</b>

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 2019 and 2018

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2019	2018	2019	2018
<b>Cash flows from investing activities</b>					
Proceeds from sales of available-for-sale investments		7,799,054	3,872,443	2,399,228	911,208
Proceeds from held-to-maturity investments		3,360,730	5,073,412	-	-
Cash received on interest income on investments		1,555,376	1,615,321	4,310	4,310
Cash received on dividend income on investments		1,442,711	1,209,230	2,096,858	3,277,235
Invested in available-for-sale investments		(6,927,856)	(13,318,577)	(1,524,942)	(7,729,572)
Invested in general investments		(2,559)	-	-	-
Invested in held-to-maturity investments		(2,285,886)	(3,705,151)	-	-
Proceeds from disposals of equipment		3,326	159	-	-
Cash paid for purchases of leasehold improvements and equipment		(86,907)	(67,990)	(1,681)	-
Cash paid for purchases of intangible assets		(146,546)	(231,210)	-	-
<b>Net cash provided by (used in) investing activities</b>		<b>4,711,443</b>	<b>(5,552,363)</b>	<b>2,973,773</b>	<b>(3,536,819)</b>
<b>Cash flows from financing activities</b>					
Cash received on long-term debts issued and borrowings		3,000,323	7,991,889	2,000,323	2,995,942
Cash paid for long-term debts issued and borrowings		(4,004,196)	-	-	-
Dividends paid	28	(1,694,689)	(1,376,936)	(1,694,689)	(1,376,936)
<b>Net cash provided by (used in) financing activities</b>		<b>(2,698,562)</b>	<b>6,614,953</b>	<b>305,634</b>	<b>1,619,006</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(204,122)</b>	<b>(154,976)</b>	<b>4</b>	<b>3</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>1,839,707</b>	<b>1,994,683</b>	<b>6</b>	<b>3</b>
<b>Cash and cash equivalents as at 31 December</b>		<b>1,635,585</b>	<b>1,839,707</b>	<b>10</b>	<b>6</b>
<b>Supplemental cash flows information</b>					
Non-cash related items:					
Purchases of assets on credit		27,533	14,975	-	-
Bad debts written-off		34,550	63,199	-	-
Decrease in loans to customers due to debt forgiveness		-	41,533	-	-
Dividend receivable		-	42	-	-
Provisions for decommissioning cost		-	2,500	-	-

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

# LH Financial Group Public Company Limited and its subsidiaries

## Notes to financial statements

For the years ended 31 December 2019 and 2018

### 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 (“SET”) 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 2019 and 2018, 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 Notification No. Sor Nor Sor. 21/2558 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 4 December 2015.

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

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from 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	
		2019	2018	2019	2018	2019	2018
		Percent	Percent	Percent	Percent	Percent	Percent
<u>Subsidiaries directly held by the Company</u>							
Land and Houses Bank Company Limited	Public Banking business	99.99	99.99	93.44	94.59	81.71	88.19
Land and Houses Securities Public Company Limited	Securities business	99.80	99.80	2.79	1.60	4.11	5.11
Land and Houses Fund Management Company Limited	Fund management business	99.99	99.99	0.18	0.19	4.65	3.60
<u>Subsidiary indirectly held by the Company</u>							
Land and Houses Advisory Company Limited	Financial advisory business (operation is temporarily ceased)	99.99	99.99	-	-	-	-

- (b) The Company is deemed to have a control over an investee or a subsidiary if it has rights, or is exposed, to variable returns from its involvement with the entity it has invested and it has the ability to direct the activities that affect the amount of its returns.
- (c) Subsidiaries have been fully consolidated from the date on which the Company has obtained control until the date when such control ceases.
- (d) The financial statements of subsidiaries are prepared for the same reporting period and use the same significant accounting policies as those of the Company.
- (e) The significant outstanding balances and intercompany transactions have been eliminated from the consolidated financial statements. The investments in subsidiaries as recorded in the Company's books of accounts have been eliminated against owners' equity of the subsidiaries.
- (f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that is not held by the Company, and are presented separately in the consolidated statements of comprehensive income and within owners' equity in the consolidated statements of financial position.

## 2.3 The separate financial statements

The Company has prepared the separate financial statements, which have presented investments in subsidiaries under the cost method.

## 3. New and revised financial reporting standards

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

During the year, the Group adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods 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 adoption of these financial reporting standards does not have any significant impact on these financial statements. However, the new and revised standards involve changes to key principles, which are 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 recognised 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.

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

#### **TFRS 4 (revised 2018) Insurance contracts**

This standard provides an option to the qualifying insurers under such standard to use a temporary exemption from adoption of TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, which applicable for the financial reporting period beginning in or after 1 January 2020, on certain topics and can instead adopt the Thai Accounting Guidance applicable for insurance business related to financial instruments and disclosures for the financial reporting period beginning before 1 January 2022 or before the effective date of TFRS 17 Insurance Contracts (when issued).

This standard does not have an impact on these financial statements.

### **3.2 Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2020**

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. 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 except the following new standards which involve changes to key principles, which are summarised below.

### **Financial reporting standards related to financial instruments**

A set of TFRSs related to financial instruments 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

This set of TFRSs 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 this set of TFRSs becomes effective, certain accounting standards, interpretations and guidances, which are currently effective will be cancelled.

The Group's management expects the effect of the adoption of these accounting standards arose from the following transactions:

- The classification and measurement of investments in equity instruments of non-listed companies. The Group is to measure investments in equity instruments of non-listed companies at fair value and to classify the investments as financial assets at fair value, through other comprehensive income (loss). If the Group elects to present subsequent changes in the fair value of the investment through other comprehensive income (loss), the election is irrevocable.
- The Group has to recognise allowance for expected credit losses on its financial assets, and the Group's management expects that the allowance set aside as at 31 December 2019 to be higher than the allowance for expected credit loss calculated in accordance with Thai Financial Reporting Standard 9 as at 1 January 2020. The Group will arrange this allowance as notified to the Bank of Thailand.
- Recognition of derivatives, the Group has derivatives that are held for banking book of a subsidiary (banking business) with notional amounts of Baht 1,149 million. The Group records these as off-balance sheet items and presents them on an accrual basis. Upon the adoption of these accounting standards, the Group will need to recognise derivatives at fair value and adjust the effect of this change in retained earnings as at 1 January 2020.

### **TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise

assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Group plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The Group's management is currently evaluating the impact of this standard on the financial statements in the year when they are adopted.

#### **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 the Securities and Exchange Commission ("SEC").

**(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 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 SET. 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 an allowance for doubtful accounts based on a review of each debtor's repayment capability, taking into consideration the risk of recovery and the value of collateral. An allowance will be set aside for doubtful accounts that their collaterals are not fully covered and/or debtors cannot be recovered in full. Such debt classifications and allowance are made in accordance with the following criteria:

- (a) Debts classified as bad debts are defined as follows:
  - (1) Debts which the subsidiary has made effort to follow up, but could not collect the payment and it has already written them off in accordance with tax law.
  - (2) Debts which the subsidiary has contracted to forgive.
- (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 three months for each installment, on which the principal or interest is overdue longer than three months.
  - (3) Installment loans with repayments scheduled longer than three 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 SEC.



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, 4 and 5 years
Furniture and fixtures	- 4 and 5 years
Office equipment	- 3, 4 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, has entered into derivative financial instruments in order to manage risk of the subsidiary and in response to customer needs.

Financial derivative contracts which were originated for trading purposes are recorded as off-balance items. Gains or losses arising from changes in the fair value of the contracts are recognised as part of profit or loss in the statement of comprehensive income. The fair values of the contracts are based on the quoted market prices. If the fair value of financial derivatives cannot be determined with reference to market price, it is determined using valuation techniques and models, in which the variables used, are derived from observable market factors and adjusted to reflect counterparty credit risk.

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

##### **5.2 Allowance for impairment on investments**

The Group considers setting up an allowance for impairment on investments whenever there is an indication of impairment or 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.

## 6. Interbank and money market items (assets)

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2019			31 December 2018		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand	325,746	-	325,746	1,358,280	-	1,358,280
Commercial banks	154,855	3,338,000	3,492,855	161,679	935,000	1,096,679
Specialised financial institutions	-	2,500,000	2,500,000	-	-	-
Other financial institutions	2,709,000	9,580,978	12,289,978	12,167,000	4,520,000	16,687,000
Total domestic items	3,189,601	15,418,978	18,608,579	13,686,959	5,455,000	19,141,959
Add: Accrued interest receivables	3,908	9,649	13,557	12,724	4,038	16,762
Less: Allowance for doubtful accounts	(27,090)	(152,390)	(179,480)	(113,170)	(54,050)	(167,220)
Total domestic items	3,166,419	15,276,237	18,442,656	13,586,513	5,404,988	18,991,501
<b>Foreign</b>						
US Dollars	119,239	-	119,239	6	-	6
Euro	35	-	35	-	-	-
Other currencies	7,193	-	7,193	-	-	-
Total foreign items	126,467	-	126,467	6	-	6
Total interbank and money market items - net	3,292,886	15,276,237	18,569,123	13,586,519	5,404,988	18,991,507

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2019			31 December 2018		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Commercial banks	28,977	-	28,977	2,075	-	2,075
Interbank and money market items - net	28,977	-	28,977	2,075	-	2,075

## 7. Derivatives

The carrying values of derivatives assets and liabilities consist of derivatives held for trading measured at fair value and derivatives held for banking book recognised on an accrual basis.

(Unit: Thousand Baht)

Types of derivatives	Consolidated financial statements			
	31 December 2019		31 December 2018	
	Fair value / Carrying value		Fair value / Carrying value	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	56,864	35,634	-	-
Derivatives held for banking book	184,512	-	111,046	-
Total	241,376	35,634	111,046	-

### Derivatives held for trading

As at 31 December 2019 and 2018, the fair values and the notional amounts of derivatives held for trading, classified by type of risk, were as follows:

(Unit: Thousand Baht)

Types of risk	Consolidated financial statements					
	31 December 2019			31 December 2018		
	Fair value		Notional amounts *	Fair value		Notional amounts *
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate	56,864	35,634	18,336,461	-	-	-
Total	56,864	35,634	18,336,461	-	-	-

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

As at 31 December 2019 and 2018, the proportions of trading derivative transactions, determined based on the notional amount of derivatives contracts, presented by type of counterparty were as follows:

Counterparty	Consolidated financial statements	
	31 December 2019	31 December 2018
	(Percent)	(Percent)
Financial institutions	97.81	-
Third parties	2.19	-
Total	100.00	-

### Derivatives held for banking book

As at 31 December 2019 and 2018, the carrying values and the notional amounts of derivatives held for banking book, classified by type of risk, were as follows:

(Unit: Thousand Baht)						
Consolidated financial statements						
Types of risk	31 December 2019			31 December 2018		
	Carrying value		Notional amounts *	Carrying value		Notional amounts *
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate and						
interest rate	184,512	-	1,149,440	111,046	-	1,149,440
Total	184,512	-	1,149,440	111,046	-	1,149,440

\* 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		Separate	
	financial statements		financial statements	
	31 December		31 December	
	2019	2018	2019	2018
<b>Trading investments – fair value</b>				
Domestic marketable equity securities				
- Stocks	4,659	25,328	-	-
- Investment units	22,545,019	-	8,511,203	-
Total trading investments	22,549,678	25,328	8,511,203	-
<b>Available-for-sale investments</b>				
- fair value				
Government and state enterprise securities	-	180,517	-	-
Private sector debt securities	1,055,563	1,033,761	84,493	85,284
Domestic marketable equity securities				
- Stocks	592,240	739,900	-	-
- Investment units	-	21,996,872	-	8,766,194
Investment units	-	129,343	-	9,604
Total available-for-sale investments	1,647,803	24,080,393	84,493	8,861,082
<b>Held-to-maturity investments</b>				
- amortised cost				
Government and state enterprise securities	18,336,809	17,308,652	-	-
Private sector debt securities	18,347,043	20,467,773	-	-
Other debt securities	5,390,942	5,464,436	-	-
Total held-to-maturity investments	42,074,794	43,240,861	-	-
<b>General investments – cost</b>				
Domestic non-marketable equity securities -				
Stocks	16,385	13,826	-	-
Less: Allowance for impairment	(25)	(25)	-	-
General investments – net	16,360	13,801	-	-
Investments – net	66,288,635	67,360,383	8,595,696	8,861,082

## 8.2 Revaluation surplus (deficit) on available-for-sale investments

As at 31 December 2019 and 2018, revaluation surplus (deficit) on available-for-sale investments consisted of:

	Consolidated		Separate	
	financial statements		financial statements	
	31 December		31 December	
	2019	2018	2019	2018
<b>Revaluation surplus on the reclassified investments</b>				
Debt securities	61,939	66,973	-	-
Total	61,939	66,973	-	-
<b>Revaluation deficit on the reclassified investments</b>				
Debt securities	(110,079)	(123,083)	(928)	(928)
Total	(110,079)	(123,083)	(928)	(928)
<b>Revaluation surplus on investments</b>				
Debt securities	-	-	1,320	2,112
Equity securities	-	599,399	-	164,169
Total	-	599,399	1,320	166,281
<b>Revaluation deficit on investments</b>				
Debt securities	(6,344)	(32,504)	-	-
Equity securities	(332,126)	(822,348)	-	(273,590)
Total	(338,470)	(854,852)	-	(273,590)
<b>Revaluation surplus (deficit) on available-for-sale investments</b>				
	(386,610)	(311,563)	392	(108,237)
Add (less): Income taxes	77,322	41,838	(79)	-
<b>Revaluation surplus (deficit) on available-for-sale investments – net of income taxes</b>				
	(309,288)	(269,725)	313	(108,237)

## 8.3 Investments of 10% or more held by the subsidiary

As at 31 December 2019 and 2018, 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:

	Consolidated financial statements	
	31 December	
	2019	2018
Infrastructure Fund (presented at fair value)	285,250	346,500
	285,250	346,500



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

(Unit: Thousand Baht)

	Consolidated financial statements							
	31 December 2019				31 December 2018			
	Number of companies	Cost	Fair value	Allowance for impairment	Number of companies	Cost	Fair value	Allowance for impairment
General investments								
Companies which auditors' report indicating going concern issues	1	25	-	25	1	25	-	25
	1	25	-	25	1	25	-	25

#### 8.5 Reclassification of investment types

During the year ended 31 December 2019, the Group reclassified its investment units from available-for-sale investments to be trading investments, as approved by the resolution of the meeting of Investment Committee of the Company, whereby the fair value and the cost of the reclassified investments as at the reclassification date amounted to Baht 22,028 million and Baht 22,434 million, respectively, and the difference of Baht 406 million was recognised as a part of "Gains (losses) on trading and foreign exchange transactions" in profit or loss (the Company only: The fair value and the cost of the reclassified investments as at the reclassification date amounted to Baht 8,247 million and Baht 8,369 million, respectively, and the difference of Baht 122 million).

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 between fair value and cost of Baht 165 million was recognised in 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	
	2019	2018	2019 (Percent)	2018 (Percent)	2019	2018
<u>Subsidiaries directly held by the Company</u>						
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
					<u>31,960,323</u>	<u>31,960,323</u>
<u>Subsidiary indirectly via another subsidiary</u>						
Land and Houses Advisory Company Limited	20,000	20,000	99.99	99.99	5,115 <sup>(1)</sup>	5,398 <sup>(1)</sup>

<sup>(1)</sup> 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	
	2019	2018
Overdrafts	4,318,141	4,736,537
Loans	113,374,942	107,244,192
Bills	37,328,743	46,202,754
Hire purchase receivables	174,589	355,567
Securities and derivatives business receivables	670,000	808,724
Total loans to customers	155,866,415	159,347,774
Less: Deferred revenue	(26,029)	(33,824)
Loans to customers net of deferred revenue	155,840,386	159,313,950
Add: Accrued interest receivables	217,062	227,333
Total loans to customers and accrued interest receivables	156,057,448	159,541,283
Less: Allowance for doubtful accounts	(4,002,771)	(3,789,500)
Revaluation allowance for debt restructuring	(13,985)	(11,994)
Loans to customers and accrued interest receivables - net	<u>152,040,692</u>	<u>155,739,789</u>

## 10.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2019			31 December 2018		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	154,614,871	-	154,614,871	159,313,950	-	159,313,950
US Dollars	1,225,515	-	1,225,515	-	-	-
Total	<u>155,840,386</u>	<u>-</u>	<u>155,840,386</u>	<u>159,313,950</u>	<u>-</u>	<u>159,313,950</u>

## 10.3 Classified by business types and loan classification

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2019					
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	4,990	-	-	-	7,924	12,914
Manufacturing and commerce	36,944,589	894,662	1,015	-	475,266	38,315,532
Real estate and construction	22,380,187	221,231	44,406	-	579,963	23,225,787
Public utilities and services	37,203,326	1,977,120	-	-	766,313	39,946,759
Housing loans	19,722,129	270,390	121,261	44,761	669,430	20,827,971
Financial intermediation	31,405,281	-	-	-	-	31,405,281
Others	1,994,994	20,512	35,320	4,387	50,929	2,106,142
Loans to customers net of deferred revenue	<u>149,655,496</u>	<u>3,383,915</u>	<u>202,002</u>	<u>49,148</u>	<u>2,549,825</u>	<u>155,840,386</u>

(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	<u>153,996,860</u>	<u>1,796,893</u>	<u>314,813</u>	<u>26,573</u>	<u>3,178,811</u>	<u>159,313,950</u>

## 10.4 Classified by loan classification

### (a) Banking business

As at 31 December 2019 and 2018, 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 2019				
Loans to customers and accrued interest receivables	Net amount used for setting allowance for doubtful accounts <sup>(1)</sup>	Minimum rates	Allowance for doubtful accounts	
(Percent)				
Provision at BoT’s minimum required rates				
Pass	149,213,647	84,082,520	1	840,825
Special-mention	3,395,427	154,604	2	3,092
Sub-standard	179,315	21,330	100	21,330
Doubtful	46,296	5,392	100	5,392
Doubtful of loss	2,549,825	420,512	100	420,512
Total	155,384,510	84,684,358		1,291,151
Additional provision for specific debtors				1,836,517
General provision				872,251
Total				3,999,919

<sup>(1)</sup> 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 2018				
	Loans to customers and accrued interest receivables	Net amount used for setting allowance for doubtful accounts <sup>(1)</sup>	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

<sup>(1)</sup> 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 2019 and 2018, 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 2019			31 December 2018			
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	647,288	-	647,288	812,149	-	812,149
Sub-standard	22,798	-	22,798	-	-	-
Doubtful	2,852	2,852	-	-	-	-
Total	672,938	2,852	670,086	812,149	-	812,149

In addition, as at 31 December 2019 and 2018, that subsidiary also had outstanding receivables due from cash account customers totaling Baht 62 million and Baht 86 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 2019 and 2018, non-performing loans from banking business were as follows:

	Consolidated financial statements	
	31 December	
	2019	2018
Non-performing loans (Thousand Baht)	2,775,436	3,520,197
Percentage of non-performing loans to total loans <sup>(1)</sup>	1.55%	1.93%

<sup>(1)</sup> 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 2019 and 2018, the subsidiary had loans to customers on which interest income recognition was ceased on an accrual basis:

	Consolidated financial statements	
	31 December	
	2019	2018
Non-accrued loans (Thousand Baht)	2,776,564	3,540,246
Percentage of non-accrued loans to total loans <sup>(1)</sup>	1.60%	2.00%

<sup>(1)</sup> 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 2019 and 2018, 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 2019			
Number of debtors	Debt balances	Collateral value	Allowance for doubtful accounts/Revaluation allowance
<u>Banking business</u>			
Companies and persons that have repayment problems or defaulted payments	439	6,170,863	5,557,513
			463,443
<u>Securities business</u>			
Companies and persons that have repayment problems or defaulted payments	1	25,650	22,687
			2,852

(Unit: Thousand Baht)

Consolidated financial statements			
31 December 2018			
Number of debtors	Debt balances	Collateral value	Allowance for doubtful accounts/Revaluation allowance
<u>Banking business</u>			
Companies and persons that have repayment problems or defaulted payments	381	5,324,570	4,359,084
			871,370

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 2019 and 2018, 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 2019				
	Debt balances (principal and accrued interest receivables)		Debt hair-cut loss per agreements	Losses on debt restructuring
	Number of debtors	Before restructuring	After restructuring	
Modification of terms of payments	55	1,726,921	1,726,921	-
Total restructured debts	55	1,726,921	1,726,921	-

(Unit: Thousand Baht)

Consolidated financial statements				
For the year ended 31 December 2018				
	Debt balances (principal and accrued interest receivables)		Debt hair-cut loss per agreements	Losses on debt restructuring
	Number of debtors	Before restructuring	After restructuring	
Modification of terms of payments	71	3,876,567	3,835,034	41,533
Total restructured debts	71	3,876,567	3,835,034	41,533

For the years ended 31 December 2019 and 2018, 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				
	2019		2018	
Term of repayment under restructuring agreements	Number of debtors	Debt balances after restructuring	Number of debtors	Debt balances after restructuring
Less than 5 years	29	811,933	38	2,601,554
5 - 10 years	14	880,620	15	1,164,534
10 - 15 years	1	3,100	4	31,039
More than 15 years	11	31,268	14	37,907
Total	55	1,726,921	71	3,835,034

Supplemental information for the years ended 31 December 2019 and 2018, relating to the restructured debts, were as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2019	2018
Interest income recognised in profit or loss	231,902	190,338
Cash settlement by debtors	1,030,177	649,996
Cash received from disposals of non-performing loans	1,297,963	127,637
Losses on debt restructuring	4,602	11,294
Debt hair-cut loss per agreements	-	41,533

As at 31 December 2019 and 2018, 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 receivables)	Number of debtors	Debt balances (principal and accrued interest receivables)
31 December 2019	9,734	156,057,448	247	4,657,237
31 December 2018	10,615	159,541,283	278	6,356,713

As at 31 December 2019 and 2018, the subsidiary had no outstanding commitments to provide additional loan facilities after restructuring.

## 10.9 Hire purchase receivables

As at 31 December 2019 and 2018, 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 2019			
	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	99,040	72,658	2,891	174,589
Less: Deferred revenue	(6,637)	(4,097)	(54)	(10,788)
Present value of minimum lease payments	92,403	68,561	2,837	163,801
Less: Allowance for doubtful accounts				(16,649)
Hire purchase receivables - net				147,152

	(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

## 11. Allowance for doubtful accounts

(Unit: Thousand Baht)

Consolidated financial statements								
For the year ended 31 December 2019								
	Provision at BoT's and SEC's minimum required rates					Additional provision for specific debtors	General provision	Total
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss			
Balances - beginning of the year	823,899	1,776	109,908	3,890	755,424	1,180,620	913,983	3,789,500
Increase (decrease) during the year	74,701	133,298	(44,031)	7,133	335,511	655,897	(39,303)	1,123,206
Bad debts written-offs	-	-	-	-	(34,550)	-	-	(34,550)
Decrease as a result of disposals	(57,775)	(131,982)	(44,547)	(2,779)	(618,735)	-	-	(855,818)
Transfer to revaluation allowance for debt restructuring	-	-	-	-	-	-	(2,429)	(2,429)
Transfer to allowance for doubtful accounts for other assets	-	-	-	-	(17,138)	-	-	(17,138)
Balances - end of the year	840,825	3,092	21,330	8,244	420,512	1,836,517	872,251	4,002,771

(Unit: Thousand Baht)

Consolidated financial statements								
For the year ended 31 December 2018								
	Provision at BoT's minimum required rates					Additional provision for specific debtors	General provision	Total
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss			
Balances - beginning of the year	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-offs	-	-	-	-	(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

## 12. Revaluation allowance for debt restructuring

(Unit: Thousand Baht)

Consolidated financial statements		
For the years ended 31 December		
	2019	2018
Balances - beginning of the years	11,994	14,023
Increase during the years	4,430	65,132
Decrease during the years	(3,166)	(25,997)
Debt hair-cut loss during the years	-	(41,533)
Adjustment during the years	727	369
Balances - end of the years	13,985	11,994

## 13. Disposals of non-performing loans

For the years ended 31 December 2019 and 2018, 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)

Consolidated financial statements							
For the year ended 31 December 2019				For the year ended 31 December 2018			
Batch	Month sold	Outstanding balances (including relevant other assets)	Selling price	Batch	Month sold	Outstanding balances (including relevant other assets)	Selling price
1	May	823	675	1	March	144	112
2	May	269	158	2	November	210	159
3	September	859	427				
4	October	882	700				
		<u>2,833</u>	<u>1,960</u>			<u>354</u>	<u>271</u>

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 October 2020 (for sale in October 2019), no later than September 2020 (for sale in September 2019) and no later than May 2020 (for sale in May 2019) 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 2019, 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 2019 and 2018, the carrying values of investment properties were presented below.

(Unit: Thousand Baht)

	Separate financial statements		
	Land	Office building for rent	Total
<b>Cost</b>			
1 January 2018	35,358	2,642	38,000
31 December 2018	35,358	2,642	38,000
31 December 2019	35,358	2,642	38,000
<b>Accumulated depreciation</b>			
1 January 2018	-	883	883
Depreciation charged for the year	-	132	132
31 December 2018	-	1,015	1,015
Depreciation charged for the year	-	132	132
31 December 2019	-	1,147	1,147
<b>Net book value</b>			
31 December 2018	35,358	1,627	36,985
31 December 2019	35,358	1,495	36,853
<b>Depreciation for the years</b>			
2018			132
2019			132
<b>Fair values</b>			
31 December 2018	36,640	2,999	
31 December 2019	36,620	3,279	

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 2019			
	31 December 2018	Increase	31 December 2019
<b>Properties foreclosed – Immovable assets</b>			
Appraised by external appraisers:			
Cost	9,461	13	9,474
Allowance for impairment	-	-	-
Net book value	9,461	13	9,474
Appraised by internal appraisers:			
Cost	76,626	2,713	62,398
Allowance for impairment	-	-	-
Net book value	76,626	2,713	62,398
Properties foreclosed – Immovable assets	86,087	2,726	71,872
<b>Properties foreclosed – Movable assets</b>			
Appraised by external appraisers:			
Cost	3,560	-	3,560
Allowance for impairment	(1,698)	-	(1,698)
Net book value	1,862	-	1,862
Properties foreclosed – Movable assets	1,862	-	1,862
<b>Total properties foreclosed</b>	<b>87,949</b>	<b>2,726</b>	<b>73,734</b>

(Unit: Thousand Baht)

Consolidated financial statements				
For the year ended 31 December 2018				
	31 December			31 December
	2017	Increase	Disposal	2018
<b>Properties foreclosed – Immovable assets</b>				
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
<b>Properties foreclosed – Movable assets</b>				
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
<b>Total properties foreclosed</b>	<b>102,137</b>	<b>3,815</b>	<b>(18,003)</b>	<b>87,949</b>

As at 31 December 2019 and 2018, 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
<b>Cost</b>								
1 January 2018	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
Additions	-	-	11,037	5,630	52,217	9,016	11,096	88,996
Written-offs/disposals	-	-	(48,897)	(13,438)	(361)	(7,050)	-	(69,746)
Transferred in (out)	-	-	12,487	-	-	-	(12,487)	-
31 December 2019	75,947	12,853	436,386	158,389	706,722	21,744	3,037	1,415,078
<b>Accumulated depreciation</b>								
1 January 2018	-	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
Accumulated depreciation on written-offs/disposals	-	-	(46,594)	(12,879)	(300)	(5,222)	-	(64,995)
Depreciation charged for the year	-	642	26,598	9,456	55,815	3,251	-	95,762
31 December 2019	-	4,665	383,521	140,842	592,701	13,157	-	1,134,886
<b>Net book value</b>								
31 December 2018	75,947	8,830	58,242	21,932	117,680	4,650	4,428	291,709
31 December 2019	75,947	8,188	52,865	17,547	114,021	8,587	3,037	280,192
<b>Depreciation for the years</b>								
2018								117,742
2019								95,762

(Unit: Thousand Baht)

	Separate financial statements			
	Leasehold improvements	Furniture and fixtures	Office equipment	Total
<b>Cost</b>				
1 January 2018	-	-	-	-
Additions	-	-	-	-
31 December 2018	-	-	-	-
Additions	1,453	168	60	1,681
31 December 2019	1,453	168	60	1,681
<b>Accumulated depreciation</b>				
1 January 2018	-	-	-	-
Depreciation charged for the year	-	-	-	-
31 December 2018	-	-	-	-
Depreciation charged for the year	2	-	-	2
31 December 2019	2	-	-	2
<b>Net book value</b>				
31 December 2018	-	-	-	-
31 December 2019	1,451	168	60	1,679
<b>Depreciation for the years</b>				
2018				-
2019				2

As at 31 December 2019 and 2018, 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 896 million and Baht 764 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
<b>Cost</b>					
1 January 2018	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
Additions	77,011	2,858	-	77,147	157,016
Written-offs	(383)	-	-	-	(383)
Transferred in (out)	228,681	-	-	(228,681)	-
31 December 2019	1,087,087	40,951	80,041	13,837	1,221,916
<b>Accumulated amortisation</b>					
1 January 2018	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
Written-offs	(383)	-	-	-	(383)
Amortisation charged for the year	114,396	3,918	-	-	118,314
31 December 2019	693,089	28,952	-	-	722,041
<b>Net book value</b>					
31 December 2018	202,702	13,059	80,041	165,371	461,173
31 December 2019	393,998	11,999	80,041	13,837	499,875
<b>Amortisation for the years</b>					
2018					64,974
2019					118,314
<b>Remaining amortisation periods</b>					
(years)	0 - 5	1 - 10	-	-	

As at 31 December 2019 and 2018, 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 480 million and Baht 428 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			
		2019	2018	2019	2018
Deferred tax assets (liabilities) arose from:					
Allowance for doubtful accounts					
- general provision	163,250	170,767	(7,517)	(17,458)	
Allowance for doubtful accounts					
- other assets	5,429	13,952	(8,523)	1,770	
Allowance for impairment on investments	862	814	48	814	
Allowance for impairment on properties foreclosed	340	340	-	340	
Non-accrued interest income	10,509	12,276	(1,767)	1,867	
Assets written-offs	319	469	(150)	(347)	
Bad debts written-offs	-	11,505	(11,505)	-	
Provisions for employee benefits	36,727	27,219	9,508	2,620	
Vacation leave accruals	1,054	1,200	(146)	-	
Revaluation deficit on available-for-sale					
investments	77,322	41,838	35,484	119,370	
Allowance for revaluation on trading investments	(22,551)	-	(22,551)	-	
Tax losses from prior year as recognised					
deferred tax assets during the year	-	-	13,070	-	
Utilised tax losses during the year	-	-	(13,070)	-	
Others	177	35	142	(154)	
Total	273,438	280,415	(6,977)	108,822	
Presented separately in statements of financial position:					
Deferred tax assets	306,243	282,761			
Deferred tax liabilities	(32,805)	(2,346)			
Total	273,438	280,415			
Changes in deferred income taxes:					
Recognised in profit or loss			(49,122)	(9,864)	
Recognised in other comprehensive income (loss)			42,145	118,686	
Total			(6,977)	108,822	

(Unit: Thousand Baht)

	Separate financial statements			
			Changes in deferred income taxes for the years ended	
	31 December		31 December	
	2019	2018	2019	2018
Deferred tax liabilities arose from:				
Provisions for employee benefits	1,437	-	1,437	-
Revaluation surplus on available-for-sale investments	(79)	-	(79)	12,561
Allowance for revaluation on trading investments	(28,491)	-	(28,491)	-
Tax losses from prior year as recognised				
deferred tax assets during the year	-	-	13,070	-
Utilised tax losses during the year	-	-	(13,070)	-
Total	(27,133)	-	(27,133)	12,561
Presented separately in statements of financial position:				
Deferred tax assets	-	-		
Deferred tax liabilities	(27,133)	-		
Total	(27,133)	-		
Changes in deferred income taxes:				
Recognised in profit or loss			(27,758)	-
Recognised in other comprehensive income (loss)			625	12,561
Total			(27,133)	12,561

As at 31 December 2019 and 2018, the Group did not recognise deferred income taxes on unused tax losses totaling Baht 2 million and Baht 77 million, respectively (the Company only: As at 31 December 2018 totaling Baht 75 million) as deferred tax assets since they believe it is unlikely that certain 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 2020 to 2024.

## 18.2 Income taxes

Income tax expenses reported in profit or loss for the years ended 31 December 2019 and 2018 were as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2019	2018	2019	2018
<b>Current income taxes:</b>				
Corporate income taxes for the years	(542,044)	(603,678)	(68,432)	-
<b>Deferred income taxes:</b>				
Deferred income taxes from temporary differences and reversal of temporary differences	(49,122)	(9,864)	(27,758)	-
Income tax expenses reported in profit or loss	(591,166)	(613,542)	(96,190)	-

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2019 and 2018 multiplied by the applicable tax rate were as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2019	2018	2019	2018
Accounting profits before income tax expenses	3,805,763	3,721,731	2,531,806	2,167,588
Applicable tax rate	20%	20%	20%	20%
Income taxes calculated based on accounting profits	(761,153)	(744,346)	(506,361)	(433,518)
<b>Tax effects of:</b>				
Tax-exempted revenues	151,638	127,696	397,103	437,091
Expenses with additional privilege for more tax-deductible	8,021	10,283	-	22
Non-tax deductible expenses	(2,162)	(1,940)	(2)	(6)
Unused tax losses of prior years, which had not recognised for deferred tax assets, but were utilised during the year	13,070	-	13,070	-
Others	(580)	(5,235)	-	(3,589)
Income tax expenses reported in profit or loss	(591,166)	(613,542)	(96,190)	-

The amounts of income tax recognised in other comprehensive income (loss) for the years ended 31 December 2019 and 2018 were summarised below:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2019	2018	2019	2018
Deferred income taxes relating to:				
(Gains) losses on revaluation of available-for-sale investments	35,484	119,370	(79)	12,561
Actuarial (gains) losses	6,661	(684)	704	-
Income taxes reported in other comprehensive income (loss)	42,145	118,686	625	12,561

## 19. Other assets

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	31 December		31 December	
	2019	2018	2019	2018
Deposits and guarantees	97,746	99,595	1	1
Receivables on disposals of properties foreclosed through auctions	82,465	3,104	-	-
Accrued income	52,039	33,812	28,920	-
Prepaid expenses	47,844	44,865	1,772	2,421
Suspense accounts - debtors	38,639	162,484	-	-
Contribution and deposit for Securities Clearing Fund	36,316	33,343	-	-
Token money	30,790	26,328	-	-
Deferred expenses	27,300	26,384	-	-
Receivables from Clearing House	25,028	6,609	-	-
Other receivable per Credit Support Annex	13,614	-	-	-
Account Receivable - Revenue Department	12,271	-	5,220	-
Security deposits	5,080	5,043	-	-
Withholding income tax awaiting refund	2	13,883	-	6,849
Others	6,198	4,878	-	-
Total	475,332	460,328	35,913	9,271
Less: Allowance for doubtful accounts/allowance for impairment	(27,555)	(70,169)	-	-
Other assets - net	447,777	390,159	35,913	9,271

## 20. Quality of assets

As at 31 December 2019 and 2018, 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 2019					
	Interbank and money market items and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets	Total
<u>Classification of assets</u>					
Pass	18,141,182	-	149,213,647	-	167,354,829
Special-mention	-	-	3,395,427	-	3,395,427
Sub-standard	-	-	179,315	-	179,315
Doubtful	-	-	46,296	-	46,296
Doubtful of loss	-	558,091	2,549,825	27,145	3,135,061
Total	18,141,182	558,091	155,384,510	27,145	174,110,928

(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
<u>Classification of assets</u>					
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

## 21. Deposits

### 21.1 Classified by type of deposits

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December	
	2019	2018
Demand deposits	4,253,649	6,072,796
Savings deposits	62,011,321	74,911,493
Time deposits	65,147,694	55,585,078
Fixed deposit receipts	33,572,117	31,594,661
<b>Total deposits</b>	<b>164,984,781</b>	<b>168,164,028</b>

### 21.2 Classified by currency and residency of depositors

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2019			31 December 2018		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	164,631,712	52	164,631,764	168,164,028	-	168,164,028
US Dollars	146,376	206,641	353,017	-	-	-
<b>Total</b>	<b>164,778,088</b>	<b>206,693</b>	<b>164,984,781</b>	<b>168,164,028</b>	<b>-</b>	<b>168,164,028</b>

## 22. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2019			31 December 2018		
	At call	Term	Total	At call	Term	Total
<b>Domestic:</b>						
Commercial banks	9	1,000	1,009	468	1,000	1,468
Specialised financial institutions	-	2,551,466	2,551,466	-	3,044,216	3,044,216
Other financial institutions	6,480,686	843,915	7,324,601	3,984,460	1,950,477	5,934,937
<b>Total domestic items</b>	<b>6,480,695</b>	<b>3,396,381</b>	<b>9,877,076</b>	<b>3,984,928</b>	<b>4,995,693</b>	<b>8,980,621</b>
<b>Foreign:</b>						
Baht	30	-	30	250,870	-	250,870
US Dollars	1,883	588,003	589,886	-	-	-
<b>Total foreign items</b>	<b>1,913</b>	<b>588,003</b>	<b>589,916</b>	<b>250,870</b>	<b>-</b>	<b>250,870</b>
<b>Total interbank and money market items</b>	<b>6,482,608</b>	<b>3,984,384</b>	<b>10,466,992</b>	<b>4,235,798</b>	<b>4,995,693</b>	<b>9,231,491</b>



(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2019			31 December 2018		
	At call	Term	Total	At call	Term	Total
<b>Domestic:</b>						
Commercial banks	360,002	-	360,002	3,388,000	-	3,388,000
Total interbank and money market items	360,002	-	360,002	3,388,000	-	3,388,000

**23. Debts issued and borrowings**

(Unit: Thousand Baht)

	Consolidated financial statements									
	31 December 2019					31 December 2018				
	Interest rate per annum	Matured in year	Domestic	Overseas	Total	Interest rate per annum	Matured in year	Domestic	Overseas	Total
Bills of exchange	1.80%-2.75%	2020	8,931,717	-	8,931,717	1.50%-1.85%	2019	14,298,000	-	14,298,000
Subordinated debentures <sup>(1)</sup>	5.125%	2025	3,915,900	-	3,915,900	5.125%	2025	3,915,900	-	3,915,900
Unsubordinated and unsecured debentures	1.75%-3.11%	2020-2022	9,000,000	-	9,000,000	1.70%-3.11%	2019-2020	8,000,000	-	8,000,000
Borrowings from Department of Alternative Energy Development and Efficiency	0%	2021-2022	8,129	-	8,129	0%	2021-2022	12,324	-	12,324
<b>Total</b>			21,855,746	-	21,855,746			26,226,224	-	26,226,224
<b>Less: Deferred expenses</b>			(50,156)	-	(50,156)			(23,249)	-	(23,249)
<b>Debts issued and borrowings - net</b>			21,805,590	-	21,805,590			26,202,975	-	26,202,975

<sup>(1)</sup> 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 2019					31 December 2018				
	Interest rate per annum	Matured in year	Domestic	Overseas	Total	Interest rate per annum	Matured in year	Domestic	Overseas	Total
Unsubordinated and unsecured debentures	2.40%-3.11%	2020-2022	5,000,000	-	5,000,000	2.79%-3.11%	2020	3,000,000	-	3,000,000
<b>Total</b>			5,000,000	-	5,000,000			3,000,000	-	3,000,000
<b>Less: Deferred expenses</b>			(3,735)	-	(3,735)			(4,058)	-	(4,058)
<b>Debts issued and borrowings - net</b>			4,996,265	-	4,996,265			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 2019			
	Provisions for employee benefits	Provisions for decommissioning cost	Provisions for other liabilities	Total
As at 1 January 2019	136,311	8,126	480	144,917
Increase during the year	92,467	-	1,550	94,017
Paid during the year	(12,351)	(615)	-	(12,966)
Decrease from adjustment	(215)	-	(600)	(815)
As at 31 December 2019	216,212	7,511	1,430	225,153

(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)

	Separate financial statements			
	For the year ended 31 December 2019			
	Provisions for employee benefits	Provisions for decommissioning cost	Provisions for other liabilities	Total
As at 1 January 2019	81	-	-	81
Increase during the year	39,758	-	-	39,758
Decrease from adjustment	(81)	-	-	(81)
As at 31 December 2019	39,758	-	-	39,758

(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 years ended 31 December	
	2019	2018	2019	2018
Provisions for employee benefits				
at the beginning of the years	136,311	123,134	81	-
Current service costs	31,340	23,977	3,115	29
Interest costs	4,195	3,002	551	-
Past service costs	23,626	-	-	-
Employees transferred in among the group	-	-	32,575	72
Actuarial (gains) losses arose from:				
Demographic assumption changes	(2,145)	-	-	-
Financial assumption changes	25,329	(50)	3,517	-
Experience adjustments	10,122	(3,368)	-	-
Benefits paid during the years	(12,351)	(10,364)	-	-
Others	(215)	(20)	(81)	(20)
Provisions for employee benefits at the end of the years	216,212	136,311	39,758	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	
	2019	2018	2019	2018
Current service costs	31,340	23,977	3,115	29
Interest costs	4,195	3,002	551	-
Past service costs	23,626	-	-	-
Total employee benefit expenses	59,161	26,979	3,666	29

As at 31 December 2019 and 2018, the subsidiaries expected to pay approximately Baht 4.8 million and Baht 7.2 million, respectively, on employee benefits payable within the next 1-year period (the Company only: as at 31 December 2019 expected to pay approximately Baht 1.3 million on employee benefits payable within the next 1-year period and as at 31 December 2018, the Company expected no employee benefits payable within the next 1-year period).

As at 31 December 2019 and 2018, the subsidiaries' weighted average durations of employee benefit payments were estimated to be 7-11 years and 8-10 years, respectively (the Company only: as at 31 December 2019 and 2018, the Company's weighted average durations of employee benefit payments were estimated 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	
	2019	2018	2019	2018
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Future salary incremental rates	5.0, 5.5	5.0, 5.5	5.5	5.0
Turnover rates	0 - 40	0 - 30	0 - 40	0 - 30
Discount rates	1.41, 1.56, 1.57, 2.54, 2.58, 2.62 and 2.72	2.44, 2.54, 2.58 and 2.72	1.57 and 2.54	2.44 and 2.54

The impacts from changes in significant assumptions on provisions for employee benefits as at 31 December 2019 and 2018 were summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2019		31 December 2018	
	Increase (decrease)		Increase (decrease)	
	in provisions for employee benefits		in provisions for employee benefits	
Significant assumptions	+ 0.5%	- 0.5%	+ 0.5%	- 0.5%
Future salary incremental rates	11,619	(10,899)	7,615	(7,129)
Discount rates	(10,607)	11,419	(6,673)	7,187

(Unit: Thousand Baht)

	Separate financial statements			
	31 December 2019		31 December 2018	
	Increase (decrease)		Increase (decrease)	
	in provisions for employee benefits		in provisions for employee benefits	
Significant assumptions	+ 0.5%	- 0.5%	+ 0.5%	- 0.5%
Future salary incremental rate	2,073	(1,942)	-	-
Discount rate	(1,875)	2,022	-	-

On 5 April 2019, the Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. This change is considered a post-employment benefits plan amendment resulting in the Group having additional provisions for employee benefits of Baht 23.6 million. The Group recognised the effect of such change by recognising past service costs of such amount as expenses in profit or loss for the current year.

## 25. Other liabilities

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	31 December		31 December	
	2019	2018	2019	2018
Suspense accounts - creditors	47,543	348,537	1,662	1,063
Other payable per Credit Support Annex	39,400	-	-	-
Accounts payable on acquisition of equipment and intangible assets	27,550	14,975	-	-
Account payable - Revenue Department	5,455	3,543	1,612	-
Deposits received	6,357	6,402	300	300
Advances received from electronic transactions	1,704	308	-	-
Others	7,915	3,582	-	-
Total other liabilities	135,924	377,347	3,574	1,363

## 26. Share capital/share premium

Reconciliation of issued and paid-up share capital and share premium during the years ended 31 December 2019 and 2018 as follows:

	Consolidated and separate financial statements		
	For the year ended 31 December 2019		
	Share capital		Share premium
	Number of shares	Thousand Baht	Thousand Baht
<u>Issued and paid-up share capital</u>			
Ordinary share capital at beginning of the year	21,183,660,594	21,183,661	9,627,913
Ordinary share capital at end of the year	21,183,660,594	21,183,661	9,627,913

	Consolidated and separate financial statements		
	For the year ended 31 December 2018		
	Share capital		Share premium
	Number of shares	Thousand Baht	Thousand Baht
<u>Issued and paid-up share capital</u>			
Ordinary share capital at beginning of the year	21,183,660,594	21,183,661	9,627,913
Ordinary share capital at end of the year	21,183,660,594	21,183,661	9,627,913



On 18 December 2019, the Board of Directors meeting No.12/2562 of the Company passed a resolution approving a share repurchase program (Treasury Stock) for financial management purposes with a budget of up to Baht 1,000,000,000, whereby the Company is to repurchase 600,000,000 shares with a par value of Baht 1 per share, or 2.83% of the total paid-up capital. The share repurchase program will be carried out through the Stock Exchange of Thailand over a period of 6 months, from 2 January 2020 to 1 July 2020.

## **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 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 22 April 2019, 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 2018 in cash at a rate of Baht 0.08 per share, or a total of Baht 1,694.69 million. The Company already paid an interim cash dividend, which was approved by the Board of Directors' Meeting No. 11/2561, dated 12 November 2018, 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 paid the remaining cash dividend of Baht 0.045 per share, or a total of Baht 953.26 million on 17 May 2019.

On 26 August 2019, the Board of Director's Meeting No.8/2562 passed a resolution approving an interim dividend payment from its operating results for the six-month period ended 30 June 2019, at a rate of Baht 0.035 per share or a total of Baht 741.43 million and an appropriation of profit for the six-month period ended 30 June 2019 of Baht 66.24 million to be a statutory reserve. The Company already paid cash dividends on 20 September 2019.

## **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 2019 and 2018, 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	
	2019	2018	2019	2018
<u>Common Equity Tier 1 capital fund</u>				
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	1,422,720	1,173,410	819,300	717,200
Retained earnings after appropriation	7,038,006	5,874,652	3,890,338	3,789,608
Revaluation deficit on available-for-sale investments	(358,813)	(323,165)	(93,112)	(155,655)
Deduction items on Common Equity				
Tier 1 capital fund	(799,958)	(741,588)	(637,122)	(605,841)
Total Common Equity Tier 1 capital fund	38,113,529	36,794,883	34,578,319	34,344,227
Total Tier 1 capital fund	38,113,529	36,794,883	34,578,319	34,344,227
<u>Tier 2 capital fund</u>				
Subordinated debentures	3,866,100	3,852,100	3,950,200	3,936,200
Reserve for assets classified as pass and general reserve	1,892,556	1,905,102	1,892,556	1,905,102
Total Tier 2 capital fund	5,758,656	5,757,202	5,842,756	5,841,302
Total capital funds	43,872,185	42,552,085	40,421,075	40,185,529

	(Unit: Percentage)			
	31 December 2019		31 December 2018	
	Capital ratio of the financial group	Minimum and additional rates required by law *	Capital ratio of the financial group	Minimum and additional rates required by law *
The ratio of Common Equity Tier 1 capital fund to risk assets	15.138	5.750	17.501	5.125
The ratio of Tier 1 capital fund to risk assets	15.138	7.250	17.501	6.625
The ratio of total capital fund to risk assets	17.425	9.750	20.239	9.125

\* 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 2018 onwards until reaching 2.50% in 2021.

(Unit: Percentage)

	31 December 2019		31 December 2018	
	Capital ratio of LH Bank	Minimum and additional rates required by law *	Capital ratio of LH Bank	Minimum and additional rates required by law *
The ratio of Common Equity Tier 1 capital fund to risk assets	16.514	7.000	17.131	6.375
The ratio of Tier 1 capital fund to risk assets	16.514	8.500	17.131	7.875
The ratio of total capital fund to risk assets	19.304	11.000	20.045	10.375

\* 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 2018 through the Company’s website at [www.lhfg.co.th](http://www.lhfg.co.th) on 30 April 2019 and the Company will disclose capital adequacy and capital risk exposure information as of 31 December 2019 within April 2020.

### 30. Interest income

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2019	2018	2019	2018
Interbank and money market items	513,707	593,358	431	866
Investments in debt securities	1,521,219	1,548,342	4,310	4,310
Loans to customers	6,595,261	6,333,593	-	-
Hire purchase	12,296	24,274	-	-
Others	777	398	-	-
Total interest income	8,643,260	8,499,965	4,741	5,176

### 31. Interest expenses

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2019	2018	2019	2018
Deposits	2,514,465	2,129,471	-	-
Interbank and money market items	92,567	107,211	67,088	56,490
Contributions to the Deposit Protection Agency and the Bank of Thailand	877,057	840,448	-	-
Debts issued				
- Subordinated debentures	201,254	201,222	-	-
- Unsubordinated and unsecured debentures	206,125	94,321	115,489	29,122
Borrowings	259,564	315,455	-	-
Others	6,112	6,618	-	-
Total interest expenses	4,157,144	3,694,746	182,577	85,612

### 32. Fees and service income

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2019	2018	2019	2018
<b>Fees and service income</b>				
Acceptances, avals and guarantees	56,865	42,400	-	-
Commission income	273,868	301,139	-	-
Others	609,666	483,256	-	-
Total fees and service income	940,399	826,795	-	-
<b>Fees and service expenses</b>				
Fees and charges	67,568	60,268	-	-
Others	143,423	85,303	10,332	9,507
Total fees and service expenses	210,991	145,571	10,332	9,507
Net fees and service income (expenses)	729,408	681,224	(10,332)	(9,507)

### 33. Gains on trading and foreign exchange transactions

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2019	2018	2019	2018
<b>Gains (losses) on trading and foreign exchange transactions:</b>				
Foreign exchange and derivatives contract relating to foreign exchange	6,172	4,173	-	-
Equity securities	112,743	(2,462)	142,456	-
Total gains on trading and foreign exchange transactions	118,915	1,711	142,456	-

### 34. Gains on investments

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2019	2018	2019	2018
<b>Gains on sales:</b>				
Available-for-sale investments	1,095,572	342,817	499,487	4,717
Held-to-maturity investments	-	3,250	-	-
Total	1,095,572	346,067	499,487	4,717
<b>Impairment loss:</b>				
Equity securities of available-for-sale investments	(240)	(4,070)	-	-
Total	(240)	(4,070)	-	-
Total gains on investments	1,095,332	341,997	499,487	4,717

During the year ended 31 December 2018, the subsidiary sold held-to-maturity investments with amortised costs of Baht 1,300 million 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.

### 35. 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.

### 36. Bad debts, doubtful accounts and impairment loss

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2019	2018
<b>Bad debts and doubtful accounts (reversal)</b>		
Loans to customers <sup>(1)</sup>	1,123,206	567,283
Interbank and money market items	12,260	(5,972)
Other assets	(42,614)	8,852
<b>Total bad debts, doubtful accounts and impairment loss</b>	<b>1,092,852</b>	<b>570,163</b>

<sup>(1)</sup> For the year ended 31 December 2018, such amount included a debt hair-cut loss per agreements of Baht 41.5 million.

### 37. Components of other comprehensive income (loss)

Components of other comprehensive income (loss) for the years ended 31 December 2019 and 2018 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	
	2019	2018	2019	2018
(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	(173,617)	(733,602)	49,104	(165,779)
(Gains) losses transferred to be recognised in profit or loss for the years due to				
- Sales of available-for-sale investments	(314,985)	(45,709)	(62,233)	(5,262)
- Sales of available-for-sale investments, reclassified from other types	-	(97,947)	-	-
Realised gains from reclassification of held-to-maturity investments to available-for-sale investments	-	164,746	-	-
Transferred losses from reclassification of available-for-sale investments to trading investments	405,585	-	121,758	-
Amortisation of revaluation deficit on the reclassified investments	7,970	13,287	-	-
Total gains (losses) on revaluation of available-for-sale investments	(75,047)	(699,225)	108,629	(171,041)
Add (less): Income taxes	35,484	119,370	(79)	12,561
Gains (losses) on revaluation of available-for-sale investments - net of income taxes	(39,563)	(579,855)	108,550	(158,480)



	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2019	2018	2019	2018
(b) Items not to be recognised in profit or loss in subsequent periods:				
Actuarial gains (losses)	(33,306)	3,418	(3,517)	-
Add (less): Income taxes	6,661	(684)	704	-
Actuarial gains (losses) - net of income taxes	(26,645)	2,734	(2,813)	-
Other comprehensive income (loss) for the years	(66,208)	(577,121)	105,737	(158,480)

### 38. Earnings per share

Basic earnings per share is calculated by dividing profits for the years attributable to the Company's shareholders (excluding other comprehensive income (loss)) by the weighted average number of ordinary shares in issue during the years.

### 39. 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 2019 and 2018, the Group contributed Baht 48.51 million and Baht 43.34 million, respectively, to the provident fund (the Company only: During the year ended 31 December 2019 and 2018, the Company contributed Baht 5.64 million and Baht 0.09 million, respectively, to the provident fund).

## 40. Commitments and contingent liabilities

### 40.1 Commitments

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2019			31 December 2018		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	1,330	-	1,330	135,516	-	135,516
Liability under unmatured import bills	-	130,543	130,543	-	-	-
Letters of credit	-	254,884	254,884	-	-	-
Undrawn bank overdrafts	4,308,063	-	4,308,063	4,520,429	-	4,520,429
Guarantee - others	5,120,817	-	5,120,817	5,408,217	-	5,408,217
Other commitments	35,381,126	-	35,381,126	31,976,876	-	31,976,876
Total	44,811,336	385,427	45,196,763	42,041,038	-	42,041,038

### 40.2 Commitments under long-term lease agreements

- (a) As at 31 December 2019 and 2018, the Group 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 6 years, which future minimum rental and service fees, which are to payable by the Group, can be summarised as follows:

(Unit: Million Baht)

Payable within	Consolidated financial statements		Separate financial statements	
	31 December		31 December	
	2019	2018	2019	2018
Up to 1 year	399	340	7	-
Over 1 and up to 5 years	231	312	7	-
Over 5 years	1	2	-	-

As at 31 December 2019 and 2018, the above commitments of the Group included rental and service agreements with related parties amounted to Baht 131 million and Baht 209 million, respectively (the Company only: As at 31 December 2019, amounted to Baht 14 million).

- (b) Two subsidiaries entered into various consultancy service agreements relating to software development and installation services. As at 31 December 2019 and 2018, the subsidiaries are obligated to pay further Baht 14 million and Baht 57 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 3.1 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 2019, another subsidiary has committed under the agreement for permission to use computer programs, entered into in 2019, to pay an annual maintenance fee at Baht 2.5 million per annum for five years and an annual maintenance charge at Baht 3.5 million per annum. The agreements remain in effect until terminated by the subsidiary or either party breaches conditions stipulated in the agreements.

#### **40.3 Service commitments**

40.3.1 As at 31 December 2019 and 2018, the subsidiary, which operates fund management business, is required to pay license fees to the SEC 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 2019 and 2018, the minimum of such fee is Baht 25,000 per annum, and the maximum is Baht 10,000,000 per annum.

40.3.2 During the year ended 31 December 2019, the subsidiary, which operates fund management business, entered into computer center improvement and maintenance service agreement with a term of 2 years. The subsidiary's payment obligations under this agreement total Baht 2.1 million

40.3.3 As at 31 December 2019 and 2018, 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 SET, Thailand Securities Depository Company Limited, Thailand Clearing House Company Limited and the SEC, 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	
		2019	2018
<b>(a) Fees for securities business</b>			
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 and the maximum total fee is Baht 10,000,000 per annum	The minimum total fee is Baht 25,000 and the maximum total fee is Baht 10,000,000 per annum	
<b>(b) Fees for derivatives business</b>			
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 and the maximum total fee is Baht 1,000,000 per annum	The minimum total fee is Baht 25,000 and the maximum total fee is Baht 1,000,000 per annum	

#### 40.4 Obligation under the Employee Joint Investment Program (EJIP)

On 21 October 2013, the Board of Director's Meeting No. 11/2556 of the subsidiary passed a resolution approving the Employee Joint Investment Program (EJIP) for its employees, with the following details:

Period of EJIP	1 January 2014 to 31 December 2018, with a total duration of 5 years
Eligible employees	Management of Land and Houses Bank Public Company Limited with level of assistant vice president or equivalent onwards, who have passed probation periods and are not functioning in an acting capacity.
EJIP arrangement	Employee contribution at no more than 5 percent of the employee's basic salary. Subsidiary's contribution at 5 percent of the employees' basic salary.
Execution	Every month
Conditions for holding the securities	Within the first three years, employees cannot sell any shares. After 3 years, employees can sell 25% of accumulated shares. After 4 years, employees can sell 50% of accumulated shares. After 5 years, employees can sell all shares. Upon resignation from the Program in any circumstances, employees can sell all of the shares immediately.

The Program was approved by the Office of the Securities and Exchange Commission on 7 January 2014 and the subsidiary contributed to the Program members and recognised these contributions as employee expenses during the year ended 31 December 2018 of Baht 6.5 million.

#### **40.5 Commitments as a result of the acquisition of a subsidiary**

In January 2014, the Company entered into an agreement to purchase the shares of CIMB Securities International (Thailand) Public Company Limited (“CIMBI”), which was later registered the change of its name to “Land and Houses Securities Public Company Limited”, from CIMB Securities International Pte. Ltd. and other shareholders in the group of CIMB. The Company has an obligation under the agreement to pay in the future a benefit that is equal to 50% of the benefit received by such subsidiary for the return of its membership in the event of demutualisation of the SET. The method of calculating the benefit under different scenarios, including the payment period is stipulated in the agreement.

#### **40.6 Litigation**

As at 31 December 2019 and 2018, the subsidiary had various outstanding litigation cases being claimed for compensations totaling Baht 1,010 million and Baht 1,193 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.

#### **41. 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, executive vice president, first senior vice president and equivalent.
5. Related persons who are the directors and executives of the subsidiaries, the directors of the major shareholders of the Company (shareholders as stated in No. 2 above) and persons with close relationship with related persons and directors and executives.

#### 41.1 Transactions during the years

During the years, the Group had significant business transactions with its related parties. Such transactions were charged at normal business rate or the prices as stipulated in the agreements, were summarised as follow:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2019	2018	2019	2018
<b>Interest income</b>				
The Company's subsidiary	-	-	4,741	5,176
Related company	27,270	16,730	-	-
Directors and executives	249	305	-	-
Related persons	1,141	1,084	-	-
	<u>28,660</u>	<u>18,119</u>	<u>4,741</u>	<u>5,176</u>
<b>Fees and service income</b>				
Related companies	52,052	50,568	-	-
	<u>52,052</u>	<u>50,568</u>	<u>-</u>	<u>-</u>
<b>Gains on investments</b>				
The Company's subsidiary	-	-	-	4,717
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,717</u>
<b>Dividend income</b>				
The Company's subsidiaries	-	-	1,570,010	1,940,000
Related companies	139,597	122,557	28,524	13,746
	<u>139,597</u>	<u>122,557</u>	<u>1,598,534</u>	<u>1,953,746</u>
<b>Supporting service income</b>				
The Company's subsidiaries	-	-	188,167	-
	<u>-</u>	<u>-</u>	<u>188,167</u>	<u>-</u>
<b>Other operating income</b>				
The Company's subsidiary	-	-	1,452	1,452
Directors and executives	1,395	-	-	-
	<u>1,395</u>	<u>-</u>	<u>1,452</u>	<u>1,452</u>

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2019	2018	2019	2018
<b>Interest expenses</b>				
The Company's subsidiary	-	-	67,088	56,490
The major shareholders	51,178	32,590	-	-
Related companies	92,683	57,355	-	-
Directors and executives	2,190	3,052	-	-
Related persons	16,805	14,394	-	-
	<u>162,856</u>	<u>107,391</u>	<u>67,088</u>	<u>56,490</u>
<b>Other operating expenses</b>				
The major shareholders	46,848	47,732	-	-
The Company's subsidiary	-	-	1	-
Related companies	113,037	110,465	57	41
	<u>159,885</u>	<u>158,197</u>	<u>58</u>	<u>41</u>
<b>Fees and service expenses</b>				
The Company's subsidiary	-	-	220	232
	<u>-</u>	<u>-</u>	<u>220</u>	<u>232</u>

## 41.2 The outstanding balances

As at 31 December 2019 and 2018, 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	
	2019	2018
<b>Investments – cost</b>		
<u>Related companies/persons</u>		
Related companies	2,210,425	1,796,513
	<u>2,210,425</u>	<u>1,796,513</u>
<b>Loans to customers</b>		
<u>Related companies/persons</u>		
Related company	3,520,000	460,000
Directors and executives	10,763	13,856
Related persons	15,541	39,742
	<u>3,546,304</u>	<u>513,598</u>



(Unit: Thousand Baht)

Consolidated financial statements		
31 December		
	2019	2018
<b>Accrued interest receivables on loans to customers</b>		
<u>Related companies/persons</u>		
Related company	9,490	4,490
Directors and executives	3	3
Related persons	7	13
	<u>9,500</u>	<u>4,506</u>
<b>Other assets</b>		
<u>The major shareholder</u>		
Quality Houses Public Company Limited	9,549	10,263
<u>Related companies/persons</u>		
Related companies	39,473	35,886
	<u>49,022</u>	<u>46,149</u>
<b>Deposits</b>		
<u>The major shareholders</u>		
Land and Houses Public Company Limited	2,013,552	3,838,504
Quality Houses Public Company Limited	830,839	1,343,978
Ms. Piengjai Harnpanich	13,243	184,330
<u>Related companies/persons</u>		
Related companies	6,169,828	9,510,874
Directors and executives	71,916	94,678
Related persons	1,764,497	1,048,284
	<u>10,863,875</u>	<u>16,020,648</u>
<b>Interbank and money market items (liabilities)</b>		
<u>The major shareholder</u>		
CTBC Bank Company Limited	589,886	250,870
	<u>589,886</u>	<u>250,870</u>
<b>Debts issued and borrowings</b>		
<u>Related companies/persons</u>		
Directors and executives	20,000	34,000
Related persons	41,200	41,200
	<u>61,200</u>	<u>75,200</u>
<b>Accrued interest payables</b>		
<u>The major shareholders</u>		
CTBC Bank Company Limited	1,486	-
Land and Houses Public Company Limited	308	1,667
Ms. Piengjai Harnpanich	43	731
<u>Related companies/persons</u>		
Related companies	8,012	7,768
Directors and executives	126	232
Related persons	1,480	1,443
	<u>11,455</u>	<u>11,841</u>

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		31 December	
		2019	2018
<b>Other liabilities</b>			
<u>The major shareholder</u>			
Quality Houses Public Company Limited		426	405
<u>Related companies/persons</u>			
Related companies		1,073	1,276
Directors and executives		1	3
		<u>1,500</u>	<u>1,684</u>
<b>Commitments – letters of bank guarantees</b>			
<u>Related companies/persons</u>			
Related company		21,186	21,186
		<u>21,186</u>	<u>21,186</u>

		(Unit: Thousand Baht)	
		Separate financial statements	
		31 December	
		2019	2018
<b>Interbank and money market items (assets)</b>			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		28,977	2,075
		<u>28,977</u>	<u>2,075</u>
<b>Investments – cost</b>			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		84,100	84,100
<u>Related companies/persons</u>			
Related company		487,501	380,534
		<u>571,601</u>	<u>464,634</u>
<b>Accrued interest receivables on investments</b>			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		484	484
		<u>484</u>	<u>484</u>
<b>Other asset</b>			
<u>The Company's subsidiaries</u>			
Land and Houses Bank Public Company Limited		28,320	-
Land and Houses Securities Public Company Limited		250	-
Land and Houses Fund Management Company Limited		350	-
		<u>28,920</u>	<u>-</u>

(Unit: Thousand Baht)

		Separate financial statements	
		31 December	
		2019	2018
<b>Interbank and money market items (liabilities)</b>			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		360,002	3,388,000
		<u>360,002</u>	<u>3,388,000</u>
<b>Accrued interest expenses on interbank and money market items (liabilities)</b>			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		26	240
		<u>26</u>	<u>240</u>
<b>Accounts payable on securities trading</b>			
<u>The Company's subsidiary</u>			
Land and Houses Securities Public Company Limited		-	141,672
		<u>-</u>	<u>141,672</u>
<b>Other liabilities</b>			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		300	300
		<u>300</u>	<u>300</u>

### 41.3 Movements of related party balances

The movements of 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 2019 were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the year ended 31 December 2019			
	Beginning			Ending
	balances	Increase	Decrease	balances
Loans to customers				
Related companies/persons				
Related company	460,000	3,060,000	-	3,520,000
Directors and executives	13,856	-	(3,093)	10,763
Related persons	39,742	42,953	(67,154)	15,541
	513,598	3,102,953	(70,247)	3,546,304

(Unit: Thousand Baht)

Consolidated financial statements				
For the year ended 31 December 2019				
	Beginning balances	Increase	Decrease	Ending balances
<b>Deposits</b>				
<u>The major shareholders</u>				
Land and Houses Public Company Limited	3,838,504	96,712,771	(98,537,723)	2,013,552
Quality Houses Public Company Limited	1,343,978	39,282,324	(39,795,463)	830,839
Ms. Piengjai Harnpanich	184,330	474,809	(645,896)	13,243
<u>Related companies/persons</u>				
Related companies	9,510,874	200,461,548	(203,802,594)	6,169,828
Directors and executives	94,678	479,585	(502,347)	71,916
Related persons	1,048,284	7,825,031	(7,108,818)	1,764,497
	16,020,648	345,236,068	(350,392,841)	10,863,875
<b>Interbank and money market items</b>				
<b>(liabilities)</b>				
<u>The major shareholder</u>				
CTBC Bank Company Limited	250,870	1,163,303	(824,287)	589,886
	250,870	1,163,303	(824,287)	589,886
<b>Debts issued and borrowings</b>				
<u>Related companies/persons</u>				
Directors and executives	34,000	-	(14,000)	20,000
Related persons	41,200	-	-	41,200
	75,200	-	(14,000)	61,200

(Unit: Thousand Baht)

Separate financial statements				
For the year ended 31 December 2019				
	Beginning balances	Increase	Decrease	Ending balances
<b>Interbank and money market items (assets)</b>				
<u>The Company's subsidiary</u>				
Land and Houses Bank Public Company Limited	2,075	12,704,340	(12,677,438)	28,977
	<u>2,075</u>	<u>12,704,340</u>	<u>(12,677,438)</u>	<u>28,977</u>
<b>Interbank and money market items (liabilities)</b>				
<u>The Company's subsidiary</u>				
Land and Houses Bank Public Company Limited	3,388,000	30,141,720	(33,169,718)	360,002
	<u>3,388,000</u>	<u>30,141,720</u>	<u>(33,169,718)</u>	<u>360,002</u>

#### 41.4 Directors' and executives' compensation

During years ended 31 December 2019 and 2018, 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	
	2019	2018	2019	2018
Short-term employee benefits	262	240	64	18
Post-employment benefits	20	13	2	-
Total	<u>282</u>	<u>253</u>	<u>66</u>	<u>18</u>

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.

#### 42. Interest in unconsolidated structured entity arising in the normal course of business

The Group has transactions with unconsolidated structured entities, through various activities such as involvement in the establishment process, fund management, acting as the trustee, as well as providing source of funds. These structured entities are normally in the form of mutual funds and some investment funds.

The provision of funds is in the form of loans which are on normal business terms. The Group manages these loans in the same as all other loans. As of 31 December 2019 and 2018, the outstanding loans to these structured entities including accrued interest amounted to Baht 5,935 million and Baht 2,871 million, respectively.

#### 43. Operating segments

The Group has four principal operating segments: investment holding business, banking business, fund management business and securities business (including securities business and advisory business, its operation is temporarily ceased) 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 2019								
	Banking business								
Investment	Lending				Total	Fund	Securities		
holding	Housing	Commercial	Other			management			
business	and retail	loans	segments		segments	business	business	Eliminations	Total
Interest income	4,741	988,945	6,277,102	1,521,667	8,787,714	466	47,082	(196,743)	8,643,260
Total operating income - net	2,740,726				6,167,589	396,870	357,117	(1,758,444)	7,903,858
Other operating expenses	(208,920)				(2,596,762)	(196,347)	(199,171)	195,957	(3,005,243)
Bad debts, doubtful accounts and impairment loss	-				(1,090,000)	-	(2,852)	-	(1,092,852)
Income tax expenses	(96,190)				(442,445)	(37,640)	(13,801)	(1,090)	(591,166)
Profit for the year	2,435,616				2,038,382	162,883	141,293	(1,563,577)	3,214,597

(Unit: Thousand Baht)

For the year ended 31 December 2018									
		Banking business							
	Investment	Lending				Fund			
	holding	Housing	Commercial	Other	Total	management	Securities		
	business	and retail	loans	segments	segments	business	business	Eliminations	Total
Interest income	5,176	1,200,626	5,814,429	1,559,612	8,574,667	516	54,561	(134,955)	8,499,965
Total operating income - net	2,193,481				6,058,065	292,048	466,676	(1,950,249)	7,060,021
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)

As at 31 December 2019

	Banking business								
	Investment	Lending				Fund	Securities		
	holding	Housing	Commercial	Other	Total	management			
	business	and retail	loans	segments	segments	business	business	Eliminations	Total
Loans to customers/ interbank and money market items	-	21,823,613	157,074,753	-	178,898,366	-	670,000	(5,600,002)	173,968,364
Total assets	40,659,935				230,548,310	461,872	6,740,348	(37,679,178)	240,731,287
Total liabilities	5,519,655				194,268,723	53,293	5,515,322	(5,788,485)	199,568,508

(Unit: Thousand Baht)

As at 31 December 2018

	Banking business								
	Investment  holding  business	Lending				Fund			
		Housing	Commercial	Other	Total	management	Securities	Eliminations	Total
		and retail	loans	segments	segments	business	business		
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
Total assets	40,870,226				238,657,978	484,545	4,108,756	(38,188,315)	245,933,190
Total liabilities	6,576,610				203,053,739	51,606	2,839,522	(6,297,366)	206,224,111

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 2019 and 2018, the Group had no major customer with revenue of 10 percent or more of total revenues, except the Company had dividend income, which received from subsidiaries, as presented in the separate financial statements.

#### 44. Financial instruments

Financial instruments are any contracts which give rise to both a financial asset of one enterprise and a financial liability or equity security of another enterprise.

The 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/liabilities, investments, loans to customers, securities business receivables - cash accounts, deposits, liabilities payable on demand, debts issued and borrowings, accounts payable on securities trading, payables to Clearing House 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.



#### 44.1 Credit risk

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

Credit risk is recognised as highly significant to financial institutions, especially those associated with credit transactions, which are the core transactions of the subsidiary, which operates banking business, both in terms of loans, 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.

#### 44.2 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 2019 and 2018, financial assets and liabilities, classified by types of interest rate, were as follows:

Descriptions	(Unit: Thousand Baht)			
	Consolidated financial statements			
	31 December 2019			
	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<b>Financial assets</b>				
Cash	-	-	1,635,585	1,635,585
Interbank and money market items	194,753	17,947,978	592,315	18,735,046
Derivative assets	-	-	241,376	241,376
Investments	964,928	42,165,429	23,158,303	66,288,660
Loans to customers <sup>(1)</sup>	99,907,927	53,182,352	2,776,136	155,866,415
Securities business receivables - cash accounts	-	-	62,370	62,370
<b>Financial liabilities</b>				
Deposits	65,770,174	99,082,424	132,183	164,984,781
Interbank and money market items	4,255,434	6,116,385	95,173	10,466,992
Liabilities payable on demand	-	-	52,083	52,083
Derivative liabilities	-	-	35,634	35,634
Debts issued and borrowings	-	21,847,617	8,129	21,855,746
Payables to Clearing House	-	-	3,107	3,107
Securities business payables	-	-	69,989	69,989

<sup>(1)</sup> In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates. In addition, non-interest bearing loans include non-performing loans.

(Unit: Thousand Baht)

Consolidated financial statements				
31 December 2018				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<b>Financial assets</b>				
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 <sup>(1)</sup>	88,833,199	66,992,029	3,522,546	159,347,774
Securities business receivables - cash accounts	-	-	86,147	86,147
<b>Financial liabilities</b>				
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
Payables to Clearing House	-	-	136,033	136,033
Securities business payables	-	-	81,266	81,266

<sup>(1)</sup> In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates. In addition, non-interest bearing loans include non-performing loans.

(Unit: Thousand Baht)

Separate financial statements				
31 December 2019				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<b>Financial assets</b>				
Cash	-	-	10	10
Interbank and money market items	28,977	-	-	28,977
Investments	-	84,493	8,511,203	8,595,696
<b>Financial liabilities</b>				
Interbank and money market items	2	360,000	-	360,002
Debts issued and borrowings	-	5,000,000	-	5,000,000

(Unit: Thousand Baht)

Separate financial statements				
31 December 2018				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<b>Financial assets</b>				
Cash	-	-	6	6
Interbank and money market items	2,075	-	-	2,075
Investments	-	85,284	8,775,798	8,861,082
<b>Financial liabilities</b>				
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

The remaining periods counting from 31 December 2019 and 2018 to the repricing dates or maturity dates (whichever are sooner) of financial instruments carrying interest at fixed rates were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements						
	31 December 2019						
	Remaining periods to repricing dates or maturity dates						
Descriptions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
<b>Financial assets</b>							
Interbank and money market items	2,709,000	15,238,978	-	-	-	17,947,978	1.15 - 4.50
Investments	-	998,203	6,362,002	24,998,626	9,806,598	42,165,429	1.83 - 5.35
Loans to customers	790,564	21,583,184	19,134,009	11,456,238	218,357	53,182,352	1.95 - 5.80
<b>Financial liabilities</b>							
Deposits	2,756,595	38,007,078	51,600,096	6,718,655	-	99,082,424	0.85 - 2.30
Interbank and money market items	2,132,000	2,872,546	452,803	659,036	-	6,116,385	0.1 <sup>(1)</sup> , 0.70 - 1.60
Debts issued and borrowings	-	7,760,000	7,171,717	3,000,000	3,915,900	21,847,617	1.75 - 5.125

(1) The interest rate of 0.1% is charged on the balance of Baht 2,551 million obtained for financial assistance to SMEs' debtors that lack of liquidity.

(Unit: Thousand Baht)

	Consolidated financial statements						
	31 December 2018						
	Remaining periods to repricing dates or maturity dates						
Descriptions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
<b>Financial assets</b>							
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
<b>Financial liabilities</b>							
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 <sup>(1)</sup> , 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)

Separate financial statements							
31 December 2019							
Descriptions	Remaining periods to repricing dates or maturity dates					Total	Interest rates (% p.a.)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b><u>Financial assets</u></b>							
Investments	-	-	-	-	84,493	84,493	5.125
<b><u>Financial liabilities</u></b>							
Interbank and money market items	360,000	-	-	-	-	360,000	2.65
Debts issued and borrowings	-	-	3,000,000	2,000,000	-	5,000,000	2.40 - 3.11

(Unit: Thousand Baht)

Separate financial statements							
31 December 2018							
Descriptions	Remaining periods to repricing dates or maturity dates					Total	Interest rates (% p.a.)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Investments	-	-	-	-	85,284	85,284	5.125
<b>Financial liabilities</b>							
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

In addition, the average balances of the financial assets and liabilities of the subsidiary, which operates banking business, generating revenues/incurred expenses, calculated based on the average balances outstanding during the years, and the average interest rate for the years ended 31 December 2019 and 2018 were as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
For the years ended 31 December						
	2019			2018		
	Average balances	Interest income/ expenses	Average rate (% per annum)	Average balances	Interest income/ expenses	Average rate (% per annum)
<b>Performing financial assets</b>						
Interbank and money market items	20,464,486	632,525	3.09	19,828,989	659,647	3.33
Investments in debt securities	44,630,291	1,519,641	3.40	44,849,474	1,547,171	3.45
Loans to customers	158,577,242	6,635,548	4.18	151,658,038	6,367,849	4.20
<b>Performing financial liabilities</b>						
Deposits	163,799,608	3,278,156	2.00	149,007,058	2,830,630	1.90
Interbank and money market items	9,914,142	127,920	1.29	12,817,247	143,515	1.12
Debts issued and borrowings	22,204,340	640,461	2.88	28,069,186	696,918	2.48

## (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.

During the current period, the subsidiary, which operates banking business, embarked on trade finance, to offer integrated services to both exporters and importers. As a result, foreign currency positions of the subsidiary increase. Therefore, the subsidiary had established risk management framework to mitigate the risk that would be occurred, along with setting the risk ceiling and closely monitor the operations in order to manage risks within acceptable risk level.

As at 31 December 2019 and 2018, foreign currency positions equivalent to Thai Baht of the subsidiary, which operates banking business, were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2019				
	USD	EUR	JPY	HKD	Others
<b><u>Foreign currency in the statements of financial position</u></b>					
Cash	234	47	84	94	75
Interbank and money market items	119,239	35	-	-	7,193
Investment	964,928	-	-	-	-
Loans to customers	1,226,079	-	-	-	-
<b>Total assets</b>	<b>2,310,480</b>	<b>82</b>	<b>84</b>	<b>94</b>	<b>7,268</b>
Deposits	353,017	-	-	-	-
Interbank and money market items	589,886	-	-	-	-
Accrued interest payables	2,463	-	-	-	-
<b>Total liabilities</b>	<b>945,366</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Items recognised in the statements of financial position - net	1,365,114	82	84	94	7,268
<b><u>Foreign currency not recognised in the statements of financial position - net</u></b>					
(Forward contracts, Cross currency and interest rate swap contracts)	(1,373,487)	-	-	-	-

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2018				
	USD	EUR	JPY	HKD	Others
<b><u>Foreign currency in the statements of financial position</u></b>					
Cash	1,219	879	309	402	452
Interbank and money market items	6	-	-	-	-
Investments	1,038,394	-	-	-	-
<b>Total assets</b>	<b>1,039,619</b>	<b>879</b>	<b>309</b>	<b>402</b>	<b>452</b>
<b><u>Foreign currency not recognised in the statements of financial position - net</u></b>					
(Cross currency and interest rate swap contracts)	(1,038,394)	-	-	-	-



(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 Group had closely managed equity position risk, which has a policy to invest in equity securities with a lower risk than the equity market. Moreover, the Group monitors risks in equity securities to ensure the lower risk to the market.

#### 44.3 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 2019 and 2018 were as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
31 December 2019						
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
<b>Financial assets</b>						
Cash	1,635,585	-	-	-	-	1,635,585
Interbank and money market items	3,316,068	15,238,978	180,000	-	-	18,735,046
Derivative assets	-	52,835	4,029	184,512	-	241,376
Investments	-	998,203	6,362,002	35,770,152	23,158,303	66,288,660
Loans to customers <sup>(1)</sup>	7,707,409	35,953,231	22,848,482	88,687,293	670,000	155,866,415
Securities business receivables						
- cash accounts	-	62,370	-	-	-	62,370
<b>Financial liabilities</b>						
Deposits	66,264,970	38,561,881	52,542,586	7,615,344	-	164,984,781
Interbank and money market items	6,482,608	2,872,545	452,803	659,036	-	10,466,992
Liabilities payable on demand	52,083	-	-	-	-	52,083
Derivative liabilities	-	25,742	9,892	-	-	35,634
Debts issued and borrowings	-	7,760,000	7,171,717	6,924,029	-	21,855,746
Payables to Clearing House	-	3,107	-	-	-	3,107
Securities business payables	-	69,989	-	-	-	69,989

<sup>(1)</sup> Loans to customers maturing at call included defaulted loans and non-performing loans.

(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
<b>Financial assets</b>						
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 <sup>(1)</sup>	15,824,321	35,695,272	16,721,733	90,297,724	808,724	159,347,774
Securities business receivables						
- cash accounts	-	86,147	-	-	-	86,147
<b>Financial liabilities</b>						
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
Payables to Clearing House	-	136,033	-	-	-	136,033
Securities business payables	-	81,266	-	-	-	81,266

<sup>(1)</sup> Loans to customers maturing at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)

Separate financial statements						
31 December 2019						
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
<b>Financial assets</b>						
Cash	10	-	-	-	-	10
Interbank and money market items	28,977	-	-	-	-	28,977
Investments	-	-	-	84,493	8,511,203	8,595,696
<b>Financial liabilities</b>						
Interbank and money market items	360,002	-	-	-	-	360,002
Debts issued and borrowings	-	-	3,000,000	2,000,000	-	5,000,000

(Unit: Thousand Baht)

Separate financial statements						
31 December 2018						
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
<b>Financial assets</b>						
Cash	6	-	-	-	-	6
Interbank and money market items	2,075	-	-	-	-	2,075
Investments	-	-	-	85,284	8,775,798	8,861,082
<b>Financial liabilities</b>						
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

The subsidiary which operates banking business disclosed Liquidity Coverage Ratio as of 31 December 2018 through the subsidiary's website at [www.lhbank.co.th](http://www.lhbank.co.th) on 30 April 2019 and will disclose Liquidity Coverage Ratio as of 31 December 2019 within April 2020.

Moreover, as at 31 December 2019 and 2018, the subsidiary, which operates banking business, had the following 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 2019			31 December 2018		
	No more than 1 year	Over 1 year	Total	No more than 1 year	Over 1 year	Total
Avals to bills	1,330	-	1,330	134,498	1,018	135,516
Liability under unmatured						
import bills	130,543	-	130,543	-	-	-
Letters of credit	254,884	-	254,884	-	-	-
Undrawn bank overdrafts	4,308,063	-	4,308,063	4,520,429	-	4,520,429
Guarantee - others	4,808,826 <sup>(1)</sup>	311,991	5,120,817	4,753,473 <sup>(1)</sup>	654,744	5,408,217
Other commitments	-	35,381,126	35,381,126	-	31,976,876	31,976,876

<sup>(1)</sup> As at 31 December 2019 and 2018, these amount included contracts with no maturity date amounting to Baht 2,120 million and Baht 2,026 million, respectively.

## 45. Fair value of financial instruments

### 45.1 Financial assets and liabilities measured at fair value

As at 31 December 2019 and 2018, the Group had financial assets/liabilities that were measured at fair value using different levels of inputs as follows:

Consolidated financial statements					
	31 December 2019				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Assets</b>					
Derivative assets					
- Foreign exchange rate	56,864	-	56,864	-	56,864
Total derivative assets	56,864	-	56,864	-	56,864
Trading investments					
Domestic marketable equity securities	22,549,678	22,549,678	-	-	22,549,678
Total trading investments	22,549,678	22,549,678	-	-	22,549,678
Available-for-sale investments					
Private sector debt securities	1,055,563	-	1,055,563	-	1,055,563
Domestic marketable equity securities	592,240	592,240	-	-	592,240
Total available-for-sale investments	1,647,803	592,240	1,055,563	-	1,647,803
<b>Liabilities</b>					
Derivative liabilities					
- Foreign exchange rate	35,634	-	35,634	-	35,634
Total derivative liabilities	35,634	-	35,634	-	35,634

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2018				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Assets</u>					
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)

	Separate financial statements				
	31 December 2019				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Trading investments					
Domestic marketable equity securities	8,511,203	8,511,203	-	-	8,511,203
Total trading investments	8,511,203	8,511,203	-	-	8,511,203
Available-for-sale investments					
Private sector debt securities	84,493	-	84,493	-	84,493
Total available-for-sale investments	84,493	-	84,493	-	84,493

(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2018				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Assets</u>					
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

During the current year, there was no transfer within the fair value hierarchy.

## 45.2 Financial assets and liabilities for which fair values are disclosed

As at 31 December 2019 and 2018, 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 2019				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Cash	1,635,585	1,635,585	-	-	1,635,585
Interbank and money market items - net	18,569,123	607,421	-	17,958,219	18,565,640
Derivative assets	184,512	-	252,946	-	252,946
Investments - net	42,091,154	-	43,844,511	16,360	43,860,871
Loans to customers - net	152,040,692	-	672,938	151,597,788	152,270,726
Securities business receivables - cash accounts	62,370	-	62,370	-	62,370
<u>Liabilities</u>					
Deposits	164,984,781	65,902,357	99,418,440	-	165,320,797
Interbank and money market items	10,466,992	4,350,607	6,202,162	-	10,552,769
Liabilities payable on demand	52,083	52,083	-	-	52,083
Debts issued and borrowings	21,855,746	8,129	21,847,557	-	21,855,686
Payables to Clearing House	3,107	-	3,107	-	3,107
Securities business payables	69,989	-	69,989	-	69,989

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2018				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Assets</u>					
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
Securities business receivables - cash accounts	86,147	-	86,147	-	86,147
<u>Liabilities</u>					
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
Payables to Clearing House	136,033	-	136,033	-	136,033
Securities business payables	81,266	-	81,266	-	81,266

(Unit: Thousand Baht)

Separate financial statements					
31 December 2019					
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Assets</b>					
Cash	10	10	-	-	10
Interbank and money market items - net	28,977	28,977	-	-	28,977
<b>Liabilities</b>					
Interbank and money market items	360,002	2	360,026	-	360,028
Debts issued and borrowings	5,000,000	-	5,023,636	-	5,023,636

(Unit: Thousand Baht)

Separate financial statements					
31 December 2018					
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Assets</b>					
Cash	6	6	-	-	6
Interbank and money market items - net	2,075	2,075	-	-	2,075
<b>Liabilities</b>					
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

The Group estimates the level 2 and level 3 fair values for financial instruments as follows:

- (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 which 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 value of derivatives is based on quoted market prices. When there is no observable market price, the fair value is measured using a valuation technique that uses observable inputs such as interest rates and foreign exchange rates, obtained from reliable sources and adjusted to reflect counterparty credit risk.
- (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.
- (h) The fair values of financial assets and liabilities, which have short-term maturity periods, including securities business receivables - cash accounts, payables to Clearing House and securities business payables, approximate their carrying values.

## **46. Events after the reporting period**

### **46.1 Dividend payments of the Company**

On 28 February 2020, the Board of Directors' Meeting No.2/2563 of the Company passed a resolution to propose to the Annual General Meeting of the Company's shareholders for approval a 2019 dividend payments in cash of Baht 0.08 per share, or a total of not more than Baht 1,694.69 million from its operating results for the year ended 31 December 2019. The Company already paid an interim dividend payment from its operating results for six-month period ended 30 June 2019, at a rate of Baht 0.035 per share, or a total of Baht 741.43 million, on 20 September 2019. The Company will therefore pay the remaining cash dividend of Baht 0.045 per share, or not exceeding Baht 953.26 million.

### **46.2 Subordinated debentures of the subsidiary**

On 28 February 2020, the Board of Directors' Meeting (Banking Business) No.2/2563 of the subsidiary passed a resolution to early redeem the subordinated debentures No.1/2558, to be counted as Tier 2 Capital, after 5 years from the issuing date, totaling Baht 4,000 million.

### **46.3 Dividend payments of the subsidiaries**

46.3.1 On 28 February 2020, the Board of Directors' Meeting (Banking business) No.2/2563 of the subsidiary passed a resolution to propose to the Annual General Meeting of the subsidiary's shareholders for approval a 2019 dividend payments in cash of Baht 0.70 per share, or a total of not more than Baht 1,400 million from its operating results for the year ended 31 December 2019. During 2019, the subsidiary paid an interim dividend totaled Baht 900 million, consisting of the first interim cash dividend from its operating results for the three-month period ended 31 March 2019, total of Baht 500 million, paid on 6 June 2019 and the second interim cash dividend from its operating results for the nine-month period ended 30 September 2019, total of Baht 400 million, paid on 9 December 2019. The subsidiary will therefore pay the remaining cash dividend of Baht 0.25 per share, or not exceeding Baht 500 million.

46.3.2 On 12 February 2020, the Board of Directors' Meeting (Securities business) No.2/2563 of the subsidiary passed a resolution to propose to the Annual General Meeting of the subsidiary's shareholders for approval a 2019 dividend payments from its operating results for the year ended 31 December 2019 in cash of Baht 0.05 per share, or a total of Baht 32 million.

46.3.3 On 12 February 2020, the Board of Director's Meeting (fund management business) No.2/2563 of the subsidiary passed a resolution to propose to the Annual General Meeting of the subsidiary's shareholders for approval a 2019 dividend payments in cash of Baht 70.67 per share, or a total of Baht 212.01 million from retained earnings and net profits for the year ended 31 December 2019. On 4 December 2019, the Company already paid an interim cash dividend of Baht 56.67 per share from retained earnings and net profits for the nine-month period ended 30 September 2019, or a total of Baht 170.01 million, to its shareholders. The subsidiary will therefore pay the remaining cash dividend of Baht 14 per share, or not exceeding Baht 42 million.

#### **46.4 Increase in share capital of the subsidiary**

On 12 February 2020, the Board of Directors' Meeting (Securities business) No.2/2563 of the subsidiary passed a resolution to propose to the Annual General Meeting of the subsidiary's shareholders for approval:

- (a) The issuance and allotment of 637,215,030 additional ordinary shares with a par value of Baht 1 each to existing shareholders of the subsidiary for Baht 1.50 per share.
- (b) An increase the subsidiary's registered share capital from 637,215,030 to Baht 1,274,430,000 by issuing 637,215,030 ordinary shares with a par value of Baht 1 per share.

#### **47. Approval of financial statements**

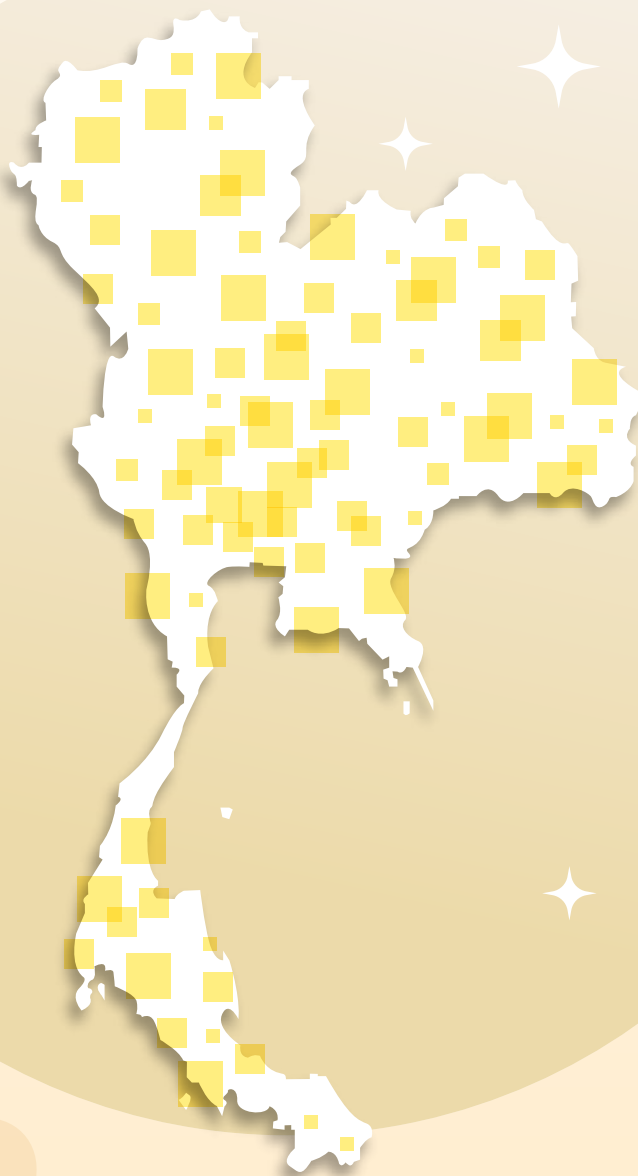
These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2020.



<b>Share registrar</b>	:	<b>Thailand Securities Depository Co., Ltd.</b>
<b>Address</b>	:	93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand
<b>Tel</b>	:	0 2009 9000
<b>Fax</b>	:	0 2009 9991
<b>SET Contact Center</b>	:	0 2009 9999
<b>Website</b>	:	<a href="http://www.set.or.th/tsd">www.set.or.th/tsd</a>
<b>Audit Company</b>	:	<b>EY Office Limited</b>
<b>Auditors</b>	:	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
<b>Address</b>	:	193/136-137 Lake Rajada Office Complex, 33rd Floor, Rajadapisek Road, Klongtoey, Bangkok 10110
<b>Tel</b>	:	0 2264 0777
<b>Fax</b>	:	0 2264 0789-90
<b>Website</b>	:	<a href="http://www.ey.com/th">www.ey.com/th</a>
<b>Financial Advisor</b>	:	<b>Asia Plus Advisory Co., Ltd.</b>
<b>Address</b>	:	175 Sathorn City Tower, 11th Floor, South Sathorn Road, Thungmahamek, Sathorn, Bangkok 10120
<b>Tel</b>	:	0 2680 4000
<b>Fax</b>	:	0 2670 9291-2
<b>Website</b>	:	<a href="http://www.asiaplus.co.th">www.asiaplus.co.th</a>

# Branch Information

Land and Houses Bank Public Company Limited



[www.lhbank.co.th](http://www.lhbank.co.th)



LH Bank

☎ 1327

☎ 0 2359 0000



Branch Information



S U S T A I N A B L E  
G R O W T H  
T O G E T H E R



**บริษัท แอล เอช ไฟแนนเชียล กรุ๊ป จำกัด (มหาชน)**

1 อาคารคิวเฮ้าส์ ลุมพินี ชั้น 5 ถนนสาทรใต้ แขวงทุ่งมหาเมฆ เขตสาทร กรุงเทพมหานคร 10120  
โทรศัพท์ : 0 2359 0000 โทรสาร : 0 2677 7223

LH FINANCIAL GROUP PUBLIC COMPANY LIMITED

1 Q.HOUSE LUMPINI BUILDING, FL.5<sup>th</sup>, SOUTH SATHON RD., THUNGMAHAMEK,  
SATHON, BANGKOK 10120

TEL : 0 2359 0000 FAX : 0 2677 7223



[www.lhbank.co.th](http://www.lhbank.co.th)