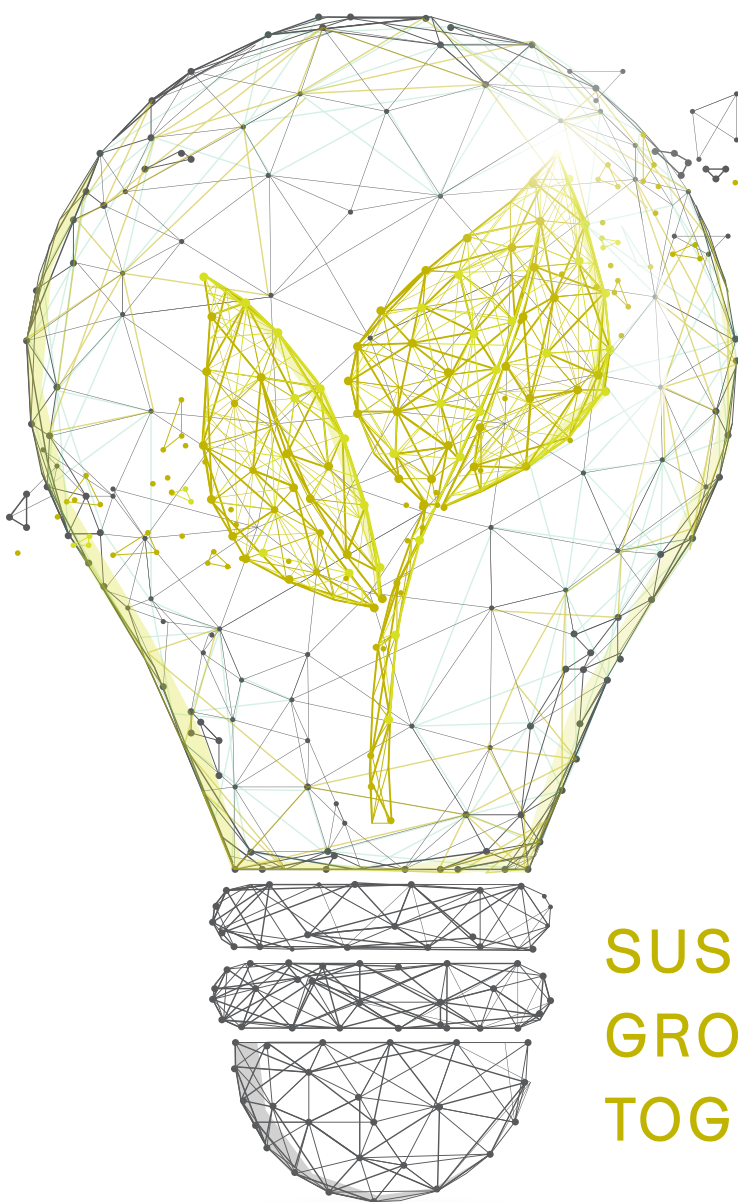




บริษัท แอล เอช ไฟแนนซ์เชียล กรุ๊ป จำกัด (มหาชน)
LH FINANCIAL GROUP PUBLIC COMPANY LIMITED

Annual Report 2020



**SUSTAINABLE
GROWTH
TOGETHER**

LH BANK

LH Fund

LH Securities

LH Advisory

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SUSTAINABLE GROWTH TOGETHER





Message from the Chairman



In 2020, Thai economy contracted severely due to the COVID-19 pandemic, economic conditions and drought. This resulted in the contraction of economic activities in many sectors such as private consumption and investments, imports and exports, and especially the tourism sector which saw a deep contraction following the collapse in foreign tourist arrivals of more than 80 percent. Public spending and investment with continued expansion, was the only key driver to sustain Thailand's economy.

In 2021, Thai economy is likely to recover from the previous year. The National Economic and Social Development Board (NESDB) forecast that the economic growth for this year would rebound around 2.5-3.5 percent, with key supporting factors from positive signs of bouncing back in global economy and the volume of world merchandise trade which will help support Thailand's exports, coupled with the government's budget disbursement and economic stimulus measures. However, Thailand's economic recovery could be disrupted by limitations and uncertainties depending on how the new wave of COVID-19 is addressed, the vaccine efficacy and vaccination coverage, combined with domestic purchasing power which has deteriorated following the weakening labor market, fragility of household and business sectors and rising accumulated debt.

2020 was the year which all sectors were greatly affected by the COVID-19 outbreak. Land and Houses financial business group cared about customers, business partners, public and all stakeholders. Therefore, the project "Fight COVID-19 Together" was initiated by inviting its executives, employees and customers to donate money for the provision of medical equipment and meals to medical personnel and healthcare staff. In addition, credit relief measures were launched for all groups of debtors, and the Bank of Thailand's relief measures were also implemented for its customers. Moreover, bill payments for goods and services were made faster in order to help alleviate the burdens of its partners so that they have liquidity to continue their businesses.

In 2020, the company had total assets of Baht 249,312 million, increased by 3.6 percent from 2019, with net profit of Baht 2,056.9 million, decreased by 36 percent from the previous year, mainly due to rising provision for expected credit losses arising from potential NPLs from borrowers impacted by COVID-19.

Land and Houses Bank Public Company Limited had total assets of Baht 240,085 million, up 4.1 percent from 2019 while total loans were at Baht 194,100 million, increased by 8.5 percent year-on-year. Non-performing loans (NPL) stood at 2.77 percent of total loans. The bank developed the information technologies to support its financial products and services that could accommodate customers in the digital banking era and added new services on its mobile banking platform. In addition, it has joined forces with CTBC Bank, a partner from Taiwan that possesses the expertise in trade finance and cooperated with Muang Thai Life Assurance Public Company Limited, business partners and fund management while focusing on the employees' enhancement, enabling them to be competent consultants who can answer all customer needs.

Land and Houses Fund Management Company Limited had funds under management with the total asset value worth Baht 70,070 million. The company had management expertise under the asset allocation strategy that diversifies the portfolio in various assets in order to generate the best returns for investors. Furthermore, the Robotic Process Automation (RPA) were adopted in operations to provide customers with information for their accurate and fast decisions.

Land and Houses Securities Public Company Limited continuously has deployed new technologies to facilitate service deliveries to its customers such as e-Account opening, trading funds via Mutual Fund Online Platform and wealth lending service which is a loan service that uses securities held by investors as collateral for their further investments.

Having been operating its business with good governance principles along with the accountabilities to shareholders, societies and all stakeholders, the company was awarded various rewards and recognitions as follows:

- 2019 ASEAN CG Scorecard Awards as the Thai listed companies that obtained the ASEAN CG Scorecard with the score of 97.50 points and above under the ASEAN Asset Class PLCs category. The company is one of the Thai listed companies among 135 firms in ASEAN countries.
- Sustainability Disclosure Recognition by ThaiPat Institute
- Having been selected among the top 100 listed companies with outstanding performance in terms of environmental, social and governance (ESG 100) for 6th consecutive year by ThaiPat Institute.
- Having been assessed for good corporate governance assessment of listed companies for 2020 by the Thai Institute of Directors (IOD). The company was rated "Excellent : 5 Stars" for the 6th consecutive year.
- Having been assessed for the quality of the 2020 Annual General Meeting of Shareholders by the Thai Investors Association. The company has received a full score of 100 for the 8th consecutive year.

The Board of Directors recognizes the importance of good corporate governance by conducting its business with transparency, fairness and accountability for the best interests of all stakeholders and society as a whole. The management with integrity also leads to increased competitiveness and lays the solid foundation for sustainable and stable growth. Furthermore, the Board of Directors encourages the companies in the Land and Houses financial business group to adhere to the compliance guidelines on market conduct and Personal Data Protection Act (PDPA).

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 Land and Houses financial business group.



(Mr. Rutt Phanijphand)
Chairman



Company Profile

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 act 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 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 became the shareholders of the company and the company held 99.99% of the paid-up share capital in Land and Houses Bank Public Company Limited.

On 10 May 2011, the Stock Exchange of Thailand received the company's ordinary shares as the listed securities and started its first trading day 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 financial business group into the areas of securities business 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 acquired 2,999,995 ordinary shares, accounting for 99.99% of the paid-up share capital of Land and Houses Fund Management Company Limited from Land and Houses Bank Public Company Limited.

On 29 March 2016, the company signed the MOU in relation to share subscription agreement with CTBC Bank Company Limited (CTBC Bank) to be a strategic partner. The company agreed to issue 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 share 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

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

Audit Committee	<ul style="list-style-type: none">● Mr. Adul Vinaiphat Chairman of the Audit Committee Telephone: 08 1834 0104 E-mail: adulv@lhbank.co.th● Mr. Pradit Sawattananond Member of the Audit Committee Telephone: 08 1868 1487 E-mail : pradits@lhbank.co.th● Dr. Supriya Kuandachakupt Member of the Audit Committee Telephone: 08 5901 5888 E-mail : supriyak@lhbank.co.th● Mr. Pichai Dusdeekulchai Member of the Audit Committee Telephone: 09 8992 8295 E-mail : pichaid@lhbank.co.th
Auditors	<ul style="list-style-type: none">● Ms. Ratana Jala Certified Public Accountant (Thailand), No.3734 and/or● Ms. Somjai Khunapasut Certified Public Accountant (Thailand), No. 4499 and/or● Ms. Rachada Yongsawadvanich Certified Public Accountant (Thailand), No. 4951 and/or● Ms. Wanwilai Phetsang Certified Public Accountant (Thailand), No. 5315● EY Office Limited 193/136-137, 33rd Floor, Lake Rajada Office Complex, Rajadapisek Road, Klongtoey, Bangkok 10110 Telephone : 0 2264 0777 Fax : 0 2264 0789-90 Website : www.ey.com/th



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

Land and Houses Bank Public Company Limited

Head Office	1 Q. House Lumpini Building, G, 1 st , 5 th , 6 th , 32 nd Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registration Number	0107548000234
Registered Share Capital	Baht 20,000,000,000
Paid-up Share Capital	Baht 20,000,000,000
Telephone	0 2359 0000 or 1327
Fax	0 2677 7223
Website	www.lhbank.co.th
Auditors	EY Office Limited 193/136-137, 33 rd Floor, Lake Rajada Office Complex, Rajadapisek Road, Klongtoey, Bangkok 10110 Telephone : 0 2264 0777 Fax : 0 2264 0789-90 Website : www.ey.com/th

Land and Houses Securities Public Company Limited

Head Office	11 Q. House Sathon Building, M, 10 th Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registration Number	0107542000038
Registered Share Capital	Baht 1,274,430,060
Paid-up Share Capital	Baht 1,274,430,060
Telephone	0 2352 5100
Fax	0 2286 2681-2
Website	www.lhsec.co.th
Auditors	EY Office Limited 193/136-137, 33 rd Floor, Lake Rajada Office Complex, Rajadapisek Road, Klongtoey, Bangkok 10110 Telephone : 0 2264 0777 Fax : 0 2264 0789-90 Website : www.ey.com/th

Land and Houses Fund Management Company Limited

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

Land and Houses Advisory Company Limited

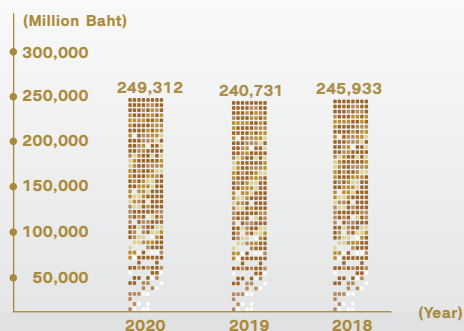
Head Office	11 Q. House Sathon Building, 10 th Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registration Number	0105545029400
Registered Share Capital	Baht 20,000,000
Paid-up Share Capital	Baht 20,000,000
Telephone	0 2352 5100
Fax	0 2286 2681-2
Auditors	EY Office Limited 193/136-137, 33 rd Floor, Lake Rajada Office Complex, Rajadapisek Road, Klongtoey, Bangkok 10110 Telephone : 0 2264 0777 Fax : 0 2264 0789-90 Website : www.ey.com/th

Financial Highlights

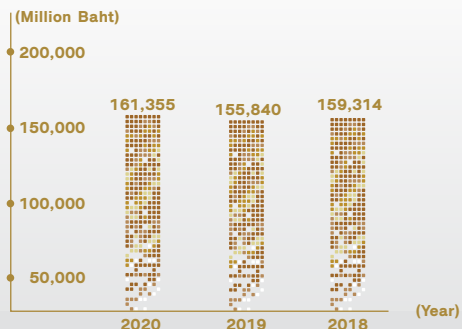
Items	Consolidated Financial Statements		
	2020	2019	2018
Statements of financial position : Million Baht			
Total assets	249,312	240,731	245,933
Loans to customers	161,355	155,840	159,314
Allowance for expected credit losses (Allowance for doubtful accounts)	6,014	4,017	3,801
Non-performing loans (Gross NPLs)	5,392	2,778	3,520
Deposits	182,720	164,985	168,164
Debts issued and borrowings	11,394	21,806	26,203
Total liabilities	210,681	199,568	206,224
Owners' equity	38,631	41,163	39,709
Registered share capital	21,184	21,184	21,184
Issued and paid-up share capital	21,184	21,184	21,184
Statements of comprehensive income : Million Baht			
Interest income	7,855	8,643	8,500
Interest expenses	(3,129)	(4,157)	(3,695)
Net interest income	4,726	4,486	4,805
Non-interest income	3,021	3,418	2,255
Total operating income	7,747	7,904	7,060
Non-interest expenses	(2,997)	(3,005)	(2,768)
Expected credit losses (Bad debts and doubtful accounts)	(2,304)	(1,093)	(570)
Profits before income tax	2,446	3,806	3,722
Net profits	2,057	3,215	3,108
Ratio per share : Baht			
Basic earnings per share	0.098	0.152	0.147
Dividend payout ratio per share	0.0400	0.0800	0.0800
Book value per share	1.8467	1.9431	1.8745
Financial ratio (%)			
Return on assets (ROA)	0.84	1.32	1.30
Return on owners' equity (ROE)	5.16	7.95	7.94
Non-interest income to total income	39.00	43.24	31.94
Non-interest expenses to total income	38.69	38.02	39.21
Dividend payout ratio	85.25	69.58	78.18



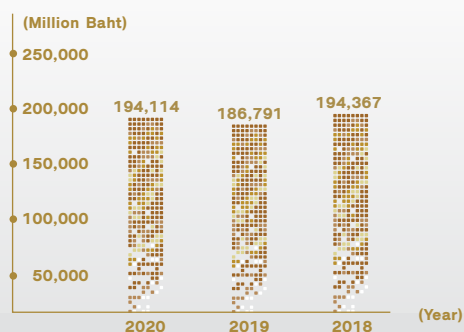
Total Assets



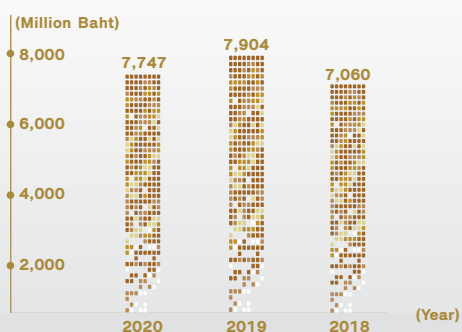
Loans to Customers



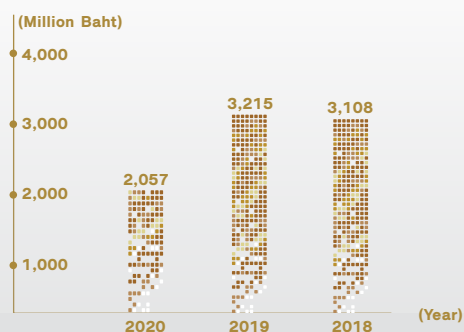
Deposits & Debts Issued and Borrowings



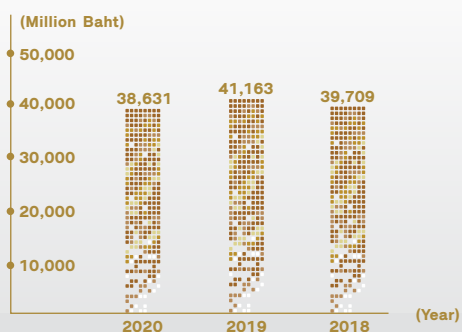
Total Operating Income



Net Profit



Owners' Equity



Board of Directors



**Mr. Rutt
Phanijphand**

Chairman

Age : (Years) 73

Education and Training :

- Master of Science in Business Administration, Fort Hays Kansas State University, USA
- Bachelor of Science, Kasetsart University
- National Defense College of Thailand, 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 2020 : 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	Home Product Center PLC
Jun. 2007 - Present	Executive Director	
Mar. 2007 - Present	Chairman of the Nomination and Remuneration Committee	
Dec. 2001 - Present	Director	Quality Houses PLC
Aug. 2001 - Dec. 2014	Chief Executive Officer Managing Director	
Oct. 2006 - Apr. 2009	Independent Director Member of the Audit Committee	IRPC PLC
Feb. 2005 - Dec. 2005	Director	Dhipaya Insurance PLC
May 2004 - Dec. 2005	Member of the Executive Committee	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.



Mr. Adul Vinaiphat

Independent Director
Chairman of the Audit
Committee
Chairman of the Corporate
Governance Committee

Age : (Years) 74

Education and Training :

- Master of Arts in Economics, University of Texas at Austin, USA
- Bachelor of Economics, Thammasat University
- 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 2020 : 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	Chairman of the Nomination and Remuneration Committee	Quality Houses PLC
Apr. 2018 - Present	Independent Director and Member of the Audit Committee	
May 2015 - Apr. 2017	Consultant	
Jul. 2008 - Dec. 2015	Chairman of the Nomination and Remuneration Committee	
Dec. 2010 - Apr. 2015	Member of the Nomination and Remuneration Committee	
Jul. 2008 - Apr. 2015	Chairman of the Audit Committee	
Aug. 2001 - Apr. 2015	Independent Director	
Aug. 2017 - Present	Chairman of the Audit Committee	LH Financial Group PLC
Feb. 2013 - Present	Chairman of the Corporate Governance Committee	
Apr. 2009 - Present	Independent Director	
Jul. 2018 - Sep. 2018	Member of the Nomination and Remuneration Committee	
Apr. 2009 - Jul. 2018	Chairman of the Nomination and Remuneration Committee	
Apr. 2009 - Aug. 2017	Member of the Audit Committee	
May 2010 - Present	Director	The Thai Packaging and Printing PLC
Jan. 2012 - Apr. 2016	Chairman of the Executive Committee	
Aug. 2005 - Dec. 2005	Member of the Audit Committee	Book Club Finance PLC

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

Jul. 2016 - Present	Independent Director	Land and Houses Fund
	Chairman of the Audit Committee	Management Co., Ltd.
Apr. 2009 - Present	Director	Evergreen Plus Co., Ltd.
	Chairman of the Executive Committee	
2007 - Present	Director	I.G.S. PLC
2002 - Present	Director	The Thai Tapioca Development Institute
2002 - 2008	Vice President	Foundation (TTDI)
Feb. 2013 - Feb. 2018	Member of the Corporate Governance Committee	Land and Houses Bank PLC
Dec. 2005 - Feb. 2018	Independent Director	
	Member of the Audit Committee	
Dec. 2005 - Feb. 2018	Chairman of the Nomination and Remuneration Committee	
Oct. 2014 - Jun. 2016	Independent Director	Land and Houses Securities PLC
	Chairman of the Audit Committee	
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	Land and Houses Credit Foncier PLC
	Member of the Audit Committee	
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



**Mr. Pradit
Sawattananond**

Independent Director
Member of the Audit
Committee
Member of the Corporate
Governance Committee

Age : (Years) 72

Education and Training :

- Master of Business Administration, Central State University, USA
- Bachelor of Commerce, Chulalongkorn University
- Director Certification Program (DCP) 3/2000 : IOD
- Audit Committee Program 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 2020 : LH Bank

Number of Direct Holding of Shares : None

Number of Spouse and Minor Child Holding of Shares : None

Relationship with Executives : None

Work Experiences in the Past 5 Years

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

Period	Position	Organization/Company
Apr. 2018 - Present	Independent Director 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
2000 - Present	Independent Director Member of the Audit Committee	KGI Securities (Thailand) PLC
2015 - Nov. 2020	Independent Director Chairman of the Audit Committee	Nusasiri 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

Apr. 2020 - Present	Chairman of the Audit Committee Chairman of the Corporate Governance Committee	Land and Houses Bank PLC
Sep. 2018 - Present	Member of the Risk Oversight Committee	
Jul. 2018 - Present	Member of the Nomination and Remuneration Committee	
Mar. 2018 - Present	Independent Director	
Mar. 2018 - Mar. 2020	Member of the Audit Committee Member of the Corporate Governance Committee	
2005 - 2006	Advisor to the Committee on Economic Development	The House of Representatives
2001 - 2006	Academic to the Committee on Monetary Affairs, Finance, Banking and Financial Institutions	
2003 - 2006	Director	Thailand Securities Depository Co., Ltd.



**Dr. Supriya
Kuandachakupt**

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

Age : (Years) 67

Education and Training :

- 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 Program (CGI) 7/2015 : IOD
- Advanced Audit Committee Program (AACP) 31/2018 : IOD
- Information Security Awareness Training 2020 : 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	P.A.K. Supply Co., Ltd.
Aug. 2017 - Feb. 2018	Member of the Nomination and Remuneration Committee	
2002 - Present	Director	
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	The Government Lottery Office
	Entrepreneurial Economics Bachelor of Administration (EEBA) International Program	
2007 - 2013	Chairman of the Business Economics Faculty of Economics	
2000 - 2004	Dean, Faculty of Economics	Fiscal Policy Office
2001 - 2003	Director, Kasetsart University Council	
2010 - 2012	Director, The Government Lottery Office Committee	
2004 - 2006	Advisor to the Director of the Fiscal Policy Office	



**Mr. Pichai
Dusdeekulchai**

Independent Director
Chairman of the
Nomination and
Remuneration Committee
Member of the Audit
Committee
Member of the Risk
Oversight Committee

Age : (Years) 59

Education and Training :

- Master of Business Administration, Ashland University, Ohio, USA
- Bachelor of Arts in Mathematics and Statistics, Thammasat University
- Director Certification Program (DCP) 278/2019 : IOD
- Strategic Planning, APTD 2009
- Leadership Development Program (LDP 2013) : Thai Listed Companies Association
- Global Management Program, APTD 2015
- Cyber Resilience Leadership “Tone from the Top” 2020 : BOT
- Information Security Awareness Training 2020 : 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
Jul. 2020 - Present	Independent Director Chairman of the Nomination and Remuneration Committee Member of the Audit Committee Member of the Risk Oversight Committee	LH Financial Group PLC
Apr. 2019 - Present	Independent Director Member of the Audit Committee	Banpu PLC

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

Mar. 2020 - Present	Independent Director Member of the Audit Committee Member of the Corporate Governance Committee	Land and Houses Bank PLC
May 2018 - Mar. 2019	General Manager, Deputy to Country Head of Thailand	Sumitomo Mitsui Banking Corporation Bangkok Branch
Apr. 2002 - May 2018	Head of Business Promotion (Non-Japanese Corporate)	
1990 - 2002	Relationship Manager	Standard Chartered Bank (Thai) PCL



Mr. Li, Ming-Shieh

Director

Age : (Years) 64

Education and Training :

- 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
- Director Accreditation Program (DAP) 166/2019 : IOD
- Information Security Awareness Training 2020 : LH Bank

Number of Direct Holding of Shares : None

Number of Spouse and Minor Child Holding of Shares : None

Relationship with Executives : None

Work Experiences in the Past 5 Years

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

Period	Position	Organization/Company
Apr. 2018 - Present	Director	LH Financial Group PLC

Current Position in 2 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 - 2020	Chairman	CTBC Bank Corp. (USA)
2017 - 2020	Chairman	CTBC Capital Corp.
2010 - 2016	President	China Guanfa Bank
	Executive Director	
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



**Mr. Naporn
Sunthornchitcharoen**

Director

Age : (Years) 62

Education and Training :

- Master of Business Administration, Thammasat University
- Bachelor of Engineering Program in Civil Engineering, Chiangmai University
- Stanford Executive Program (SEP), Stanford Graduate School of Business, Stanford University, USA
- National Defense College of Thailand, Class 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 2020 : LH Bank

Number of Direct Holding of Shares : None

Number of Spouse and Minor Child Holding of Shares : None

Relationship with Executives : None

Work Experiences in the Past 5 Years

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

Period	Position	Organization/Company
Aug. 2017 - Present	Chairman	Land and Houses PLC
	Chairman of the Executive Committee	
1992 - Present	Director	
May 2013 - Aug. 2017	Member of the Executive Committee	
	President (Operations)	
2002 - Apr. 2013	Member of the Executive Committee	
	Senior Executive Vice President (Operations)	
1991 - 2001	Executive Vice President	
Jun. 2017 - Present	Director	Quality Houses PLC
May 2011 - Present	Director	LH Financial Group PLC
Sep. 2018 - Mar. 2019	Member of the Nomination and Remuneration Committee	
May 2011 - Jul. 2018	Member of the Nomination and Remuneration Committee	
May 2011 - Jun. 2017	Member of the Executive Committee	
2015 - Present	Member of the Nomination and Remuneration Committee	Home Product Center PLC
2001 - Present	Executive Director	
1995 - Present	Director	
1994 - Present	Director	Quality Construction Products PLC
1994 - Mar. 2011	Director	Bangkok Chain Hospital PLC
Aug. 2005 - Dec. 2005	Director	Book Club Finance PLC

Current Position in 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	Director	Land and Houses Bank PLC
	Member of the Executive Committee	
2005 - Jul. 2018	Member of the Nomination and Remuneration Committee	
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



Mr. Shih, Jiing-Fuh

Director

Chairman of the Risk Oversight Committee

Member of the Nomination and Remuneration Committee

Age : (Years) 56

Education and Training :

- 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 2020 : 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.
2013 - 2017	Director	CTBC Capital Corp.
1992 - 2001	Vice President of Marketing Department	ABN AMRO Bank, Taipei Branch



Mr. Wu, Kuo-Chin

Director

Age : (Years) 66

Education and Training :

- 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 2020 : 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	
Mar. 2020 - Present	Special Professional, Office of the Chairman	CTBC Bank Co., Ltd.
2017 - Feb. 2020	Chief Representative, Bangkok Representative Office	
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	



**Mr. Khunawut
Thumpomkul**

Director

Age : (Years) 63

Education and Training :

- Master of Business Administration, National Institute of Development Administration
- Bachelor's Degree in Economics, Ramkhamhaeng University
- Director Certification Program (DCP) 8/2001 : IOD
- IT Governance and Cyber Resilience Program (ITG) 8/2018 : IOD
- Information Security Awareness Training 2019 : LH Bank

Number of Direct Holding of Shares : None

Number of Spouse and Minor Child Holding of Shares :

- 2020 = 2,700,066 shares held by spouse : Shareholding 0.013%
- 2019 = 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
May 2001 - Present	Director Executive Director 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



**Mrs. Sasitorn
Phongsathorn**

Chief Executive Officer

President

Age : (Years) 63

Education and Training :

- Master of Business Administration, Notre 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
- Advanced Audit Committee Program (AACP) 38/2020 : IOD
- Information Security Awareness Training 2020 : 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
Jan. 2020 - Present	Independent Director Member of the Audit Committee Member of the Numeration and Remuneration Committee	Pico (Thailand) PLC
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	
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 Member of the Building Construction Sub-Committee Member of the Nomination and Corporate Governance Sub-Committee Member of the Remuneration Sub-Committee	The Stock Exchange of Thailand
Apr. 2000 - Dec. 2003	Senior Vice President	United Advisory Service Co., Ltd.

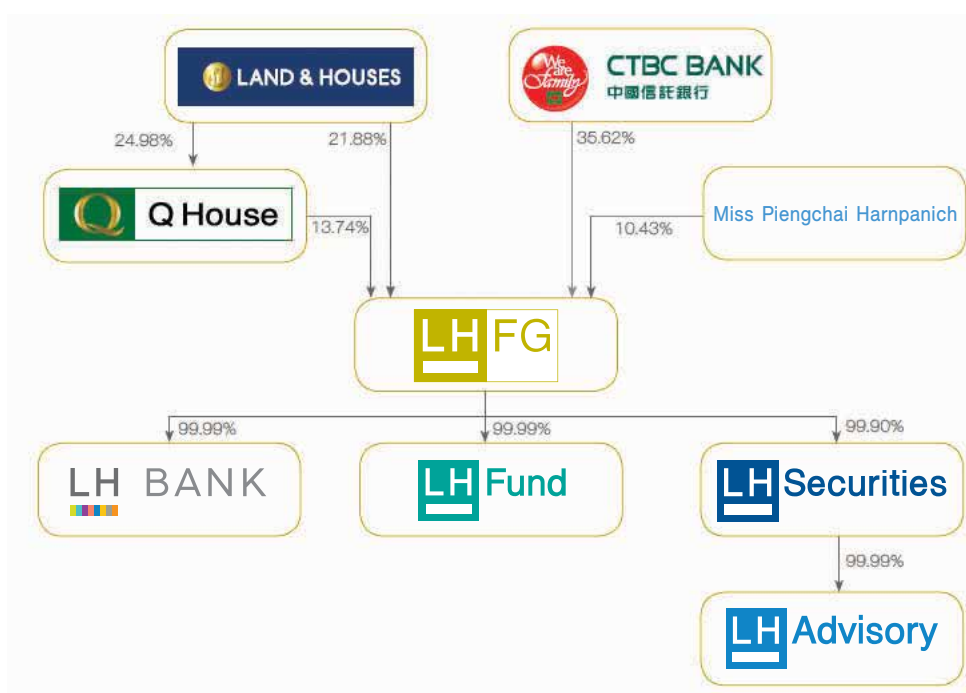


Nature of Business Operation

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

control. Therefore, business operations of the company can be categorized by the business operations of its subsidiaries which provide various forms of financial services to satisfy financial needs of customers comprehensively.

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

Miss 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
- **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. At present, the company holds shares in other companies in 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 99.90% of total paid-up share capital

Business objectives are as follows:

1. To invest in financial instruments, both debt and equity instruments for 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 places a great emphasis on good corporate governance in business operations, prevention of corrupt payment, reinforcement of comprehensive risk management system and responsibilities towards society.

Credit Rating

LH Financial Group Public Company Limited was rated “BBB+” with “stable” outlook by TRIS Rating Company Limited.

Vision, Missions, Corporate Values, and Target of the Financial Business Group

The Board of Directors has determined the vision and mission to be the guidelines for business operations and strategic plan with the aim to achieve the business goals. The vision and missions are reviewed on an annual basis.

The Board of Directors reviewed the vision and missions as follows:

Vision

To be a financial group with quality growth

Missions

- Aim to be a financial group with stable and sustainable growth
- To be professional in providing financial services through innovations, innovative products and services which address all customer needs
- To support human resources management for both knowledge and benefits of employees
- Conduct business with good governance principles, taking into account the best interests of societies, all stakeholders and shareholders



Core Values

Not only does the organization promote work-related knowledge development, it also emphasizes good working behaviors and peaceful coexistence. The company has created the corporate core values for employees to hold on, understand and share the same values through communication, learning, and working under PRO-Active concept which can enable all employees to grow together with sustainability.

PRO-Active is the core values of the company and operational guideline for all employees. It is reflected through working, behaviors, coexistence and treatments of customers and stakeholders.



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

The company encourages its employees to have professional capabilities, understand their jobs and working systems, commit to continuous self-development, strictly follow rules and regulations, have proactive creativity and resilience to be able to adapt their working styles to serve customers’ needs.



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

The company reinforces the spirits of corporate ownership and accountability among its employees to always get tasks finished on time, keep promises and commitments, and firmly focus on goals and achievement outlined by the vision and missions.



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

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



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 company 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 company 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.

Targets of Financial Business Group

The company has mapped out the strategies to become the integrated financial solutions provider. Currently, it has provided various financial products and services to respond to customers' needs, including deposits, loans, funds, securities, financial advisory and other services such as bancassurance, bill payment, revenue tax payment, mobile banking, trade finance and cash management, etc. Enhancements to service quality and information technology systems have also been made continuously to increase

the efficiency of faster services addressing all customers' needs. In addition to business targets, the financial business group places a great emphasis on good corporate governance in business operations, prevention of corrupt payment, reinforcement of comprehensive risk management system and social accountability.

2.2 Commercial Banking Business

Land and Houses Bank Public Company Limited

The bank has developed strategic plan and business plan in accordance with the vision and mission, by considering business environments including economic conditions, domestic and foreign politics and other factors such as strengths, weaknesses, opportunities, threats, key success factors and other significant issues that the bank must comply. The bank considers all these factors to determine the organization guidelines on an annual basis and constantly review the operation plans to keep pace with the changing situations and environment. The bank also emphasizes on good corporate governance in business operations, prevention of corrupt payment, reinforcement of comprehensive risk management system and responsibilities towards society.

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 its Tier 2 capital securities was affirmed at “BBB” (Triple B Straight).

Vision

To be a bank that delivers great experiences to customers beyond their expectations through innovations, products, services and advisory with quality

Mission

- Innovate and develop financial products and services through deep understanding of all customer needs in order to address them comprehensively
- To be a bank with quality and sustainable growth, customer centricity and ability to promptly deal with changes
- Create a good work environment with happiness, engagement, empowerment and advancement of employees
- Conduct business with good governance principles, taking into account the best interests of societies, all stakeholders and shareholders



Core Values

The organization promotes work-related knowledge development and emphasizes good working behaviors and peaceful coexistence. The bank has created the corporate core values for employees to understand and share the same

values through communication, learning and working under the concept of CDA: C : Customer Centric, D : Dynamic, A : Accountability' which can enable all employees to grow together with sustainability.



Branches of the Bank

By the end of 2020, Land and Houses Bank Public Company Limited had the total 108 branches, the same as in 2019. Branches by regions are as follows:

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

Products and Services

The bank 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:

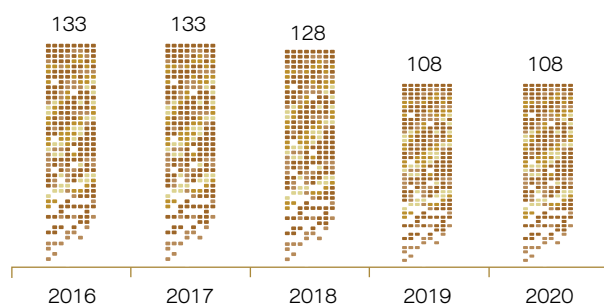
• Savings Deposit

- Savings deposit with high interest rate can be deposited, withdrawn anytime. It is flexible and interest will be credited to the account every day.

- Biz Savings Account for juristic persons, yields high interest rates with + 0.10% extra bonus when the average remaining balance per month is not less than Baht 1,000,000. The interest is paid on a monthly basis.

- Savings Super Shield is for individual customers aged 15 to 70 years old. The bank offers the maximum coverage up to 25 times of the remaining balance in case of accidental death for 24 hours worldwide. The minimum opening balance is only Baht 1,000. The more deposit, the more coverage. Depositors do not have to do health check-ups nor pay any premiums.

Number of the Bank's Branches (Branch)





- **Non-Fixed Deposit** is a high-yield savings account.

The Minimum balance of Baht 5,000 must be maintained in the account at all time. Deposits and withdrawals can be made anytime.

- **Current Deposit** increases business agility with daily interest earnings and is easy to make a deposit and withdrawal via cheques or ATM cards.

- **Fixed Deposit and Fixed Deposit Receipt (FDR)**

help secure future financial stability through our offer of multiple tenors.

- **Tax Free Deposit** requires monthly equal deposits with the period according to the bank's criteria such as 24 months or 36 months and the total amount of deposit must not more than Baht 600,000 throughout the deposit period.

- **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 savings accounts and fixed deposit accounts.

Competitive Strategy of Deposit Service

The bank continues to develop and design new financial products and services by focusing on the suitability for a variety of customers' occupations and financial positions as the saving alternatives which can address to their various demands with attractive returns and various privileges. These products and services will increase their competitive advantages. In addition, the bank arranges various leisure activities to reward customers and maintain its customer base.

The bank's branches are the channel for expanding the deposit customer base by providing customers with transactional services and advice to ensure their convenience and satisfaction. The bank has launched new promotions and campaigns with the aim of tightening relations with customers, while satisfying customers' demands, and increasing the number of customers who use services at the branch. This is the opportunity to increase the cross-selling volume leading to the expansion of fee income base.

The bank determines its interest rates by considering internal and external factors that may have an impact, including costs of fund, 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 its loan services into 3 business sectors consisting of loans for big corporate & corporate, loans for SMEs & SSME and retail loans with details as follows:

1. Loans for Big Corporate & Corporate

Big Corporate & Corporate loan is targeted to serve big corporate & corporate with the purposes for their working capital, production capacity expansion, or investments in buildings, plants, machines, and equipment. Both short-term and long-term loans are available to suit business types and customers' needs.

2. Loans for SMEs & SSME

SMEs & SSME loan is targeted to serve SMEs & SSME with the purposes for their working capital, production capacity expansion, or investment in buildings, plants, machines, and equipment. Short-term and long-term loans are available to suit business types and customers' 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 tenor 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 businesses with clear purposes. Its repayment schedule will be determined in line with the progress of customers' project or the project's cash flow. The loan aims to support entrepreneur's investments in various projects including business expansion, factory/ office construction, purchase of fixed assets such as machineries and vehicles and investments in real estate such as land acquisition for factory construction.

- **Factoring Loan**

Factoring loan is a financial service used as working capital for entrepreneurs to increase liquidity by transferring their account receivables to the bank. After the entrepreneurs delivered products and services to his/her customers (debtors) and submitted their commercial documents such as an invoice, purchase order, packing slip, billing notes and receipt to the bank, they will receive loans according to the agreed ratio without any collateral, for example, 70-80% of the value specified on the invoice, purchase order, packing order, billing note, payment receipt, etc. After receiving payment from the account receivables, the bank will pay the remaining of the agreed amount to customers.

- **Trade Finance**

Trade Finance is the service to support import and export companies by increasing their business opportunities and strengthening negotiation power with trading partners through the bank's global network with international standards. Trade finance covers various and comprehensive services 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 purposes in logistic business, car rental business, etc.

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

Issuance of Bank Guarantee, Aval and Acceptance are services for customers requiring the bank's letter of guarantee to be placed when signing a contract, submitting a bid or for other purposes as follows:

1. Bid Bond or Tender Guarantee
2. Performance Guarantee
3. Advance Payment Guarantee / Security and Retention Guarantee
4. Other bank guarantees

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

It is a comprehensive loan consulting and other related services such as financial structure, syndicated loan, facility agent and security agent.

3. Retail Loan

Retail loan is a service for individuals or small business owners. It can be divided by types of lending purposes as follows:

- **Housing Loan** is a loan enabling customers to buy houses from any housing project, plus a 10% top-up credit limit for renovation, decoration or furniture.
- **Refinance Housing Loan** is a loan for customers who want to refinance their existing loans with other financial institutions. Customers can request for a 10% top-up credit limit for renovation, decoration or furniture.
- **Home for Cash** is a multi-purpose loan with monthly installments, secured by freehold property, to fulfill convenient lifestyle.
- **Personal Loan** is an unsecured loan for the purpose of personal consumption, enabling customers to fulfill daily financial need.

Competitive Lending Strategy

The bank categorizes customers into different segments to appropriately respond to their unique needs with the aim to continuously foster a robust relationship and to offer the right comprehensive financial products and services to the right customers. The bank will consider the loan type, interest rate, credit limit and repayment period suitable for each customer with quick approval. The bank focuses on the strategy for loan extension to existing customers with good track record. This helps the bank create business opportunities and retain the long-term customer base. 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 bank's loans to their friends or business partners.

Housing loan strategy primarily focuses and places emphasis on customers' satisfaction. The bank creates a well-designed customer journey map to deliver a good experience to its customers. The journey maps out the customers' path since the day they need the loans, perceive the bank's products, compare the products, make a decision and receive after-sales services. The bank, therefore, develops various components to achieve its targets such as enhancing products which can deliver highest benefits to customers with a special interest rate and fast approval. In addition, with its aim to deliver great services suitable to customers' demands, the bank increases its potential to better reach out to customers who prefer the online services by adding more online marketing channels so the bank can keep abreast of the digital trend.



3. Electronic Services

The bank puts the great importance on electronic services as Thailand is entering into the digital age. The transactions or services from now on will primarily focus on digitalization. The bank's electronic services are developed and improved continuously to support the financial transactions in the digital era as follows:

- **Internet Banking on Mobile (LH Bank M Choice)**

is a service allowing customers to conduct financial transactions quickly and easily every day, anywhere, and anytime via mobile phones. Customers can also buy and sell funds, and open a new deposit account online.



- **Internet Banking (LH Bank Speedy)** is a service to facilitate juristic persons' financial transactions, made them possible every day, anywhere, and anytime. The service is equipped with double security system ensuring customers' confidence in any transactions.



- **LH Bank Debit Chip Card** is a card used via ATMs of all banks nationwide, secured by recording information in chip cards which cannot be copied. The cards can be used to withdraw cash at any ATMs with the UnionPay International (UPI) logo and can be used for online shopping with convenience. Customers can enjoy many special promotions from the UPI at participating stores.



- **LH Bank Debit Premium Card** is a card with personal accident protection with the maximum coverage of Baht 300,000 guaranteed by Chubb Samaggi Insurance PLC. With no medical assessment required, customers just inform their health profiles in the application form and the coverage will be effective immediately. It covers medical expenses for any accidents, just show the LH Bank Debit Premium Card together with the identification card to partner hospitals.

- **SMS Alert** is a service offering customers the convenience of receiving messages notifying their transactional movement and account status via mobile phones so they will be more confident doing transactions. The customers can set the minimum amount to get alerts via SMS at Baht 500 or more. To apply for the service, just contact the bank's branches, call center 0 2359 0000 or 1327 or via the ATMs.

- **Revenue Tax Payment Service** is a service providing various convenient channels for customers and the general public to make tax payments through the bank's branches and ATMs.

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

As of December 31, 2020, the bank has 2 ATMs in total.

- **Funds Transfer Service** is a service facilitating the money transfers between customers' accounts or to the third parties' LH accounts or other bank accounts through the automatic transfer system (ATS), and through BAHTNET system for large value fund transfer between banks.

- **Cash Management Service** is a convenient and fast financial service for businesses which helps reduce paperwork and administrative costs and greatly increase business management efficiency as follows:

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 payment channel by scanning a QR Code through leading e-Wallet agencies in Thailand such as Rabbit LINE Pay, AirPay, TrueMoney and in foreign countries such as China 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, reduce number of loose change for their customers and provides more convenient and secure transfer as the bank will transfer money to the store's account on the next working day.

- **LH Bank PromptPay** is a simple and easy service to transfer and receive funds. Just register the bank account with the citizen ID or mobile phone number, such transactions can be made with no need of the bank account number.



- **LH Bank Business PromptPay** is a new choice of fund transfer service for companies or corporates by linking their bank account with their 13-digit tax ID number.

4. Other Services

4.1 Insurances Service. The bank provides various life and non-life insurance products to serve a variety of customers' needs. Insurance products from many insurance companies provided at the bank are as follows:

- **Life Insurance Brokerage Services for:**
 - Muang Thai Life Assurance Public Company Limited
- **Non-life Insurance Brokerage Services for:**
 - Chubb Samaggi Insurance Public Company Limited
 - Charan Insurance Public Company Limited
 - Syn Mun Kong Insurance Public Company Limited
 - Krungthai Panich Insurance Public Company Limited
 - Dhipaya Insurance Public Company Limited
 - Viriyah Insurance Public Company Limited

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, retirement mutual funds (RMFs) to long-term equity funds (LTFs) as follows:

- Land and Houses Fund Management Company Limited
- Principal Asset Management Company Limited
- MFC Asset Management Public Company Limited
- SCB Asset Management Company Limited
- One Asset Management Company Limited
- Krungthai Asset Management Public Company Limited

- TMB Asset Management Company Limited
- Krungsri Asset Management Company Limited
- Phatra Asset Management Company Limited
- UOB Asset Management (Thailand) Company Limited
- Tisco Asset Management Company Limited
- Kasikorn Asset Management Company Limited

4.3 Cash Deposit-Withdrawal without Slip is a more convenient service for customers visiting the bank's branch. 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 cards, life insurance premiums and other expenses. Such payment can also be made with the automatic transfer system.

4.6 Deposit withdrawal and loan repayment service through banking agent. With the cooperation of 7-Eleven convenient stores of over 13,000 branches throughout the country, customers can do such transactions of the bank 24 hours here by merely showing their citizen ID cards, bank account numbers and mobile phone numbers. Customers will get a receipt/slip confirming the transaction with real time balance.

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 bank's loan growth, especially for housing loan. Moreover, it gives the bank opportunities to offer other financial products and services to such customers as well as 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 Targets

The bank's main targets for business operations include the extension of loan services to new customer bases, expansion of deposit base, extension of service channels to increase fee incomes, personnel development to be more knowledgeable and skillful in its financial products, development of products and services that best respond to the customer needs and development of information technology system to facilitate the rapid operation and advancement towards the digital banking. Its internet banking service has been developed further into an application for conducting financial transactions on mobile phones. It has also launched marketing campaigns via social media platforms, such as LINE, Facebook and YouTube to multiply its communication channels to the 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 keep pace with changing situation and environment. The company emphasizes the operation in accordance with good corporate governance principles, prevention of corrupt payments, reinforcement of comprehensive risk management system and responsibilities towards society.

Vision

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

Mission

To be a business that enhances the competitiveness of the financial group in providing financial services which can serve the needs of customers in terms of saving and investment. The company aims to increase the efficiency of the group's business by offering more various services and aspires to become an alternative for those interested in investment 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

The company focuses on a variety of marketing campaigns to cover all demand levels of all investor groups, 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. The company also provides personnel with qualifications required by law and supervises their operation to be compliance with 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 individual investors and institutional investors based on their needs. The company emphasizes on efficient investment management and regularly studies and analyzes investment-related data, including competent investment risk management and reports the investment market conditions and investment risk to the investors in a regular manner.

- **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. The net revenue from property funds shall be paid to investors in the form of dividend. Reports on the funds' net asset value and annual reports are submitted to the unit holders on a regular basis.

- **Provident Funds** The company provides investment management service for provident funds, which were voluntarily set up by the employer and employees to serve as savings and a welfare benefit for employees with mutual contributions. After retirement or resignation from the job, the employees or provident fund members will receive tax privileges. The company will spend the money on investment appropriately based on different investment conditions at the certain period of time in order to generate accumulated returns for employees which are suitable and sufficient for their life after retirement or resignation. Employees are entitled to select the investment policy which they see suitable for their needs and risk appetite or select the policy presented by the Provident Fund Committee. Investment summary report and return evaluation are provided for employees and employers regularly.



- **Private Fund** The company provides private fund management services for individuals and juristic persons. Private fund management covers investment in various types of securities such as bonds, debentures, shares and investment units, by considering the risk level appropriate for customers. Investment summary report and return evaluation are provided for employees and employers regularly.

- **Real Estate Investment Trust (REIT)** The company now acts as a manager of real estate investment trust, after becoming a settlor by virtue of the Trust Act. It has been operating the service with the investment focus on various types of real estates including overseas real estates. The REIT manager will invest and manage the trust to generate returns to investors as specified in the trust deed. The report of net asset value is provided regularly while the Annual General Meetings of trust unit holders is organized every year.

- **Trustee of Real Estate Investment** The company acts as the trustee of real estate investment trust. It has duties to supervise the REIT Manager's operation to be comply with the trust deed and related laws, as well as assigning any related tasks, prepare reports on accounting and the trust's asset value and safeguard the trust's assets for the highest benefits of unit holders.

Factors Influencing Opportunities or Constraints on Business Operations

The International Monetary Fund (IMF) and World Bank had slashed the global GDP growth outlook for 2020 to 3.5%, a contraction from its previous forecast at 4.4% in October 2020 while the global economic growth in 2021 is expected to grow 5.5%, from 5.2% projected previously in last October. For Thailand, the Bank of Thailand forecast that the GDP would contract by 6.6%, less than previously estimated, thanks to faster-than-expected economic recovery in the 3rd quarter and expected the economic growth outlook for 2021 to expand by 3.2%.

Regarding to investments in the US stock market, Nasdaq gave the highest returns, rising to 42% from 35.2% in 2019 and MSCI World Index's return stood at 13.16%. Most global stock indices greatly hit by the COVID-19 pandemic continued resuming gradually due to positive developments on coronavirus vaccines and government supportive measures in many countries. For the Thai stock market in 2020, SET index decreased by 8%, recovered from the lowest level at 34.4% during March 2020 while foreign investors were net sellers of Baht 264,385 million. The profits of Thai listed companies are anticipated to shrink by 38%. Business sectors relying on the economic cycle that are expected to recover in 2021 include energy, petrochemicals, banking, consumption and tourism.

Business Targets

Strategic plans for business operations developed to keep pace with 2020 situations include capital portfolio rebalancing to cope with market volatility through asset allocation as to diversify risks. For the diversification of equity instruments, it partially invests in property fund / REITs to generate new revenue streams with growth potential. For distribution channels, the company has increased close collaborations with other subsidiaries under the group, especially with Land and Houses Securities Public Company Limited in the investment advisory process for the private fund and teaming with Land and Houses Bank Public Company Limited in providing customers with asset allocation service.

For 2021 target, the company still places emphasis on the policies to expand institutional customer base, increase new distribution channels, and digitalize its services through the online platforms in order to facilitate investments for customers while helping the company to better reach target audiences. For fund management, the company aims to provide a wider range of funds under management 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 its securities business under the symbol "LHS". The company becomes a "broker No.5" on the Stock Exchange of Thailand and is also a member of the Thailand Futures Exchange. The company's core businesses include securities brokerage service, derivatives brokerage service, underwriting service, bond trading service, securities borrowing and lending service and mutual fund selling agent service. Moreover, the company places a great emphasis on good corporate governance principles in business operations, prevention of corrupt payment, reinforcement of comprehensive risk management system and social accountabilities.

Vision

"SMART CHOICES FOR YOUR MONEY". We aim at providing one-stop investment services and enhancing competitiveness of the financial group.

Mission

- Aim for sustainable growth and long-term persistence
- Provide one-stop investment services to meet our clients' evolving needs
- Improve quality of service, trading platform, various products and good client services
- Equip human resources with learning opportunities and skill development to create incentives and retain valued employees



Business Overview

• Securities Brokerage Service

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

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

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

The company has 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 (Suitability Test) by considering relevant documents such as ID, statements and other financial reports.

2. Juristic person is considered from type of business, source of income, business performance, financial stability, liability, major shareholders, executives, age, occupation, investment objectives and ability to take risk (Suitability Test) by considering relevant documents such as historical financial statements, certificate of registration and other financial reports.

However, the company requests the customers to provide their information for KYC and suitability test. The company's staff will evaluate customers' risks and review their trading limits regularly.

• Derivatives Brokerage Service

The company has been granted a derivatives agent license by the Office of the Securities and Exchange Commission and has become 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 |
| • Gold Online Futures | • Gold-D |
| • Interest Rate Futures | • USD Futures |
| • Sector Futures | • RSS3 Futures |

In addition, the company also provides the single stock futures block trade for traders who want to make bulk investments in single stock futures without liquidity concerns.

• Derivatives Trading and Guaranteed Underwriting Service

The company provides derivative trading and guaranteed underwriting service for securities issuers 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

Mutual fund selling agent service is a property management service as assigned by the customer. The investment framework will be set according to the objectives of each client and comply with acceptable risks through investing in mutual funds. The company has a wide variety of funds from various leading asset management companies for customers to choose and invest. The clients will be advised and consulted by experienced staff who have expertise in investment and tax planning. The company's services are based on the best interests of the customers by paying attention to prevent the conflicts of interest and insider information control so as to prevent any advantages over the investment of the company and investment of clients.



Presently, the company offers 2 types of mutual fund selling agent service as follows:

1. Omnibus Account

Omnibus account without identifying the name of unit holders provides more convenience for customers. The company has a trading system linked with all fund management companies that are selling agents. Just only 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 with the name of unit holders is recommended for those who would like to make long-term savings such as SSF, RMF, property fund. These types of funds require customers to disclose their names in order to comply with tax requirements by regulators.

- **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 account. The company has professionals to advise and support services of fixed income securities so that customers receive satisfactory returns.

- **Securities Borrowing and Lending Service**

Securities borrowing and lending service (SBL) has the objective to allow customers to borrow securities for short selling through cash balance opened with the company. Presently, the Stock Exchange of Thailand allows short selling for only SET100 securities, permitted securities, and ETF investment units.

The company has a policy for securities borrowing and lending service (SBL) as principal by providing the service for retail customers and institutional customers as well as securities companies that borrow or lend under SBL account. These securities have high liquidity, high market capitalization and solid infrastructure.

Factors Influencing Opportunities or Constraints on Business Operations in 2021

In 2021, the overall Thai stock market is likely to improve due to gradually recovering performance. Vaccines and foreign inflow are key drivers and the risk of the conflict between the United States and China that should be softened by Joe Biden's compromise policy. Global economy in 2021 is likely to recover after all countries around the world are hit by the COVID-19 pandemic and IMF expects the global economy to recover with the expansion at 5.2% in 2021, after shrinking to 4.4% in 2020. Profits of Thai listed companies is projected to improve. Amid high liquidity in the system and low global interest rates. It is likely to have positive effect on investments in risky assets like stock markets.

Business Targets in 2021

The company has goals in 4 aspects as follows:

1. Financial : generate income from core business according to the target coupled with effective management of operating cost

2. Customer : expand new customer base through digital platform by focusing on mass affluent and build relationship with customers by : 1. Develop new technologies and services to satisfy customers with good care and service (customer experience) 2. Improve advisory to create a product mix (generate income from other businesses not fees income) and, 3. Enhance analytics

3. Technology : enhance technological capabilities to address customers' needs with convenience, fastness and safety

4. Personnel : improve relationship manager to be equipped with skills and understanding of products and services to be professional financial advisor

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 2020, 2019 and 2018 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 2020		31 December 2019		31 December 2018	
			Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
Interest income								
Investment holding business	LHFG ¹		-	-	-	-	-	-
Banking business	LH Bank ²	99.99	7,820.13	100.94	8,601.78	108.83	8,451.81	119.72
Fund management business	LH Fund ³	99.99	-	-	-	-	-	-
Securities business	LH Securities ⁴	99.90	35.26	0.46	41.48	0.52	48.16	0.68
Advisory business	LH Advisory ⁵	99.99	-	-	-	-	-	-
Total interest income			7,855.39	101.40	8,643.26	109.35	8,499.97	120.40
Total interest expenses			(3,129.66)	(40.40)	(4,157.14)	(52.59)	(3,694.75)	(52.33)
Net interest income			4,725.73	61.00	4,486.12	56.76	4,805.22	68.06
Fees and service income								
Banking business	LH Bank	99.99	254.57	3.28	310.50	3.93	289.89	4.11
Fund management business	LH Fund	99.99	477.04	6.16	494.64	6.26	371.95	5.27
Securities business	LH Securities	99.90	179.87	2.32	135.26	1.71	164.95	2.33
Advisory business	LH Advisory	99.99	-	-	-	-	-	-
Total fees and service income			911.48	11.76	940.40	11.90	826.79	11.71
Total fees and service expenses			(183.92)	(2.37)	(210.99)	(2.67)	(145.57)	(2.06)
Net fees and service income			727.56	9.39	729.41	9.23	681.22	9.65
Total other income			2,294.02	29.61	2,688.33	34.01	1,573.58	22.29
Total operating income			7,747.31	100.00	7,903.86	100.00	7,060.02	100.00

Remarks	LHFG ¹	: LH Financial Group Public Company Limited
	LH Bank ²	: Land and Houses Bank Public Company Limited
	LH Fund ³	: Land and Houses Fund Management Company Limited
	LH Securities ⁴	: Land and Houses Securities Public Company Limited
	LH Advisory ⁵	: Land and Houses Advisory Company Limited 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 2020, 2019 and 2018 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 2020		31 December 2019		31 December 2018	
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
Interest income						
Loans to customers	6,214.60	80.22	6,595.26	83.44	6,333.59	89.71
Investments in debt securities	1,222.86	15.78	1,521.22	19.25	1,548.34	21.93
Interbank and money market items	411.15	5.31	513.71	6.50	593.36	8.40
Hire Purchase	6.10	0.08	12.29	0.15	24.28	0.35
Others	0.68	0.01	0.78	0.01	0.40	0.01
Total interest income	7,855.39	101.40	8,643.26	109.35	8,499.97	120.40
Interest expenses						
Deposits	(2,118.91)	(27.35)	(2,514.46)	(31.81)	(2,129.47)	(30.16)
Debts issued	(454.35)	(5.87)	(666.94)	(8.44)	(611.00)	(8.65)
Interbank and money market items	(87.04)	(1.12)	(92.57)	(1.17)	(107.21)	(1.52)
Contributions to the Deposit Protection Agency and the Bank of Thailand	(447.92)	(5.78)	(877.06)	(11.09)	(840.45)	(11.91)
Others	(21.44)	(0.28)	(6.11)	(0.08)	(6.62)	(0.09)
Total interest expenses	(3,129.66)	(40.40)	(4,157.14)	(52.59)	(3,694.75)	(52.33)
Net interest income	4,725.73	61.00	4,486.12	56.76	4,805.22	68.06
Fees and service income						
Acceptances, avals and guarantees	40.54	0.52	56.86	0.72	42.40	0.60
Commission income	291.57	3.76	273.87	3.47	301.14	4.27
Others	579.37	7.48	609.67	7.71	483.25	6.84
Total fees and service income	911.48	11.76	940.40	11.90	826.79	11.71
Fees and service expenses						
Fees and charges	(58.76)	(0.76)	(67.57)	(0.86)	(60.27)	(0.85)
Others	(125.16)	(1.61)	(143.42)	(1.81)	(85.30)	(1.21)
Total fees and service expenses	(183.92)	(2.37)	(210.99)	(2.67)	(145.57)	(2.06)
Net fees and service income	727.56	9.39	729.41	9.23	681.22	9.65
Other income						
Gains on investments	833.92	10.77	1,095.33	13.86	342.00	4.84
Gains on financial instruments measured at fair value through profit or loss	44.36	0.57	118.91	1.50	1.71	0.02
Other operating income	1,415.74	18.27	1,474.09	18.65	1,229.87	17.42
Total other income	2,294.02	29.61	2,688.33	34.01	1,573.58	22.29
Total operating income	7,747.31	100.00	7,903.86	100.00	7,060.02	100.00



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 2020, the company and its subsidiaries had interest income amounting to Baht 7,855.39 million, decreased by Baht 787.87 million or by 9.12% from 2019.

Interest expenses consist of interest expenses from deposits, debts issued, interbank and money market items, contributions to the Deposit Protection Agency and the Bank of Thailand and others interest expense. In 2020, the company and its subsidiaries had interest expenses amounting to Baht 3,129.66 million, decreased by Baht 1,027.48 million or by 24.72% from 2019.

Net interest income is Baht 4,725.73 million or 61.00% of total operating income. Net interest income increased by Baht 239.61 million or 5.34% from 2019.

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 2020, the company and its subsidiaries had fees and service income amounting to Baht 911.48 million, decreased by Baht 28.92 million or by 3.08% from 2019.

Fees and service expenses are of Baht 183.92 million, decreased by Baht 27.07 million or by 12.83% from 2019.

Net fees and service income is of Baht 727.56 million or 9.39% of total operating income, decreased by Baht 1.85 million or by 0.25% from 2019.

3. Other Incomes

Other incomes consist of gains on investments, gains on financial instruments measured at fair value through profit or loss and other operating income. In 2020, the company and its subsidiaries had other incomes amounting to Baht 2,294.02 million, decreased by Baht 394.31 million or by 14.67% from 2019 mainly from gains on investments decreased by Baht 261.41 million.



Securities and Shareholders' Information

1. Securities Information

1.1 Ordinary Shares

As at 31 December 2020, the company had 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 15 October 2020 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. Samrerng Manoonphol	406,930,323	1.921
6	LH Financial Group Public Company Limited	264,250,300	1.247
7	Mr. Wiroj Engpaiboon	153,726,134	0.726
8	Mr. Pairoj Paisarnsrisomsuk	118,000,098	0.557
9	Mr. Anuphong Assavabhokhin	97,986,233	0.462
10	Mrs. Pantip Techapaibul	61,500,000	0.290
Total Shareholdings of Top 10 Major Shareholders		18,402,366,251	86.870
Other Minority Shareholders		2,781,294,343	13.130
Grand Total		21,183,660,594	100.00



3. Dividend Payment Policy

3.1 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.

Dividend payments 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 for Financial Institutions, financial institutions should not pay dividends from unrealized gains or when there is no real cash inflow such as profits from mark-to-market valuations or from the reclassification of financial assets. Neither should they pay dividends from the profits arising from unrealized liquidation of assets which results in a higher profit or lower loss than actual, such as proceeds from the sale of non-performing assets (NPAs) under the condition that the financial institutions can repurchase them or exercise the rights of first refusal in the future.

In addition, since the core revenue of the company is the dividends it receives from its 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 loan classification and provisioning guidelines for 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 other forms of returns to its shareholders.

3.3 Subsidiaries' Dividend Payment Policy

3.3.1 Land and Houses Bank Public Company Limited

In considering dividend payments, the bank will take into account its performance and the long-term returns to its shareholders.

Dividend payments will be in line with the Articles of Association of the bank, 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 bank 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.

3.3.2 Land and Houses Securities Public Company Limited

In considering dividend payments, the company will take into account its performance and the long-term returns to its shareholders as well as the consolidated financial statements.

Dividend payments 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 payments 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 dividend payments, the company will take into account its performance and the long-term returns to its shareholders.

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

- None -



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

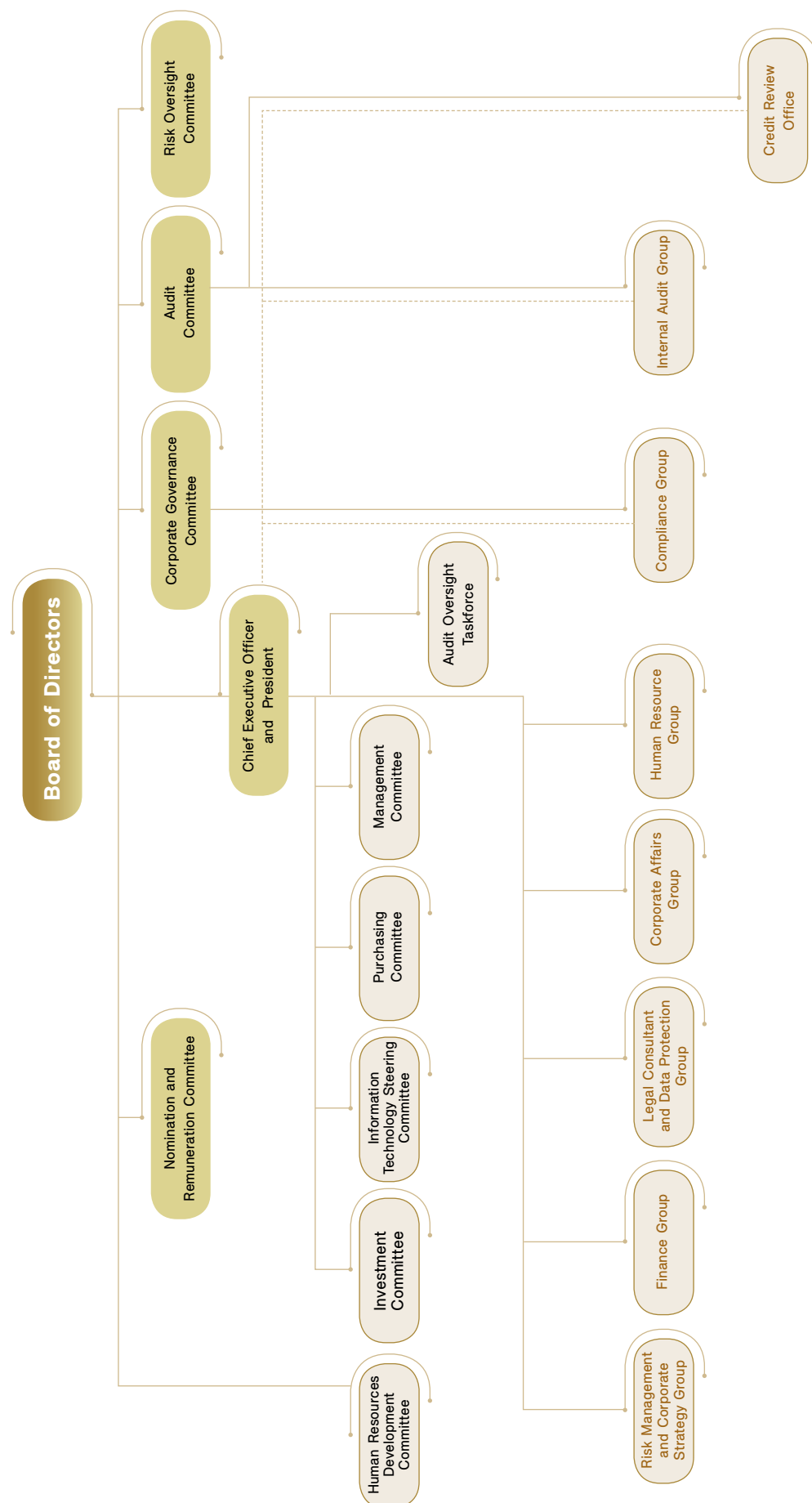
Company	:	Land and Houses Bank Public Company Limited
Head Office	:	1 Q. House Lumpini Building, G, 1 st , 5 th , 6 th , 32 rd Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registration Number	:	0107548000234
Registered Share Capital	:	Baht 20,000,000,000
Paid-up Share Capital	:	Baht 20,000,000,000
Par Value	:	Baht 10
All Types of Shares and Issued Share Capital	:	Include ordinary share: 2,000,000,000 shares preferred share: - None -
Telephone	:	0 2359 0000 or 1327
Fax	:	0 2677 7223
Website	:	www.lhbank.co.th
Major Shareholders	:	The major shareholder of the bank as at 31 December 2020 includes: LH Financial Group Public Company Limited holds 99.99% of paid-up share capital divided into 1,999,999,900 ordinary shares with par value of Baht 10

Company	:	Land and Houses Securities Public Company Limited
Head Office	:	11 Q. House Sathon Building, M, 10 th Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registration Number	:	0107542000038
Registered Share Capital	:	Baht 1,274,430,060
Paid-up Share Capital	:	Baht 1,274,430,060
Par Value	:	Baht 1
All Types of Shares and Issued Share Capital	:	Include ordinary share: 1,274,430,060 shares preferred share: - None -
Telephone	:	0 2352 5100
Fax	:	0 2286 2681-2
Website	:	www.lhsec.co.th
Major Shareholders	:	The major shareholder of the company as at 31 December 2020 includes: LH Financial Group Public Company Limited holds 99.90% of paid-up share capital divided into 1,273,121,038 ordinary shares with par value of Baht 1

Company	:	Land and Houses Fund Management Company Limited
Head Office	:	11 Q. House Sathon Building, 14 th Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120
Registration Number	:	0105551006645
Registered Share Capital	:	Baht 300,000,000
Paid-up Share Capital	:	Baht 300,000,000
Par Value	:	Baht 100
All Types of Shares and Issued Share Capital	:	Include ordinary share: 3,000,000 shares preferred share: - None -
Telephone	:	0 2286 3484
Fax	:	0 2286 3585
Website	:	www.lhfund.co.th
Major Shareholders	:	The major shareholder of the company as at 31 December 2020 includes: 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



Management Structure

The management structure of 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. 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. Pichai	Dusdeekulchai	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	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, affixed with the company's seal.

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 order to protect the best interests of the company and prevent conflicts of interest of any shareholder. Their duties and responsibilities are as follows:

1. Perform duties in compliance with those specified by laws and regulations, the objectives and Articles of Association of the company and related external agencies as well as the resolutions of the shareholders' meetings with integrity, and protect the best interests of the company.
2. Determine directions and strategic goals for the company, approve the policies and operating direction proposed by the management and supervise the management to effectively and efficiently implement the approved policies in order to protect the interests of the company and its shareholders.

3. Make provisions of the code of conduct and business ethics as well as the code of ethics for directors, executives and employees as organizational guidelines.

4. Constantly monitor the company's operations to ensure that the executive directors and management will operate business in accordance with the applicable laws and policies.

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

6. Ensure that the company has the efficient internal control and organizational structure that is conducive to independent control, oversight and audit functions (Three Lines of Defense).

7. Ensure that all important matters of the company are escalated by the management to the Board of Directors and a reporting process is implemented by the management in order to provide the Board of Directors with adequate information so that they can fulfill their duties and responsibilities.

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

9. 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 sub-committees.

10. Ensure that the company has determined the policy on related party transactions.

11. Ensure that the process of sending management letter from external auditors and gathering management's opinions shall be submitted to the Board of Directors in a timely manner.

12. Provide the check-and-balance mechanism between the management 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 each director shall attend the meeting at least 75 percent of the total meetings held each year unless a reasonable ground is provided.

14. To approve any proposal, the quorum shall be at least two-thirds of total directors.

In case of directors or related persons having interests or conflicts of interest in a given matter, 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 business and strategic plan
- Approve the annual budget
- Approve the vision and mission
- Approve any key matters and make decisions
- Approve any policies
- Approve the requests for permission from official agencies
- Approve any matters under the Public Limited Companies Act.

In addition, the approval of any matters 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 goals of the organization.
2. Oversee and promote the organizational culture based on ethics and good corporate governance.
3. Allocate sufficient time for all matters proposed by the management team and for directors to discuss on significant issues by providing independent opinions.
4. Strengthen good relations among the directors and management team.
5. Chair the Board of Directors meeting, call for the meeting, and determine agenda items.
6. Chair the shareholders' meeting and ensure the meeting complies with applicable laws, regulations and the Articles of Association, allocate appropriate time for each agenda item as determined in the invitation letter, and give an opportunity for shareholders to freely express their opinions and ask questions relevant to the company.

2. Audit Committee

The Audit Committee consists of 4 directors as follows:

- | | | |
|-----------------------------|-------------------------|-----------|
| 1. Mr. Adul | Vinaiphat | Chairman |
| 2. Mr. Pradit ¹ | Sawattananond | Member |
| 3. Dr. Supriya ¹ | Kuandachakupt | Member |
| 4. Mr. Pichai | Dusdeekulchai | Member |
| | Mrs. Wilawan Sutthibutr | Secretary |

Note : ¹This is a 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 the Board of Directors as follows:

1. Review the company's financial reporting to ensure that it is accurate and adequate.
2. Review and evaluate whether the company has set an appropriate and effective internal control and internal audit.
3. Review and ensure that the company has complied 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 guidelines on internal audit of financial institutions.
7. Ensure the company has adequate internal control and complies with the whistleblower policy.
8. Provide guidelines and internal control to prevent any corruption and monitor potential risks from any form of corruptions for the companies in the financial business group.
9. Obtain regular updates from the Risk Oversight Committee for matters requiring improvements to be in line with the policies and strategies of the company.
10. Share opinions with the Audit Committee and the Risk Oversight Committee in case of a review of the adequacy and efficiency of overall policies, risk management strategies and risk appetite as to evaluate whether they can cover all kinds of risks, including emerging risks, and also the effective and efficient implementation of the policies and strategies.

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 other tasks assigned by the Board of Directors with the consent from the Audit Committee.



3. Corporate Governance Committee

Corporate Governance Committee consists of 3 directors as follows:

- | | | | |
|----|-------------|---------------|-----------|
| 1. | Mr. Adul | Vinaiphat | Chairman |
| 2. | Mr. Pradit | Sawattananond | Member |
| 3. | Dr. Supriya | Kuandachakupt | Member |
| | Mr. Kukrit | Singhon | 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 to the Board of Directors for approval.
2. Consider the anti-corruption policy and propose to the Board of Directors for approval.
3. Ensure the compliance with the policies and provide recommendations and necessary supports to related working teams in order to achieve the operation plans.
4. Evaluate the performance of the company according to the good corporate governance policy and the anti-corruption policy with the corporate governance principles to determine matters that require improvements.
5. Evaluate the compliance with laws, rules, regulations, standards and operation guidelines applicable to the companies in the financial business group.
6. Represent the company in communicating and executing corporate governance activities and preventing any act of corruption and bribery among executives, employees and external agencies.
7. Perform other tasks assigned by the Board of Directors with the consent from the Corporate Governance Committee.

4. Nomination and Remuneration Committee

Nomination and Remuneration Committee consists of 3 directors as follows:

- | | | | |
|----|--------------|----------------|-----------|
| 1. | Mr. Pichai | Dusdeekulchai | Chairman |
| 2. | Mr. Shih, | Jiing-Fuh | Member |
| 3. | Dr. Supriya | Kuandachakupt | Member |
| | 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 of directors and top executives that require approval from the regulators as well as executives in the position of First Senior Vice President and higher or

other levels in equivalent positions when retired, vacant or added in order to align with the business strategies and adhere to the Bank of Thailand's notification on the criteria for consenting the appointment of directors, managers, persons with power of management or consultants of financial institutions.

2. Select and nominate qualified candidates as follows:

2.1 Directors

2.2 Persons with power of management consist of Chief Executive Officer, President, Senior Executive Vice President, Executive Vice President and First Senior Vice President

2.3 Consultant or a person who performs any duties in the capacity of a director, Chief Executive Officer, President, Senior Executive Vice President, Executive Vice President and First Senior Vice President, all of which have been titled as consultants only.

3. Supervise and ensure the Board of Directors has the members and the composition that is appropriate with the organization, adjust them according to changing environments, ensure that the mechanism or tool to support the process of selection and nomination of new directors are in place. The Board of Directors shall compose of qualified candidates with appropriate behaviors, knowledge, abilities and experiences in various areas which are beneficial to the long-term operations, and suitable for directions and strategies of the company. The Nomination and Remuneration Committee is also responsible for recommending guidelines on remuneration and other benefits including an annual bonus for the Board of Directors and appointed sub-committees.

4. Determine the remuneration policy, remunerations and other benefits for directors and persons with power of management (reference no. 2) which are consistent with the company's objectives, their duties and responsibilities and relevant risks with clear and transparent criteria and propose it to the Board of Directors for approval and submit such policy to the Bank of Thailand upon request.

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

6. Consider a framework for remuneration structures, annual salary increase and bonus, and other benefits as follows:

6.1 Consider the overall framework of remuneration structures, annual salary increase and bonus, and other benefits of top executives and local staff as well as expatriates of the business partner such as fees or service charges involving their employment conditions as agreed upon the management's recommendations, with the aims of bringing about expected performance. The remuneration is fair and commensurate with 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 succession planning to ensure the continuity of appropriate and systematic administration for persons with power of management (reference no. 2).

8. Consider policy framework, criteria and fixed-term employment contracts.

9. Review and propose revisions to the 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 process for directors and persons with power of management in the annual report.

11. Determine the evaluation guideline for directors and persons with power of management (reference no. 2) as to consider adjusting annual remuneration by taking into account their duties, responsibilities and related risks and increased value of owners' equity in the long term.

12. Disclose the policy on remuneration determination and types of remunerations, and provide the remuneration report which shall at least contain the details of factors influencing the evaluations of overall performance, goals and operations, opinions of the Nomination and Remuneration Committee, methods and tools for remuneration payment which could reflect potential risks (if any) in the annual report.

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, extensive experiences, adequate understanding in banking, finance, economics, laws and other related areas to ensure the appropriate composition of the Board of Directors as required. The board skill matrix was created to assist the selection and nomination process to be in line with business directions and strategies, taking into account the necessity of organization and good corporate governance principles. The Nomination and Remuneration Committee shall listen to suggestions of minor shareholders who nominate qualified persons for directors or independent directors. The company has given opportunities for shareholders to nominate candidates for election as directors during the Annual General Meeting of Shareholders according to the rules of the company. Details of this matter are presented in the business sustainability report under the topic of good corporate governance.

The Nomination and Remuneration Committee shall propose the Board of Directors to appoint directors and/or independent directors in the event of a vacancy of directors for any reason other than the retirement by rotation or shall propose the shareholders' meeting to elect directors and/or independent directors as a replacement for those retired by rotation or shall propose the shareholders' meeting to elect new additional directors. Rules for the election and removal of directors are as follows:

• Composition of the Board of Directors

The Board of Directors, determined by the shareholders' meeting, shall consist of at least 5 directors. The number of executive directors shall not exceed one-thirds of the total directors and the number of independent directors shall be at least 3 directors or one-thirds of the total directors, whichever is higher.

• Election of Directors

1. In casting votes for directors, the shareholders' meeting shall comply with the following rules and procedures:

- (A) Each shareholder is entitled to cast one vote for one share held.
- (B) Each shareholder may exercise all the votes he or she has for any individual director, or a group of directors by the non-cumulative voting. Splitting the number of votes to any person in a group is not allowed.
- (C) The candidates shall be ranked in descending order, from the highest number of votes to the lowest, and shall be appointed as directors in that order until all of the director positions are filled. Where the votes cast for candidates in descending order are tied, which would otherwise cause the number of directors to exceed the required number, the chairman of the meeting shall exercise a casting vote.

2. Retirement 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 need to retire by rotation in the first and second years after the company registration, a drawing of lots must be held to decide which directors shall be retired. For subsequent years, the directors who have served in office for the longest terms shall retire.
- Any director who retired by rotation can be re-elected.



- (B) Death
- (C) Resignation
- (D) Being disqualified or prohibited under the laws
- (E) Being removed by a resolution of the shareholders'

meeting with votes of not less than three-quarters of the attending shareholders with voting rights and the aggregate number of shares of not less than half of the shares held by all the shareholders attending the meeting and having the rights to vote.

- (F) Being removed by an order of the Court

3. In the event of a vacancy of directors for any reason other than the retirement by rotation:

The Board of Directors shall elect a qualified person with no prohibited characteristics under the Public Company Limited Act to be the director in their next meeting unless the remaining term of office of the vacating director is less than two months. The substitute director shall serve only for the remaining term of office of the director whom he or she replaces. Such resolution of 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 on director appointment as stipulated by 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, extensive experiences and adequate understanding in banking, finance, economics and laws, consistent with business strategies by taking into account the necessity of organization and good corporate governance principles. The Nomination and Remuneration Committee shall then propose the list of qualified candidates 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, extensive experiences and adequate understanding in banking, finance, economics and laws, consistent with business strategies by taking into account the organization's necessity and good corporate governance principles. The list 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 proper capabilities and qualifications by taking into consideration ethics, moral principle and honesty to take a position as First Senior Vice President and higher. Preliminary factors for consideration include qualifications, capabilities, and experiences in financial field. Nominated persons should have ideas and vision regarding management in line with the Board of Directors in order to ensure the accomplishment of the company's targets. The top executives and the Board of Directors must place great trust in one another and work in close coordination. The Nomination and Remuneration Committee shall propose the list of nominees to the Board of Directors for further consideration and the appointment shall be in accordance with the regulations of the Bank of Thailand.

Regarding the appointment of other executive positions, the Chief Executive Officer and President shall consider their qualifications and approve.

Qualifications of Independent Directors

To nominate and appoint independent directors, candidates must possess the qualifications required by the company and consistent with the good corporate governance policy according to the regulations of the Capital Market Supervisory Board. The qualifications of independent directors are as follows:

1. Holding not more than 0.5 percent of the total number of voting shares of the company, or 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 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 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 commercial lease or property for rent, 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 parent company, subsidiaries, associated companies, major shareholders, or control person, and is not 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 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, a representative of a major shareholder, or a representative of a shareholder who is a related person of a major shareholder.

8. Not undertaking any business the nature of which is the same as that of company or subsidiaries and which, in any material respect, is competitive with the business of the company or subsidiaries, or not be a significant partner in a partnership, or a director engaging in any management role, an employee, an officer, an advisor with regular salary, 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.

9. Not having any other characteristics that prevent the exertion of independent opinions concerning business operation. 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. Risk Oversight Committee

The Risk Oversight Committee consists of 3 members as follows:

1. Mr. Shih,	Jiing-Fuh	Chairman
2. Dr. Supriya	Kuandachakupt	Member
3. Mr. Pichai	Dusdeekulchai	Member
	Enterprise Risk Management	Secretary or
	Corporate Strategy Sector	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 operations of the company and the companies in the financial business group as follows:

1.1 Ensure the formulation of risk management policies on key matters such as credit risk, market risk, liquidity risk, operational risk, and reputation risk as well as determining the comprehensive framework for information technology risk management in accordance with the international standards.



1.2 Provide the assessment and monitoring systems to oversee risk management of the management team at appropriate level according to the company's policies and ensure the appropriate risk management of the company to be competitive and supervise the management to provide measures to protect, correct and control risks appropriately, especially for the concentration of any particular risk.

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 upon significant changes that may affect the company's stability by taking into consideration overall risk profile, risk appetite and risk management strategy.

1.4 Provide capital forecasts under stress test by determining scenarios consistent with nature, volume and complexity of transactions.

1.5 Provide the organization structure that supports the risk governance.

1.6 Provide the IT risk management and the procedures of risk management that cover the continuous assessment and monitoring IT risk, cyber risk while ensuring the cyber resilience and reporting to the Board of Directors about IT risk and cyber risks.

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

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

1.9 Provide the risk management of conduct risk with appropriate procedures to ensure the business operation's compliance with the principles and guidelines of market conduct, as well as procedures to prevent the risk of service mistakes, procedures to handle complaints from customers, and procedures to manage the risk impact in accordance with the criteria of the regulatory agencies.

1.10 Oversee and ensure that 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 Formulate capital and liquidity management strategies to cope with risks and control them to be in line with approved risk appetite.

1.12 Report to the Board of Directors about the risk profile, efficiency of risk management and compliance status with the risk culture, including significant factors, challenges, and issues required improvements to align with risk policies and risk management strategies.

2. Provide the Board of Directors with advice on the risk oversight framework.

3. Discuss and share ideas with the Audit Committee to assess the coverage of the risk management policy and risk management strategies to ensure that they cover all types of risks, as well as emerging risks, and that the execution of such policy and strategies is effective and efficient.

4. Provide comments or participate in the assessment of the effectiveness and efficiency of the head of risk management department.

6. Board of Directors Meetings

The company regularly organizes the Board of Directors meetings. At each meeting, its agenda are determined clearly in advance. The important agenda items include the consent of quarterly financial statements, monitoring the company's performance and the financial business group's performance. The invitation letter with clear agenda items will be sent to the directors at least 7 days prior to the meeting date while relevant supporting documents will be sent to the directors at least 5 days before the meeting, allowing sufficient time for them to consider and study the information. The written minutes of the meetings are well prepared. The minutes of the meetings which have been approved by the Board of Directors are carefully kept for auditing purposes.

In 2020, the company held a number of meetings of the Board of Directors and sub-committees throughout the year. Details on directors' attendance, number of meetings and percentage of an individual director's attendance for each meeting are summarized as follows:


Table : Meeting Attendance of the Directors in the Year 2020

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	(%)
Total Meetings (Times)	12	100	13	100	12	100	3	100	4	100
1. Mr. Rutt Phanijsaphand	12	100								
2. Mr. Adul Vinaiphath	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	3	100	4	100
5. Mr. Pichai Dusdeekulchai ¹	6 (out of 6)	100	5 (out of 5)	100			2 (out of 2)	100	2 (out of 2)	100
6. Mr. Li, Ming-Shieh ²	10	83.33								
7. Mr. Naporn Sunthornchitharoen	12	100								
8. Mr. Shih, Jiing-Fuh ³	10	83.33					3	100	3	75
9. Mr. Wu, Kuo-Chin	12	100								
10. Mr. Khunnawut Thumpomkul	11	91.67								
11. Mrs. Sasitorn Phongsathorn	12	100								

Note :

- ¹ Mr. Pichai Dusdeekulchai - Took up office as director on June 22, 2020 and started to attend the Board of Directors meeting since No. 7/2020 on July 20, 2020.
- Took up office as the member of the Audit Committee on July 20, 2020 and started to attend the Audit Committee meeting since No. 9/2020 on August 18, 2020.
- Took up office as the Chairman of the Nomination and Remuneration Committee on July 20, 2020 and started to attend the Nomination and Remuneration Committee meeting since No. 2/2020 on November 19, 2020.
- Took up office as the member of the Risk Oversight Committee on July 20, 2020 and started to attend the Risk Oversight Committee meeting since No. 3/2020 on August 24, 2020.
- ² Mr. Li, Ming-Shieh - Did not attend the Board of Directors meeting No. 2/2020 on February 28, 2020 and No. 3/2020 on March 23, 2020 due to the COVID-19 pandemic.
- ³ Mr. Shih, Jiing-Fuh - Did not attend the Board of Directors meeting No. 2/2020 on February 28, 2020, No. 3/2020 on March 23, 2020 and the Risk Oversight Committee meeting No. 1/2020 on February 28, 2020 due to the COVID-19 pandemic.



7. Executives

The company has 5 executives as follows:

Name of the Executives	Position in the Company	Position in the Subsidiaries ^{/1}	Position in the Subsidiaries ^{/2}	Position in the Subsidiaries ^{/3}	Position in the Subsidiaries ^{/4}
1. Mrs. Sasitorn Phongsathorn	Chief Executive Officer and President	-	Director	Director	Director
2. Mr. Vichian Amornpoonchai	Company Secretary, Senior Executive Vice President, Corporate Affairs Group	Company Secretary	-	-	Director Company Secretary
3. Mr. Suwat Chritamara	Senior Executive Vice President, Enterprise Risk Management and Corporate Strategy Sector	-	-	-	-
4. Mrs. Wilawan Sutthibutr	Executive Vice President, Internal Audit Group	-	-	-	-
5. Ms. Siriporn Ngarnwiriyapong	First Senior Vice President, Head of Finance Group	-	-	-	-

Note : Company refers to LH Financial Group Public Company Limited.

Subsidiaries^{/1} refers to Land and Houses Bank Public Company Limited.

Subsidiaries^{/2} refers to Land and Houses Securities Public Company Limited.

Subsidiaries^{/3} refers to Land and Houses Fund Management Company Limited.

Subsidiaries^{/4} refers to Land and Houses Advisory Company Limited.

Duties and Responsibilities of Chief Executive Officer and President

1. Manage the company's operations to be in line with policies, strategies and goals determined by the Board of Directors.

2. Monitor and report the performances of the company and companies in the financial business group while recommending options and strategies in accordance with policies and market conditions.

3. Consider and screen business operations and exercise the authority to take any business action in compliance with the objectives and policies.

4. Oversee the operations of the company against the plan and good internal control.

5. Represent the company and delegate authorities to subordinate units to contact with regulators and government agencies.

6. Oversee the communication with public, shareholders, customers and employees in order to enhance the positive reputation and image of the company.

7. Ensure the company and companies in the financial business group have good corporate governance.

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

In case the Chief Executive Officer and President or any person may have disputes, interests or conflicts of interest, he/she 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, Senior Executive Vice President, Corporate Affairs Group, as the company secretary since May 15, 2009 as prescribed by the laws. The Board of Directors has supported and encouraged the company secretary to continuously receive trainings and expand knowledge in law, accounting or other areas relevant to the duties of the company secretary. The details of his profile are as follows:



Name : Mr. Vichian Amornpoonchai

Position : Senior Executive Vice President, Corporate Affairs Group
Company Secretary

Age : (Years) 59

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
- Ethical Leadership Program (ELP) 19/2020 : IOD

Direct Shareholding :

- 82 shares : shareholding 0.0000%

Number of Shared Held by Spouse and Minor Child :

- 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
Feb. 2021 - Present	Senior Executive Vice President, Corporate Affairs Group	LH Financial Group PLC
May 2020 - Jan. 2021	First Executive Vice President, Corporate Affairs Group	
Aug. 2019 - May 2020	First Executive Vice President, Corporate Affairs and Legal Group	
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, Corporate Affairs and Legal Group	Land and Houses Advisory Co., Ltd.
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 Office	
Dec. 2005 - Jul. 2006	Vice President, Officer of the President and Compliance Office Acting Vice President, Audit Department	
Jan. 2014 - Present	Director Company Secretary	Land and Houses Securities PLC
Mar. 2014 - Aug. 2017	Company Secretary	



Duties and Responsibilities of the Company Secretary

1. Prepare and retain the following documents:
 - 1.1 Director registration
 - 1.2 Invitation letter to the Board of Directors meetings, minutes of the Board of Directors meetings and annual report.
 - 1.3 Invitation letter to the shareholder's meeting and minutes of shareholder's meeting
2. Retain reports on the interests of directors and executives.
 - 2.1 The directors and executives have a duty to report their stakeholding. (Directors and executives are responsible for reporting their interests and those involved to the company.)
 - 2.2 The company secretary shall submit the report copies to the chairman of the company and the chairman of the Audit Committee within 7 business days from the receipt date of the report.
 - 2.3 Provide a system to accurately and completely store relevant documents and evidence that can be traced back within a period of at least five years from the date such documents or information were prepared.
3. Perform any other tasks prescribed by the Capital Market Supervisory Board.

9. 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. Both amounts and components of such remuneration must be attractive to the directors who are talented and critical to the performance of the board. Excessive remuneration payment shall be avoided.

Remuneration for directors shall be determined based on the industry standards, work experiences, knowledge, abilities, dedication and other 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 was compared with the average remuneration of listed companies from the survey report of remunerations for directors of listed companies presented by the Thai Institute of Directors.

Determination of remuneration shall be approved in the order of authority to avoid the conflicts of interest and for transparency, i.e., shareholders will be responsible for approving the remuneration of the Board of Directors, the Audit Committee, the Corporate Governance Committee, the Nomination and Remuneration Committee, and the Risk Oversight Committee while the Nomination and Remuneration Committee shall be responsible for considering the appropriateness.

Monetary Remuneration

Remuneration of Directors

Remuneration of directors has been determined by the shareholders' meeting in the monetary form such as monthly remuneration and meeting allowances. In addition, such remuneration of directors has been consented by the Board of Directors, which had previously been recommended by the Nomination and Remuneration Committee. Remuneration of directors will be clearly defined in a transparent manner based on the industry standards, work experiences, knowledge and abilities which shall be commensurate with their duties and responsibilities towards the company while taking into considerations the best interests of the company and shareholders.

The 2020 Annual General Meeting of Shareholders held on June 15, 2020 approved the monthly remuneration, meeting allowances and gratuity for directors as follows:

Table : Remuneration of the Directors for the Year 2020 and 2019

Position	Remuneration of Directors (Baht per month)		Meeting Allowance (per time)											
			Board of Directors		Audit Committee		Corporate Governance Committee		Nomination and Remuneration Committee		Risk Oversight Committee		Other Sub-committees*	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
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	-	-	-	-	-	-	-	-	-	-	-	-

Note : *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 company's policies and making decisions together with the management team in order to continuously enhance the company performance and positive image.

The shareholders' meeting has determined the directors' gratuity which had previously been granted consent from the Board of Directors through the proposal of the Nomination and Remuneration Committee. In the year 2019, the gratuity for directors was determined at the maximum amount of Baht 12,000,000 which was commensurate with their duties, responsibilities and workload.

Table : Directors' Gratuity for the Year 2019 and 2018

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

Remuneration of Directors

In the year 2020, the company paid for remuneration of directors at Baht 22,685,000 and Baht 22,754,215 for the year 2019.

Other Benefits of Directors

Other benefits refer to shares, debentures including other monetary and non-monetary benefits apart from the benefits that are regularly received consisting of salary and meeting allowances.

- None

Table : Remuneration of the Directors for the Year 2020

Name of Directors		Date Appointed as Director	2020		
			Remuneration (Baht)	Bonus (Baht)	Other Benefits ¹ (Baht)
1. Mr. Rutt	Phanijphand	April 22, 2009	2,645,220	-None-	-None-
2. Mr. Adul	Vinaiphat	April 22, 2009	2,573,478	-None-	-None-
3. Mr. Pradit	Sawattananond	April 23, 2018	1,983,478	-None-	-None-
4. Dr. Supriya	Kuandachakupt	August 1, 2017	2,463,478	-None-	-None-
5. Mr. Pichai	Dusdeekulchai	June 22, 2020	550,000	-None-	-None-
6. Mr. Li,	Ming-Shieh	April 24, 2018	1,773,478	-None-	-None-
7. Mr. Naporn	Sunthornchitcharoen	May 3, 2011	1,823,478	-None-	-None-
8. Mr. Shih,	Jiing-Fuh	August 1, 2017	1,923,478	-None-	-None-
9. Mr. Wu,	Kuo-Chin	August 1, 2017	1,823,478	-None-	-None-
10. Mr. Khunawut	Thumpomkul	August 14, 2013	1,798,478	-None-	-None-
11. Mrs. Sasitorn	Phongsathorn	April 22, 2009	1,523,478	-None-	-None-
12. Mr. Somsak	Assavapokee ²	December 19, 2018	1,803,478	-None-	-None-
Total			22,685,000		

Note :

¹ Other benefits refer to shares, debentures including other monetary and non-monetary benefits apart from the benefits that are regularly received consisting of salary and meeting allowances.

² Mr. Somsak Assavapokee resigned as the director of the company on June 15, 2020.

Remuneration of Executives

The company paid the remuneration to 5 executives in the amount of Baht 36,750,364 in the form of salary, bonus and other remunerations.

Other Remunerations of Executives

Other remunerations apart from regular benefits which consist of provident fund contributions, group insurance premium, uniform expense, medical expense and other remunerations.

Table : Remuneration of Executives and Other Remunerations for 2020

Type of Remunerations	2020	
	Number of Executives	Amount (Baht)
Salary	5	29,601,600
Extra Cash / Bonus		5,587,275
Provident Fund Contribution		1,070,088
Group Insurance Premium		14,700
Medical Expense		49,861
Other Remunerations		426,840
Total		36,750,364



Table : Proportion of Directors' Shareholding in LH Financial Group Public Company Limited and Subsidiaries

Name of Directors	Position	December 31, 2020				December 31, 2019			
		Number of Shares Held				Number of Shares Held			
		Company	Subsidiaries ¹	Subsidiaries ²	Subsidiaries ³	Company	Subsidiaries ¹	Subsidiaries ²	Subsidiaries ³
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. Pichai Dusdeekulchai	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 :		-None-	-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 : Company refers to LH Financial Group Public Company Limited
Subsidiaries¹ refers to Land and Houses Bank Public Company Limited
Subsidiaries² refers to Land and Houses Securities Public Company Limited
Subsidiaries³ refers to Land and Houses Fund Management Company Limited



Risk Factors

Overview of Risk Management

The company realizes the importance of systematic and efficient risk management and risk control. It has established an organizational structure which divides independent responsibilities between marketing, support and audit units (Three Lines of Defense) and has defined the policy of risk management in writing with the main objectives to prevent and mitigate risks to be under risk appetite. Moreover, the company has determined

the operation guidelines to conform to the Bank of Thailand's regulations, risk governance framework and risk culture.

Risk Management Structure

The company has carefully defined the risk management structure, ensuring the effective management of risk exposure to be under its risk appetite, regulated by the following committees:

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 compliance with the Bank of Thailand's regulations

Audit Committee

- To review and ensure the financial business group has correct, complete, adequate financial reporting, and information disclosure in line with the financial reporting standards
- To review and evaluate the effective and appropriate internal control and internal audit
- To ensure the compliance with laws relating to the company's businesses

Corporate Governance Committee

- To define the good corporate governance policy and anti-corruption policy and oversee the compliance with such policies
- To be a representative to communicate and deploy activities involved in corporate governance and prevention of corrupt payment

Risk Oversight Committee

- To control, monitor and ensure that the financial business group has established the risk management policy governing different aspects, and ensure compliance with such policies.
- To evaluate the efficiency of risk management of financial business group

Risk Management Policy

The objective of risk management policy is to oversee financial transactions both inside and outside the financial business group to be under risk appetite with proper, adequate and efficient internal control in conformity with the best practices for risk management according to the regulations of the Bank of Thailand and other related regulators. The policy is a standard guideline to strengthen the risk management process by identifying, assessing, controlling, monitoring and reporting.

Having a 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 control, monitor and mitigate risks in accordance with transactional volumes and complexities of the natures of businesses of each company in the financial business group.

Risks 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 operations of its 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. Risks from Business Operations

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 financial business group by factoring in the industry's growth outlook, competition and long-term profitability.

1.1 Market Risk

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

As of December 31, 2020, the company had total financial assets measured at fair value through profit or loss of Baht 26.78 million and net value of Baht 55,656.49 million, classified as investment in debt securities at fair value through other comprehensive income of Baht 36,887.79 million and investment in equity securities at fair value through other comprehensive income items of Baht 18,768.70 million.

1.2 Risks 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:

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

Any person who directly or indirectly holds or possesses shares of a financial institution in an amount of five percent or more of the total shares sold shall report the holding or possession of the shares to the Bank of Thailand in accordance with the rules prescribed in the notification of the Bank of Thailand. (Section 17)

- **Prohibition or Restriction of Shareholding**

No persons shall directly or indirectly hold or possess shares of a financial institution in an amount exceeding ten percent of the total shares sold, except with permission from the Bank of Thailand. (Section 18)

- **Offering of Surplus Stock and Auction**

Any person who acquires shares of a financial institution such that the number of shares held or possessed by such person is in contravention of Section 18 shall dispose of the excess shares to other persons within ninety days from the date of acquisition of the shares, unless relaxation is granted by the Bank of Thailand. The Bank of Thailand may file an application with the court for an order to sell the excess shares, the court shall have the power to order a sale thereof by auction or by any other methods. (Section 19)

1.3 Risk from Capital Inadequacy

The capital requirements 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 monitor in terms of both quantity and quality. The financial business group is required to maintain sufficient capital to cover more potential losses in both normal and critical circumstances, and also to strengthen its capital position.

As of December 31, 2020, the financial business group had the total capital requirement under Basel III of Baht 40,769.64 million consisting of the Common Equity Tier 1 in the amount of Baht 35,415.03 million or 86.87 percent of total capital and Tier 2 capital in the amount of Baht 5,354.61 million or 13.13 percent of total capital, which is sufficient to operate business and support growth under normal and critical circumstances.

The capital adequacy ratio was at 19.18 percent. The Tier 1 capital ratio was at 16.66 percent, and common equity Tier 1 ratio was at 16.66 percent, which was higher than the minimum capital requirement specified by the Bank of Thailand.



1.4 Risk from Changes in Policies, Laws and Regulations

The companies in the financial business group have the duties to comply with the policies, rules and regulations determined by regulators, namely, the Bank of Thailand, the Securities and Exchange Commission, the Stock Exchange of Thailand, the Anti-Money Laundering Office, the Office of Insurance Commission, the Office of the Consumer Protection Board and relevant agencies. The changes in policies, rules and regulations prescribed by such regulators may cause any non-compliance the companies under the financial business group. It has set up the compliance unit responsible for monitoring notifications, rules and regulations of these agencies and informing all relevant business units about a summary of such changes.

1.5 Reputational Risk

Reputational risk means the risk that may derive from business operations of the companies in the financial business group or unintentionally disobedience to the laws and regulations of the regulators which could damage the reputation of the companies and the financial business group, such as the negative image, dissemination on media both in narrow and broad senses, complaints and litigations. If a problem arises with any company, it could impact the other companies in the financial business group as well.

The company has determined a reputational risk management framework by assigning the companies in the financial business group to report their risk profiles or any changes that may jeopardize the group's reputations so that the risks can be monitored and mitigated in a timely manner.

Board of Director

- To formulate risk management policy governing various aspects and strategic plans for the bank's business operations
- To approve and determine risk management policy and scope of risk appetite
- To ensure adequate and appropriate internal control and compliance with the regulations of the Bank of Thailand

Audit Committee

- To ensure the bank has correct, complete, adequate financial reporting and information disclosure in line with the financial reporting standards
- To review and evaluate the effective and appropriate internal control and internal audit
- To ensure the compliance with laws relating to the bank

Executive Committee

- To define the lending and investment policy
- To screen loans and/or investments' limits which are under the Board of Directors' authority
- To approve loans and/or investments' limits under its approval authority prescribed by the bank

2. Risks from Business Operations of Subsidiaries

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

Risk Management Overview

The bank 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 in order to manage risks effectively. The bank also pays attention to the disclosure of risks and capital adequacy to the public in accordance with the principles and regulations of the Bank of Thailand.

Moreover, the bank has continuously developed its personnel to increase work efficiency through the self-learning system (e-Learning) aimed to educate its executives and employees about risk management and help them understand and realize such risks. It also encourages employees to attend both external and internal trainings and seminars. Many specialists from the bank's internal departments and external agencies are also invited to share knowledge in order to enhance employees' work abilities and skills on a regular basis.

Risk Oversight Structure

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

Risk Oversight Committee

- To control, monitor and oversee that the bank has formulated risk management policies governing various aspects, and the compliance with such policies
- To evaluate the efficiency of the bank's risk management

Risk Management Committee

- To screen and propose policies and risk management strategy governing different aspects as prescribed by the Bank of Thailand
- To evaluate, monitor and implement the approved policies to maintain risks under risk appetite as prescribed in the risk management framework

In addition, the bank has also set up various sub-committees to supervise and control specific risks such as the Information Technology Steering Committee, the Credit Committee, and the Credit Monitoring Committee, and the Operational Risk Management Working Group. Risk Management and Corporate Strategy Group is responsible for the overall risk management of the bank while Internal Audit Group is in charge of assessing the sufficiency of internal control, reviewing the accuracy and reliability of financial reports, and the Compliance Group is responsible for overseeing the bank's compliance with regulatory requirements.

Risk Management Policy

The bank has set up the risk management policy to oversee the bank's transactions to be under risk appetite with proper, adequate and efficient internal control in conformity with the best practices for risk management according to the regulations of the Bank of Thailand and other regulators.

Risk Factor

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

In 2020, the bank encountered the COVID-19 pandemic, seen as a new emerging risk affecting domestic and international economies. The operating results of the bank had also been affected as well. Nonetheless, the commercial banking sector had committed to helping customers withstand this difficult situation and played a part in easing economic impacts. The bank introduced relief measures to assist its retail and business customers and offered more aid measures in line with the Bank of Thailand's relief measures such as interest rate cut, extension of debt repayment period, debt moratorium, relaxation of payment conditions and new loan schemes to boost their liquidity.

1. Strategic Risk

Strategic risk refers to any risk originated from inappropriate formulation of strategic plan and inability to execute the laid-down strategies, as well as the disharmony of strategies, policies, goals, organization structure, competition and corporate human resources as a result of internal and external factors which may affect the competitiveness, revenue and capital of the bank.

1.1 Risk Incurred from Economic Uncertainties and Competitions

Economic uncertainties may affect business growth and credit quality. The bank hence prepares business plans, annual budget and fund projections by having executives of each unit participate and share their opinions in such preparation. The business plan and budget have been proposed to the Board of Directors for approval and they will be reviewed on a semi-annual basis to ensure it is compatible with changing economic conditions. The Board of Directors will benchmark the bank's performance against the business plan on a regular basis.

1.2 Risk from Capital Inadequacy

Under Basel III, the bank is required to maintain the total capital adequacy ratio of not less than 11 percent consisting of the Tier 1 capital ratio of not less than 8.5 percent and Common Equity Tier 1 of not less than 7 percent.

Besides, the Bank of Thailand has regulated all 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 additional Common Equity Tier 1 from the minimum capital requirement by 0.625 percent per year, starting from January 1, 2016 until reaching 2.5 percent on January 1, 2019.



As of December 31, 2020, the bank maintained the total capital adequacy ratio at 19.80 percent, Tier 1 capital ratio at 17.07 percent, and Common Equity Tier 1 ratio at 17.07 percent, which was higher than the minimum requirement stipulated by the Bank of Thailand.

The bank had the total capital under Basel III of Baht 39,398.17 million consisting of the Common Equity Tier 1 of Baht 33,959.46 million or 86.20 percent of total capital and Tier 2 capital of Baht 5,438.71 million or 13.80 percent of total capital, which was sufficient to operate business and support growth under normal and critical circumstances that might arise from economic uncertainties.

Furthermore, the bank assessed the risk and the capital adequacy (ICAAP) to mitigate different risks in accordance with the Bank of Thailand's regulations on supervision of capital. This is to ensure that the bank can manage the capital efficiently and has strong capital status to handle various risks in both normal and critical circumstances, and has sufficient capital for business expansion.

2. Credit Risk

The credit risk refers to the risk arising from debtors or counterparties who cannot fulfill loan agreements or the risks arising from the possibility that debtors or counterparties may not repay their loans which results in the credit rating downgrade, affecting the bank's capital position and revenue. The cause was from external risk factors such as economic changes, laws, rules and regulations, and from internal risk factors such as lack of proper control, lack of monitoring to ensure customer's compliance and ineffective credit approval and 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 assign 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 credit underwriting process; therefore, it always follows up the results from model implementations, analyzes the efficiency, and regularly improves credit risk management tools so that they 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 staff, credit analysts, collateral appraisal officers and operation officers. Furthermore, to consider approving credit, the bank has set up independent units; namely, 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 Credit Review Office is another independent unit responsible for reviewing the accuracy of approved credits, monitoring customers' compliance with the loan covenants, deepening understanding and providing credit trainings for staff to enhance the efficiency of credit marketing to acquire high quality loans.

Credit Portfolio Management

The bank puts the importance on the quality of debtors classified by their business types and credit concentration. Therefore, the bank tracks all changes in its loan portfolio in various dimensions such as the quality of loan portfolio classified by loan types and business types, the proportion of top 20 corporate customers to the bank's total capital which indicates the quality of loan portfolio and potential risks.

Credit Risk consists of:

2.1 Risk from Credit Impairment

In 2020, COVID-19 pandemic, economic impacts and droughts were considered significant credit risks as they comprehensively impacted overall economy across all sectors of the country. This resulted in the lowered debt serviceability of customers both in retail and corporate. Consequently, the bank was likely to have more risk exposure on credit impairment. However, the bank had provided assistance for customers impacted by COVID-19 pandemic according to the relief measures of the Bank of Thailand and the bank through additional support.

The increase in non-performing loans represented a significant risk to the bank, causing the bank to put more provisions for higher expected credit losses. This affected its profitability and capital adequacy. However, the bank had established the process to control non-performing loans by focusing on increasing the efficiency of credit management covering from the strict credit approval process, such as the determination of target business segments, formulation of criteria for retail credit underwriting to be used as a standard for credit underwriting and to avoid the discretion of operation staff, determination of minimum down payment on housing loans for high-risk customers and minimum requirements for borrowers. In addition, the bank set up a specialized unit for debt collection.

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 were 42.21 percent of total loans. Real estate collateral was 84.51 percent of total collateral. When real estate market is sluggish, the bank may encounter the risks from collateral devaluation. Thus, the bank formulates collateral appraisal policy requiring regular reviews on collateral's appraisal value and appraisal value of real estate acquired from debt settlement or public auction. The review period of appraisal value will be in accordance with the notification of the Bank of Thailand to reflect the actual value of collateral based on current conditions.

3. Market Risk

Market risk refers to the risk arising from the movement of interest rates, foreign exchange rates and the prices of instruments in the money and capital markets which can affect the revenue and capital of the bank. Market risks can be classified into 3 types: price risk, interest rate risk and foreign exchange rate risk. The bank has a policy to control and manage all types of risks to be at appropriate levels and align with its risk management policy.

3.1 Price Risk

Price risk refers to the risks arising from the change in securities price which can create income fluctuations to the bank. At present, the bank is exposed to minimal price risk since it has no policies to invest in high-beta securities.

To manage the price risk in compliance with the Bank of Thailand's notification, the bank applies 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 conducted various stress test scenarios which might cause a rapid plunge in securities price to assess potential damages from the risks during a crisis.

3.2 Interest Rate Risk

Interest rate risk refers to the risks arising from the movements of interest rate in market that may lead to a change in the value of financial instruments, income fluctuation or shareholders' equity value. These risks may be caused by factors from both on and statements of financial position. Interest rate risk is a result of structuring and characteristics of items in assets, liabilities, and shareholders' equity underlying the bank's interest rates and the mismatch of the remaining time in determining new interest rates for assets, liabilities and statements of financial position 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, ensuring the interest rate structure is effective as planned, controlling the proportions of assets and liabilities bearing interest with different maturity dates to be under the risk appetite.

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



3.3 Foreign Exchange Rate Risk

Foreign exchange rate risk arises from the bank engaging in foreign currency transactions or having assets or liabilities in foreign currency. When exchange rate changes, it may affect the value of foreign exchange position both on and statements of financial position and the bank's earnings.

To manage such risk, the bank has set up the maximum stop loss limit for the foreign exchange rate by utilizing the value from statistical calculation such as the value-at-risk, credit limit such as Net Open Position Intraday Limit and Management Action Trigger Loss.

4. Liquidity Risk

Liquidity risk means the risks 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 funds by specified 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 of liquid assets to support demands. External factors lie greatly on market liquidity and depositors' confidence. The bank has tools for measuring and monitoring liquidity risks, and has specified the appropriate warning levels. 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 and launches new products to raise funds both for the short and long terms in line with market conditions.

5. Operational Risk

Operational risk refers to the 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 operational loss data which are the collection of financial and non-financial losses, near-misses and other incidents. These data have been analyzed and used to improve the operation procedures and draw up controlling guidelines to reduce the likelihood of 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 processes and assess the efficiency and appropriateness of existing internal control. These data have been evaluated to determine key risk indicators (KRI) for tracking risks occurred. It also estimates risks arising from internal business units with high plausibility of frauds so that preventive measure and risk management can be defined.

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

The bank has the 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 under risk appetite. 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 operations of significant transactions annually to ensure the bank is able to efficiently undergo its business even during the crises.

During the COVID-19 pandemic, the bank has implemented the business continuity plan established to get ready in case COVID-19 infection found in the office as follows:

Office and Branch Management

The bank has implemented measures prescribed by the Department of Disease Control, Ministry of Public Health, such as screening customers and employees before entering and exiting the buildings, social distancing, wearing a mask, screening high-risk people, etc.



Mitigation of Risks and Impacts of the COVID-19 Pandemic

The bank categorizes employees who perform the bank's critical functions and those required the bank's systems in their operation into 2 groups: Group 1 work at the main office, and Group 2 work at alternate sites. If any group of employees gets infected with COVID-19, the rest will still be able to work and provide services continuously. The bank also requires staff, supporting units and employees who can work without the bank's systems work from home to reduce the risk during commuting to work.

6. IT Risk

IT Risk refers to the risks arising from the use of information technology in business operations including cyber threats that will affect the bank's operations and systems.

The bank pays attention to the supervision of information technology risk by determining the information technology governance, IT security, risk management, compliance with laws and other related regulations, audit, trainings for directors, executives and employees about cyber threats, effective and prudent information technology project management under 3 key principles:

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

The bank immediately reports to the Bank of Thailand when any problems or significant incidents regarding the use of information technology happen and affect the services, systems or reputation of the bank. This includes when significant information technologies are under attacks or under cyber threats.

7. Emerging Risk

Emerging risk is the risk that may lead to the impacts in both short-term and long-term on economy, society, population, environment and technology. Risk management will focus on a resilience plan to support emerging risk as follows:

7.1 Cyber security and personal data protection

Financial service industry relies greatly on complicated information technology system which is considered a fundamental structure. Cyber security risk is a factor affecting the bank's business to the high extent and the rising trend of cyber threats and cyber attacks as well as the development of more complex forms of attacks. As a result, the bank has to revamp the measure to prevent, detect, respond to these attacks and retrieve data. The bank has passed the international standard ISO 27001 with proper review. In addition, the breach of data privacy is another issue affecting the bank's reputation and creditability. The bank has implemented the project to elevate the management of personal data to align with the Cyber Security Act and Personal Data Protection Act and related guidelines. The bank has established the personal data protection policy and special unit to be in charge with personal data protection.

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

Risk Management Overview

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 such risks and lays down proper risk management and measures for the whole organization to achieve its business goal, enhance reliability, increase value and sustainability for all stakeholders including unit holders, regulators, employees and related persons. As a result, the company also sets a policy and practice on risk management, organization structure and risk management framework to align with international standards and related regulations 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, model selection for risk evaluation, risk limit, monitoring and risk reporting to prevent any recurrence.

Risk Management Structure

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

1. Board of Directors has duties to set policies, principles and organization structure for effective risk management suitable for the company's operations and monitor the company's risk management.

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

3. Risk Management Committee has duties to set up strategic framework and guidelines, and monitor the risk management operation to comply with strategies and risk management policy.

Moreover, the company has appointed different committees to supervise and control different, specific risks such as the Management Committee and Business Development Committee. The company has set up the Risk Management Department in charge of risk management to develop tools to be used for monitoring, evaluate, and preparing reports for various risks so that risks can be controlled under risk appetite. The report is then submitted to the Risk Management Committee, and the 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, announcements or laws and reporting directly to the Audit Committee.

Risk Factors

The company runs fund management business which is directly related to the capital market which has the risks from its fluctuations and economic conditions in both local and overseas, regulatory changes and political gatherings. There are 5 aspects of risk management as follows:

1. Market Risk

Market risk refers to the uncertainty of investment value of funds, which is resulted from the volatility of interest rate, currency exchange rates, securities prices and commodity prices.

The company has managed the risks by diversifying its investment portfolios and determined 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 specified. The Risk Management Department will monitor, report risks, test the accuracy of the model, and do market stress test regularly.

2. Credit Risk

Credit risk refers to risks of potential loss 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 including breach of contracts by counterparties due to their financial issues.

The company has established 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 and quantitative criteria and minimum acceptable credit 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

3. Liquidity Risk

Liquidity risk refers to risks arising 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 behaviors. 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 scenario 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 risks of potential loss arising from errors relating to internal processes, human resource, working system, or external situations.

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 of recurrence, setting up the risk and control self-assessment (RCSA), establishing risk management plan reporting, key risk indicators (KRI) to track risks, human resources development plan, and investing in information technology to minimize risk likelihood.

In addition, the company provided the business continuity management (BCM) policy as a framework to create business continuity plan (BCP) to support the business operations under emergency circumstances such as contingent losses and disasters so that the company can deliver continued services or reduce operational disruption to be under risk appetite. Annual testing is conducted to ensure effective business continuity of the company.

Legal risk refers to risks 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 arise when the company or its officers do not comply with the laws and regulations of regulators. 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 code of ethics for fund management business.

5. Strategic risk

Strategic risk refers to risks arising from determining strategic plan, operational plan and implementation of the plan are inappropriate and inconsistent with internal factors and external environments which may affect earnings, capital fund or viability of 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, sufficient training courses, risk management system and adequate information. Business plan and budget plan are submitted to the Board of Directors for approval with regular review on semi-annual basis to ensure the suitability for changing economic situations.

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

Risk Management Overview

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 for effective risk management and compliance with good corporate governance principles.

Risk Management Policy

The primary objectives of risk management policy are to set out fundamental policy, process of controls over various activities and other operations to ensure an appropriate and effective risk management as to reduce the cause of damages or plausibility of damages.

Risk Management Structure

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

1. Board of Directors has duties to ensure management properly, set policies, process, establish proper control over risk management, approve such policies and review strategies and policies regularly.



2. Audit Committee has duties to supervise, monitor the risks and link them to internal control to align with regulations of regulators and the company.

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

Risk Factor

The company operates the securities business which is directly related to the volatility of money market and economic conditions both domestic and overseas, regulatory changes and political gatherings. The company's risk factors can be divided into 9 aspects as follows:

1. Risk from Volatility of Economy, Money Market, Capital Market both Domestic and Overseas

The performance of securities business is directly related to economic conditions, money market, capital market, volume of the Stock Exchange of Thailand and confidence of investors, individual, institutional and foreign investors, all of which is over the control of the company. Volatility of economy, money market and capital market may arise from many factors such as disease pandemic, oil price fluctuation, economic and political problems both domestic and overseas. These factors affect the confidence of investors both domestic and overseas, securities trading volume as well as new IPOs in the Stock Exchange of Thailand since it will impact their performance.

2. Risk from Securities Business Competition and Derivatives

Securities business and derivatives are under high competitions from many brokers. The company is aware of this risk and gets prepared for competition, particularly in information technology so that customers can do trade transactions with ease and security. Different technologies are deployed across all dimensions of operations and services as to accommodate customers.

3. Risk from Customers Concentration

The concentration is considered a significant risk of securities business because the concentration of large corporate or institutional customers, if losses occur, there will be an impact on the performance of the company.

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.

4. 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 get trained in various fields and join the company's activities to promote harmony and robust relationship among employees.

5. 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 or not the company will act as an underwriter.



6. Risk from Doubtful Accounts and Bad Debts of Securities Business Receivables

To buy and sell by customers in the securities business, in general, they are required to make payment or deliver securities within the agreed period of time. The company may be exposed to the risk if they fail to do so, or they fail to repay their credit balance. The company may also bear risks from customers' collateral insufficient for settlement with accounting office and offset of losses.

The company has the process to consider the quality of customers, collateral requirements according to the Stock Exchange of Thailand and derivative market to reduce the losses of customers and the company, profile check and market conditions as well as criteria to screen and regularly monitor the licensed securities to trade under the credit balance.

7. Risk from Changes in Policies, Laws and Regulations

Securities business is strictly controlled by laws and regulations of government and regulators: the Securities and Exchange Commission and derivative market. The company is also under the Land and Houses financial business group which is required to comply with the Bank of Thailand's regulation on consolidation supervision. Thus, if there are any changes in policies or new regulations by government and regulators, the company will receive the impact on its operation capability and competitiveness.

The company has the Compliance Department and Internal Audit Department to give advice, provide trainings about rules and regulations for staff and audit the operations of business units to ensure the compliance.

8. Risk from System Failure

In securities business, computer systems are very crucial for trading transactions. If they fail or have errors, it will impact the trading volume and the company's creditability. Therefore, the company has the backup systems to switch on immediately once the system failure is detected, and alternate site in the case the systems at the head quarter dysfunction or there is any incident blocking the access to the head quarter.

9. Risk from Business Continuity

Incidents during crises beyond the company's control, namely natural disasters, disease pandemic, political gatherings, and chaos may disrupt 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 once a year to ensure effective implementation.



Management Discussion and Analysis

2020 Economic Overview and Outlook 2021

2020 Economic Overview

In 2020, Thai economy contracted drastically from the containment measures to control the outbreak of COVID-19 causing business activities in all sectors to shrink. Foreign tourist arrivals fell more than 80%. Only government spending and investment with good expansion were the key driver that helped support the economy.

Economic Outlook 2021

In 2021, Thai economy is likely to recover from the previous year. However, the recovery is still highly uncertain. The Office of the National Economic and Social Development Board estimates Thai economy will return to expand at 2.5 - 3.5% (average estimate of 3.0%) with major supporting factors from the following aspects:

1. Improved economic and global trade volumes which will help support Thai export sector
2. Government driving force from budget disbursement and measures to drive the economy including the disbursement of fiscal expenditure budget and cycle overlaps of expenditure budget in 2021, disbursements of Baht 1 trillion under the Emergency Decree, disbursement under the investment budget of state-owned enterprises, especially investment in main infrastructure and implementation of other economic measures will result in an expansion of domestic demand.
3. The effect of adaptation to an unusually low expansion base in 2020 due to the impact of the COVID-19 pandemic puts the global economy into recession and the lowest level since the end of World War II and will help support the Thai economy in 2021 to recover.

However, the recovery of Thai economy in the future will be limited and highly uncertain depending on the new wave of COVID-19 outbreak, epidemic control measures, efficacy of vaccines and vaccination coverage which will affect the ability to accept foreign tourists and the recovery of the tourism sector. While private demand is constrained by weak domestic purchasing power following the weak labor market. Fragile income of households and businesses and high level of overall accumulated debts remain a significant obstacle to the next phase of recovery.

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

Operating Results Classified by Business Group

1. Investment Business

The company and its subsidiaries had the operating results as follows:

Credit Rating

The company was rated “BBB” with “Stable” outlook by Tris Rating.

Overall Performance

The analysis of operating results of LH Financial Group Public Company Limited and its subsidiaries were comparative performance of the year 2020 and 2019. In 2020, the company and its subsidiaries adopted a set of TFRSs related to financial instruments and TFRS 16 Leases.

In 2020, the profits were Baht 2,056.89 million, decreased by Baht 1,157.71 million or 36.01% from 2019, mainly due to the increase in expected credit losses by 110.80%.

Other operating expenses were Baht 2,997.14 million, decreased by Baht 8.10 million or 0.27% from 2019, mainly due to the decrease in advertising and promotional expenses.

Expected credit losses by the company and its subsidiaries increased by Baht 1,210.93 million or 110.80% from 2019.

The operating profit before expected credit losses to total revenue was 61.31% in 2020, decreased from 61.98% in 2019.

Basic earnings per share (EPS) for the year 2020 was Baht 0.098 per share, decreased from Baht 0.152 per share in the year 2019. Return on equity (ROE) was 5.16% in 2020 and 7.95% in 2019.

**Table : Operating Results**

Operating Results	Consolidated Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	2020	2019	2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,725.73	4,486.12	4,805.22	239.61	5.34
Net fees and service income	727.56	729.41	681.22	(1.85)	(0.25)
Total other income	2,294.02	2,688.33	1,573.58	(394.31)	(14.67)
Total operating income	7,747.31	7,903.86	7,060.02	(156.55)	(1.98)
Other operating expenses	(2,997.14)	(3,005.24)	(2,768.13)	(8.10)	(0.27)
Profits from operation	4,750.17	4,898.62	4,291.89	(148.45)	(3.03)
Expected credit losses (Bad debts, doubtful accounts and impairment loss)	(2,303.78)	(1,092.85)	(570.16)	1,210.93	110.80
Profits before income tax expenses	2,446.39	3,805.77	3,721.73	(1,359.38)	(35.72)
Income tax	(389.50)	(591.17)	(613.54)	(201.67)	(34.11)
Annual profits	2,056.89	3,214.60	3,108.19	(1,157.71)	(36.01)
Earnings per share (EPS) (Baht)	0.098	0.152	0.147		
Return on equity ratio (ROE) (%)	5.16	7.95	7.94		
Return on assets ratio (ROA) (%)	0.84	1.32	1.30		

1.1 Structure of Operating Income

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

Operating Income

In 2020, operating income was Baht 7,747.31 million, decreased by Baht 156.55 million or 1.98% from 2019. The details were as follows:

Table : Operating Income

Operating Income	Consolidated Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	2020	2019	2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest income	7,855.39	8,643.26	8,499.97	(787.87)	(9.12)
Interest expenses	(3,129.66)	(4,157.14)	(3,694.75)	(1,027.48)	(24.72)
Net interest income	4,725.73	4,486.12	4,805.22	239.61	5.34
Fees and service income	911.48	940.40	826.79	(28.92)	(3.08)
Fees and service expenses	(183.92)	(210.99)	(145.57)	(27.07)	(12.83)

**Table : Operating Income (Continued)**

Operating Income	Consolidated Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	2020	2019	2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net fees and service income	727.56	729.41	681.22	(1.85)	(0.25)
Gains on financial instruments measured at fair value through profit or loss	44.36	118.91	1.71	(74.55)	(62.69)
Gains on investments	833.92	1,095.33	342.00	(261.41)	(23.87)
Dividend income	1,388.59	1,442.67	1,208.38	(54.08)	(3.75)
Other operating income	27.15	31.42	21.49	(4.27)	(13.59)
Total other income	2,294.02	2,688.33	1,573.58	(394.31)	(14.67)
Total operating income	7,747.31	7,903.86	7,060.02	(156.55)	(1.98)

Net Interest Income

Net interest income was Baht 4,725.73 million, increased by Baht 239.61 million or 5.34% from 2019, mainly due to the decrease both of interest income and interest expenses of the subsidiary which operates banking business.

Interest expenses were Baht 3,129.66 million, decreased by Baht 1,027.48 million or 24.72% from 2019, mainly due to the reduced contributions to the Financial Institutions Development Fund (FIDF) from 0.46% to 0.23% per year according to the governmental measures during 2020-2021.

Net Non-Interest Income

Net non-interest income consisted of net fees and service income and other incomes (comprised gains on financial instruments measured at fair value through profit or loss, gains on investments, dividend income and other operating incomes). Net non-interest income was Baht 3,021.58 million, decreased by Baht 396.16 million or 11.59% from 2019.

• Net Fees and Service Income

Net fees and service income were Baht 727.56 million, decreased by Baht 1.85 million or 0.25% from 2019 resulted from the decrease in acceptances, avals and guarantees of the subsidiary, which operates banking business and the decrease in fees and service income from fund management and registrar of the subsidiary, which operates fund management business.

• Other Incomes

Other incomes were Baht 2,294.02 million, decreased by Baht 394.31 million or 14.67% from 2019, mainly due to the decrease in gains on investments and gains on financial instruments measured at fair value through profit or loss.

Other Operating Expenses

Other operating expenses were Baht 2,997.14 million, decreased by Baht 8.10 million or 0.27% from 2019, mainly due to the decrease in advertising and promotional expenses and the effective management of expenses during the COVID-19 pandemic.

Table : Other Operating Expenses

Other Operating Expenses	Consolidated Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	2020	2019	2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employee's expenses	1,614.71	1,607.19	1,439.47	7.52	0.47
Directors' remuneration	47.09	46.85	42.74	0.24	0.51
Premises and equipment expenses	726.00	731.30	750.07	(5.30)	(0.72)
Taxes and duties	215.47	227.78	219.88	(12.31)	(5.40)
Advertising and promotional expenses	76.41	107.18	91.41	(30.77)	(28.71)
Amortisation on intangible assets	126.46	118.31	64.97	8.15	6.89
Other expenses	191.00	166.63	159.59	24.37	14.63
Total other operating expenses	2,997.14	3,005.24	2,768.13	(8.10)	(0.27)
Other operating expenses to total operating income ratio	38.69%	38.02%	39.21%		

- Employee's Expenses**

Employee's expenses were Baht 1,614.71 million, increased by Baht 7.52 million or 0.47% from 2019, resulted from the increase in number of employees.

As of 31 December 2020, LH Financial Group Public Company Limited financial business group, had a total of 1,766 employees, increased by 42 employees or 2.44% from 2019 consisting of:

- LH Financial Group Public Company Limited had 282 employees. increased by 19 employees from 2019.

- Land and Houses Bank Public Company Limited had 1,266 employees, increased by 37 employees from 2019.
- Land and Houses Securities Public Company Limited had 130 employees, decreased by 13 employees from 2019.
- Land and Houses Fund Management Company Limited had 88 employees, decreased by 1 employee from 2019.

Table : Number of Employees

LH Financial Group Public Company Limited Financial Business Group	Number of Employees (Person)		
	31 December 2020	31 December 2019	31 December 2018
LH Financial Group Public Company Limited	282	263	2
Land and Houses Bank Public Company Limited	1,266	1,229	1,436
Land and Houses Securities Public Company Limited	130	143	162
Land and Houses Fund Management Company Limited	88	89	81
Land and Houses Advisory Company Limited	-	-	-
Total	1,766	1,724	1,681

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



- **Advertising and Promotional Expenses**

Advertising and promotional expenses were Baht 76.41 million, decreased by Baht 30.77 million or 28.71% from 2019.

- **Amortisation on Intangible Assets**

Amortization on intangible assets was Baht 126.46 million, increased by Baht 8.15 million or 6.89% from 2019.

1.2 Asset Management Efficiency

Analysis of Financial Positions

An analysis of financial positions of the company and its subsidiaries was the comparative financial positions as of 31 December 2020 and 31 December 2019.

Table : Total Assets

Total Assets	Consolidated Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Assets					
Cash	801.52	1,635.59	1,839.71	(834.07)	(51.00)
Interbank and money market items - net	32,367.36	18,569.12	18,991.51	13,798.24	74.31
Financial assets measured at fair value through profit or loss	26.78	-	-	26.78	100.00
Investments - net	55,656.49	66,288.64	67,360.38	(10,632.15)	(16.04)
Loans to customers and accrued interest receivables					
Loans to customers	161,376.40	155,866.42	159,347.77	5,509.98	3.54
Accrued interest receivables and undue interest receivables	876.22	217.06	227.33	659.16	303.68
Total loans to customers and accrued interest receivables	162,252.62	156,083.48	159,575.10	6,169.14	3.95
Less : Deferred revenue	(21.62)	(26.03)	(33.82)	(4.41)	(16.94)
Allowance for expected credit losses (Allowance for doubtful accounts and revaluation allowance for debt restructuring)	(6,014.30)	(4,016.76)	(3,801.49)	1,997.54	49.73
Loans to customers and accrued interest receivables - net	156,216.70	152,040.69	155,739.79	4,176.01	2.75
Properties foreclosed - net	652.53	73.73	87.95	578.80	785.03
Premises and equipment - net	309.92	280.19	291.71	29.73	10.61
Right-of-use assets - net	800.36	-	-	800.36	100.00
Intangible assets - net	439.10	499.88	461.17	(60.78)	(12.16)
Deferred tax assets	630.89	306.24	282.76	324.65	106.01
Accrued interest receivables on investments	187.22	285.69	290.82	(98.47)	(34.47)
Other assets - net	1,222.79	751.52	587.39	471.27	62.71
Total assets	249,311.66	240,731.29	245,933.19	8,580.37	3.56

Total Assets

As of 31 December 2020, total assets were Baht 249,311.66 million, increased by Baht 8,580.37 million or 3.56% from 2019. Core assets consisted of loans to customer and accrued interest receivables - net 62.66% of total assets, followed by investments - net 22.32% of total assets.

Net Investments

As of 31 December 2020, net investments had a book value of Baht 55,656.49 million, decreased by Baht 10,632.15 million or 16.04% from 2019, mainly due to private sector debt securities of investment in debt instruments measured at fair value through other comprehensive income.

Table : Investments Classified by Type of Investments

Type of Investments	Consolidated Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Investment in debt instruments measured at fair value through other comprehensive income					
Government and state enterprise securities	18,471.27	-	-		
Private sector debt securities	14,908.30	-	-		
Other debt securities	3,710.50	-	-		
Less : Allowance for expected credit losses	(202.28)	-	-		
Total investment in debt instruments measured at fair value through other comprehensive income	36,887.79	-	-		
Investment in equity instruments designated at fair value through other comprehensive income					
Domestic marketable equity securities	18,752.34	-	-		
Domestic non-marketable equity securities	16.36	-	-		
Total investment in equity instruments designated at fair value through other comprehensive income	18,768.70	-	-		
Trading investments					
Domestic marketable equity securities	-	22,549.68	25.33		
Total trading investments	-	22,549.68	25.33		
Available-for-sale investments					
Government and state enterprise securities	-	-	180.52		
Private sector debt securities	-	1,055.56	1,033.76		
Domestic marketable equity securities	-	592.24	22,736.77		
Investment units	-	-	129.34		
Total available-for-sale investments	-	1,647.80	24,080.39		
Held-to-maturity investments					
Government and state enterprise securities	-	18,336.81	17,308.65		
Private sector debt securities	-	18,347.05	20,467.77		
Other debt securities	-	5,390.94	5,464.44		

**Table : Investments Classified by Type of Investments (Continued)**

Type of Investments	Consolidated Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Total held-to-maturity investments	-	42,074.80	43,240.86		
General investments					
Domestic non-marketable equity securities	-	16.39	13.83		
Less: Allowance for impairment	-	(0.03)	(0.03)		
General investments - net	-	16.36	13.80		
Investments - net	55,656.49	66,288.64	67,360.38	(10,632.15)	(16.04)

Total Liabilities

As of 31 December 2020, total liabilities were Baht 210,680.70 million, increased by Baht 11,112.19 million or 5.57% from 2019, mainly due to deposits, interbank

and money market items and debts issued and borrowings 86.73%, 5.86% and 5.41% of total liabilities, respectively.

Table : Liabilities Classified by Type of Liabilities

Liabilities Classified by Type of Liabilities	Consolidated Financial Statement			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	182,719.84	164,984.78	168,164.03	17,735.06	10.75
Interbank and money market items	12,336.78	10,466.99	9,231.49	1,869.79	17.86
Liabilities payable on demand	949.59	52.09	172.82	897.50	1,722.98
Debts issued and borrowings	11,393.94	21,805.59	26,202.97	(10,411.65)	(47.75)
Others	3,280.55	2,259.06	2,452.80	1,021.49	45.22
Total liabilities	210,680.70	199,568.51	206,224.11	11,112.19	5.57

Owners' Equity

As of 31 December 2020, owners' equity was Baht 38,630.96 million, decreased by Baht 2,531.82 million or 6.15% from 2019.

Table : Owners' Equity

Owners' Equity	Consolidated Financial Statement			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	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	(3,692.70)	(309.28)	(269.72)	3,383.42	1,093.97
Retained earnings - statutory reserve	1,553.87	1,422.72	1,173.41	131.15	9.22
Retained earnings - treasury shares reserve	335.42	-	-	335.42	100.00
Retained earnings - unappropriated	9,958.22	9,237.77	7,993.82	720.45	7.80
Less : Treasury shares - common shares	(335.42)	-	-	335.42	100.00
Total owners' equity	38,630.96	41,162.78	39,709.08	(2,531.82)	(6.15)

1.3 Capital Adequacy

Sources and Uses of Fund

As of 31 December 2020, capital structure according to the consolidated financial statements consisted of liabilities totalling Baht 210,680.70 million and owners' equity in the amount of Baht 38,630.96 million, or 5.45 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 73.29%, 4.95%, 4.57% and 1.69% respectively, while owners' equity was at 15.50%.

Relations Between Sources and Uses of Fund

As of 31 December 2020, loans to customers (before deferred revenue) were Baht 161,376.40 million. Loans to deposit ratio was 88.79%. 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 173,875.76 million, or 95.16% of total deposits. Loan receivables less than 1 year were Baht 57,917.13 million, or 35.89% of total loans. Deposits more than 1 year were Baht 8,844.08 million, or 4.84% of total deposits. Loans more than 1 year were Baht 102,329.75 million, or 63.41% of total loans and perpetual loans were Baht 1,129.52 million, or 0.70% of total loans.

Table : Sources and Uses of Fund

Periods	Deposits				Loans			
	31 December 2020		31 December 2019		31 December 2020		31 December 2019	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	173,875.76	95.16	157,369.44	95.38	57,917.13	35.89	66,509.12	42.67
More than 1 year	8,844.08	4.84	7,615.34	4.62	102,329.75	63.41	88,687.30	56.90
No maturity	-	-	-	-	1,129.52	0.70	670.00	0.43
Total	182,719.84	100.00	164,984.78	100.00	161,376.40	100.00	155,866.42	100.00



1.4 Change of Cash Flow

As of 31 December 2020, the cash was Baht 801.52 million, decreased by Baht 834.07 million from 2019. Net cash provided and used in various activities was as follows:

- Net cash used in operating activities was Baht 7,431.88 million, which was from the operating profits before the changes in operating assets and liabilities were Baht 485.13 million and significant changes in assets and liabilities were interbank and money market items (assets) increased by Baht 13,625.50 million, loans to customers increased by Baht 5,935.43 million, deposits increased by Baht 17,735.06 million and short-term debts issued and borrowings decreased by Baht 8,409.50 million.

- Net cash provided by investing activities were Baht 10,161.31 million, mainly due to cash received on the sale of investments in debt instruments measured at amortised cost - net in the amount of Baht 9,443.42 million and investments in debt instruments measured at fair value through other comprehensive income - net in the amount of Baht 1,530.74 million, cash received from dividend income on investments in the amount of Baht 1,388.59 million and cash received from interest income on investments in the amount of Baht 1,362.40 million.

- Net cash used in financing activities was Baht 3,563.50 million, which was from repayment of long-term debts issued and borrowings - net of Baht 2,002.15 million, dividends paid of Baht 941.44 million, payment of treasury stock of Baht 335.42 million and payment of lease liabilities of Baht 284.49 million.

1.5 Liquidity Adequacy

Liquid assets which consisted of cash, interbank and money market items - net (assets) and net investments, were Baht 77,747.51 million, increased by Baht 2,660.84 million, from 2019.

Table : Liquid Assets

Items	31 December 2020	31 December 2019
	Amount (Million Baht)	Amount (Million Baht)
Total assets	249,311.66	240,731.29
Deposits	182,719.84	164,984.78
Loans to customers (net deferred revenue)	161,354.78	155,840.39
Liquid assets	77,747.51	75,086.67
Loans/deposits (%)	88.79	94.59
Liquid assets/total assets (%)	31.18	31.19
Liquid assets/deposits (%)	42.55	45.51

1.6 Factors Affecting Future Operations

The main factors that might affect the operation in the future include uncertainties surrounding the new wave of COVID-19 outbreak, containment measures, efficacy of vaccine and vaccination coverage as well as monetary policies in major advanced economies. Such factors will cause fluctuations in the money and capital markets and will also affect the global and Thai economic recoveries in the next stage.

2. Banking Business

Overview of Banking Business and Competition in 2020 and Outlook in 2021

Overview of Banking Business and Competition in 2020

In 2020, the overall loans and deposits of the commercial banking system continued to grow. Total loans increased by 6.0% despite the contraction of Thai economy, partly attributed to the implementation of relief measures to support liquidity and an expansion in large corporate loan, where some large corporates switched their funding source from bond issuance to bank loan amid fluctuations in the money market. Meanwhile, SME and retail loans contracted in line with more fragile financial positions of households and businesses due to high debt levels and consequently deteriorated debt servicing capability. These prompted commercial banks to tighten their lending criteria and take a conservative loan growth.

In 2020, total deposits expanded by 10.9% from 3.8% growth in the previous year. Although commercial banks gradually cut down their deposit interest rates in consistency with the policy interest rate and high excess liquidity, economic uncertainties causing depositors and investors' decisions to reduce their investments in various assets and turn to bank deposits to mitigate the risks, resulting in a substantial increase in the banking system's money supply.

The banking system's profitability was pressured by extra provisions to support potential deterioration in loan quality in the future, mainly due to a slow economic recovery amid high uncertainties and fragile financial positions of households and businesses as well as weakening core incomes from both interest income and fee income, causing commercial banks to adjust themselves by emphasizing on more cost-efficiency through measures including interest and management costs and searching for more gains on investments and asset sale.

Performance of Land and Houses Bank Public Company Limited Compared to the Commercial Banking System As of December 31, 2020

(Unit : Million Baht)

Items	31 December 2020	31 December 2019	31 December 2018	Growth (YoY)		Growth (YoY)
				2020	2019	2-year Average
Commercial Banking System						
Asset	19,800,655	18,169,025	17,189,568	9.0%	5.7%	7.3%
Loan ¹	12,645,401	11,929,433	11,700,335	6.0%	2.0%	4.0%
Deposit	14,536,863	13,104,263	12,619,828	10.9%	3.8%	7.3%
Land and Houses Bank Public Company Limited						
Asset	240,085	230,548	238,658	4.1%	(3.4%)	0.3%
Loan ¹	155,838	151,783	158,342	2.7%	(4.1%)	-0.8%
Deposit	182,735	165,018	168,171	10.7%	(1.9%)	4.2%
Market Share of Land and House Bank Public Company Limited						
Asset (%)	1.21	1.27	1.39			
Loan ¹ (%)	1.23	1.27	1.35			
Deposit (%)	1.26	1.26	1.33			

Note : ¹ Loans to customers and accrued interest receivables - net

Source BOT- 15 commercial banks registered in Thailand (separate financial statement)

Trend of Commercial Banking Industry and Competition in 2021

The Thai commercial banking system's loan growth is likely to expand in line with the economic outlook while the loan quality tends to deteriorate as a result of a rise in the number of non-performing loan (NPL) outstanding and loans with significant increase in credit risk (Stage 2), particularly among SMEs and retail borrowers. On the competition front, commercial banks still compete in developing new financial products in order to expand their customer base, especially for high-potential corporate

banking customers (Wealth) as well as enhancing technologies for digital banking services with the focus on customer-centric business model to keep pace with changing consumer behaviours.

Credit Rating

Land and Houses Bank Public Company Limited is rated by "A-" (Single A Minus) from TRIS Rating Company Limited with "stable" outlook and is assigned the rating of its Basel III Tier 2 capital securities at "BBB" (Triple B Straight).



Performance Overview

The analysis of operating results of the bank was the comparative performances of the year 2020 and 2019. In 2020, the bank adopted a set of TFRSs related to financial instruments and TFRS 16 Leases.

In 2020, the profits were Baht 1,407.59 million, decreased by Baht 630.79 million or 30.95% from 2019, mainly due to the increase in expected credit losses of 110.85%.

Other operating expenses stood at Baht 2,591.07 million, decreased by Baht 5.69 million or 0.22% from 2019, mainly due to the decrease in concerning employees expenses, expenses for advertising and promotional activities.

The bank's expected credit losses were estimated to rise by Baht 1,208.24 million, or 110.85% from 2019.

The operating profit before expected credit losses to total revenue in 2020 was 60.88%, increased from 57.90% in the year 2019.

Basic earnings per share in 2020 was Baht 0.70 per share, decreased from Baht 1.02 per share in the previous year. Return on equity (ROE) for the year 2020 was at 3.88% and return on assets (ROA) for the year 2020 was at 0.60%.

Table : Operating Results

Operating Results	Separate Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	2020	2019	2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,951.97	4,741.18	4,903.60	210.79	4.45
Net fees and service income	282.44	311.57	283.11	(29.13)	(9.35)
Total other incomes	1,388.98	1,114.84	871.36	274.14	24.59
Total operating income	6,623.39	6,167.59	6,058.07	455.80	7.39
Other operating expenses	(2,591.07)	(2,596.76)	(2,362.08)	(5.69)	(0.22)
Operating profits	4,032.32	3,570.83	3,695.99	461.49	12.92
Expected credit losses (Bad debts, doubtful accounts and impairment loss)	(2,298.24)	(1,090.00)	(570.16)	1,208.24	110.85
Profits before income tax expenses	1,734.08	2,480.83	3,125.83	(746.75)	(30.10)
Income tax	(326.49)	(442.45)	(556.60)	(115.96)	(26.21)
Annual profits	1,407.59	2,038.38	2,569.23	(630.79)	(30.95)
Earnings per share (EPS) (Baht)	0.70	1.02	1.29		
Return on equity ratio (ROE) (%)	3.88	5.67	7.27		
Return on assets ratio (ROA) (%)	0.60	0.87	1.10		

2.1 Structure of Operating Income

The structure of the bank's operating income was as follows:

Operating Income

In 2020, the bank had operating income at Baht 6,623.39 million, increased by Baht 455.80 million or 7.39% from 2019. Details are as follows:

Table : Operating Income

Operating Income	Separate Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	2020	2019	2018	Amount (Million Baht)	Ratio (%)
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)		
Interest income					
Loans to customers	6,207.92	6,623.25	6,343.58	(415.33)	(6.27)
Investments in debt securities	1,222.49	1,519.64	1,547.17	(297.15)	(19.55)
Interbank and money market items	490.55	632.50	659.65	(141.95)	(22.44)
Hire purchase	6.10	12.30	24.27	(6.20)	(50.41)
Others	0.13	0.03	-	0.10	333.33
Total interest income	7,927.19	8,787.72	8,574.67	(860.53)	(9.79)
Interest expenses	(2,975.22)	(4,046.54)	(3,671.07)	(1,071.32)	(26.47)
Net interest income	4,951.97	4,741.18	4,903.60	210.79	4.45
Fees and service income	352.16	391.69	356.25	(39.53)	(10.09)
Fees and service expenses	(69.72)	(80.12)	(73.14)	(10.40)	(12.98)
Net fees and service income	282.44	311.57	283.11	(29.13)	(9.35)
Gains on investments	833.92	503.85	191.74	330.07	65.51
Dividend income	494.14	582.17	658.74	(88.03)	(15.12)
Other operating incomes	60.92	28.82	20.88	32.10	111.38
Total other incomes	1,388.98	1,114.84	871.36	274.14	24.59
Total operating income	6,623.39	6,167.59	6,058.07	455.80	7.39

Net Interest Income

In 2020, the bank had net interest income at Baht 4,951.97 million, increased by Baht 210.79 million or 4.45% from 2019, mainly due to the decrease in interest income and interest expenses.

Interest income were Baht 7,927.19 million, decreased by Baht 860.53 million or 9.79% from 2019 as a result of the bank's more cautious approach in lending by reducing loan interest rates for both retail and corporate customers, the offering of loans with special interest rates and decreasing penalty charges for directly and indirectly

impacted by the COVID-19 pandemic and various relief schemes to assist customers affected by other situations such as economic slowdown and severe drought under the relief measures of the Bank of Thailand.

Interest expenses were Baht 2,975.22 million, decreased by Baht 1,071.32 million or 26.47% from 2019, mainly due to the reduced contributions to the Financial Institutions Development Fund (FIDF) from 0.46 to 0.23% per year according to the government measures during the year 2020-2021.



Non-Interest Income

Non-interest income consisted of net fees and service income and other incomes (comprised gains on investments, dividend income and other operating incomes). In 2020, the bank had non-interest income at Baht 1,671.42 million, increased by Baht 245.01 million, or 17.18% from 2019. Details are as follows:

- **Net Fee and Service Income**

Net fees and service income was Baht 282.44 million, decreased by Baht 29.13 million or 9.35% from 2019, as a result of the decrease in the brokerage fee income.

- **Other Incomes**

Other incomes were Baht 1,388.98 million, increased by Baht 274.14 million or 24.59% from 2019, mainly due to the increase in gains on investments.

Net Interest Income after expected credit losses (bad debts, doubtful accounts and impairment loss)

The bank had set aside provisions for the expected credit losses according to the Thai Financial Reporting Standard No. 9: Financial Instruments (TFRS 9) and notifications of the Bank of Thailand.

In 2020, net interest income after expected credit losses was Baht 2,653.73 million, decreased by Baht 997.45 million or 27.32% from 2019.

Expected Credit Losses (Bad Debts, Doubtful Accounts and Impairment Loss)

In 2020, the bank expected credit losses at Baht 2,298.24 million, increased by Baht 1,208.24 million or 110.85% from 2019.

Table : Net Interest Income after Expected Credit Losses (Bad Debts, Doubtful Accounts and Impairment Loss)

Net Interest Income after Expected Credit Losses (Bad Debts, Doubtful Accounts and Impairment Loss)	Separate Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	2020	2019	2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,951.97	4,741.18	4,903.60	210.79	4.45
Expected credit losses (Bad debts, doubtful accounts and impairment loss)	(2,298.24)	(1,090.00)	(570.16)	1,208.24	110.85
Net interest income after expected credit losses	2,653.73	3,651.18	4,333.44	(997.45)	(27.32)

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 of intangible assets, supporting service expenses and other expenses. In 2020, the bank had other operating expenses at Baht 2,591.07 million,

decreased by Baht 5.69 million or 0.22% from 2019, mainly due to the decrease in employees expenses and expenses for advertising and promotional activities according to the effective cost management during the COVID-19 pandemic. The total operating expenses to total operating income ratio in 2020 was 39.12%, decreased from 42.10% in 2019.

Table : Other Operating Expenses

Other Operating Expenses	Separate Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	2020	2019	2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employees' expenses	1,110.33	1,191.98	1,200.88	(81.65)	(6.85)
Directors' remuneration	20.44	20.37	20.83	0.07	0.34
Premises and equipment expenses	653.95	659.17	671.06	(5.22)	(0.79)
Taxes and duties	213.58	225.65	217.49	(12.07)	(5.35)
Advertising and promotional expenses	65.63	86.77	78.67	(21.14)	(24.36)
Amortisation of intangible assets	115.19	104.35	50.99	10.84	10.39
Supporting service expenses	288.45	194.22	-	94.23	48.52
Other expenses	123.50	114.25	122.16	9.25	8.10
Total other operating expenses	2,591.07	2,596.76	2,362.08	(5.69)	(0.22)
Total operating expenses to total operating income ratio (%)	39.12	42.10	38.99		

2.2 Asset Management Efficiency

Analysis of Financial Positions

The analysis of the financial positions was the comparative financial positions as of December 31, 2020 and December 31, 2019.

Table : Total Assets

Total Assets	Separate Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Assets					
Cash	801.38	1,635.45	1,839.57	(834.07)	(51.00)
Interbank and money market items - net	35,925.75	23,731.79	21,566.86	12,193.96	51.38
Investments - net	43,982.97	51,646.77	55,312.91	(7,663.80)	(14.84)
Loans to customers and accrued interest receivables					
Loans to customers	160,991.88	155,556.42	161,927.06	5,435.46	3.49
Accrued interest receivables and undue interest receivables	872.13	214.15	224.14	657.98	307.25
Total loans to customers and accrued interest receivables	161,864.01	155,770.57	162,151.20	6,093.44	3.91
Less : Deferred revenue	(21.62)	(26.03)	(33.82)	(4.41)	(16.94)
Allowance for expected credit losses (allowance for doubtful accounts and revaluation allowance for debt restructuring)	(6,003.97)	(3,961.51)	(3,775.22)	2,042.46	51.56

**Table : Total Assets (Continued)**

Total Assets	Separate Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Loans to customers and accrued interest receivables - net	155,838.42	151,783.03	158,342.16	4,055.39	2.67
Properties foreclosed - net	652.53	73.73	87.95	578.80	785.03
Premises and equipment - net	250.23	216.80	216.42	33.43	15.42
Right-of-use assets - net	732.07	-	-	732.07	100.00
Intangible assets - net	338.74	391.64	345.07	(52.90)	(13.51)
Deferred tax assets	607.91	223.82	260.77	384.09	171.61
Accrued interest receivables on investments	187.22	285.69	290.82	(98.47)	(34.47)
Other assets - net	767.62	559.59	395.45	208.03	37.18
Total assets	240,084.84	230,548.31	238,657.98	9,536.53	4.14

Total Assets

The core assets consisted of loans to customer and net accrued interest receivables, accounting for 64.91% of total assets, followed by net investments of 18.32% of total assets. As of December 31, 2020, total assets were Baht 240,084.84 million, increased by Baht 9,536.53 million or 4.14% from 2019, mainly due to the increase in net interbank and money market items, loans to customers and net accrued interest receivables.

Loans to Customers

Loans to customers are classified by business sectors, namely big corporate & corporate loans, SMEs & SSME loans and retail loans.

As of December 31, 2020, net loans to customers of deferred revenue (interbank and money market items included) were Baht 194,100.26 million, increased by Baht 15,201.90 million or 8.50% when compared to the year 2019. Most of them came from the big corporate & corporate loans accounting for 76.79%, followed by retail loans accounting for 12.53% of total loans. When classified by type of loans, it was found that most of them were financial intermediation loans and public utilities and services, accounting for 28.26% and 20.89% 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 (2020 vs 2019) Increase (Decrease)	
	31 December 2020		31 December 2019		31 December 2018			
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Big Corporate & Corporate loans	149,042.03	76.79	137,503.55	76.86	136,881.71	75.15	11,538.48	8.39
SMEs & SSME loans	20,734.55	10.68	19,121.20	10.69	20,671.28	11.35	1,613.35	8.44
Retail loans	24,323.68	12.53	22,273.61	12.45	24,589.26	13.50	2,050.07	9.20
Net Loans of deferred revenue	194,100.26	100.00	178,898.36	100.00	182,142.25	100.00	15,201.90	8.50
Add : Accrued interest receivables and undue interest receivables	880.11		227.36		240.55		652.75	287.10
Total loans and net accrued interest receivables of deferred revenue	194,980.37		179,125.72		182,382.80		15,854.65	8.85

**Table : Loans Classified by Type of Loans (Interbank and Money Market Items Included)**

Loans Classified by Type of Loans	Separate Financial Statements						Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020		31 December 2019		31 December 2018		Amount (Million Baht)	Ratio (%)
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)		
Housing loans	22,839.65	11.77	20,827.97	11.64	22,883.50	12.56	2,011.68	9.66
Manufacturing and commerce	40,181.01	20.70	38,315.53	21.42	39,909.85	21.91	1,865.48	4.87
Public utilities and services	40,535.70	20.89	39,946.76	22.33	40,526.97	22.25	588.94	1.47
Real estate and construction	23,064.68	11.88	23,225.79	12.98	22,893.77	12.57	(161.11)	(0.69)
Agricultural and mining	36.83	0.02	12.91	0.01	867.92	0.48	23.92	185.28
Financial intermediation	54,858.43	28.26	43,623.28	24.39	38,401.38	21.08	11,235.15	25.75
Saving cooperative	11,100.00	5.72	11,509.98	6.43	14,962.00	8.22	(409.98)	(3.56)
Others	1,483.96	0.76	1,436.14	0.80	1,696.86	0.93	47.82	3.33
Total net loans of deferred revenue	194,100.26	100.00	178,898.36	100.00	182,142.25	100.00	15,201.90	8.50

Asset Quality

As of December 31, 2020, the classified assets consisted of interbank and money market items and accrued interest receivables, investments, loans to customers and

accrued interest receivables and other assets. In 2019, the asset classification was made in accordance with the existing standard while the asset classification in 2020 was conducted according to the new financial instruments standard, TFRS 9 as follows:

Table : Assets Classified by Type of Assets

Assets Classified by Type of Assets	Separate Financial Statement				
	31 December 2020				
	Interbank and Money Market Items and Accrued Interest Receivables	Investments	Loans to Customers and Accrued Interest Receivables	Other Assets	Total
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)
- Financial assets without a significant increase in credit risk (Performing)	35,931.32	33,379.57	151,561.76	2.14	220,874.79
- Financial assets with a significant increase in credit risk (Under- performing)	-	3,710.50	4,781.68	0.36	8,492.54
- Financial assets that are credit-impaired (Non-performing)	-	-	5,498.95	36.07	5,535.02
Total	35,931.32	37,090.07	161,842.39	38.57	234,902.35

Assets Classified by Type of Assets	Separate Financial Statement				
	31 December 2019				
	Interbank and Money Market Items and Accrued Interest Receivables	Investments	Loans to Customers and Accrued Interest Receivables	Other Assets	Total
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)
- Pass	23,381.18	-	149,573.68	-	172,954.86
- Special - mention	-	-	3,395.43	-	3,395.43
- Sub - standard	-	-	179.31	-	179.31
- Doubtful	-	-	46.30	-	46.30
- Doubtful of loss	-	558.09	2,549.82	27.15	3,135.06
Total	23,381.18	558.09	155,744.54	27.15	179,710.96



Allowance for Expected Credit Losses (Allowance for Doubtful Accounts)

To set a provision in accordance with Thai Financial Reporting Standard No. 9: Financial Instruments (TFRS 9), the bank considered the expected credit losses according to TFRS 9 and notification of the Bank of Thailand.

As of December 31, 2020, allowance for expected credit losses according to TFRS 9 was Baht 6,003.97 million, compared to the Baht 3,961.51 million of allowance for doubtful accounts and revaluation allowance for debt restructuring in the year 2019 according to the existing standard, increased by Baht 2,042.46 million or 51.56% to support uncertainties of domestic economy and to cope with customers whose credit quality may deteriorate in the future. As a result, the bank had the coverage ratio in 2020 at 119.8% (according to TFRS 9) and 151.09% in 2019 (according to the existing standard).

Table : Allowance for Expected Credit Losses (Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring) Classified by Debtor (Interbank and Money Market Items Excluded)

Classified by Debtor Classification	Separate Financial Statement			
	31 December 2020			
	Loans to Customers and Accrued Interest Receivables		Allowance for Expected Credit Losses	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Financial assets without a significant increase in credit risk (Performing)	151,561.76	93.65	944.58	15.73
Financial assets with a significant increase in credit risk (Under-performing)	4,781.68	2.95	869.40	14.48
Financial assets that are credit-impaired (Non-performing)	5,498.95	3.40	2,762.04	46.01
Total	161,842.39	100.00	4,576.02	76.22
General provision			1,427.95	23.78
Total	161,842.39	100.00	6,003.97	100.00

Classified by Debtor Classification	Separate Financial Statement			
	31 December 2019			
	Loans to Customers and Accrued Interest Receivables		Allowance for Doubtful Accounts and Revaluation Allowance for Debt Restructuring	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Pass	149,573.67	96.04	844.43	21.39
Special - mention	3,395.43	2.18	3.09	0.08
Sub - standard	179.31	0.11	21.33	0.54
Doubtful	46.30	0.03	5.39	0.14
Doubtful of loss	2,549.83	1.64	420.51	10.65
Total	155,744.54	100.00	1,294.75	32.80
Additional provision for specific debtors			1,836.52	46.52
General provision			816.25	20.68
Allowance for doubtful accounts			3,947.52	100.00
Revaluation allowance for debt restructuring			13.99	
Total	155,744.54	100.00	3,961.51	



As of December 31, 2020, loans classified by maturity were as follows:

Table : Loans to Customers Classified by Maturity

Loans to Customers	Separate Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
At call ¹	9,908.76	8,067.41	19,212.33	1,841.35	22.82
Less than 1 years	48,753.37	58,801.71	52,417.00	(10,048.34)	(17.09)
1 - 5 years	50,827.97	45,244.48	50,580.44	5,583.49	12.34
Over 5 years	51,501.78	43,442.82	39,717.29	8,058.96	18.55
Total	160,991.88	155,556.42	161,927.06	5,435.46	3.49

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

Non-Performing Loans

As of December 31, 2020, non-performing loans (gross) according to TFRS 9 were Baht 5,368.02 million and the ratios of non-performing loans to total loans were 2.77%.

As of December 31, 2019, non-performing loans (gross) according to the existing standard were Baht 2,775.44 million and the ratio of non-performing loans to total loans were 1.55%.

Total Liabilities

As of December 31, 2020, total liabilities were Baht 203,718.44 million, increased by Baht 9,449.72 million or 4.86% from 2019, mainly driven by the increase in deposits and decrease in debts issued and borrowings.

Table : Liabilities Classified by Type of Liabilities

Liabilities Classified by Type of Liabilities	Separate Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	182,734.96	165,018.41	168,171.00	17,716.55	10.74
Interbank and money market items	12,203.11	10,503.65	9,277.43	1,699.46	16.18
Liabilities payable on demand	949.59	52.08	172.82	897.51	1,723.33
Debts issued and borrowings	5,002.52	16,721.23	23,290.46	(11,718.71)	(70.08)
Others	2,828.26	1,973.35	2,142.03	854.91	43.32
Total liabilities	203,718.44	194,268.72	203,053.74	9,449.72	4.86



Deposits

As of December 31, 2020, the bank recorded deposits of Baht 182,734.96 million, increased by Baht 17,716.55 million or 10.74% from 2019, mainly due to the increase in savings deposits.

Table : Deposits Classified by Type of Deposits

Deposits Classified by Type of Deposits	Separate Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Demand deposits	3,938.09	4,253.65	6,072.79	(315.56)	(7.42)
Savings deposits	87,765.53	62,044.95	74,918.47	25,720.58	41.45
Time deposits	60,726.26	65,147.69	55,585.08	(4,421.43)	(6.79)
Fixed deposit receipt	30,305.08	33,572.12	31,594.66	(3,267.04)	(9.73)
Total deposits	182,734.96	165,018.41	168,171.00	17,716.55	10.74

Owners' Equity

As of December 31, 2020, owners' equity was Baht 36,366.40 million, increased by Baht 86.81 million or 0.24% from 2019.

Table : Owners' Equity

Owners' Equity	Separate Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Issued and paid-up share 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	(844.29)	(43.59)	(102.22)	800.70	1,836.89
Retained earnings - statutory reserve	889.70	819.30	717.20	70.40	8.59
Retained earnings - unappropriated	5,722.07	4,904.96	4,390.34	817.11	16.66
Total owners' equity	36,366.40	36,279.59	35,604.24	86.81	0.24



2.3 Capital Adequacy

Sources and Uses of Fund

As of December 31, 2020, capital structure consisted of liabilities totalling Baht 203,718.44 million and owners' equity of Baht 36,366.40 million, or 5.60 times of D/E ratio. The composition of sources of fund in terms of liabilities include deposits at 76.11%, interbank and money market items at 5.09%, debts issued and borrowings at 2.08%, liabilities payable on demand and others at 1.57% and owners' equity at 15.15% .

Relations Between Sources and Uses of Fund

As of December 31, 2020, loans to customers (before deferred revenue) were Baht 160,991.88 million. Loans to deposit ratio was 88.57%. For the excess liquidity, the bank invested in liquid assets such as interbank and money market items.

Significant sources and uses of fund as of December 31, 2020 could be classified by contract maturity. Deposits less than 1 year were Baht 173,890.88 million or 95.16% of total deposits while loan less than 1 year were Baht 58,662.13 million or 36.44% . Deposits more than 1 year were Baht 8,844.08 million or 4.84% while loans more than 1 year were Baht 102,329.75 million or 63.56%.

Table : Sources and Uses of Fund

Periods	Deposits				Loans to Customers			
	31 December 2020		31 December 2019		31 December 2020		31 december 2019	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	173,890.88	95.16	157,403.07	95.39	58,662.13	36.44	66,869.13	42.99
More than 1 year	8,844.08	4.84	7,615.34	4.61	102,329.75	63.56	88,687.29	57.01
Total	182,734.96	100.00	165,018.41	100.00	160,991.88	100.00	155,556.42	100.00

2.4 Changes of Cash Flow

As of December 31, 2020, the cash was at Baht 801.38 million, decreased by Baht 834.07 million from the year 2019. Net cash provided and used in various activities was detailed as follows:

- Net cash used in operating activities was Baht 7,885.42 million, which came from the operating profits before the changes in operating assets and liabilities of Baht 720.84 million and significant changes in operating assets and liabilities such as interbank and money market items (asset) increased by Baht 11,972.88 million, loans to customers increased by Baht 5,860.92 million, deposits increased by Baht 17,716.56 million and short-term debts issued and borrowings decreased by Baht 10,716.56 million.

- Net cash from investment activities were Baht 8,814.07 million, mainly due to cash received from the sale of investments in debt instruments measured at amortised cost - net of Baht 9,443.42 million and investments in debt instruments measured at fair value through other comprehensive income - net of Baht 1,530.74 million and cash received from interest income on investments of Baht 1,362.40 million.

- Net cash used in financing activities was Baht 1,762.72 million, mainly due to repayment of long-term debts issued and borrowings of Baht 1,002.15 million and dividends payout of Baht 500.00 million.

2.5 Liquidity Adequacy

Liquid assets consisted of cash, interbank and money market-net items (assets) and net investments in liquid assets, which continued to increase from Baht 65,607.33 million in 2019 to Baht 69,605.47 million in 2020, increased by Baht 3,998.14 million or 6.09% .

**Table : Liquid assets**

Items	31 December 2020	31 December 2019
	Amount (Million Baht)	Amount (Million Baht)
Total assets	240,084.84	230,548.31
Deposits	182,734.96	165,018.41
Loans to customers (net deferred revenue)	160,970.26	155,530.39
Liquid assets	69,605.47	65,607.33
Loans/deposits (%)	88.57	94.38
Liquid assets/total assets (%)	28.99	28.46
Liquid assets/deposits (%)	38.09	39.76

2.6 Maintenance of Deposits

The bank was required to maintain the average deposits of not less than 1.00% of average deposits and borrowings according to the regulations of the Bank of Thailand. In case the bank maintained cash at the cash center, the bank may include it as part of the reserve balance maintenance by no more than, on average, 0.2% of the average sum of deposits and borrowings.

As of December 31, 2020, the bank had cash at the cash center and cash deposited at the Bank of Thailand totalling Baht 2,864.49 million.

2.7 Capital Adequacy and Capital Adequacy Ratio

As of December 31, 2020, the bank had the capital adequacy ratio at 19.802%, which was higher than the minimum rate of 11.000% required by the Bank of Thailand. It also increased from the capital adequacy ratio of 19.265% on December 31, 2019.

The Tier 1 capital ratio to risk assets was 17.068%, which was higher than the minimum rate of 8.500% required by the Bank of Thailand.

Table : Capital Adequacy Ratio

Capital Adequacy Ratio	31 December 2020		31 December 2019		31 December 2018	
	Amount (Million Baht)	Ratio* (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Common Equity Tier 1 Capital						
The Bank	33,959.46	17.068	34,578.32	16.481	34,344.23	17.131
Minimum Rates Required by Law**		7.000		7.000		6.375
The Difference		10.068		9.481		10.756
Tier 1 Capital						
The Bank	33,959.46	17.068	34,578.32	16.481	34,344.23	17.131
Minimum Rates Required by Law**		8.500		8.500		7.875
The Difference		8.568		7.981		9.256
Total Capital						
The Bank	39,398.17	19.802	40,421.08	19.265	40,185.53	20.045
Minimum Rates Required by Law**		11.000		11.000		10.375
The Difference		8.802		8.265		9.670

Note : * The capital adequacy ratio was revised according to the adjusted credit risk-weighted assets.

** The bank is required to increase, in the form of conservative buffer, its Common Equity Tier 1 capital ratio of 0.625% annually from January 1, 2016 onwards until reaching its maximum of 2.50% on January 1, 2019.

2.8 Factors Influencing Future Operating Results

The key factors which may influence the future operations are the second wave of COVID-19 pandemic, effects of containment measures, efficacy of vaccine and vaccination coverage, combined with domestic political uncertainties and implementation of key projects and measures. These factors will influence the direction of global and Thai economic recoveries and consequently tend to affect the bank's performance through credit demand, loan quality, interest income receivables and provisioning expenses to cushion against potential non-performing loans.

3. Securities Business

Overview of Securities Business and Competition in 2020 and Outlook in 2021

Overview of Securities Business and Competition in 2020

Thai stock market saw a year of roller coaster in 2020. In line with global equities, from the high of 1,600 points at the beginning of the year, SETI plummeted to retest low of 969 points due to COVID-19 pandemic. After fiscal stimulus which helped shore up investors' confidence, SETI climbed back to 1,455 in June. However, SETI saw a throwback to 1,187 in October. In November, SETI made a comeback from the victory of Joe Biden in presidential election and optimism on vaccine development. SETI once again plummeted in December due to the new wave of COVID-19 outbreak and JP Morgan and Credit Suisse adjusted Thailand's stock market to overweight, pulling SETI to close at 1,449. Average daily market turnover was active at Baht 68,606 million, up 29% from Baht 53,192 million seen last year. Due to such a roller coaster market, retail investors became the most active player while foreign investors which were the second most active player, remained net seller for the 4th consecutive year.

Business Trends and Securities Business Competition in 2021

In 2021, investor are expected to be more confident in their investments in the stock market than in 2020, attributed by the United States's change in its policies to reduce trade barriers and a gradual recovery of the global economy due to widespread administration of COVID-19 vaccine in many countries. Performances of listed companies are likely to grow from a low base in the year 2020 while the movements of SET index is estimated to move in the range of 1,350 -1,750 points.

Overall Performance

The analysis of operating results of the company and its subsidiary was the comparative performance between 2020 and 2019.

In 2020, the company had net profits of Baht 220.46 million, increased by Baht 78.88 million, or 55.72% from 2019, as a result of the increase in brokerage fees income, gains and return on financial instruments.

Total expenses in 2020 were Baht 310.06 million, decreased by Baht 39.21 million, or 11.23% from 2019, as a result of the decrease in the financial costs following loan repayments from financial institutions.

Net operating profits ratio in 2020 was at 38.70%, increasing from 28.05% in 2019 due to higher number of net profits and total incomes.

Basic earnings per share in 2020 was Baht 0.20 per share, decreased from 0.22 per share in 2019.

Total Revenue Structure

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

- **Total Income**

Total income consisted of brokerage fees income, fees and service income, interest incomes, gains and return on financial instruments and other incomes. The company's main source of income was from securities and derivatives' brokerage service and investment portfolios of company.

In 2020, total brokerage fees income was Baht 187.00 million, mainly due to retail customers, accounting for 94% while major customers and institutional customers, accounting for 6% of the company's securities trading volume.

Total income was Baht 569.71 million, increased by Baht 65.06 million, or 12.89% from 2019, mainly due to the increase in brokerage fees income, gains and return on financial instruments.

- **Brokerage Fees Income**

Brokerage fees income in 2020 was Baht 187.00 million, increased by Baht 54.40 million, or 41.02% from 2019.

- **Other Incomes apart from Brokerage Fees**

Other core incomes apart from brokerage fees were fees and service income, interest incomes, gains and return on financial instruments and other incomes totalling Baht 1.77 million, Baht 40.37 million, Baht 338.32 million and Baht 2.25 million, respectively.



Structure of Total Expenses

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

- **Total Expenses**

Total expenses were Baht 310.06 million (Baht 5.54 million of expected credit losses included), decreased by Baht 39.21 million, or 11.23% from 2019, resulting from the decrease in financial costs due to loan repayments from financial institutions.

- **Expected Credit Losses**

The company applies the Thai Financial Reporting Standard No. 9: Financial Instruments (TFRS 9) regarding the provision of expected credit losses together with the judgment to project an estimated loss when the default occurs by considering the profile of each debtor, possibility of default and value of securities used as collateral. As of December 31, 2020, there were 2 debtors whose expected credit losses were provided at Baht 5.54 million.

Analysis of Financial Positions

An analysis of financial positions of the company and its subsidiary was the comparative financial positions ended December 31, 2020 and December 31, 2019.

- **Total Assets**

As of December 31, 2020, total assets were Baht 5,679.83 million, decreased by Baht 1,055.40 million, or 15.67% from 2019. Most of them were non-collateralised investments, accounting for 71.35% of total assets.

- **Securities and Derivatives Business Receivables**

Securities and derivatives business receivables including accrued interest receivables were Baht 1,282.78 million, increased by Baht 550.32 million, or 75.13% from 2019. Net securities and derivatives business receivables consist of:

Securities business receivables of cash accounts were Baht 157.53 million, or 12.28% of securities and derivatives business receivables.

Securities business receivables of credit balance account including accrued interest receivables were Baht 1,125.25 million, or 87.72% of securities and derivatives business receivables.

- **Non-collateralised Investments**

Net investments were Baht 4,052.51 million, decreased by Baht 1,716.29 million, or 29.75% from 2019. Non-collateralized investments consist of investment measured at fair value through profit or loss of Baht 26.78 million, investment measured at fair value through other comprehensive income of Baht 4,021.73 million and investment at amortised cost of Baht 4.00 million.

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

Receivables from Clearing House and brokers-dealers were Baht 171.45 million.

- **Net Leasehold improvements and equipment and Intangible Assets**

Net leasehold improvements and equipment and intangible assets were Baht 13.89 million.

- **Right-of-use Assets**

Right-of-use assets were Baht 18.52 million.

- **Other Assets**

Other assets were Baht 89.87 million.

- **Total Liabilities**

As of December 31, 2020, total liabilities were Baht 4,169.21 million, decreased by Baht 1,346.11 million, or 24.41% from 2019. Most of them were borrowings from financial institutions, accounting for 90.90% of total liabilities.

- **Borrowings from Financial Institutions**

Borrowings from financial institutions were Baht 3,790.00 million.

- **Securities and Derivatives Business Payables**

Securities and derivatives business payables were Baht 274.22 million.

- **Debt issued and Borrowings**

Debt issued and borrowings were Baht 49.89 million.

- **Lease Liabilities**

Lease liabilities were Baht 19.12 million.

- **Owners' Equity**

As of December 31, 2020, the company's had the owners' equity of Baht 1,510.62 million, increased by Baht 290.70 million, or 23.83% from 2019.

Capital Adequacy

- **Liquidity**

In 2020, the company and its subsidiary had net cash flow used in operating activities of Baht 387.52 million, due to the larger number of securities and derivatives business receivables.

Net cash flow provided by investment activities was Baht 924.77 million, mainly due to cash received from the sale of investment in equity instruments measured at fair value through other comprehensive income - net of Baht 929.28 million.

Net cash flow used in financing activities was Baht 536.20 million, coming from loan repayment to financial institutions of Baht 1,450.00 million, cash received from additional ordinary shares of Baht 955.57 million, dividend payout of Baht 31.86 million and cash paid for lease liabilities of Baht 9.91 million.

Considering liquidity, the company is able to maintain Net Capital Ratio (NCR) at more than 7% , which is the minimum NCR requirement according to SEC. It reflected that the company had sufficient liquidity to run its business. In 2020, NCR level was between 17.55 - 176.47%. This ratio may change due to various factors including securities trading volume, warranty, valuation of investment, securities underwriting, etc.

- **Sources of Funds**

As of December 31, 2020, the company and its subsidiary had fund from owners' equity of Baht 1,510.62 million. Debt to equity ratio as of December 31, 2020 and as of December 31, 2019 equaled to 2.76 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 Influencing Future Performance

Competition in the securities business will continue intensely. There is a fierce competition to reduce securities trading fees. Although the buzz in the stock market is a factor supporting the expansion of the investor base, the new generation of investors prefer placing orders through online channels to placing orders through marketing staff which has higher costs. As a result, the average trading fees tend to decrease.

4. Fund Management Business

Overview of Fund Management Business and Competition in 2020 and Outlook for 2021

Overview of Fund Management Business and Competition in 2020

In 2020, total assets under management (AUM) of Land and Houses Fund Management Company Limited were worth Baht 5.03 trillion, decreased by 6.69% compared to the net asset value of Baht 5.39 trillion in 2019. The decreases occurred across all types of funds, led by mixed funds which fell 14.60%. However, the overall performance of property funds and real estate investment trusts improved.

Fund Management Business Trend and Competition in 2021

In 2021, the trend of doing business for medium-sized fund management companies still focuses on the launch 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 in order to match with the return and risk appetite of customers. The company also plans to add new electronic channels to facilitate investors' access.

Overall Performance

The analysis of operating results of Land and Houses Fund Management Company Limited was the comparative performance between the year 2020 and 2019 as follows:

In 2020, the company had net profits of Baht 106.17 million, decreased by Baht 56.71 million or 34.82% from 2019 due to fees and service income, gains and return on financial instruments.

Basic earnings per share in 2020 was Baht 35.39 per share, decreasing from Baht 54.29 per share in 2019.

Structure of Total Income

- **Structure of Total Income**

Total income was Baht 496.16 million, decreased by Baht 75.00 million or 13.13% from 2019. The total income consists of fees and service income, which are the company's main incomes, interest incomes, gains and return on financial instruments and other incomes.

- **Fees and Service Income**

Fees and service income were Baht 477.06 million, decreased by Baht 17.58 million or 3.55% from 2019.

Structure of Total Expenses

- **Expenses**

Total expenses were Baht 365.26 million, decreased by 5.38 million or 1.45% from 2019.

- **Expected Credit Losses**

The company had no expected credit losses.

Analysis of Financial Positions

The analysis of financial positions of the company was the comparative financial positions between December 31, 2020 and December 31, 2019.

- **Net Assets Under Management**

As of December 31, 2020, the company had 111 funds under management, increased by 42 funds from 2019. The company had net asset value at Baht 57,943.3 million, decreased by 10.2% from 2019.

The company held 1.1% of the market share, and was ranked No.13 out of 24 companies. It had mutual funds under management as follows:

- Property fund and real estate investment trust	31,877.6 million Baht
- Fixed Income fund	8,412.1 million Baht
- Equity fund	7,915.7 million Baht
- Mixed fund	2,293.0 million Baht
- Fund of property fund	7,444.9 million Baht



However, when included private funds and provident funds, the company had net asset value as of December 31, 2020 of Baht 70,069.8 million, coming from private funds worth Baht 8,403.8 million and provident funds worth Baht 3,722.7 million.

- **Cash and Cash Equivalents**

Cash and cash equivalents were Baht 46.36 million, increased by Baht 26.97 million or 139.09% from 2019.

- **Non-collateralised Investments**

Non-collateralised investments were investments in equity instruments designated at fair value through other comprehensive income totalling Baht 226.97 million, decreased by Baht 134.89 million or 37.28% from 2019.

- **Leasehold Improvements and Equipment**

Leasehold improvements and equipment were Baht 13.81 million

- **Right-of-Use Assets**

Right-of-Use assets were Baht 29.98 million.

- **Intangible Assets**

Intangible assets were Baht 14.05 million.

- **Other Assets**

Other assets were Baht 12.09 million.

- **Total Liabilities**

As of December 31, 2020, total liabilities were Baht 86.73 million, increased by Baht 33.44 million or 62.74% from 2019.

- **Owners' Equity**

As of December 31, 2020, owners' equity was Baht 305.80 million, decreased by Baht 102.78 million or 25.16% from 2019.

Capital Adequacy

- **Liquidity**

The company had net cash flow from operating activities totalling Baht 120.67 million which mainly came from the operating profit.

Net cash flow provided by investment activities totaled Baht 46.70 million. The sources of cash flow from investment activities were cash received from the sale of non-collateralised investments measured at fair value through other comprehensive income of Baht 38.70 million, cash paid for the purchase of leasehold improvements and equipment - net of Baht 5.26 million, cash paid for the purchase of intangible assets for Baht 1.63 million and dividends received of Baht 14.88 million.

Net cash flow used in financing activities was Baht 140.40 million, which was caused by dividend payout of Baht 132.00 million and cash paid for lease liabilities of Baht 8.40 million.

The company had owners' equity of Baht 305.80 million which can maintain its 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 required that the fund management company that had net assets value of all mutual funds under management of more than Baht 25,000 million must have the owners' equity of fund management company worth not less than Baht 220 million.

- **Sources of Fund**

The company had the sources of fund from owners' equity of Baht 305.80 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 62.61 million and other components of shareholders' equity in the amount of Baht (56.81) million.

Factors influencing Future Operation

The challenges in 2021 stem from low expected returns due to the slowdown of global economic growth, as well as the increase in cost structure of fund management companies in response to the changing needs of investors, investment in the development of digital platforms, coupled with the handling of higher regulatory requirements, which cause some changes in the asset management with the focus on more non-traditional products, especially assets that provide consistent returns rather than focus on those generating high yields, in other words, stressing on multi-assets funds. In addition, in managing assets, the company began to adopt the quantitative analysis to make investment decisions, and use assets which generate returns consistent with the underlying index (Passive Funds) to facilitate management according to company's operational guidelines.

Risk Oversight Committee's Report

The Risk Oversight Committee consists of 3 members as follows:

- | | |
|------------------------------|----------|
| 1. Mr. Shih, Jiing-Fuh | Chairman |
| 2. Dr. Supriya Kuandachakupt | Member |
| 3. Mr. Pichai Dusdeekulchai* | Member |

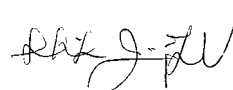
Remarks: *Mr. Pichai Dusdeekulchai was appointed member of the Risk Oversight Committee on July 20, 2020 to replace Mr. Somsak Assavapokee.

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

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

During the year 2020, the Risk Oversight Committee had a total of 4 meetings and reported the results of each meeting to the Board of Directors with the summary as follows:

1. Review risk management policies such as risk management policy and intragroup transaction risk management policy of the financial business group, by taking into account the risk governance framework as well as creating and cultivating risk culture that complies with the regulations on risk supervision 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 has 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



Corporate Governance Committee's Report

The Corporate Governance Committee consists of 3 members* as follows:

- | | | |
|----------------|---------------|----------|
| 1. Mr. Adul | Vinaiphat | Chairman |
| 2. Dr. Supriya | Kuandachakupt | Member |
| 3. Mr. Pradit | Sawattananond | Member |

Note: * Initially, the Corporate Governance Committee consisted of 4 members and on June 15, 2020, Mr. Somsak Assavapokee completed his term so the committee has only 3 members.

Mr. Kukrit Singhon, Vice President of Compliance Group, is the secretary.

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

During the year 2020, 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. Enhance the good corporate governance and emphasize the stakeholding reporting according to the corporate governance code (CG Code) of the Securities and Exchange Commission.

2. Engage in creating the organization culture with best practices for preventing the abuse of duty and strive to provide the whistleblowing channels. Whistleblowing complaint regarding fraud and corruption can be made directly to the chairman of the Corporate Governance Committee so that dealing with complaints is processed with transparency and fairness, and informants are well protected.

3. Put the importance on data governance by clearly establishing the insider information policy with annual review or when significant changes made so that directors, executives and employees do not make use of non-public information for personal gain.

4. Review the policies in order to set up the guidelines to align with the current structure of the company regarding anti-corruption / conflicts of interest which will result in effective and efficient compliance with good corporate governance practices.

5. Be the company's representative to communicate, monitor and promote the compliance with good corporate governance policy and anti-corruption policy.

The company is committed to operating its business under the good corporate governance principles which are transparent and verifiable. Moreover, the company also recognizes the accountability to economy, society, environment and stakeholders as well as develops good corporate governance practices which are significant factors in creating sustainable business values.

(Mr. Adul Vinaiphat)

Chairman of Corporate Governance Committee

Message from the Chief Executive Officer and President



LH Financial Group Public Company Limited and the companies in Land and Houses financial business group is determined to conduct business with good governance principles along with the fulfillment of its accountabilities to shareholders, communities and stakeholders.

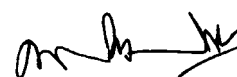
2020 was the year of great challenges. All sectors, both economic and social sectors throughout the globe, were widely impacted particularly from COVID-19 pandemic. The company has prepared a resilience plan to monitor and deal with the epidemic situation, and paid close attention to the health and safety of employees. The company has also set up a working group to monitor the situation and drawn up measures to take care of employees and business continuity. For instance, some staff were allowed to work from home or split site, alcohol hand gels and masks were also provided. This includes screening measures such as temperature check, hand gel sanitizer and wearing a face mask before entering the building.

The company was concerned about its customers, business partners, public and stakeholders who were affected by COVID-19 outbreak. The companies in Land and Houses financial business group have initiated a project "Fight COVID-19 Together" by inviting executives, employees and customers to donate money to procure medical equipment and foods for healthcare personnel. In addition, the company has announced the measures to subsidize all business segments and retail loan debtors who have been affected by COVID-19 pandemic. Moreover, the company has implemented the Bank of Thailand's relief measures for loan customers, paid for goods and services faster than usual in order to alleviate the burdens of business partners so that they have adequate liquidity to continue their businesses.

Having been operating its business with good governance principles along with the accountabilities to shareholders, communities and stakeholders, the company was awarded various rewards and recognitions as follows:

- 2019 ASEAN CG Scorecard Awards as the Thai listed companies that obtained the ASEAN CG Scorecard with the score of 97.50 points and above under the ASEAN Asset Class PLCs category. LHFG is one of the Thai listed companies among 135 firms in ASEAN countries.
- Sustainability Disclosure Recognition by Thaipat Institute.
- Having been selected among the top 100 listed companies with outstanding ESG performance in terms of environmental, social and governance (ESG 100) for 6th consecutive year by Thaipat Institute.
- Having been assessed for good corporate governance assessment of listed companies for 2020 by the Thai Institute of Directors (IOD). The company was rated "Excellent: 5 Stars" for the 6th consecutive year.
- Having been assessed for the quality of the 2020 Annual General Meeting of Shareholders by the Thai Investors Association. The company has received a full score of 100 for the 8th consecutive year.

The company would like to thank our shareholders, business partners, customers, stakeholders, executives and employees for their trust and continued support in all aspects. Above all, the company is committed to conducting the business according to good governance principles.



(Mrs. Sasitorn Phongsathorn)
Chief Executive Officer and President



Business Sustainability Report

The company aims to run the business in conformity with good corporate governance principles along with social responsibility endeavors by adhering to the code of conduct and business ethics to satisfy 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 add great value to the organization and shareholders and bolster confidence among shareholders.

Guidelines for Corporate Social Responsibility for Sustainable Business Development

The Board of Directors pays attention to social responsibility activities to ensure concrete implementation in all operation processes 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 reports 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 policy 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.

CSR Logo



Business Operation Sustainability Strategy

The companies in Land and Houses 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 to give customers confidence 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 one way or another. The determination of such policy and practical guideline will guide 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 adopting the business practices from the policy of social responsibility that aligns with both national and international standards for creating the business innovations which will become various activities in working process, product developments and various service standards with the main objective to reduce the potential negative impacts on stakeholders during the work process. It also creates the awareness 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 the solid foundation for sustainable development of society and country as well.

Sustainable Development Framework

The company places the importance on the 12 core Sustainable Development Goals (SDGs) of the United Nations as a framework to drive the business which align with the core objectives of the company and supports 5 goals for sustainable growth with social accountability and value addition to all stakeholders.



The company received the 2020 ASEAN CG Scorecard Award as the listed company achieving ASEAN CG Scorecard 97.50 score and above under the ASEAN Asset Class PLCs category. The company is one of 135 listed companies in ASEAN (Thailand, Singapore, The Philippines, Indonesia and Vietnam) winning this award. It is sponsored by the ASEAN Capital Market Forum (ACMF), which is a high-level grouping of capital market regulators in ASEAN jurisdictions with the aim to elevate the quality of business supervision of the listed companies in ASEAN to meet international standards.

Results of Corporate Social Responsibility

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 which require 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 the 6th consecutive year.





LHFG Wins Sustainability Disclosure Recognition

The company received the Sustainability Disclosure Recognition Award. Held by Thaipat Institute, this prestigious award is presented to the companies that publicly disclose their sustainability information covering Environmental, Social and Governance (ESG) for the benefits of stakeholders through business sustainability report. The recognition reflects LHFG's determination to enhance its sustainability information reporting in accordance with the Sustainable Development Goal, SDG 12.6.



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.



Performance of Social Responsibility for Sustainable Development in Various Dimensions

Economic	Social	Environmental
Level of satisfaction of customers who received services from branches in 2020 was 94.46%, decreased by 0.84% when compared to 95.30% in 2019.	Number of complaints from employees regarding labor operations in 2020 was 0.00% which remained the same as in 2019.	Amount of credit outstanding granted to the energy companies in 2020 was 46,874 million, increased by 17.19% when compared to Baht 40,000 million in 2019.
	<p>The rate of employees who got injured while working was 0.00% in 2020 which remained the same as in 2019.</p> <p>Support for the development of society, community and environment in 2020 valued at Baht 2 million</p>	<p>Reduction of releasing greenhouse gas:</p> <p>Used paper management</p> <p>Number of trees to replace the cut-down trees for making papers per 1 ton of old papers in 2020 is 464 trees, increased from 454 trees in 2019.</p>



Economic	Social	Environmental
		Energy Management Light bulb replacement project: from 2016 to 2020, 2,775 fluorescent tubes were replaced by LED which can save 618,360 KWh or 45% when compared to fluorescent tubes. Heat emission was also reduced resulting in lessened carbon dioxide emission of 359,947.36 Kg.Co2e was reduced or equal to planting 39,995 trees.

Corporate Social Responsibility for Sustainable Business Development Policy

The company is aware of operating business under the social responsibility leading the business sustainability 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 in 9 areas below:

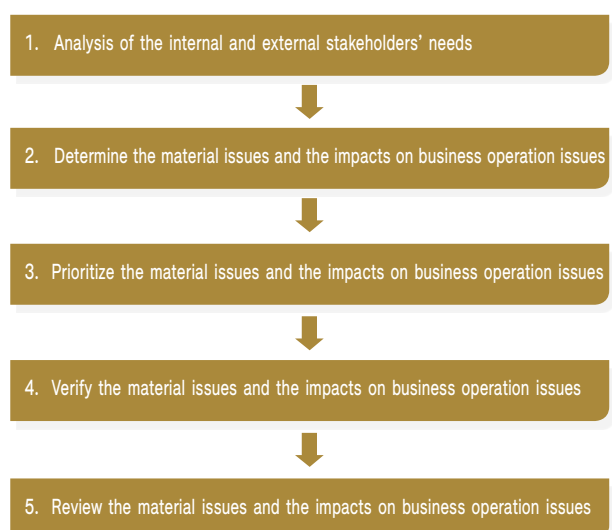
1. Good Corporate Governance
2. Fair Business Operation
3. Anti-Corruption
4. Respect for Human Rights
5. Fair Treatment of Labors
6. Responsibilities towards Consumers
7. Cooperation in Development of Community and Society
8. Environmental Management
9. Innovation and Dissemination of Innovative Corporate Social Responsibilities

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

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 2020.

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

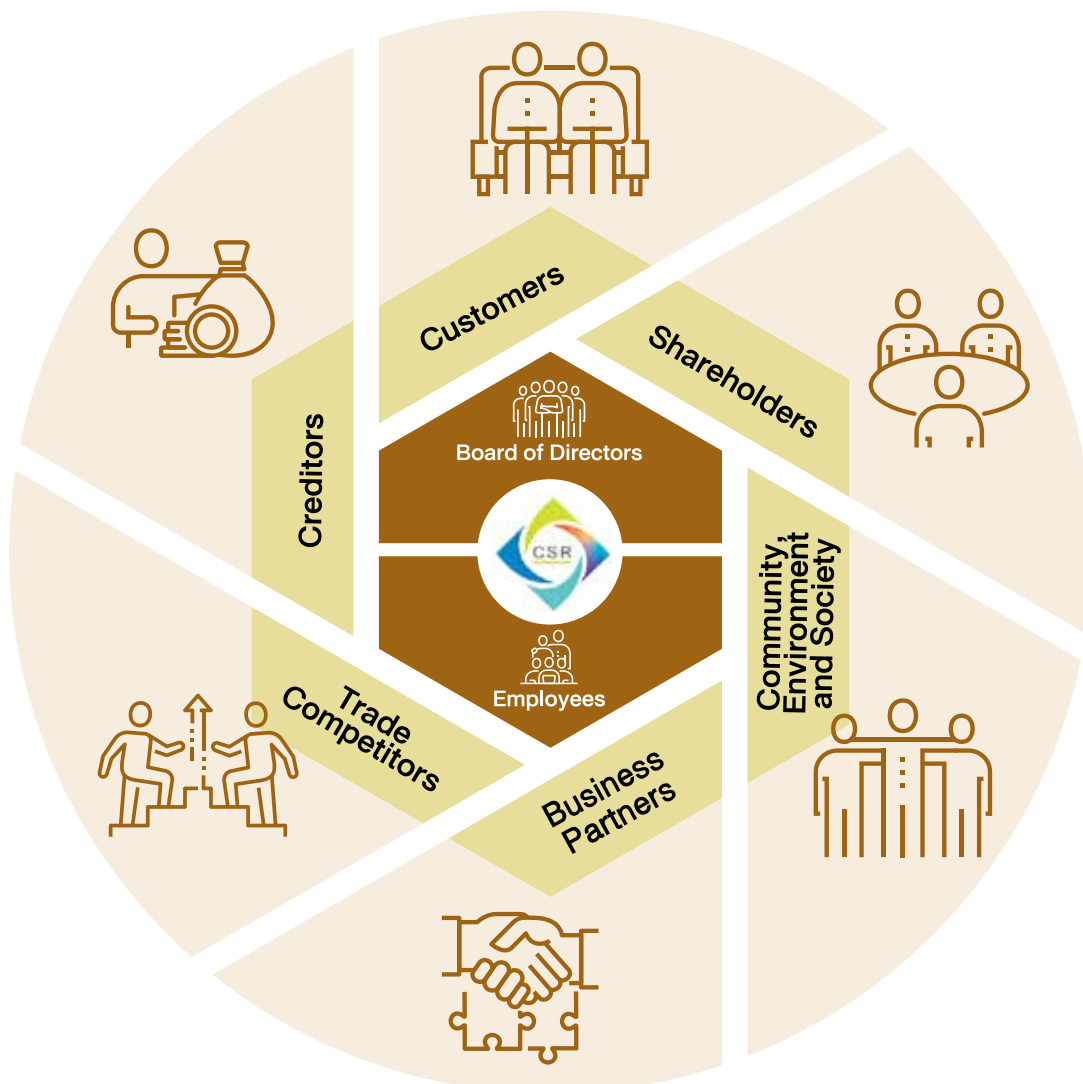
The company pays attention to the rights of all stakeholders by providing the process and procedure to analyze the requirements of both internal and external stakeholders. This process operates through various activities and many communication channels. The company also clearly determines the frequency 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 identifies and selects all stakeholders by considering the importance of all stakeholders and effects of business operations to stakeholders with fairness and appropriateness.

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 groups of stakeholders of which they can be divided into 2 groups so that their needs can be identified and addressed properly. Moreover, their participation is also encouraged.

Stakeholders group consists of:

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



Analysis of Stakeholders' Needs

Stakeholders	Needs Analysis	Practical Guidelines under Policies	Implementation
1. Shareholders 	<ul style="list-style-type: none"> • Appropriate compensation and sustainable growth • Good business performance, stable growth under appropriate risk • Work with transparency, fairness and accountability • Prudent risk management 	<ul style="list-style-type: none"> • Business operations under good corporate governance principles 	<ul style="list-style-type: none"> • Generate good performance under proper risk management • Organize the Annual General Meeting of Shareholders once a year • Organize the press conference and analyst meeting (In 2020, no press conference and analyst meeting was held due to COVID-19 pandemic) • Disclose information through all channels with correctness, equality and transparency • Provide channels for inquiries via the company's website • Receive suggestions and complaints through channels provided • Facilitate minority shareholder to propose material 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 with the following rights: <ol style="list-style-type: none"> 1. To propose the agenda for AGM 2. To nominate qualified candidates for directorship 3. To propose questions in advance • Invite shareholders to attend AGM and share their opinions
2. Board of Directors 	<ul style="list-style-type: none"> • Working with transparency following the corporate governance principles for sustainable growth of the organization • Treat all stakeholders on the basis of fairness • Evaluation of the performance for work improvement 	<ul style="list-style-type: none"> • Business operations under good corporate governance principles 	<ul style="list-style-type: none"> • Organize the company's Board of Directors meeting every month • Establish sub-committees to consider and screen proposals before submitting to the board • Provide sufficient, complete and timely information • Engage in good governance activities • Encourage, support and develop knowledge related to the duties of directors and business • Provide orientation program for new directors • Provide self-assessment for directors to improve more efficient work as follows: <ol style="list-style-type: none"> 1. Self-assessment of the Board of Directors and sub-committees on a collective basis 2. Self-assessment of the Board of Directors and sub-committees on an individual basis 3. Cross-assessment of directors 4. Good corporate governance self-assessment



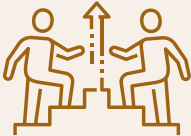



Stakeholders	Needs Analysis	Practical Guidelines under Policies	Implementation
<p>3. Employees</p> 	<ul style="list-style-type: none"> • Arrange trainings and seminars for knowledge and potential development • Improve knowledge and skills in daily life • Always keep a workplace hygienic, clean and safe • Provide appropriate tools and equipment at work • Provide appropriate remunerations, proper positions and benefits • Allow enough time for work-life balance of employees 	<ul style="list-style-type: none"> • No discriminations on employments regardless of ethnic, race, gender, status, religion, political views, or age • Promote employment for vulnerable labors, such as provide opportunities to employ people with disabilities • Develop human resources by providing skill trainings and capacity building for employees by creating opportunities for learning and promotions for career progress • Do not lay off or terminate any employee which is solely based on the management's decision or discrimination • Promote and respect human right protection by not supporting labor coercion, as well as promote employees' work-life balance • 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 as provide channels for the voice of employees • Provide fair employment conditions which allow 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 • Properly arrange working environment for work safety and dignity • Protect and do not treat or punish any disciplinary proceedings against an employee who reports with integrity to the executives or public agencies, in relation to any wrongdoings done within the company • Prepare policy on safety and occupational health, as well as analyze and determine the measures for risk control on safety and occupational health at work 	<ul style="list-style-type: none"> • Arrange welcome activity for new employees • Provide orientation for new employees • Encourage employees to instill PRO-Active value • 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 changes. • Succession plan to replace executives and key positions. • Activities to communicate and build stronger teamwork. • Survey market rate of compensation on a regular basis as to improve to align with proper industrial standards or standards of living • Provide channels to receive complaints, opinions and suggestions • Protect and do not treat or punish any disciplinary proceedings against an employee who reports with integrity to executives or public agencies, in relation to any wrongdoings done within the company • Establish the Environment, Health and Safety Committee for driving the policy and the plan for Occupational Safety, Health and Environment in a workplace • Improve working environment to align with occupational safety guidelines • Support and promote career opportunity for people with disabilities to live in the society with pride • Provide learning and communication channels to support two-way communication



Stakeholders	Needs Analysis	Practical Guidelines under Policies	Implementation
4. Customers 	<ul style="list-style-type: none"> Relationship management with customers Market Conduct Satisfaction for a wide variety of quality products and excellent services. Promptness in hearing and responding to customers' requirements Customer confidentiality. Equality of each segment of customers 	<ul style="list-style-type: none"> Conduct the customers' satisfaction survey for branch services 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 	<ul style="list-style-type: none"> Apply the survey results of customers' satisfaction to improve branch services Study customers behaviors as to improve services and strengthen relationship Give product information accurately, clearly and easily to understand Collect suggestions or feedbacks for improvements Innovate and create products and services that meet consumers' requirements Publicize products and services' information based on reality through various channels easily accessible by consumers to support their decisions To provide assistance and answer customers' enquiries to promote good understanding on our products and services Collect complaints and cope with them immediately Arrange activities to create good relationship between customers and bank Have customers' data privacy process in place
5. Community, Environment and Society 	<ul style="list-style-type: none"> Support communities' activities Enhance and develop learning and knowledge Support government's policies Preserve environments Collect the voice of neighboring communities 	<ul style="list-style-type: none"> Perform business with ethics in parallel with environmental and social responsibilities Support social activities and promote employees' engagement Support and promote education and participate in improving educational quality and accessibility Promote traditional and religious and cultural activities Promote effective use of resources by being aware of capability in effective use of resources Prepare emergency plan suitable for reducing losses Open a chance and facilitate all related parties to express their creative ideas which is the foundation for creating innovations leading to continuous creation of innovations Promote and cooperate with the stakeholders, such as business partners, to develop and disseminate innovations Regularly review business procedure whether it causes any risk or adverse effects to society and environment or not. If any, it must be resolved promptly 	<ul style="list-style-type: none"> Listen to the opinions of nearby communities as to improve or support social activities Provide support for cultural activities suitable for local culture, traditions, and religions Provide appropriate emergency plan to prevent loss and damages against environment Organize the Green Office project to reduce electricity and paper use, as well as shift to use environmentally-friendly office automations Involve with the development of youth learning via the financial literacy project where the bank sends out trainers to train youths about financial knowledge through various learning activities leading to financial behavioral shift in order to create quality society Project "LH Bank Support Scholarship" by providing scholarships for students with good records and commitment to further their study until high school level Donate the used computers project to promote learning among youths in needs "Old Calendar We Need" for the school of the blind to be used for producing instructional media, braille book and notebook for the blind students "Give Books and Learning Materials to the Department of Corrections" to promote knowledge of prisoners Voluntary blood donation project, 1 Giver 3 Receivers to help patients in hospitals from their illnesses nationwide



Stakeholders	Needs Analysis	Practical Guidelines under Policies	Implementation
5. Community, Environment and Society (continued) 			<ul style="list-style-type: none"> • Providing assistance, financial and non-financial donations, debt restructuring by reducing installment, giving more loan for customers impacted by natural disasters • Relief measure for customers impacted by COVID-19 pandemic by relaxing payment conditions, providing loans for working capital
6. Business Partners 	<ul style="list-style-type: none"> • Perform business with transparency • Facility and process sharing: refer customers in Land and Houses financial business group to partners • Information sharing: Exchange information for business • Network extension: extend networks together with partners 	<ul style="list-style-type: none"> • Comply with trade terms and conditions and agreements • Creating partnerships with potential business partners • Fair business practices • No barriers for trade partners 	<ul style="list-style-type: none"> • Meet with trade partners. • Conduct marketing together with business partners of Land and Houses financial business group • Create partnerships with customers to refer other customers to use the bank's services • Receive suggestions or complaints • Appoint the Purchasing Committee in order to manage procurement process appropriate and fair for partners • Prompt payments for products and services • Transparent selection of service providers
7. Trade Competitors 	<ul style="list-style-type: none"> • Perform business with transparency and fairness 	<ul style="list-style-type: none"> • Comply with the rules of fair competition and never use any dishonest method 	<ul style="list-style-type: none"> • Determine mutually fair competition conditions
8. Creditors 	<ul style="list-style-type: none"> • Pay interest and payback when due • Continuous communication 	<ul style="list-style-type: none"> • Comply with the agreements or terms and conditions in the agreements and duties 	<ul style="list-style-type: none"> • Comply with the contract or any conditions agreements and duties • Collect suggestions or complaints

2. Determining Material Issues Affecting Business Operations

The company takes into account all issues, opinions, suggestions and expectations in operations for sustainability which is critical and affects business operations, derived from 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 stakeholders** consist of directors, executives and employees. The company has brainstorming forums such as small group discussions and meetings. Such activities were held to identify the sustainable issues that the stakeholders deem necessary.

- **External stakeholders** consist of shareholders, customers, community, society and environment, business 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 Material Issues Affecting Business Operations

The company analyzes and considers data obtained from the interviews of both internal and external stakeholders in order to prioritize the material issues that can affect business operations. These issues can be divided into 3 levels; low; medium; high, 8 issues in total. The issues were then prioritized in materiality matrix chart. The vertical axis shows the key issues critical for stakeholders and the horizontal axis shows the issues critical for the company.



Materiality Matrix

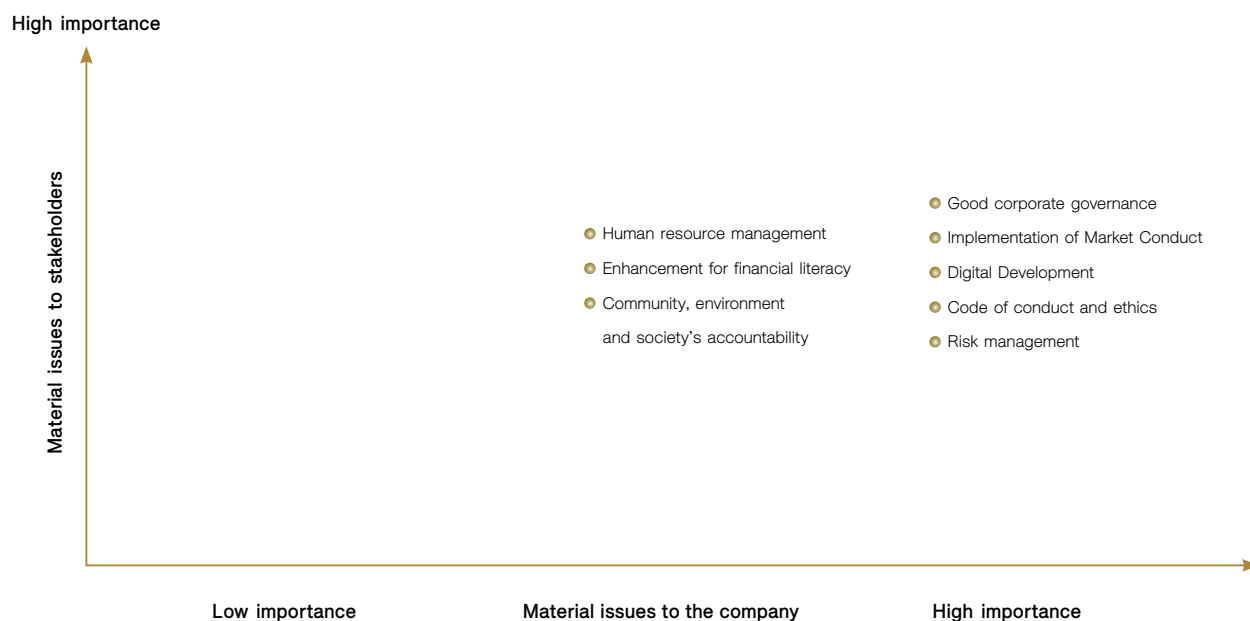












Table : Analysis of Material Issues Affecting Business Operations

Material Issues Affecting Business Operations	Sustainable Issues according to GRI (Global Reporting Initiative)	Internal stakeholders	External Stakeholders	Topics to Include in Annual Report	Sustainable Development Goals (SDGs)
Good corporate governance	GRI 102-18 GRI 102-19	<ul style="list-style-type: none"> Companies in the financial business group Directors, executives and employees 	<ul style="list-style-type: none"> Shareholders Customers Partners 	Good corporate governance	
Market Conduct	GRI 102-43 GRI 103-1 GRI 103-2 GRI 103-3 GRI 203-1	<ul style="list-style-type: none"> Companies in the financial business group Directors, executives and employees 	<ul style="list-style-type: none"> Customers 	<ul style="list-style-type: none"> Sustainable business operations Responsibilities towards customers 	   
Digital development	GRI 203-2	<ul style="list-style-type: none"> Companies in the financial business group 	<ul style="list-style-type: none"> Customers 	<ul style="list-style-type: none"> Innovations and Dissemination of innovative social responsibilities 	   
Code of conduct and business ethics	GRI 102-16 GRI 102-17 GRI 102-25 GRI 103-1 GRI 103-2 GRI 103-3 GRI 205 GRI 205-2 GRI 205-3 GRI 206-1	<ul style="list-style-type: none"> Companies in the financial business group Directors, executives and employees 	<ul style="list-style-type: none"> Shareholders Customers Partners 	<ul style="list-style-type: none"> Code of conduct and business ethics Anti-Corruption 	



Material Issues Affecting Business Operations	Sustainable Issues according to GRI (Global Reporting Initiative)	Internal stakeholders	External Stakeholders	Topics to Include in Annual Report	Sustainable Development Goals (SDGs)
Risk management	GRI 102-11 GRI 102-15 GRI 102-30 GRI 103-1 GRI 103-2 GRI 103-3 GRI 201-2	<ul style="list-style-type: none"> Companies in the financial business group Directors, executives and employees 	<ul style="list-style-type: none"> Shareholders Customers Partners 	<ul style="list-style-type: none"> Risk factors Internal control and risk management Good corporate governance 	 
Human resource management	GRI 102-8 GRI 102-41 GRI 103-1 GRI 103-2 GRI 103-3 GRI 401-1 GRI 401-2 GRI 401-3 GRI 403 GRI 404 GRI 412	<ul style="list-style-type: none"> Companies in the financial business group Directors and executives 	<ul style="list-style-type: none"> Partners 	<ul style="list-style-type: none"> Fair treatment of labors Respect for human rights 	     
Financial literacy	GRI 103-1 GRI 103-2 GRI 103-3 GRI 201-1 GRI 203-1 GRI 203-2 GRI 413-1 GRI 419-1	<ul style="list-style-type: none"> Companies in the financial business group 	<ul style="list-style-type: none"> Customers Communities, Societies and Environment 	<ul style="list-style-type: none"> Development of Communities and Societies 	    
Communities, Societies and Environment	GRI 201-1 GRI 203-1 GRI 203-2 GRI 413-1 GRI 419-1	<ul style="list-style-type: none"> Companies in the financial business group 	<ul style="list-style-type: none"> Customers Communities, Societies and Environment 	<ul style="list-style-type: none"> Development of Communities and Societies 	     

4. Verifying Material Issues Affecting Business Operations

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

5. Reviewing Material Issues Affecting Business Operations

The company provides the information review process after this report has been published in order to collect opinions and suggestions for further improvement of the contents in the next report.



Auditing Quality of Report

The contents disclosed in the business sustainability report and the company's website have been audited and reviewed by responsible unit to assure accuracy, completeness and compliance with the practical guidelines for corporate social responsibilities for sustainable business development policy.

Inviting Business partners to Join the Anti-Corruption Association

The company encourages 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 to refrain from giving gifts, rewards, other benefits or receptions to employees.

Credit Underwriting Following Environmental, Social and Good Governance Risks

For credit underwriting, we are aware of the importance of environment, society and good governance. However, credit approval has strict and discrete approval processes. The topics to be considered are the environmental, social and good governance risks. If the businesses of customers bring about negative side effects on economy, society and environment, the bank will not support any loan to 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 deeply understand their requirements and can define the KPI for effective services. Thus, we can improve the service quality based on their requirements and can also determine the indicators of service quality. Besides, the bank has improved the service standards to ensure prompt and effective services.

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

1. Communicate to the branches' staff to have awareness of quality services
2. Verify the quality of services continuously

In 2020, the level of customers' satisfaction of services at branches was 94.46%, decreased by 0.84% when compared to 95.30% of the year 2019.

Supply Chain Management

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

The company has determined the practical guidelines for procurements and services so that quality supplies and services can be obtained with appropriate price. The process for procurements and services 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 Purchasing Committee. For fairness and equality, the selection for suppliers or facilitators, the company has determined the selection criteria by choosing from business stability, product qualification, service and price.

Selection of suppliers or vendors has the steps as follows:

1. Acquire the lists of suppliers and vendors to meet the needs of users.
2. Select the suppliers and the vendors 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 with sellers who have no records of corruptions, or operate illegal business, no illegal labor policy, treats the business partners with transparency, fairness, takes care of occupational safety in the workplace, and saves environment in order to create a supply chain for mutual business operations which will benefit employees, community, society and environment.
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, reasonable cost and price.



In the year 2020, the bank had 799 business partners, increased by 9.9% when compared to 727 business partners in the year 2019. The business partners acknowledged to follow the bank's code of conduct and ethics. And the bank informed them of procurement rules for their understanding, compliance, accuracy and transparency.

Monitoring, Auditing and Evaluating Process of Business Partners

The company has monitored and assessed the performance of partners in various ways, such as evaluating their satisfaction for services, having a channel to collect 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 the products and services and provide suggestions to the partners to improve the quality of products. In case the partners cannot follow the required standard, the company will consider not using their service.

Tax Management

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

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 code.

Tax Risk Management

The company has the revenue tax risk management system and provides seminars and trainings for related employees to improve their knowledge by taking into consideration the risk, responsibilities and fair treatment of stakeholders and related parties.

Tax Incentives

The company exercises effective 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 the country or local tax policy imposed on businesses with the natures under relevant requirements.



Good Corporate Governance



The Company adheres to good corporate governance principles as guidelines for business operation along with the sustainably social and environmental development. The company focuses on creating the culture of corporate governance in the organization by establishing the Corporate Governance Committee to determine, review the corporate governance policy, and act as a representative of the company in communicating and operating corporate governance activities to ensure the same standard throughout the organization. Having business ethics creates competitiveness and trust among shareholders, investors, stakeholders and all relevant parties; and is fundamental to business operations with efficiency, transparency and credibility. The Corporate Governance Committee also supports the enhancement of management with integrity, value addition in business and stability and sustainable growth; places the importance on internal control, internal audit and equitable treatment among shareholders and stakeholders; supervises and ensures that any transactions with conflicts of interest are in an appropriate level and in line with regulatory requirements, and adequate information disclosure.

The Board of Directors has appointed the sub-committees to supervise a wide range of efficient operations as follows:

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

Each of the sub-committees supervises the business operations following the vision, mission, operation plan and good corporate governance principles. The roles and responsibilities have been indicated clearly 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

ASEAN CG Scorecard Awards

The company won the 2019 ASEAN CG Scorecard Awards as the Thai listed company that obtained the ASEAN CG Scorecard with the score of 97.50 points and above under the ASEAN Asset Class PLCs category. LHFG is one of the Thai listed companies among 135 firms in ASEAN countries winning this award. It is sponsored by the ASEAN Capital Market Forum (ACMF), which is a high-level grouping of capital market regulators in ASEAN jurisdictions with the aim to elevate the quality of business supervision of the listed companies in ASEAN to meet international standards.





The company is committed to continuously embodying good corporate governance principles in its operations. **As a result, the company has received the score from the Corporate Governance Report of Thai Listed Companies 2020 in the level of "Excellence: 5 Stars" for the 6th consecutive year from Thai Institute of Directors Association.** The company has reported the evaluation result to the Corporate Governance Committee and the Board of Directors for acknowledgement and has implemented their recommends for further improvements of the company's corporate governance.



In addition, the company is aware of the rights and equality of all groups of shareholders, and is intent on encouraging the shareholders to rigorously participate in corporate management, and ensures check and balance mechanism. As a result, the company received **"Excellent and Exemplary" quality assessment of the Annual General Meeting of Shareholders 2020 presented by the Thai Investors Association**, the Thai Listed Companies Association and the Securities and Exchange Commission, with a full score of 100 for the 8th consecutive year.



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 principles and practices on good corporate governance for the Board of Directors to follow as business guidelines as well as executives and employees to adhere to for their operations. This is to ensure that the company performs the business operations with responsibility, transparency, and equitable treatment of stakeholders; while promoting its management with integrity, efficiency, and effectiveness.

The company reviews its good corporate governance policy annually. The latest review was approved by the Board of Directors meeting on November 13, 2020.

The good corporate governance policy is classified into 8 principles as follows:

- Principle 1 Establish clear leadership roles 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).

The company has not yet fulfilled the principle as follows:

CG Code	Reason
Chairman should be independent director.	Chairman is non-executive director but has not been appointed the independent director.

Compliance with the Good Corporate Governance Principles

The Board of Directors is well aware of its roles and responsibilities to enhance good corporate governance for sustainable business growth, effective management with transparency and fairness as follows:

Principle 1 : Establish clear leadership roles and responsibilities of the board

1. The Board of Directors has defined the company's objectives and goals through the approvals of annual plans and budgets, business strategies, and the resource allocation. In addition, the Board of Directors is responsible for supervising the management to assure the alignment with prescribed strategies and plans by considering the maximum benefit of the company. It also monitors the management monthly to ensure the strategies are effectively implemented and are consistent with their goals and plans.

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

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



3. The Board of Directors supervises executives to perform their duties with responsibilities, carefulness, integrity and compliance with laws, regulations and resolutions of shareholders meeting; clearly determines the scope of duties and responsibilities and assignments for the Chief Executive Officer and President; and monitors her performance as assigned, not for personal gains over the responsibilities towards the company.

4. Board of Directors Meeting

- The company has determined the meeting schedule for the Board of Directors and the sub-committees in advance for the whole year. In case of necessity and urgency, an extraordinary meeting may be called on as deemed appropriate and necessary. The company has informed all directors in advance so that they can allocate time and attend the meeting, and has disclosed the meeting schedule on the company intranet. For each meeting, the company secretary will notify all departments of the meeting date at least 14-21 days in advance, allowing them to propose important matters to be included in the meeting agenda.

- The directors shall attend 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 may invite high-level executives to attend the meeting in order to provide additional details as directly related parties.

- The agenda of the Board of Directors meeting shall be jointly determined by the Chairman and Chief Executive Officer and President. The agenda shall be clearly specified as matters for acknowledgement, matters for consent or matters for approval depending on the nature of each agenda.

- The Board of Directors has assigned the company secretary to submit notification of the meeting to all directors not less than 7 days before the meeting date, together with accurate, complete and sufficient supporting documents submitted at least 5 business days before the meeting date so that directors have adequate time to study the materials.

- The Board of Directors meeting requires no less than half of all directors to constitute a quorum in accordance with the Articles of Association, and a resolution of the meeting shall be passed by majority vote. In case of a tie vote, the chairman shall have a casting vote. In case of agenda requiring the Board's decisions, a quorum of at least two-thirds is required at the time of voting. Any directors having conflicts of interest in any agenda item cannot join the voting and consideration on that particular item or shall leave the meeting.

Each Board of Directors' meeting shall take about 2 - 2.5 hours. The chairman allocates sufficient time for each agenda. After the meeting ended, the company secretary has duties to provide the written meeting minutes featuring complete details, opinions and significant information within the appropriate time. Once the meeting minutes are certified by the Board of Directors, the company secretary shall keep them and relevant documents systematically for audit and reference purposes.

5. The Board of Directors may ask for opinions from independent consultants or external professionals if necessary; it deems to be the company's expense.

6. The chairman encourages non-executive directors to organize meetings among themselves to discuss management-related issues or problems of their interests and to find ways to improve or provide useful suggestions to the management. A summary of their opinions and resolutions shall be reported to executive directors for acknowledgement. In the year 2020, none of such meetings was held due to COVID-19 pandemic.

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

The Board of Directors assigns the Nomination and Remuneration Committee to consider the performance evaluation method of the Chief Executive Officer and President, and to consider the remuneration and bonus for her annual performance based on the following responsibilities towards the company:

- Guided by the Nomination and Remuneration Committee, the chairman conducts the performance evaluation of the Chief Executive Officer and President on an annual basis against indicators aligning with the company's vision, mission and long-term goals, efforts to fulfill their responsibilities, achievement of goals as well as the current situations and business conditions. The evaluation comprises 2 major parts: financial key performance indicators (Financial KPI) and non-financial key performance indicators (Non-Financial KPI). The evaluation results shall be proposed to the Nomination and Remuneration Committee and the Board of Directors for consideration and approval for remuneration and bonus, respectively.



Principle 2 : Define objectives that promote sustainable value creation

1. The Board of Directors shall define the company's objectives and goals for sustainability in compliance with the value creation to the company, customers, stakeholders and society as a whole.

2. The Board of Directors shall supervise and review the business plan, budget and strategies on a semi-annual basis to ensure they correspond with the company's objectives, goals, economic conditions and competitions.

Principle 3 : Strengthen board effectiveness

The Board of Directors is considered as the heart of good corporate governance. Their members consist of experts in various fields with experiences, leadership, vision, independence of decision making and dedication. Moreover, they perform their duties responsibly, prudently and honestly for the maximum benefit of the company and shareholders.

1. Structure, Composition and Qualifications of the Board of Directors

- The Board of Directors is composed of well-qualified persons with expertise, leadership, vision, independence in decisions making and experience that is useful and necessary for business operation. They dedicate and strive to best perform duties as a director with accountability, caution and integrity for the highest benefits of the company and shareholders; and ensure the company's sound management.

The company has determined the proper structure of the Board of Directors to suit the company's business. The Board of Directors consists of 11 directors, i.e. 2 female directors and 9 male directors. The election of directors is made in accordance with the resolution of the shareholders meeting, rules, regulations and the articles of association, while the composition of the Board of Directors conforms 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 is as follows:

- Independent director¹ : 4 positions** accounting for 36.36% of the Board of Directors, namely Mr. Adul Vinaiphath, Mr. Pradit Sawattananond, Dr. Supriya Kuandachakupt and Mr. Pichai Dusdeekulchai.
- Executive director² : 3 positions** accounting for 27.28% of the Board of Directors, namely Mrs. Sasitorn Phongsathorn, Mr. Wu, Kuo-Chin and Mr. Naporn Sunthornchitharoen.

- Non-Executive Director : 4 positions**, accounting for 36.36% of the Board of Directors, namely Mr. Rutt Phanijphand, Mr. Li, Ming-Shieh, Mr. Shih, Jiing-Fuh and Mr. Khunawut Thumpomkul.

Note:

¹ **Independent director** refers to a director who does not own a business, participate in business administration, or have benefits related to the company which may affect independent decision making. The company has determined the qualifications of "independent director" according to the Capital Market Supervisory Board's regulations.

² **Executive director** refers to a director who is responsible for administration in the position of manager, deputy manager, assistant manager, or director responsible for the operation or participates in business administration as an executive. An executive director also refers to the one who has authority to bind the company, only on the items approved by the Board of Directors and only by co-signing with other directors.

The structure of the Board of Directors is proportionate and fair. For the sake of maintaining the independence of the chairman, clear separation of powers between the duties to determine corporate governance policy 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 division of powers does not allow any of them to have unlimited power as to maintain checks and balances, and to review their management.

- The Board of Directors has defined the qualifications of independent directors in line with the good corporate governance guideline, 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 not be employees or staffs who receive salary from the company. They shall also be independent from the majority shareholders of the company and be able to protect the minority shareholders' interests.

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

- All directors, including independent directors have been nominated by the Nomination and Remuneration Committee because their qualifications conform to related laws, regulations of regulators, and the Articles of Association with regard to directors and good corporate governance principles. Their knowledge, experience, skill, a wide range of expertise, honesty, specific competences



useful the company, as well as abilities to provide independent opinions, and profound understanding of the financial business group, have been taken into account without gender bias.

2. Nomination of Directors

The Board of Directors has set the term of the director position in accordance with the Public Company Limited Act, and the Articles of Association with transparency and clarity to nominate any person or to propose existing directors to be reappointed as directors, their profiles and sufficient details including criteria and method of nomination shall be readily available for shareholders' voting.

- The company gives minority shareholders the opportunity to nominate any qualified persons for directorship.

- The Nomination and Remuneration Committee is entitled to nominate and scrutinize qualified persons based on their knowledge and experience in finance and banking, economy, laws and other professional areas. Organization's necessity, good corporate governance, qualifications required for directorship as specified in related laws and the articles of association have also been considered.

In addition, the Nomination and Remuneration Committee shall nominate qualified persons to the Board of Directors for consent and propose the list to the shareholders meeting and the Bank of Thailand for approval.

3. Number of Directorship in Other Companies

The Board of Directors has established a clear guideline on the number of other companies in which a director can hold positions in accordance with the good corporate governance principles. The Board of Directors shall carefully consider the performance of directors who hold positions in other companies, ensuring that their sufficient time will be devoted to performing the company's duties as follows:

- Director, Chief Executive Officer and President and authorized management persons are allowed to hold the position of either chairman or executive director in other companies of 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 directorship in other companies in the topic of the Board of Directors' positions in the listed companies on the Stock Exchange of Thailand and holding the positions in non-listed companies on the Stock Exchange of Thailand.

4. Independent Directors' Term of Office

The office term of directors conforms to the Public Limited Companies Act and the Articles of Association. Independent directors can hold their position with a maximum of 9 consecutive years according to the Bank of Thailand's regulations.

In addition, as the company has specified that independent directors can consecutively hold their directorships with nine-year maximum tenure in accordance with the regulations of the Bank of Thailand, independent directors who have been in office for more than 9 years can continue their terms until 2022.

5. Number of Directors to Retire by Rotation

One-thirds of the total number of directors must retire by rotation at every Annual General Meeting of Shareholders. In the case that the total number of directors is not divisible by three, the number of director to retire shall be the number closest to one-thirds of all directors. Directors who have held office for the longest term shall be retire first, and, if there are any disagreements arising, it is suggested to draw lots to decide who will retire. Directors retiring by rotation may be re-elected to continue their office.

6. Sub-committees

The company's management structure consists of the Board of Directors who has delegated their management power for the sake of effectiveness and transparency. The Board of Directors has appointed sub-committees to help study details and screen tasks so as to ease the burden of the Board of Directors. Consequently, the company has different sub-committees for specific matters. Such committees shall report their performances to the Board of Directors. These sub-committees are as follows:

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

However, the chairman of the Audit Committee, chairman of the Corporate Governance Committee and chairman of the Nomination and Remuneration Committee are independent directors for the sake of transparency and independence in performing duties.

The company reveals the details of sub-committees and scope of authority and duties of each sub-committee in the topic of the Management Structure.

The company reveals the details of the members of the Audit Committee who have knowledge and experiences in the audit of the financial statements in the topic of the Management Structure, No. 2 The Audit Committee.



7. Company Secretary

- The Board of Directors has appointed Mr. Vichian Amornpoonchai, Senior Executive Vice President of Corporate Affairs Group, to be the company secretary since May 15, 2009. His duties involve providing some advice pertaining to laws and regulations that the Board of Directors should acknowledge, and taking responsibilities for matters connected 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 that of the shareholders meeting have been followed. The scope of company secretary's duties and responsibilities according to the laws require him to act with responsibility, carefulness and honesty.

- The Board of Directors has encouraged and supported the company secretary to continuously receive trainings in order to develop necessary skills, and expand knowledge of law and accounting areas, or corporate secretarial duties.

The company has disclosed the profile of the company secretary in the topic of the Management Structure, No. 8 The Company Secretary.

8. Remuneration of Directors and Executives

The remuneration of directors determined by the Annual General Meeting of Shareholders in monetary form consists of salary and meeting allowances. Proposed by the Nomination and Remuneration Committee and later consented by the Board of Directors. The remuneration has been clearly defined, fair, reasonable, transparent, in conformity to the directors' duties, company's performance, individual performance, aligned with industry, and sufficient to retain qualified 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 sub-committees in the form of collective assessment, individual assessment and cross-assessment at least once a year to review their performance and challenges in the previous year. The self-assessment foster the awareness of their roles and responsibilities, which consequently helps enhance work efficiency. It is also an essential tool to assess the appropriateness of the Board of Directors' composition and its performance. The assessment results and recommendations from directors shall be applied to improve the duties of the committees and individual director. The Stock Exchange of Thailand's self - assessment form has been applied and adjusted in order to cover the committees' duties and the company's business nature and environment. The self - assessment includes:

- Self - Assessment of the Board of Directors and sub-committees on a collective basis

- Self- Assessment of the Board of Directors and sub- committees on an individual basis

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

• Self-assessment of the Board of Directors and Sub-committees on a Collective Basis

Self-assessment form is divided into 6 areas as follows:

1. Structure and qualifications
2. Roles, duties and responsibilities
3. Committees meeting
4. Duties of directors
5. Relationship with management
6. Directors' self-improvement and management training

Scoring : The assessment forms contain 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 agreed or moderately conducted
- 3 = Agreed or well conducted
- 4 = Strongly agreed or excellently conducted

Evaluation Method at the meetings of the Board of Directors and sub-committees, the directors thereof jointly conducted an evaluation by marking a score for each assessment item.

Assessment Result of self - assessment on a collective basis for the year 2020, most items were marked in 3-4.

• Self -Assessment of the Board of Directors and Sub-Committees on an Individual Basis

The assessment form is divided into 3 areas as follows:

1. Structure and qualifications of directors
2. Board of Directors meeting and sub-committees' meeting
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 agreed or moderately conducted
- 3 = Agreed or well conducted
- 4 = Strongly agreed or excellently conducted

Evaluation Method, the company secretary and the secretaries of sub-committees shall send individual directors' self-assessment forms to each committee in which they hold an office. The completed forms will then be returned to the secretary of each committee.



Assessment Result of self-assessment on an individual basis for the year 2020, most items were marked in 3-4.

- **Cross-Assessment of Directors**

Cross-Assessment is 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 agreed or moderately conducted
- 3 = Agreed or well conducted
- 4 = Strongly agreed or excellently conducted

Evaluation Method the company secretary shall submit 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 arranges the self-assessment in line with the good corporate governance principles as a tool for the Board of Directors and management to evaluate themselves on issues the company has done or has not, for an adequate disclosure of the company. The Board of Directors analyzes the evaluation results, recommendations and observations and apply the results to suit the business environments as follows:

The assessment form 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 scoring system is 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 the Corporate Governance Committee collectively conducted the evaluation and proposed the results to the Board of Directors for consent.

Assessment Results of good corporate governance for the year 2020, 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 directors, Chief Executive Officer and President, and define their remunerations which are commensurate 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 values the efficiency improvements of directors, executives, employees, team of secretary, compliance, internal audit and corporate governance; therefore, it has the policies to encourage them to attend external trainings and in-house seminars to sharpen their skills, and expand their knowledge and competencies to accommodate both short-term and long-term business growth. These include several training courses run by the Institute of Directors, the Securities and Exchange Commission, the Stock Exchange of Thailand, and the Thai Listed Companies Association. The company secretary acts as the center to communicate news and encourage them to attend the training courses that particularly benefit their duties. The company will notify seminar programs to directors in advance.


Table : Trainings and Seminars for Directors in 2020

Name of Directors	Training and Seminar Program
1. Mr. Rutt Phanijphand Chairman	<ul style="list-style-type: none"> - Thai Household Debt Arranged by Land and Houses Bank Public Company Limited Date : September 2, 2020 Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited - IT Securities Awareness Arranged by Land and Houses Bank Public Company Limited Date : October 19, 2020 Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited
2. Mr. Adul Vinaiphat Independent Director	<ul style="list-style-type: none"> - IT Securities Awareness Arranged by Land and Houses Bank Public Company Limited Date : October 19, 2020 Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited
3. Mr. Pradit Sawattananond Independent Director	<ul style="list-style-type: none"> - IT Securities Awareness Arranged by Land and Houses Bank Public Company Limited Date : October 19, 2020 Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited
4. Dr. Supriya Kuandachakupt Independent Director	<ul style="list-style-type: none"> - IT Securities Awareness Arranged by Land and Houses Bank Public Company Limited Date : October 19, 2020 Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited
5. Mr. Pichai Dusdeekulchai Independent Director	<ul style="list-style-type: none"> - IT Securities Awareness Arranged by Land and Houses Bank Public Company Limited Date : October 19, 2020 Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited - Cyber Resilience Leadership “Tone from the Top” 2020 Arranged by the Bank of Thailand Date : September 24, 2020 Venue : Meeting Room, 5th Floor, Bank of Thailand Learning Center
6. Mr. Li, Ming-Shieh Director	<ul style="list-style-type: none"> - IT Securities Awareness Arranged by Land and Houses Bank Public Company Limited Date : October 19, 2020 Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited
7. Mr. Naporn Sunthornchitcharoen Director	<ul style="list-style-type: none"> - IT Securities Awareness Arranged by Land and Houses Bank Public Company Limited Date : October 19, 2020 Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited
8. Mr. Shih, Jiing-Fuh Director	<ul style="list-style-type: none"> - IT Securities Awareness Arranged by Land and Houses Bank Public Company Limited Date : October 19, 2020 Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited
9. Mr. Wu, Kuo-Chin Director	<ul style="list-style-type: none"> - IT Securities Awareness Arranged by Land and Houses Bank Public Company Limited Date : October 19, 2020 Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited
10. Mrs. Sasitorn Phongsathorn Director	<ul style="list-style-type: none"> - Thai Household Debt Arranged by Land and Houses Bank Public Company Limited Date : September 2, 2020 Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited - IT Securities Awareness Arranged by Land and Houses Bank Public Company Limited Date : October 19, 2020 Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited - Advanced Audit Committee Program (AACP) 38/2020 : IOD Arranged by Thai Institute of Directors Association Date : October 27, 2020 November 3, 2020 November 10, 2020 November 17, 2020 (Total 4 days) Venue : CMA. Building 2, Northpark Project, Thai Institute of Directors Association



2. Remuneration and Employee Welfare

The company sets the appropriate remuneration and welfare for its employees to align with both short-term and long-term performance to ensure a good standard of living by emphasizing fairness and competitiveness. Therefore, the company has a policy to increase annual salary and bonus payment based on their annual performance. A special round of salary increase is also made by utilizing the survey results of employee remuneration in the same industry for consideration with an aim at retaining skilled employees whose performances met expectations with the company.

3. Provident Fund

The company established a provident fund as a welfare benefit for employees. It is an important factor to encourage and motivate them to perform their tasks and to nourish their good standard of living. They can contribute between 3-15% of their salary to the fund, to which the company contributes 3-7% depending on the number of years of employment. The Fund Committee which comprises of representatives elected by fund members and representatives appointed by the employer, has main duties and responsibilities on supervising the management of the fund and formulating investment policies on behalf of fund members. In addition, a multi-investment fund or the “Master Fund” has been offered to employees as an alternative investment policy option, allowing them to choose what suits their needs.

4. Orientation Program for New Directors

The company arranges an orientation session for newly appointed directors. The Chief Executive Officer and President and top executives will give them thorough briefings, from the company’s vision, mission, performance, strategies and business targets to key operations and business nature. 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 High-Level Executives

The Board of Directors puts an emphasis on the development of their successors to maintain continuous and robust business operations and to ensure appropriate personnel are put into the key positions crucial to the company.

Succession Plan for Executives and Key Positions

To get personnel in the organization ready to fill key positions in the future, the company has strengthened potential successors by providing them with opportunities to join exclusive programs for top executives and meetings of the Board of Directors and Management Committee as well as appointing them the company’s representatives in various occasions. This helps secure the stability and continuity of the company’s business operations and ensure the company has staff ready to fill positions critical to the company’s business operations. The Nomination and Remuneration Committee will select and scrutinize qualified persons who have knowledge, abilities and experience in various fields as well as thorough understanding of the company’s business, economy, laws and other areas by taking into account the organization’s necessity and good corporate governance. The company has initiated the Management Development Program, a workshop to elevate executives’ capabilities as specified in its future leader plan, covering 4 learning 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, experience in various areas and thorough understanding of banking, finance, economy, laws and related fields, will be carefully screened to ensure the complete composition of the board as required. The board skill matrix was established to ensure such nominations are in line with the company’s business directions. The Nomination and Remuneration Committee will propose the Board of Directors to consider the appointment of directors and/or independent directors in case of vacancies from other causes rather than completing the term, or to propose to the shareholders meeting in order to elect directors and/or independent directors in case of vacancies by rotation and/or election of additional new directors

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

The criteria for nomination and appointment of the independent director indicate that each eligible candidate must meet the qualifications of independent director as required by the company which is also in accordance with the Notification of the Capital Market Supervisory Board and in line with the good corporate governance principles.



The company reveals the details of criteria for the nomination of independent directors with their qualifications in the topic of the Management Structure, No. 1 Nomination of Directors and Independent Directors.

According to the recruitment criteria for the company's top executives, the Nomination and Remuneration Committee will screen and select talented persons with proper qualifications, ethics, morality and honesty. The basic factors for consideration include qualifications, knowledge and experiences. The Nomination and Remuneration Committee will nominate the qualified person to the Board of Directors for appointment and propose to the Bank of Thailand for approval.

Remuneration of Directors and Executives

- The Nomination and Remuneration Committee chaired by an independent director shall lay down policies, methods and criteria for remuneration of directors and president with fairness, reasonableness and transparency in relation to the company's operating results and his/her performances. The remuneration must be on a par with industry's standards and competitive enough to retain desired directors and executives.

- Remuneration of directors is determined by the shareholders meeting both in pecuniary and other forms considered and proposed by the Nomination and Remuneration Committee. The remuneration will be considered on the basis of industry's general practices by considering work experience, knowledge and competencies, coupled with duties and responsibilities and contributions to the company. The remuneration shall also be on par with those at other SET listed companies in similar industries and the average figures at listed companies according to the survey report on remuneration rates for listed companies' directors by the Thai Institute of Directors. The rates of monetary remuneration and other compensations for the directors approved by the 2020 Annual General Meeting of Shareholders are disclosed in the annual report.

The details of directors' compensations approved by the shareholders meeting are disclosed in the topic of the 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 to and takes into account the rights of stakeholders based on related laws; does not commit any act that violates their rights; and is committed to fulfilling its responsibilities towards all groups of stakeholders.

2. Determining the policy on the treatment of stakeholders

- Instill strong work ethics with strict adherence as guidelines to carry out duties honestly and fairly for the company, stakeholders, public and society
- Disclose the company's information to shareholders, investors, and public accurately, comprehensively, in a timely manner, and in line with related laws and regulations; and cooperate with regulators in providing accurate and comprehensive reports in a timely manner
- Set up good corporate governance policy to support management with honesty, correctness, transparency and effectiveness as to enhance business' long-term values, stability and sustainable growth
- Establish the company's code of conduct and ethics in writing as guidelines on the treatment of all stakeholders from internal stakeholders, namely, employees and executives, to external stakeholders, namely, shareholders, customers, business partners, competitors, government sectors and other agencies. Ensure transparent operations and encourage active cooperation between the company and stakeholders for mutual benefits; and ensure that stakeholders will receive protection and good treatment
- Establish ethics for directors and employees and promote their participation so that they uphold ethical principles and practices with honesty, morality and carefulness; and prevent any act that violates rules and regulations and tarnishes the company's reputation

The company has published the good corporate governance policy, code of conduct and code of business ethics, and code of ethics for directors and employees through the company's intranet and website; and included them in the training curriculum for employees as follows:

Section 1 Intention

The objective of the company's code of conduct and code of ethics for directors and employees is to provide all levels of employees including directors with good practical guidelines as a working standard. Recognized as a trusted financial institution and a national source of funding,



the company strives to operate its business with honesty and well balance between business performance and impacts on shareholders and customers. It also adheres to the principles of business sustainability by taking into account society, environment and humanitarian principles.

Based on the corporate governance principles, the company intends to operate its business with honor and trust while bringing benefits to customers and maintaining the well 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 : Code of Conduct

Section 3 : Code of Ethics for Directors

Section 4 : 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 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 employees with special contracts.

Section 2 Code of Conduct

2. 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 as well as the anti-corruption policy and anti-money laundering and combating the financing of terrorism policy.

2.1.2 Prevent and avoid any actions that may lead to the conflicts of interest.

2.1.3 Perform duties as a professional who has sound knowledge, abilities, skills and prudence.

2.1.4 Keep confidentiality and shall not use internal information or confidential information to seek unlawful benefits for oneself or others.

2.2 Roles of Directors and Executives

The company's directors and executives shall be aware of their duties and responsibilities under the moral and ethical framework in order 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 on the business judgment rule. They shall also protect the company's benefits by paying attention to the incidents occurred to the company or its operations.

2.2.2 Directors and executives shall play an important role in instilling good corporate governance in the company, which will boost up the confidence among shareholders, customers, regulators and all stakeholders for the maximum benefits of the company, industry and nation. For this reason, the good corporate governance policy and ethics have been set clearly in writing and communicated to employees and executives to follow effectively.

2.2.3 Directors shall follow the good corporate governance principles and shall act as the intermediary between shareholders and management, with the main duties of determining policies relating to business operations and directions. They also set good corporate governance and supervise executives and management to efficiently and effectively perform their duties in accordance with the defined policies.



2.2.4 The company is required to operate its business under the laws, regulations, standards and practices of regulators, directors as the representatives of shareholders shall set policies while executives as the representatives of management shall carry forward policies to be implemented properly and efficiently. The company shall also provide an effective internal control to ensure the company carries out its business strictly in accordance with laws, rules and regulations.

2.2.5 Directors shall make sure that the company has policies and efficient risk management system to cushion any significant risks. They shall supervise the Risk Oversight Committee to perform its duties properly and professionally and not to be dominated by any business units. In addition, executives shall be aware of potential risks, protect the company's benefits while limiting any possible damages to be under risk appetite and effective risk management.

2.2.6 Any transactions by directors and executives with the company shall be taken at an appropriate level or shall be considered as normal business transactions as those of with general persons who are not particularly related to the company. This is to avoid any conflicts of interest that may arise or be expected. In the event that any conflicts of interest occur, they must be settled fairly and immediately.

2.3 Service Standards

The company shall build confidence for customers and stakeholders by providing service standards as follows:

- 2.3.1 Manage its business effectively, enabling customers and stakeholders to receive the good services
- 2.3.2 Set a good corporate governance to deliver services that comply with related regulations

2.3.3 Set a prudent management system and internal control to prevent service errors

2.3.4 Set a risk management system that aligns with the business, ensuring the company is able to manage and properly handle potential risks

2.4 Employees and Work Environment

In order to support employees to work effectively, the company shall provide them the following facilities:

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

2.4.2 Place an emphasis on treating all employees with justice and honor

2.4.3 Encourage and support employees to improve themselves by attending trainings regularly

2.4.4 Provide fair compensations for employees based on 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 any investigation on employees' operations, the company shall support employees for the cooperation with both compliance, internal and external audit units to ensure fairness

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

2.4.8 Prevent any verbal and physical threats 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 shall place an emphasis on customers and treats them with accountabilities as follows:

- 2.5.1 Offer products and services that meet customers' needs and suitable for customers' purchasing power



- 2.5.2 Disclose the information about the company's products and services covering their relevant terms and conditions, risks, service fees and interest rates in a timely manner so that customers can gain deeper understanding and adequate information for making decisions. Moreover, the advertising and public relations must be conducted transparently with clear messages to prevent misleading.
- 2.5.3 Protect the confidentiality of customers' information, unless customers' consent is obtained or the company has to abide by laws
- 2.5.4 Provide whistleblowing channels for customers and handle their complaints clearly and properly
- 2.5.5 Keep a sustainable relationship with customers and do not take bribes and/or benefits, gifts, assets and any forms of entertainment that imply an intention to wrongfully benefit customers

2.6 Conflicts of Interest

The company provides measures to manage conflicts of interest in business operation as follows:

- 2.6.1 Protection of insider information usage
- (1) Provide measures to control securities trading and disclose securities trading account of directors, executives, employees and related parties who may have access to internal information, to prevent abuse of duty for their personal interests or others unlawfully
 - (2) Provide physical separation of working area to prevent information leakage between business units that may have conflicts of interest
- 2.6.2 Transactions with connected persons and related person transactions
- (1) Transactions the company does with directors, executives, major shareholders or connected persons shall not lead to a transfer of benefits of the company

- (2) Persons who have any interests with or involve in any transaction shall not participate in decision-making process of that transaction to ensure the maximum benefits of the company.
- (3) Carefully define regulations and process for connected transactions to ensure benefits of the company and its shareholders

2.6.3 Receiving and giving gifts, receptions and other benefits

- (1) Receiving or giving gifts and other benefits is to foster business relationships shall be operated with caution, reasonability and 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, government agencies, private organizations, or any third parties, which influence their neutral judgment or influence others on their duties as to gain improper benefits.

2.7 Information Management

The company has guidelines to appropriately manage its information and communication as follows:

2.7.1 Information Management

- (1) Appropriately protect, store and maintain customers' and company's information, not to disclose it as prescribed by laws
- (2) Not disclose customers' and company's information, except when customers' consent is obtained or when the company has to abide by related laws

2.7.2 Communication

Communications, statements or any information related to the company, its business and customers provided to mass media or any media shall be conducted properly and correctly, and only by authorized persons acting on behalf of the company.



2.8 Overall Supervision

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

- 2.8.1 Provide employees with knowledge and understanding of laws and regulations and potential risks of non-compliance that may affect the company's operations, image and reputation, and encourage them to be aware of their responsibilities
- 2.8.2 Establish a unit responsible for compliance with laws and regulations. This unit shall perform its duties independently from the company's management, and be equipped with appropriate staff and other resources.
- 2.8.3 Ensure regular review of the compliance with laws, regulations of regulators, policies and regulations of the company; and provide solutions and preventive measures under the framework of laws, good governance principles, policies and regulations of the company
- 2.8.4 Appropriately enforce a disciplinary actions against those who do not comply with laws and regulations by considering the effect and nature of offenses; and ensure fairness to all parties without discriminations
- 2.8.5 Provide whistleblowing channels for internal and external stakeholders to express their opinions or report any suspicious acts against honesty or any acts that does not comply with related laws and regulations; and provide processes to deal with complaints and protect whistleblowers from negative 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 with other companies to determine purchase price, selling price, or terms of service that are unfair to customers.
- 2.9.2 The company shall offer products and services that are beneficial and cost-effective to customers, allowing them to choose products and services freely; and not obstruct them when they opt for other company's services.
- 2.9.3 The company shall not attack its competitors or take any action that is a monopoly, reduces or limits competition in the market.
- 2.9.4 In case of dispute, the company shall provide appropriate process to settle or mediate a dispute.

2.10 Society and Environment

The company is committed to operating its business with responsibility towards society and environment, carefully dealing with any matter that may affect public feelings, and promoting employees' environmental accountability.

Section 3 Code of Ethics for Directors

The Board of Directors plays a vital role in leading the company to success by determining policies and guiding the employees' behaviors to the right directions. Consequently, the board shall comply with the following Code of Conduct and Ethics in serving as a good role model for executives and all levels of employees.

3. Code of Ethics for Directors consists of 3 areas as follows:

3.1 Business Management

- 3.1.1 Supervise the business operations without potential risks to the security of the company
- 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 duties in a professional manner with knowledge, skills, determination and caution; and apply existing knowledge and skills to manage the company to the fullest
- 3.1.4 Refrain from seeking personal interests and related persons' interests by disclosing or exploiting non-public information or confidential data to a third party that may constitute conflicts of interest both intentionally and unintentionally. Information gained from positions shall not be used for personal financial gains and others
- 3.1.5 Oversee the company's operations to be in compliance with related laws, regulations and ensure that no facts are concealed and the information is reported accurately, completely, timely and regularly
- 3.1.6 Comply with the laws and regulations relating to the business operations

3.2 Relationship with Shareholders, Customers, Creditors, Business Partners and Employees

- 3.2.1 Directors have responsibilities towards shareholders for information disclosure, accounting practices, insider information and conflicts of interest.
- 3.2.2 Always protect customers' interests, pay attention to and take responsibility towards them by providing good quality products as well as keeping products' standards
- 3.2.3 Behave within the rules of good competition by refraining from destroying the reputation of competitors or dishonest or fraudulent acts to seek for competitors' information
- 3.2.4 Ensure equal employment opportunities and equal employee-related principles; and build confidence that employees have knowledge and skills necessary for their job functions

3.3 Social and Environmental Responsibilities

- 3.3.1 Operate business with social and environmental accountabilities
- 3.3.2 Take precautions and pay attention to any operations that may affect the public.
- 3.3.3 Promote environmental accountability among employees

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 executives and employees at all levels who can possibly provide gains or incur damages to customers, colleagues, shareholders, financial system and society as whole. As a result, in order to win trust and credibility among customers, shareholders and regulators, executives and employees must perform their duties with justice, honesty, mental strength and ethical strength. They may not succumb to bribery or personal gains and have to act in the best interests and satisfactions of customers and public as whole.

A. Code of Conducts for 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 conveys the policies of regulators and shareholders to related parties to understand and put them into practices
3. Be a good leadership role model
4. Encourage and support employees to realize the importance and virtue of performing their duties with honesty and fairness by providing them knowledge, praising and/or rewarding executives and employees who work with honesty, sincerity and morality
5. Build up trust, reliability and satisfaction for 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. Honesty is the foundation for building trust and confidence among customers, which ultimately leads to business success and higher ethics.
2. Perform duties with honesty and protect the company's benefits as it is your own business
3. Provide services to customers with a purpose in maximizing their benefits based on honesty and legitimacy
4. Shall not place an importance on their own personal interests over accountability to the company and shall not seek benefits or embezzle assets likely to belong to the company or its customers
5. Shall not disclose the information of customers' projects to other persons or shall not run a business to compete with customers
6. Shall be honest with customers and shall not exploit customers' trust to seek personal benefits.
7. Avoid receiving anything of value or gifts from customers, if possible, employees shall receive them on behalf of the company as a service provider and not obtain them for personal benefits
8. Shall not exploit his/her position for personal benefits and shall not allow other persons 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 of any particular subject that he/she has no authority to do so
11. Prompt to resolve customers' problems and be ready to assist as much as possible if the case is not contrary to the company's benefits or causes any damage to the company
12. When receiving money from customers to pay to the company, he/she shall deliver 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 and customers. 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 about the company's former and existing employees
- Information about the company's business partners
- Information about business communications with 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 business, the employees are privy to the confidential information of customers, which, if disclosed, can cause damages to 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 coordination unit and apply to the company's guidelines and policies by setting as the company's practices
2. The supervisor shall create the company's environment that supports the protection of confidential information.
3. Set up a department responsible for controlling employees' operations to be in accordance with the regulations of confidential information protection
4. When all employees acknowledge and realize such practices, supervisors and executives are responsible to advise them in case of any interruption as well as paying attention to their opinions and suggestions, and consequently, applying their feedbacks to the company's practices and operations.



B. Code of Conducts for Employees

1. Keeping the confidentiality of the company and its customers is a fundamental principle of business. Employees shall maintain customer confidentiality and shall not disclose the company's information that has not yet been publicly disclosed, except when getting permission from customers or top executives, or complying with the laws.
2. Employees shall not exploit the information obtained or prepared by their assigned duties to seek personal benefits or other persons' benefits.
3. Employees shall be aware of the defined procedures. In case of any obstacles or having opinions and suggestions, employees shall consult with their supervisors and executives to adjust the procedures to suit the company's operations.
4. Employees shall keep the confidentiality of the customers' information strictly and shall not exploit customers' information for their own benefits.
5. In some cases, employees shall not disclose customers' information to other employees or to other departments because it may lead to conflicts of interest.
6. Employees who are privy to personal information of other employees such as salary and benefits are able to disclose the information to internal and external parties only when necessary with carefulness and strictness.
7. Employees shall not criticize personal matters or information of customers and colleagues in a negative way.

C. Exceptions

In some cases, the company may disclose confidential information when:

- Required by laws such as court writ
- Required by social responsibility and obligation
- Specially requested by any occasion; however, a written consent from customer is required.

4.3 Professional Ethics

Building awareness among executives and employees to behave in accordance with proper framework of procedures by considering the principles of morality, ethics and justice will result in a positive image of the company.

A. Code of Conducts for Supervisors and Executives

1. Set guidelines or work manuals comprehensively and clearly as standards for business operation which is grounded in morality, ethics and justice
2. Supervise the operations of employees under supervision and/or in departments related to their duties to ensure compliance with the company's prescribed guidelines
3. Executives shall behave themselves and act as role models for employees at all levels.
4. Executives shall develop employees to have deeper knowledge and expertise in products and services for the maximum benefits of customers.
5. Shall not induce customers to use the company's products or services through fraudulent propaganda or exaggerated information that can mislead customers

B. Code of Conducts for Employees

1. Have a positive attitude and loyalty to the company
2. Efficiently perform duties with knowledge and abilities required by professional standards with carefulness and responsibility
3. Provide important information to customers in regard to their benefits, terms and conditions truthfully, completely and clearly
4. Avoid inappropriate behaviors relating to temptation, drug, all types of gambling, insolvency and immorality, which damage the image of themselves and the company



5. Always treat customers with equality, honesty and friendliness
6. Cooperate and promote activities that will generate mutual understanding among employees 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 servicing them efficiently
9. Design efficient management to maintain healthy financial stability and status to prevent any damage to customers and the general public
10. Compete with peers or other companies under the defined rules and regulations without blaming and defaming others
11. Behave properly as a representative of the company

4.4 Service to Community

The company's business operations is not limited only to related associates, industry, companies and customers, as an individual and a juristic person in the society of the country, a financial professional shall realize and be aware of altruism both in business and personal aspects.

A. Code of Conducts for Supervisors and Executives

1. Receive guidelines and regulations from coordinating departments to apply to the company's guidelines and policies and to set up the company's practice accordingly
2. Executives shall behave as a good role model and shall encourage members of the company to realize the importance of social activities
3. Specify the purposes of the business to benefit society and not cause any damages to society
4. Support and follow the government policies, and take part in government's activities

B. Code of Conducts for the Company's Employees

1. Strictly comply with policies or regulations regarding the scope of social practices defined by the company
2. Participate in and support social and community activities as appropriate
3. Preserve the nation's arts and culture
4. Shall not cooperate or support any activity which negatively impacts environment and society
5. Shall not cooperate or support any activity which could be detrimental to morality or promote temptation

Whistleblower Policy

The company has determined a whistleblower policy to ensure the effectiveness of whistleblowing. The procedure and channels of receiving and handling complaints or other significant matters are therefore provided. Moreover, the company protects whistleblowers from any threat or damages. The practical guidelines are as follows:

1. Whistleblowing / complaints of fraud and corruption

- Employees shall not ignore or neglect when they have found or acknowledged any activity that is contrary to the regulations and orders of company or any suspicious act of corruption which is related to the company. Employees shall inform such attempt through channels provided by the company.
- Employees shall actively collaborate with any investigation process and provide facts of acts that fall under the category of fraud and corruption they have witnessed.

2. Issues for whistleblowing / complaints about fraud and corruption

- Misuse of authority to seek any alleged benefits for individual, family, friend and acquaintance such as giving or taking bribes or benefits, conflicts of interests, deception, violation of the company's regulations and policies
- Destruction of documents, distortion or concealment of information in order to support corruption
- Suspicious act of corruption or situation/ information that may be within the scope of such act



- Negative impacts from giving corruption clues, providing information, 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 whistleblower

However, complaints related to problems and/or disputes between individuals or anonymous complaints are not counted as whistleblowing / complaints about fraud and corruptions.

3. Channels for whistleblowing / complaints of fraud and corruption

Witnesses of suspected corruptions or victims of threats from refusing to engage in corruptions can raise any concerns/ lodge any complaints either anonymously or otherwise with clear facts or sufficient evidence to believe that fraud and corruption exist through the chairman of the Corporate Governance Committee.

4. Protection for whistleblower and those who refuse to engage in corrupt practices

The company has set a protective mechanism for persons who collaborate with the company for any acts against fraud and corruption which include whistleblowing, providing information and refusing to engage in fraud and corruption, to ensure such acts hold no harm to informants. The mechanism is as follows:

1. The company will protect the persons who collaborate with the company for whistleblowing or refusing to engage in fraud and corruption from any trouble, danger or unfair treatment arising from the collaboration of anti-corruption.

2. The company will not demote, impose penalties, or pose any negative impact on staff or executives who reject fraud and corruption even such acts might cause the loss of business opportunity to the company.

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 limitedly revealing the information only among investigation team. If such information is found to be misused and disclosed improperly, it will be considered as a violation and subject to disciplinary actions.

5. In case, employees or executives are found guilty of unfair treatment or causing damages to others with a motive for being reported / complained or refused to involve in corruption, such acts are subject to disciplinary actions.

Channels for whistleblowing

The company provides channels for shareholders, investors, customers and public who witness any suspected fraud and corruption or receive impacts from refusing to engage in fraud and corruption to whistleblow via independent directors of the company as follows:

- 1) Chairman of the Corporate Governance Committee
Mr. Adul Vinaiphat
Tel. 08 1834 0104
Email : adulv@lhbanks.co.th
- 2) Secretary of the Corporate Governance Committee
Mr. Kukrit Singhon
Tel. 08 5152 2566
Email : kukrits@lhbanks.co.th

Receiving general complaints

The company provides various channels for both internal and external stakeholders to lodge their complaints and sets up the work group to verify the fact to ensure fairness, transparent and accountability.

Channels for complaints

The company provides channels for shareholders, investors, customers, employees and public to lodge their complaints via 4 independent directors as follows:

Independent directors

Mr. Adul Vinaiphat	Chairman of the Audit committee
Tel. 08 1834 0104	
Email: adulv@lhbanks.co.th	
Mr. Pradit Sawattananond	Member of the Audit committee
Tel. 08 1868 1487	
Email: pradits@lhbanks.co.th	
Dr. Supriya Kuandechakupt	Member of the Audit Committee
Tel. 08 5901 5888	
Email: supriyak@lhbanks.co.th	
Mr. Pichai Dusdeekulchai	Member of the Audit Committee
Tel. 09 8992 8295	
Email: pichaid@lhbanks.co.th	

Company's website	www.lhfg.co.th
E-mail	presidentoffice@lhbanks.co.th
Call Center	1327



3. Disclosure of policy compliance and reporting for sustainable business development

The company has established a policy on corporate social responsibility for sustainable business development by integrating CSR into the main process of business operations (CSR-in-Process) and outside the main process of business operations (CSR-after-Process). It also reinforces executives and staff at all levels to engage in and instill a volunteer spirit to build their awareness of social responsibility. Also, it lays a strong foundation for sustainable development which leads to true sustainability of social and national development.

Social Responsibility for Sustainable Business Development Policy

The company is aware of operating business with social responsibility for sustainable growth by focusing on taking care of 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. Thus, the company develops the policy of social responsibilities for sustainable business development in writing following the guideline of Corporate Social Responsibility Institute, the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand. The company realizes the importance of “dependence” as people in the society are target consumers of every business’ products and services. Therefore, no matter what direction a business organization is developing towards, people in the society inevitably contribute some support. The policy and practical guideline help direct members of the organization to operate CSR-in-process and CSR-after-process by encouraging executives and employees at all levels to instill voluntary spirit and CSR awareness.

The policy on social responsibilities for sustainable business development consists of principles and practical guidelines for directors, executives and employees at all levels to adhere to 9 areas as follows:

1. Good Corporate Governance
2. Fair Business Operation
3. Anti-Corruption
4. Respect for Human Rights
5. Fair Treatment of Labor
6. Responsibilities towards Consumers

7. Cooperation in Development of Community and Society
8. Environmental Management
9. Innovation and Dissemination of Innovative Corporate Social Responsibilities

• Disclosure of the Policy Compliance and Reporting for Social Responsibility

The company discloses its compliance of social responsibility policy in the Annual Registration Statement (Form 56-1), annual report and company’s website, including employees’ participation in conformity with the policy to instill a sense of social responsibility.

4. No violations of human rights and care for public sentiments

The company recognizes the importance of stakeholders, employees, communities and surrounding societies that should be treated with fairness, equality, respect and dignity. The company aims to build good relationships, not violate basic rights, and operate its business with great care of public sentiments. This endeavor is fundamental to human resource management and development.

The company is aware of fair treatments for employees at all levels, ensuring that they will receive appropriate remunerations and benefits while developing their potential for professional advancement and supporting employees participation as well as providing them with several channels to receive complaints and to report any inappropriate acts. 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 established independent procedure for receiving complaints with the committee to scrutinize them to ensure fairness and transparency. Verifications and decisions are made by taking into account the results and remedies in accordance with the principles of human rights and with the aim to encourage staff to share their opinions when there are any actions, committed by the company or staff, that might violate human rights. Such practice ultimately helps reflect problems and solutions.

In addition, the company supports and respects any protection of human dignity by not engaging in forced labor and child labor exploitation, 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) as a mechanism to drive the policy to a success.

5. Reinforcing Fair Treatments of Stakeholders Fair Treatments of Employees

The company has provided appropriate remunerations, benefits and provident funds for good quality of life of employees.

Fair Treatments of Business Partners, Competitors and Creditors

The company has encouraged fair treatment towards business partners, competitors and creditors in terms of costs and returns. For example, the company manages its procurements by determining adequate delivery period, and fair trade agreements; does not involve in any activities that violate property or infringe intellectual property; and arranges payments for services or acquisition of properties in a fairly and timely manner.

Principle 6 : Strengthen effective risk management and internal control

1. Internal Control and Internal Audit

The Board of Directors supports and places an importance on internal control activities in 5 areas to ensure that the company has adequate and appropriate internal control to achieve the established objectives of business operations under the good compliance and internal control as follows:

- Environment
- Internal control
- Risk assessment
- Information technology system control and communication
- Monitoring and evaluation

2. Risk Management

The Board of Directors places an emphasis on risk management across the organization and monitors the financial business group to have risk governance framework and risk culture. The Board of Directors has established the risk management policy and risk management procedures which consist of risk identification, risk assessment, risk monitoring and controls, and risk reporting; and regularly reviewed the adequacy and 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 have operated their businesses with responsibilities, transparency, equitable treatment of stakeholders and management with honesty. The company also ensures the companies in the financial business group have complied with supervisory regulations, provides the procedure for related party transactions with performance report, data storage and booking according to financial reporting standards.

Head of Compliance

The company has appointed Mr. Kukrit Singhon, Vice President of Compliance Office as acting Head of Compliance since March 1, 2020 with duties and responsibilities as follows:

1. Compliance
2. Information technology compliance
3. AML/CFT compliance

Profile of the Head of Compliance

Name : Mr. Kukrit Singhon
Position : Vice President, Compliance Office
Age (Years) : 44
Education :

- Doctor of Juridical Science (J.S.D.), Chulalongkorn University
- Master of Laws (LL.M.), Chulalongkorn University
- Bachelor of Laws (LL.B.), Thammasat University

Work experiences in the past 5 years

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

Period	Position	Organization/Company
Feb. 2019 - Present	Vice President, Compliance Office	LH Financial Group PLC
Oct. 2015 - Jan. 2019	Vice President, Compliance Department	Sumitomo Mitsui Banking Corporation Bangkok Branch
Aug. 2014 - Sep. 2015	AVP, Compliance Department	Citi Bank N.A/USA, Bangkok Branch

Current Position in Non-Listed Company on the Stock Exchange of Thailand - None -

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Duties and Responsibilities of Compliance, Information Technology Compliance and AML/CFT Compliance

Compliance Tasks

- To be a center of rules and regulations of regulators regarding commercial bank business
- To oversee, monitor and control the bank's operations in compliance with the Financial Institutions Businesses Act, B.E. 2551 (2008), the Securities and Exchange Act, B.E. 2535 (1992) and their amendments as well as relevant regulatory requirements
- To regularly provide trainings to expand knowledge of relevant laws and regulatory requirements for all levels of employees
- To evaluate appropriateness of processes and practices relating to compliance when new products or new line of businesses are released
- To randomly review operations of various departments to comply with regulations and follow up on identified defects, and propose solutions to management and the Corporate Governance Committee
- To submit the annual compliance report to the Bank of Thailand and the Office of Securities and Exchange Commission and other regulators as required
- To accelerate, follow-up and clarify issues and observations from regulators 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 supervisory guidelines and regulations, and work process in compliance with international standards, laws, rules and regulations of regulators; randomly review the compliance, monitor identified defects; and propose solutions to management and the Corporate Governance Committee
- To request for permission, waiver, consultation and acknowledgement of IT and FATCA-related matters by acting as a center between the bank and regulators
- To oversee IT operations and FATCA to comply with laws, policies, charter, rules and regulations and related operation manuals

- To oversee the use of IT outsourcing services by supervising and reviewing the draft contract of IT outsourcing services according to the regulation of the Bank of Thailand
- To oversee the review of policies, charter, rules and regulations and related operation manuals on IT operations and Foreign Account Tax Compliance Act (FATCA) by reminding relevant departments to do the review according to the specified period
- To renew the license of smart card reader software
- To compile data set reports used for IT compliance task and reporting advance payments as required by the Bank of Thailand
- To report significant events (Event Report) and temporary shutdown of IT system to the Bank of Thailand
- To compile the statistical records of IT system failures from 4 channels including mobile banking, internet banking, ATM/ADM and branches, and disclose such failures affecting critical services
- To audit IT compliance and Foreign Account Tax Compliance Act (FATCA) and monitor any identified defects
- To prepare and submit annual report to the Bank of Thailand and the Office of Securities and Exchange Commission

AML/CFT Compliance Tasks

- To oversee the operations relating to FATF standards in terms of the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) to align with relevant laws, policies, regulations, manuals and procedures; to be an official data center or the said standards; to evaluate the implementation of relevant policies, regulations, manuals and procedures; and to report to supervisors according to hierarchy
- To randomly review the AML/CFT operations against regulations (Control and Monitor); to monitor identified defects; and to propose solutions to management and the Corporate Governance Committee
- To inspect financial transactions according to letters, directives and orders of regulators and courts



- To develop a data transmission system as ordered by regulators through various electronic systems 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 directives of regulators such as data of specified persons and persons having high risk of money laundering from AMLO
- To regularly provide trainings on the 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 rules and regulations for employees at all levels
- To identify risks and perform 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 their amendments
- To prepare and submit annual report to the Bank of Thailand and the Office of Securities and Exchange Commission
- To develop data and IT compliance system on AML/CFT to align 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, 2020

The number of employees in the Compliance Group, Information Technology Compliance Office and AML/CFT Compliance Office totaled 25 persons, consisting of 10 in the Compliance Group, 6 in the Information Technology Compliance Office and 9 in the AML/CFT Compliance Office.

4. Prevention of Conflicts of Interest

The Board of Directors takes heed of transactions with potential conflicts of interest, inappropriate connected transactions and connected transactions whose pricing and conditions should be determined similarly to those of external parties. In addition, the disclosure of information shall conform to rules, regulations and laws.

Conflicts of Interest Policy

The Board of Directors realizes the importance of building trust and credibility in business operations; recognizes the benefits of shareholders and all groups of stakeholders; and prevents benefits from any damage that tarnishes the company's reputation and image. The company has thus established conflicts of interest policy with the following principles and guidelines:

Conflicts of Interest Principle

1. The company's transactions shall be conducted by eliminating conflicts of interest with prudence and rationale within a good ethical framework for the best interests of the company, shareholders and all groups of stakeholders. Therefore, directors or executives who may have benefits related to the company's transactions shall be prohibited from consideration process or approval process.

2. Transactions among companies in the financial business group shall be conducted under the same rules and conditions as those of other individuals who possess a similar risk level, as required by policies, regulations and laws.

3. Any related party transactions, connected transactions and information disclosure shall comply with rules, regulations and related laws.

4. Directors and executives shall strictly follow the insider information policy.

5. Directors and executives shall disclose the information about transactions with companies in the financial business group accurately and adequately for the purpose of making decisions, consideration, and approval of the said transactions.

6. Securities trading shall comply with the rules and regulations on securities trading of regulators.

Practical Guidelines for Conflicts of Interest

The company prioritizes the prevention of conflicts of interest by laying down the following guidelines.

1. To determine the measures to prevent misuse of information

2. To determine the operational regulations to prevent any action that may cause conflicts of interest, connected transactions or improper related party transactions

3. To determine the measures to monitor, control and audit the implementation



The company has disclosed the details of transactions with potential conflicts of interest or connected transactions as regulated by the Securities and Exchange Commission and Capital Market Supervisory Board in the Annual Reporting Form (56-1 Reporting Form) and annual report. The disclosure of related party transactions has also been made to the Stock Exchange of Thailand and connected transactions in the notes to the financial statements has been revealed.

In the year 2020, the company has no related party transactions required to notify the Stock Exchange of Thailand.

Directors shall immediately inform the company when having conflicts of interest both directly and indirectly in any contracts of the company or in case of any doubts over conflicts of interest.

At the Board of Directors' meetings or shareholders meetings, the company's directors, executives, or shareholders who hold stakes in any agenda items shall promptly inform their stake information and related persons' stake information to the meeting for acknowledgment. They shall have no rights to vote in such agenda so that the meeting can consider and make decisions for the utmost benefits of the company.

Any directors or persons who may have stakes or conflicts of interest in any agenda items shall not participate in the consideration and have no authority to approve the operations, or cast votes for such agenda items as required by the Office of the Securities and Exchange Commission and/or the Stock Exchange of Thailand. The details of stakes and conflicts of interest shall be recorded in the resolutions of the meeting minutes.

Directors are responsible for reporting their securities trading and changes in their securities holding to the Board of Directors and the Office of the Securities and Exchange Commission.

The Board of Directors is aware of transactions with potential conflicts of interest, inappropriate related party transactions or connected transactions whose pricing and conditions shall be set in the same way as those of external parties. In addition, the disclosure of information shall conform to laws and regulations.

5. Report on Changes in Holding of Securities and Derivatives

Directors and the first 4 executives from the Chief Executive Officer and President, 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 person who lives together as husband and wife

(2) Underage child

(3) Juristic person in which the individuals in (1) and (2) hold the shares of more than 30 percent of all voting rights of such juristic person and such combined shareholding having the highest proportion in such juristic person, to proceed as follows:

- Notify the Board of Directors or the company secretary of the company's securities trading at least 1 day before trading session.
- Report any changes in holding of securities and derivatives within 3 business days as from the date of buying, selling, transferring or receiving the transfer of securities or derivatives, according to the announcement of the Securities and Exchange Commission.
- Submit stakeholding report according to the Securities and Exchange Act, B.E. 2535 (1992) and the announcement of the Capital Market Supervisory Board, within 1 month as from the date of holding the position or in case of changes from the latest report to the company secretary for filing and submitting the copy of such report to the chairman of the Board of Directors and the chairman of the Audit Committee.

Anti-corruption Policy

The company is determined to operate its business in line with laws, honesty, moral, code of conduct and business ethics, as defined in organizational values (PRO-Active). The company also aims to perform business together with social responsibility and good corporate governance. Thus, the company has established the anti-corruption policy and joined the Thai Private Sector Collective Action Coalition Against Corruption (CAC) as guidelines for operations. The principles and guidelines are as follows:

Practical Guidelines

1. The company places an emphasis on anti-corruption as follows:

1.1 Gifts, Presents, Receptions and Benefits

Do not give or receive any gifts or presents including other benefits that motivate employees to perform or neglect their duties unlawfully or may cause any inappropriate relaxation in business agreement. It is required to follow the requirements 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 forms of bribes and incentives on your behalf.

1.3 Charitable Donations and Financial Support

Charitable donations and financial support must be transparent and not contrary to laws and morals.

1.4 Activities and Political Participation

1. The company shall not take the company's capital or other resources to support any candidates, political parties, or political campaigns or movements, except for legal approval or to promote overall democracy. Such support needs approval from the Board of Directors before proceeding.

2. The Board of Directors shall show honesty, be good role models for the compliance with the anti-corruption policy, create understanding and encourage employees in the financial business group to consistently and seriously adhere to the anti-corruption policy while embedding such policy into organizational culture.

3. The Board of Directors shall not ignore or neglect when seeing any actions that are related to corruption in the company. It must be reported to the responsible persons or units and they must collaborate with the investigation process.

4. The company shall provide proper supervision for the operations of the companies in the financial business group to have standard internal control mechanisms; significant risk assessment; efficient control activities; and delegate duties and responsibilities appropriately. Besides, reliable and sufficient information system is required to regularly monitor and evaluate the internal control.

5. The company requires companies in the financial business group to publicize its anti-corruption policy via both internal and external channels such as intranet, company's website and annual report. Such policy is the practice under Thailand's law regarding anti-corruption.

6. Any actions in accordance with the anti-corruption policy are required to follow the guidelines as given in the "good corporate governance policy", "the code of conduct manual", the related company's policies and regulations, and other guidelines that the company will subsequently set up.

7. In case employees break the rules and regulations by performing corruptive 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.

Principle 7: Ensure Disclosure and Financial Integrity

The Board of Directors oversees and assures complete, timely and transparent disclosure of its financial and non-financial information via easily accessible, equal and credible channels.

1. Disclosure of Financial Information and Non-financial Information

- The company has disclosed its material information to shareholders, investors and public with transparency, accuracy, completeness, timeliness and accountability in compliance with related laws and regulations in both Thai and English version via various channels which are convenient to access, equal and regularly updated as follows:

1. The company's website (www.lhfg.co.th) where information is available in 2 languages: Thai and English
2. IR/ PR news of the company
3. Analyst meeting (In 2020, no meeting was held due to COVID-19 outbreak)
4. Press conferences and PR news distribution (In 2020, no meeting was held due to COVID-19 outbreak)
5. Disclosure channels of the Stock Exchange of Thailand such as the company's financial statements, Management Discussion and Analysis (MD&A), annual report, annual report form (Form 56-1), notifications on the resolution of the Board of Directors meeting, notifications on the resolution of the shareholders meeting and other matters.
6. The Securities and Exchange Commission's website such as report on changes in securities holding of the executives (Form 59-2), list of directors and executives, financial statements, annual report and annual report form (Form 56-1), etc.
7. Postal delivery to shareholders
8. Announcement in newspapers

The Board of Directors places an emphasis on the quality of financial statements and adequate disclosure of financial information. Disclosures are in line with the Bank of Thailand, the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission and Financial Reporting Standards. The financial statements are reviewed / audited by certified public accountants and endorsed by the Audit Committee and the Board of Directors before disclosure.



In addition, the company has disclosed financial statements on a quarterly, half-year and yearly basis, coupled with significant information in notes to financial statements, MD&A and capital requirement disclosure (Pillar III Report) of the financial business group, allowing investors to know the information and understand changes in the company's financial position and operating result which will be beneficial to shareholders, investors and public.

The Board of Directors provides the report on its responsibilities towards the company's financial statements and financial information. The report is submitted together with auditor's report in the annual report. The company's financial statements must be made in accordance with the financial reporting standards by utilizing proper accounting policies with regular practice.

The company published the 2020 annual report within 120 days from the end of the fiscal year through the SET website on March 20, 2020 and the company's website.

The company's communication channels and contact:

Address : No.1 Q. House Lumpini Building, 5th Floor,
South Sathorn Rd., Thungmahamek, Sathorn,
Bangkok 10120
Telephone : 0 2359 0000 Ext. 2020, 2021, 2024
Fax : 0 2677 7223
Email : presidentoffice@lhbank.co.th
Website : www.lhfg.co.th

The company has disclosed the shareholding structure and shareholding information of directors and executives together with direct and indirect shareholding of their spouses and minor children in the annual report.

The company has assigned a department to be responsible for disclosing information, receiving requests and providing information as well as building positive relationships with shareholders, investors, analysts and other related organizations.

The company prepared several reports to be disclosed to public on a basis of fairness and straightforwardness with clear explanations of its performance including significant events occurred throughout the year for shareholders' acknowledgement.

The Board of Directors has assigned the Audit Committee to review the financial reports of the company and its subsidiaries to ensure their compliance with financial reporting standards with adequate information disclosure.

The company has disclosed the reports of sub-committees; Board of Directors' and name lists of directors and their authority; total number of meetings; attendance of individual director; remuneration of directors; profiles of directors and executives; company's information; and reports of certified public accountants in the annual report, annual report form (Form 56-1) and the company's website.

The company reports the details and supporting documents of the shareholders meetings in Thai and English to investors in advance through the communication channels of the Stock Exchange of Thailand and the company's website. This way, shareholders can have enough time to study the supporting documents beforehand. Besides, the company advertises the notices of shareholders meetings in the newspaper for 3 consecutive days at least 3 days prior to the meeting date. Each item on the agenda is clearly stated whether it is matters for acknowledgement, matters for approval or matters for consideration, together with the Board of Directors' opinions on each item.

2. Investor Relations Function

The company has assigned the company secretary to be responsible for investor relations to publicize the company's financial and general information to shareholders, investors, securities analysts and related regulators through the following channels: the Stock Exchange of Thailand, the Securities and Exchange Commission and the company's website under the topic of "Investor Relations", enabling interested persons to study the information with ease.

In 2020, the company released a number of news to mass media, investors, securities analysts. It is another channel to effectively communicate with all stakeholders about the company's information.

3. Appointment of Auditor and Determination of Audit Fee

The Audit Committee considered the qualifications and performance of auditor, proposed to the Board of Directors for consent and the board will propose it to the shareholders meeting for approval. The list of prospects to be appointed as the company's auditor shall be consented by the Bank of Thailand and disclosed in the annual report form (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 is currently EY Office Limited.

The remuneration of the auditors in the year 2020 compared to the year 2019 of the company and its subsidiaries is as follows:



1. 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 2020 and 2019

Scope of Work	Audit Fee (Baht)		Changes Addition (Reduction)	
	2020	2019	Amount (Baht)	Rate (%)
1. Review Fee				
- 1 st quarter ended 31 st March	140,000	130,000	10,000	7.69
- 3 rd quarter ended 30 th September	140,000	130,000	10,000	7.69
2. Audit Fee				
- For the 6-month period ended 30 th June	320,000	310,000	10,000	3.23
- Fiscal year ended 31 st December	320,000	310,000	10,000	3.23
Total	920,000	880,000	40,000	4.55

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 as follows:

2.1.1 Remuneration of auditors

Table : Remuneration of auditors in 2020 and 2019

Scope of Work	Audit Fee (Baht)		Changes Addition (Reduction)	
	2020	2019	Amount (Baht)	Rate (%)
1. Review Fee				
- 1 st quarter ended 31 st March	750,000	725,000	25,000	3.45
- 3 rd quarter ended 30 th September	750,000	725,000	25,000	3.45
2. Audit Fee				
- 6-month period ended 30 th June	1,900,000	1,600,000	300,000	18.75
- Fiscal year ended 31 st December	1,900,000	1,600,000	300,000	18.75
Total	5,300,000	4,650,000	650,000	13.98
3. Special audit of TFRS 9	-	500,000	(500,000)	(100.00)
Grand Total	5,300,000⁽¹⁾	5,150,000⁽¹⁾	150,000	2.91

Note : ⁽¹⁾ This audit fee excluding the fee for reviewing employees' benefits by actuarial expert which will be charged to the bank based on actual costs incurred, estimated not to exceed Baht 200,000 per year. and the fees for reviewing and auditing to report to CTBC's auditors.

2.1.2 Other service fees

-None-



2.2 Land and Houses Securities Public Company Limited

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

2.2.1 Remuneration of auditors

Table : Remuneration of auditors in 2020 and 2019

Scope of Work	Audit Fee (Baht)		Changes Addition (Reduction)	
	2020	2019	Amount (Baht)	Rate (%)
1. Review Fee				
- 1 st quarter ended 31 st March	90,000	80,000	10,000	12.50
- 3 rd quarter ended 30 th September	90,000	80,000	10,000	12.50
2. Audit Fee				
- For the 6-month periods ended 30 th June	550,000	470,000	80,000	17.02
- Fiscal year ended 31 st December	550,000	470,000	80,000	17.02
Total	1,280,000	1,100,000	180,000	16.36

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 2020 and 2019

Scope of Work	Audit Fee (Baht)		Changes Addition (Reduction)	
	2020	2019	Amount (Baht)	Rate (%)
1. Review Fee				
- 1 st quarter ended 31 st March	25,000	20,000	5,000	25.00
- 3 rd quarter ended 30 th September	25,000	20,000	5,000	25.00
2. Audit Fee				
- For the 6-month period ended 30 th June	235,000	215,000	20,000	9.30
- Fiscal year ended 31 st December	235,000	215,000	20,000	9.30
Total	520,000	470,000	50,000	10.64

2.3.2 Other service fees

-None-



Principle 8 : Ensure engagement and communication with shareholders

1. Rights of Shareholders

Never conduct any acts of infringements or deprivations of shareholders' rights and all shareholders are encouraged to exercise their fundamental rights as stipulated by law.

2. Protection of Shareholders' Rights and Equitable Treatment of Shareholders

In recognition of the significance of shareholders' basic rights, the company is committed to ensuring equitable treatment of all shareholders and urging individual and institutional shareholders to exercise their basic rights as stipulated by law. Such basic rights include the right to buy, sell or transfer securities they own, the right to receive a share of the company's profits, the right to receive dividends, the right to appoint a proxy to attend the meetings and cast their vote, the right to participate in the meetings of shareholders and vote for the appointment or removal of directors, the right to determine directors' remuneration, the right to appoint auditors and determine audit fees, the right to express their opinions and ask questions at the shareholders meetings and the right to obtain adequate and relevant information via easily accessible communication channels.

The Board of Directors places an emphasis on the rights of all stakeholders, whether they are internal stakeholders: directors, executives and employees of the company or external stakeholders: all shareholders, competitors, government sector and other related agencies. The company has a policy of transparency in conducting its business operations, and encourages active collaboration between the company and its stakeholders for mutual benefits, while ensuring all stakeholders are well protected and treated.

The Board of Directors recognizes the importance of accurate, complete, timely and transparent disclosure through the company's website, www.lhfg.co.th, in both Thai and English to ensure that stakeholders have easy access to the company's information and news.

The company encourages shareholders to fully exercise their rights by providing them with convenient access to participate in shareholders meetings and cast their vote. The company shall refrain from any action that may limit shareholders' opportunities of attending the meeting and voting. The voting is required to be conducted with simple procedures, for instance, providing relevant information

via the company's website, assigning the company secretary to directly communicate with shareholders, providing shareholders with opportunities to propose the agenda for the shareholder's meetings and nomination of directors, and facilitating the attendance of shareholders meetings, etc.

The company disclosed the resolution of the Board of Directors meeting No. 2/2020, held on February 28, 2020, which determined the 2020 Annual General Meeting of Shareholders to be held on April 27, 2020. The agenda of the 2020 Annual General Meeting of Shareholders, both in Thai and English, was disclosed via the SET Community Portal since February 28, 2020 while materials of the Annual General Meeting of Shareholders, both in Thai and English, were disclosed via SET and the company's website since March 20, 2020.

Due to the COVID-19 pandemic, the company needed to postpone the 2020 Annual General Meeting of Shareholders and disclosed the resolution of the Board of Directors' meeting No. 5/2020 on May 14, 2020. The Board of Directors meeting resolved to arrange the new 2020 Annual General Meeting of Shareholders on June 15, 2020. The agenda both in Thai and English was disclosed via SET since May 14, while supporting materials of the Annual General Meeting of Shareholders, both in Thai and English, were disclosed via the SET Community Portal and the company's website since May 15, 2020.

3. Shareholders Meeting

Before the Annual General Meeting of Shareholders, with the aim of encouraging and supporting all groups of shareholders, including institutional shareholders to place the importance on the meeting attendance, the company provides the notice of the meeting to inform shareholders of the 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 for making decisions. Such information and materials are disclosed to public via SETLink and the company's website at www.lhfg.co.th 30 days prior to the meeting date, enabling the shareholders to have sufficient time to study the information. In addition, the company will disseminate the notice together with supporting documents to the shareholders not less than 7 days before the date of the shareholders meeting as specified by the law. The company will also advertise the notice of shareholders meeting in the newspaper for 3 consecutive days at least 3 days prior to the meeting date. The notice of the meeting sent to shareholders are as follows:



1. Invitation letter including the explanation and reasons for each agenda items and the Board of Directors' opinions
2. Annual report in QR code
3. Biographies of proposed directors for shareholders to elect
4. Details of the shareholders' registration and identification documents before the meeting, proxy appointment, voting and method of vote counting
5. Articles of Association of the company, concerning the shareholders meeting
6. Proxy form A, form B and form C
7. Biographies of independent directors for shareholders' proxy appointment to attend the meeting
8. Definition of independent directors
9. Map of the meeting venue
10. Request form for annual report

The Annual General Meeting of shareholders is required to be held within 4 months after the end of accounting period, the Board of Directors may summon the Extraordinary General Meeting on the date, time and place determined by the Board of Directors. Besides, a shareholder or many shareholders who hold shares in aggregate not less than 10 percent of the total paid-up share capital may jointly submit a letter to the Board of Directors requesting an Extraordinary General Meeting at any time. Matters and reasons for calling the meeting are required to be specified in the letter. In this case, the Board of Directors must hold an Extraordinary General Meeting within 45 days from the date of receiving the notice.

The company encourages and promotes all groups of shareholders including institutional shareholders to attend the shareholders meeting as the shareholders have the right to own the company by appointing a director to act on their behalf and have the right to make decisions on the significant changes of the company.

As the 2020 Annual General Meeting of Shareholders was held amid deep concern about the COVID-19 outbreak, health and safety measures were in place, including the arrangement of screening points to check the temperature of participants before entering into the meeting, social distancing, providing them with alcohol hand gel and face masks as recommended by the Department of Disease Control, Ministry of Public Health and encouraging shareholders to appoint a proxy to the company's independent directors.

The company takes into account the rights of shareholders based on the good corporate governance principles by following the Annual General Meeting of Shareholders checklist prepared by the Thai Investors Association.

At the Meeting Date

- The company has attached the registration form together with the notice of the Annual General Meeting of Shareholders for extra convenience of joining the meeting.
- The company carefully conducts the shareholders meeting in order to make it fast and accurate, starting from the preparation process of the participant information, attendance registration, the processing of voting results on each agenda and the summary report of the shareholders meeting.
- On the shareholders meeting, the company carefully makes all the arrangements for the meeting, allowing shareholders to register 2 hours in advance and assigning registration officials to facilitate attendance of shareholders and proxies.
- The company has implemented the computer system in order to make the meeting quick, correct and accurate, starting from the process of registration, printing voting ballots, the processing of voting results on each agenda and the summary report of the shareholders meeting.
- The company provides staff to monitor the vote counting throughout the meeting.

Attending the Shareholders Meeting

- To protect shareholders' rights to attend the meeting and ensure equitable treatments of shareholders, the company assigned officers to check shareholders' or proxies' documents according to the requirements stated in the notice. Moreover, the company allowed sufficient time for shareholders to register in advance by utilizing a computer system for registration and printing of voting ballots for each agenda item, ensuring prompt and accurate registration.
- During the meeting, the shareholders can register to attend the meeting to exercise their voting rights on any agenda that have not yet been voted.



- At the 2020 Annual General Meeting of Shareholders, the company nominated 2 independent directors: the chairman of the Audit Committee and a member of the Audit Committee to act as shareholders' proxy with their profiles. The company has sent the notice of AGM with Proxy Form B and Proxy Form C to the shareholders, enabling them to 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.
- At the 2020 Annual General Meeting of Shareholders, there were 9 directors attending the meeting and 2 absentees, namely Mr. Li, Ming-Shieh and Mr. Shih, Jiing-Fuh who were in Taiwan at the time and could not attend the meeting due to the COVID-19 epidemic in Thailand and Taiwan. Several top executives of the companies in the financial business group also participated in the meeting.
- The company provides independent parties, namely the auditors and legal consultants to act as intermediaries in observing the shareholders meeting whether it was held in a transparent manner and in compliance with related laws and the Articles of Association.

4. Open Session for Shareholders' Queries and Comments

- Before the meeting date, the company has given the shareholders the opportunity to submit their questions in advance via the company's website at www.lhfg.co.th or the e-mail to the company secretary at presidentoffice@lhbanks.co.th which the Board of Directors will clarify on the meeting day.
- At the shareholders meeting, the chairman of the meeting shall allocate appropriate time and encourage equal opportunity for shareholders to express their opinions and queries.
- The company shall endeavor to encourage all directors and top executives of the company and its subsidiaries including the auditors to attend the shareholders meeting to answer any queries. 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 will welcome and open the meeting by presenting the number and proportion of shareholders and proxies attending the meeting as well as clarifying rules, voting rights required for each agenda item, voting procedures and vote counting.

- **Conducting the Meeting**

- The company accommodates the shareholder's meeting by keeping the process correct following the related law, regulations and the good corporate governance principles.
- The company allows shareholders sufficient time to consider the meeting agenda in the order specified the notice of the meeting, unless 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 the meeting to consider other matters in addition to those specified in the notice of the meeting.
- The company encourages shareholders to express their comments, suggestions and questions. Directors and related executives are responsible for explaining and answering their queries.
- The 2020 Annual General Meeting of Shareholders was conducted according to the Articles of Association and arranged in the order as identified in the invitation letter. There was no addition or switch of agenda items as well as changes in material information without prior notice to shareholders.

- **Voting Process**

- The company uses ballots for voting in each agenda item.
- For each agenda, a shareholder who attended the meeting in person or a proxy is entitled to carry one vote per share. Regarding to the agenda of the appointment of directors, the voting shall be done on an individual basis. For the purpose of equitable treatment of shareholders, the company utilizes voting ballots for all agenda items. After the vote



counting is completed, voting results on each agenda will be announced to the meeting, by specifying as “Approved”, “Disapproved”, “Abstained” and “Voided Ballot”.

5. Meeting Minutes Preparation and Resolution Disclosure

- **After the Shareholders Meeting**

- The company published the 2020 shareholders meeting resolutions with voting results for each agenda both in Thai and English within the meeting date on June 15, 2020, through the Stock Exchange of Thailand’s channel within its specified period. This information was also published on the company’s website at www.lhfg.co.th.
- The company carefully prepared the minutes of shareholders meeting both in Thai and English, containing the comprehensive important information such as the list of directors attending and absent from the meeting, executives attending the meeting, resolutions of the meeting, voting results for each agenda item divided into “Approved”, “Disapproved”, “Abstained” and “Voided Ballot”, queries and answers as well as 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 copies of the 2020 minutes of Annual General Meeting of Shareholders to the Stock Exchange of Thailand and the Department of Business Development, Ministry of Commerce within 14 days from the meeting date and also published the minutes on the company’s website on June 25, 2020 and posted the news via SETLink.

6. Equitable Treatment of Shareholders

The company is fully aware of its duty to ensure that every shareholder will be treated and protected equally and fairly based on their fundamental rights, by providing measures to prevent conflicts of interest or the misuse of insider information for benefits of their own or others.

7. Protection of Rights of Minority Shareholders

- The Board of Directors realizes the rights and equality of individual shareholders and treats all of them, whether they are majority or minority, individual or institution, foreign or Thai, fairly and equally. All shareholders shall receive important and accurate information at the same time to protect their basic rights.
- The company pays attention to the shareholders meeting as an important opportunity allowing shareholders to exercise their rights to participate in decision making on the company’s crucial matters. The following efforts are taken to facilitate the shareholders meeting:
 - **Open opportunities for shareholders and minority shareholders to propose queries, and agenda for the Annual General Meeting and to nominate candidates for appointment as directors**

The company allows shareholders in both individual and group who hold shares of not less than 0.01 percent of the total issued and paid-up capital of the company, to propose agendas that they deem worthy of being included on the annual general meeting agenda, and to nominate qualified candidates for appointment as the company’s directors. The proposals of such matters are required to be submitted within 3 months before the end of accounting period. The company publishes all related rules and details on the company’s website as well as publishing the invitation via the SETLink. Shareholders can submit their proposals to the company via the following channels:

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

For the proposal of qualified candidates to be elected as directors, the Nomination and Remuneration Committee will consider their qualifications and propose to the Board of Directors for further proposal to the shareholders meeting. For any matters that are not received consent from 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 will also post them on the company’s website and other channels as deemed appropriate.



At the 2020 Annual General Meeting of Shareholders, the company disclosed and announced on September 16, 2019 that minority shareholders could propose various matters and nominate qualified persons to be considered and elected as directors from October 1, 2019 – December 31, 2019. And on January 15, 2020, the company posted the results of minority shareholders' proposals to be included in an agenda of the 2020 Annual General Meeting of Shareholders on the company's website.

- The company will not add an item on the shareholders meeting's agenda which is not notified in advance without necessity, especially a special item which the shareholders need to spend time studying relevant information before making a 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 Misuse

• Insider Trading Policy

The Board of Directors realizes to keep and protect the use of internal information, the company has set up the 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 misuse of internal information for benefits of directors, executives and employees, including their spouses and minor children so that they can perform 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, employees are not allowed to use internal data for personal gain. In order to enhance good corporate governance, the insider trading policy is as follows:

1. Directors, executives and employees including their spouses and minor children who are privy to the company's 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 the insider information and non-public information prohibited to premature revelation unless it is necessary for any 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 regulators; namely, the Bank of Thailand, and the Securities and Exchange Commission.

2. Directors, executives and employees including their spouses and minor children who are privy to the company's sensitive information and the financial statements shall not be allowed to buy, sell, transfer or accept the transfer of the company's shares during the period of 30 days before the public disclosure of the financial statements.



Fair Business Operation



The company operates its business with good corporate governance principles which have been specified in writing in order for directors, executives and all employees to be as guidelines. Consequently, it will result in fair business 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 fair business will bring about confidence which will, in turn, be positive for the business in the long term. The company operates its activities in accordance with market conduct for sustainable business development. In this regard, the company conducts activities in consistent with laws and fair competition and encourages its employees to realize the importance of compliance with laws, keeping trade secrets refraining from obtaining information of trade partners and competitors with dishonesty, and fostering competition under laws.

The company promotes fair treatments of stakeholders both in terms of costs and returns, for instance, procurement, appropriate delivery schedule, fair trade agreements and refrains from any activity which infringes property and intellectual property including prompt payments for products and services in a timely manner.

The company has determined the procurement method and receiving service method as to obtain quality products and services at an appropriate price by specifying the methods of procurements including; 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 the selection of suppliers and service providers in order to have fairness and equality by choosing from the stability of their businesses, specifications of products and services, and prices considered by the Purchasing Committee.



Anti-Corruption



The company is determined to be a corruption-free organization with integrity, fairness and accountability to community and all stakeholders according to the code of conduct, code of ethics and good governance principles.

The company also strictly conforms to government and private sectors' regulations.

The Board of Directors emphasizes the importance of anti-corruption, thus, establishes the anti-corruption policy depicting the roles and responsibilities and operating guidelines for directors, executives and employees to strictly follow as well as defines the punishments reflecting the direction and scope of work of the company in preventing and acting against corruptions. The company is strongly determined to establish the policy consistent with operating guidelines against all forms of corruptions in order to bring about the transparency and good governance. Moreover, the whistleblower policy has also been established to be a channel for stakeholders to whistleblow any acts of offenses or corruptions and the whistleblower and a person who says no to corruptions and informants will be kept protected and confidential. The accused will receive a fair treatment as well.

The company also defines the 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-fraud and leadership model in anti-corruption activities.

The company has published the anti-corruption policy, whistleblower policy, anti-money laundering policy, counter terrorism and proliferation of weapon of mass destruction financing (AML/CTPF) policy and conflicts of interest policy through the company's intranet for directors, executives and employees at all levels to be aware 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 units 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 and directions given will be effective guidelines against any illegal acts or corruptions. This reflects the commitment and dedication to promote transparent and corruption-free organization. The company expects to have good cooperation and support from related parties, and realizes that employees must strictly adhere to the rules for giving or receiving gifts and other benefits during New Year's Eve or other occasions.



Respect for Human Rights



The company emphasizes the fair and equal treatments of all stakeholders such as employees, surrounding communities and societies with justice and equality; respect for human rights and dignity of all people, no forced labors and no child labor exploitation, building good relationship, no violations of basic rights, being cautious in any action that will affect public feelings, the foundation of human resource development.

The company pays attention to fair treatments of all levels of employees to ensure they obtain appropriate returns and benefits; improves their potential for occupational advancements; and encourages their engagement. The company also provides several channels for whistleblowing and lodging complaints and reports of misconducts. As a result, employees can voice, report and whistleblow any matter regarding unfair acts through supervisors or other channels. In this regard, the company has determined the process for accepting complaints. 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 employees, gives them opportunities to voice their opinions in the case where entity or employees committed any acts that may violate human rights, and expedites the problem-solving process.

Respect for human rights is a basic practical guideline the company strictly adheres to and determines the practical guideline 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 investigations and disciplinary actions for fair punishments with the same standard
- Supporting each department in the company to set team building activities as to promote good relationship, engagement and harmony, and to take part in creating good activities for communities
- Hiring staff regardless of gender, race, religion



Fair Treatment of Labors



The company regards human resource management as a mission in developing and supporting the human resource management in terms of 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.

Key Principles for Human Resource Management and Development

The company strives to improve human resource management as well as supporting proactive operation of all departments in order to achieve business goals. Moreover, the company always strives to provide employees with further trainings and 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 with the belief that the development of skills, abilities, motivations, positive work environments, good occupational health and good welfare and 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 December 31, 2020 was 1,779 persons.

Employee data in 2020

Number of employees: 1,779

Average age 39 Years



Average service years 4.8 Years



Generation







Education Level





Employee Data Classified By Business Group in 2020

					
Sex	Male	126 (44.2%)	450 (35.5%)	41 (44.1%)	63 (47.7%)
	Female	159 (55.8%)	819 (64.5%)	52 (55.9%)	69 (52.3%)
	Total	285 (100%)	1,269 (100%)	93 (100%)	132 (100%)

Employment Rate and Employment Status

Personnel of LH Financial Group Public Company Limited financial business group include:

- Permanent employees of 98.5 percent
- Special-contract employees of 1.5 percent

All personnel are subject to the general employment agreement without additional conditions.

Employee Recruitment

The company focuses on creating the processes, various channels and methods to approach applicants in order 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, and joins various recruitment activities such as Toward Success Together Day and Chance for Friends which encourage its employees to refer friends to work with the company. It also focusses on creating interesting content of publicity to draw job seekers attention.

Employee Recruitment Criteria

The company recruits a candidate to work by considering their knowledge, abilities and the company's criteria. The company also favors a candidate whose beliefs and values are in line with the company's. Behavioral test based on the company's PRO-Active core value has been applied to all applicants and its result has also been considered in the recruitment process to ensure the right candidates are selected.

Equality and Diversity

The company adheres to the practice that treats all employees with fairness according to the labor law and stands up for human rights without discriminations of any kind, 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 exploitation. These guidelines are applied to all employees ranging from executives to operational employees. The company also offers work opportunities for persons with disabilities.

Employment of Disabled Persons

The company has offered job opportunities and generated income for persons with disabilities by joining 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 to work for the bank.

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 : The Number of Retired Employees Getting Hired

	2020	2019	2018
Accumulated number of retired employees getting hired (Person)	1	10	9
Number of retired employees per year (Person)	6	7	5

Sustainable Growth with Human Resources Development

The company has encouraged and instilled its employees with the PRO-Active core value by implementing the master plan which includes creating perception and attitude through communication channels and the practice, belief and individual mindset activity to build group habit norm and corporate value. The company has continuously instilled the value in both new and existing employees.



Activities to Promote Organization's Core Values

Many activities were conducted to promote the corporate core values together with expanding knowledge and understanding among employees. The company also focusses on the employee engagement through various activities encouraging everyone to share ideas for making creative changes, starting from their self-development, further enhancement of their work efficiency to matters that require improvements to be in line with the corporate core values.



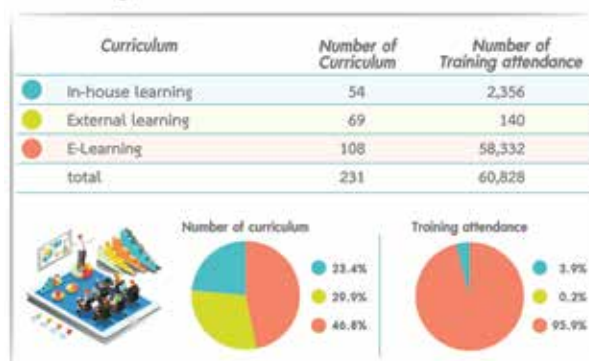
Welcome Newcomer Activity

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 them some 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.

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.

Training data in 2020



Training attendance categorized by levels



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, via on any devices without limitation under ‘LHFG People Connect’ maximizing employees’ potential to keep abreast of new knowledge and rapid change.





Human Resources Development - Executives and Key Successors Development

The company highlights the importance of top executive development by assigning the Nomination and Remuneration Committee to develop the policy, guidelines, and succession plans as well as to support leader development systematically and continuously.

The company has laid down guidelines on leader development with the focus on the principle of efficiency: Lead Self, Lead Team & Lead Change/Culture which covered ideas and practices to ensure efficient results. Its learning processes comprise learning in classroom, goal setting for self and team developments, and knowledge sharing among learners, supervisors, and mentors.

The bank has developed the training course for the Relationship Manager (RM) and sales staff called 'Mindset Development and Work Practice for Sales Staff'. The course aims to level up their mindset and working styles in terms of service, consulting and relationship building which mainly focusses on customers' interests and, most importantly, complies with the regulatory rules. The Measurement of the learners' performance is required after the course. The course composition covers in the following 3 areas.

1 50%



Mindset

2 20%



9 Management System of Market Conduct

3 30%



Sale Process

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 their 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.

The two factors used in the annual performance appraisal are expected behaviors (Potential) and key performance indicators (KPI). The ratio between these 2 factors is determined appropriately to suit each level of employee and has been considered by the Human Resources Development Committee to ensure its appropriateness and efficiency.

Determining and Managing Remunerations

The company is careful to determine and manage remunerations by focusing on fairness and competitiveness. Therefore, the company has the policy of salary increase and bonus payment based on the annual performance results. Special salary adjustments are also made by referring to salary surveys in the financial industry in order to retain qualified employees who can meet expectations with the company. All remunerations mentioned above are consented by the Nomination and Remuneration Committee and proposed to the Board of Directors for approval to assure fairness, transparency and accountability.

Compensation Ratio in Gender Dimension

The compensation ratio of men to woman is 1:1.

Pride Building 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 honorary pins to employees who have been working with the company for 10 years, with the aims at praising and lifting the morale of employees who dedicated themselves to the organization for a long time. In 2020, the company held the ceremony to present an honorary pin to 44 employees who have been serving the company for 10 years.



Table: Number of employees who have been working for 10 years.

2020	2019	2018	2017
44 persons	16 persons	43 persons	47 persons



Raising Awareness through Communication Channels

The company considers communication as a crucial factor to drive the organization, unify employees and increase their engagement in establishing the sustainable organization and therefore sets up various internal communication channels to facilitate easy access and ensure communication continuity. To raise awareness among employees, the company employs efficient content and channel management to achieve its goal of building awareness and positive attitude towards the company's shared values. The internal communication channels consists of 2 types of 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 LHFG People Connect Application (PacD & OneDee).

2. **Offline Media** aims to promote a sense of pride in the organization and the engagement between the bank and employees through various on-site development activities intended to inform employees about the direction and policies of the company, to strengthen the relationship among employees who work in different branches nationwide and to enhance employees' quality of life (Care & Share). It is one of the easiest ways to reach out them.



Welfare Arrangements and Employee Engagement Building

The company prioritizes the mental and physical health of employees. Consequently, it provides them with a comprehensive benefit package which will be reviewed on a regular basis to be consistent with the current situation. In addition, the company arranges various activities for health promotions and medical check-ups. After receiving their health check-up results, the company also sets up the follow up activities with doctors so that its staff can consult or inquire about their health concerning the results with doctors. Moreover, the company provides free influenza vaccination and offers a special discount for employees' family members who wish to receive such vaccinations or medical check-ups.

แจ้งกำหนดการตรวจสุขภาพประจำปี 2563

พนักงานประจำสำนักงานใหญ่ พนักงานสาขาในกรุงเทพฯ และปริมณฑล

สำหรับในปีนี้เป็นพิเศษทางเลือกในการตรวจสุขภาพเป็น 2 แห่ง โดยสามารถเข้ารับบริการได้ดังนี้

1. ADOLFE (Zone Life Center ชั้น 1)
วันที่ 1 กันยายน - 31 ตุลาคม 2563
2. โรงพยาบาลป๋วย
วันที่ 24-25 กันยายน 2563 ไปบริการที่ชั้น 20 อาคารคิวเฮ้าส์ สาทร
วันที่ 26 กันยายน - 31 ตุลาคม 2563 ไปบริการ ณ โรงพยาบาลที่ 6 สาขา

พนักงานสาขาภูมิภาค

ใช้รถชินบัสกันใช้ฟรีหรือรถตรวจสุขภาพ ณ โรงพยาบาลในพื้นที่ตามที่กำหนดไว้เข้ารับบริการได้ตั้งแต่วันที่ 9 กันยายน - 31 ตุลาคม 2563

หมายเหตุ

1. พนักงานที่เดินทางไปตรวจสุขภาพประจำปีได้แก่ พนักงานที่ว่างจากงาน และพนักงานที่ปฏิบัติงานประจำ
- 2.1 พนักงานที่เดินทางไปตรวจสุขภาพประจำปีได้แก่ พนักงานที่ว่างจากงาน และพนักงานที่ปฏิบัติงานประจำ
- 2.2 พนักงานที่ว่างจากงาน (On leave) ที่ปฏิบัติงานในสาขา

สำหรับพนักงานที่ว่างงาน 003/2563
ถึง: พนักงานที่ว่างจากงานประจำปีได้งานใหม่

สอบถามข้อมูลเพิ่มเติม

พนักงานประจำสำนักงานใหญ่ ติดต่อ: คุณสุวรรณี (คุณแม่อี) โทร. 2262
พนักงานประจำสำนักงานสาขา ติดต่อ: คุณสุวรรณี (คุณแม่อี) โทร. 2215

เพราะเราห่วงใยคุณ

Welfare Arrangements

Good benefits 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 the good quality of life. Such 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 with low interest rates

Good Environment and Workplace Safety

The company emphasizes the good working environment and safety for the employees and therefore establishes the Safety Healthy Environment Committee (SHE) as a mechanism to implement its policies and plans on occupational safety and health as detailed below:

- Educate and increase understanding about occupational safety in the workplace through various communication channels
- Annual fire drill



- Establish the SHE hotline to receive reports on unsafe incidents and coordinate with related agencies in order to provide immediate assistance. In 2020, no employees were injured while working.

Table : Number of employees injured while working

	2020	2019	2018	2017
Number of employees injured while working	0	0	0	0

- CARE project, the activity to promote health and safety

The company has provided health and safety communication, including warnings of any health hazards and risk incidents. The COVID-19 had begun spreading since the end of 2019 before the situation become worse during the end of February 2020. Consequently, the company needed to change their working patterns such as allowing some employees to work from home and assigning some employees to work at an alternative site. Health and safety measures are taken to facilitate employees' operations, including providing shuttle buses for employees assigned to the alternative site, face masks and hand sanitizers. Communication of such preventive measures with health promotion information against the COVID-19 that is beneficial to employees is conducted through LHFG People Connect Application.

Communication of Preventive Measures against the COVID-19

[illegible]



Words of Encouragement from Management amid the COVID-19 Outbreak



Nurse Counseling Service to Ease Anxiety over the COVID-19

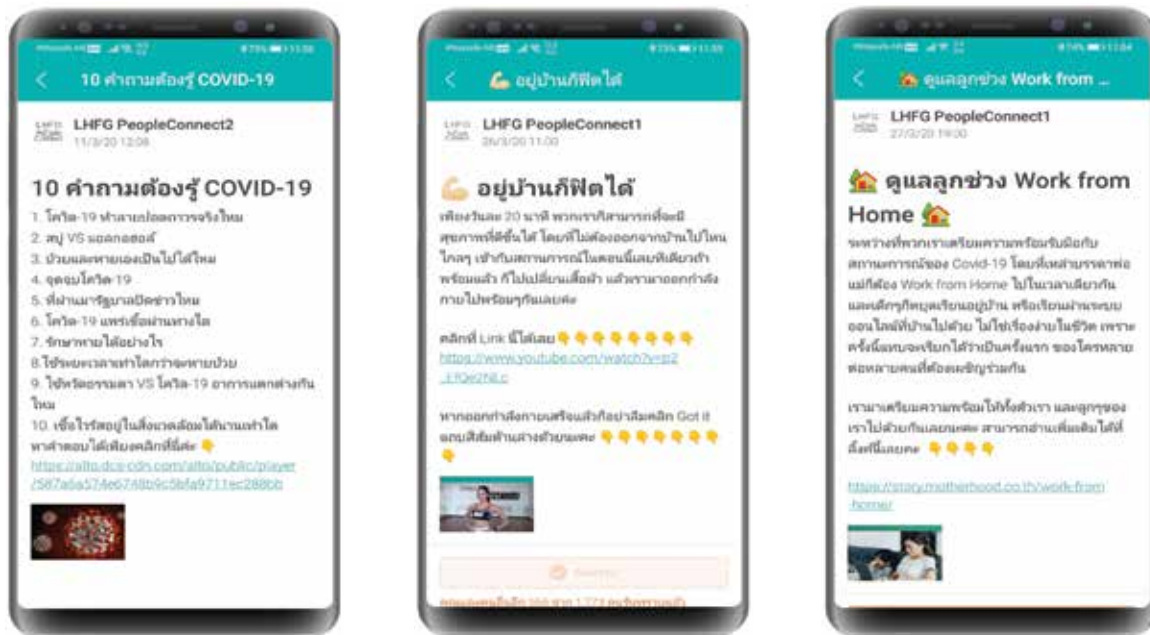


Distributing Hand Sanitizers and Face Masks to Employees





Educating about the COVID-19 and Health Tips for Employees and Their Family Members



Educating Employees about Effective Money Management Tips



Health Promotion Activities for Employees



Responsibilities towards Consumers



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 investments in a wider range than any other business. Land and Houses Bank, therefore, has been operating effectively coupled with social responsibility, especially towards consumers on which the bank puts the first priority.

The bank prioritizes the benefits and satisfaction of customers by offering the products and services with quality, responding to the demands of all segments of 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"> Consumers shall receive clear explanation about the differences between the main products of bank and the products of securities and insurance. 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 assumptions. Consumers shall receive the information of an advertisement or other marketing media in sales promotions correctly and appropriately. 	<ul style="list-style-type: none"> Consumers shall receive the fact sheet summarizing the main information when they are offered securities and insurance products. The fact sheet must indicate the unique features and risks of the products with concise and straightforward wording, and is in line with the form required by the Securities and Exchange Commission (SEC) and the Office of Insurance Commission (OIC), for making the decision to buy the products.
2. Right to choose the products and financial services freely		<ul style="list-style-type: none"> Consumers have the right to freely invest and can deny buying the securities and insurance products. 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. 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.



Rights of Consumers	Products	Personnel or Processes
3. Right to claim for fairness		<ul style="list-style-type: none"> • 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. • Consumers shall be able to ask for more information for better understanding of the products from the call center of the bank.
4. Right to claim for compensation		<ul style="list-style-type: none"> • 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 any damage to the consumers.

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 system to create 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 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 and debt management, collectors must introduce themselves to customers by telling their names and objective correctly and appropriately. In case of face to face communication, evidence on debt collecting permission certified by the bank must be shown to customers. The bank also 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 simplified terms and conditions of products and operating procedures which allow customers to accept the terms and conditions before making their decisions.

- The announcement of 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. 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, media at the branches of the bank and direct mails to customers.
- **On-line media** consists of the contents via website, LINE, Facebook, YouTube, radio, television and SMS.

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 resolve customers' complaints. The information was collected as to improve the standard of operation and service. The bank provides various channels to receive the complaints as follows:

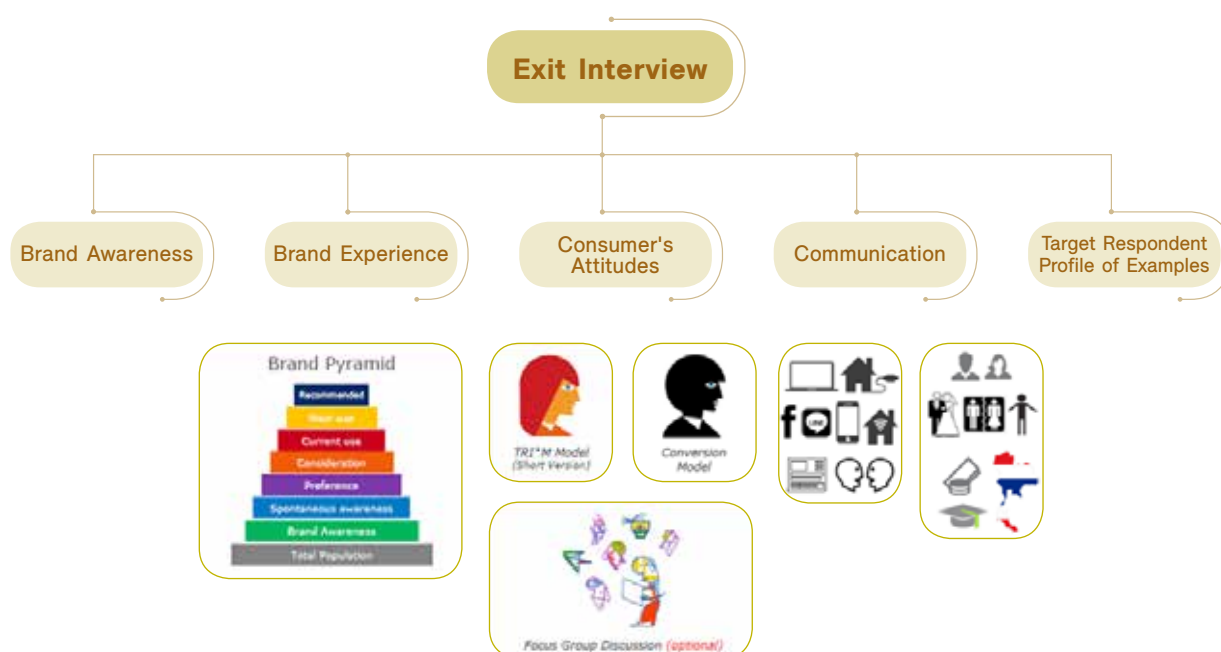


- Head Office or Branches
- Call Center : 0 2359 0000 or 1327
- Website : www.lhbank.co.th
- Official Facebook Fanpage

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 measures the customers' satisfaction in the services provided by staff at branches via random call and feedbacks from customers using services at branches. In addition, experienced external agency was hired 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 lower 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, 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 the bank such as

- LH Bank PromptPay
- Debit card
- Mobile Application LH Bank M Choice
- Utility bill payment or ATS for utility bill payments

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 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 to eventually reduce the number of complaints. It is 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 operations. 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 plan.

The bank has disclosed the Service Level Agreement (SLA) on the bank's website at www.lhbank.co.th covering 5 areas of financial services as follows:

1. Receiving and Handling Complaints consist of

- Verification of complaints through various channels
- Notification of solutions or progress on actions to cope with complaints in all channels

2. Loans for Retail Customers consist of

- Release of collateral
- Ownership transfer of cars / motorcycles to borrowers once the debt has been paid off.
- Credit underwriting - the bank will keep customers informed of the result.
- Issuing a confirmation letter for debt settlement
- Request for credit account statement

3. Deposits consist of

- 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 cases).
- Fund transfer 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, internal transfers or interbank transfers or e-Wallet top up to wrong account (excluding suspected fraud cases), the bank will check the error and inform a customer.

**4. Electronic Cards** consist of

- Freezing electronic cards such as ATM cards and debit cards
- Advising against the debit card holder's payment
- Checking the debit card's transactions at the point of sale locally and returning money to card holders

5. General Services consist 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 business group have been emphasizing and supporting operations according to the market conduct for sustainability.

We expect our customers to gain confidence on:

1. Receiving sincere and fair services
2. Receiving appropriate and clear advice
3. Receiving fair prices and conditions
4. Receiving convenient services and proper solutions
5. Receiving understanding of their rights and duties



Cooperation in Development of Community and Society



Land and Houses Financial Business Group has been operating its business under the concept of sustainable development while it eagerly fulfills its social responsibility. The companies in 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 company also encourages volunteer among employees to help and create benefits through activities as well as other activities held by public and private sectors, with the aim to maximize the benefits for the society and communities as guided by the sustainable development goals (SDGs).

The bank has continued to support and promote the development of society and communities through supportive activities covering in 3 areas as follows:

1. Education
2. Society
3. Arts and Culture

1. Education

Education is the foundation for all success stories, thus, the bank always realizes the significance of educational support, knowledge development and quality of Thai juveniles. For example, the bank provides the nationwide scholarship project with the purpose to support the youths who are good at study but unable to afford to pursue higher education, the project, **“Give Books and Learning Materials to the Department of Corrections”** encouraging employees and customers to donate books to promote knowledge of prisoners and the donation of old calendars to the Bangkok School for the Blind, allowing them to turn these old calendars into instructional materials such as Braille books and notebooks for students with visual impairments.



The donation of books to the Department of Corrections to promote self-development of prisoners

• 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 who have high academic performance, possess academic capability, and are 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 7th grade students with high academic performance but lack of money to be able to continue their education until 12th 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
- Aged 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 for the scholarship project.

List of schools joining the 2020 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 Snapshots



Thanyarat School, Pathumthani



Sankamphaeng School, Chiang Mai



Hua Hin Wittayakom School, Prachuap Khiri Khan



The Donation of Used Fluorescent Light Bulbs in Good Condition to the Baan Nokkamin Foundation They will sell them and get money for scholarships for children in the foundation



- **Old Calendar Donation Project**

The bank has collected the unused desk calendars to donate to the Bangkok School for the Blind for the production of instructional materials, Braille books and notebooks for students with visual impairments.



The Donation Of Old Calendars to the Bangkok School for the Blind

- **Used Computers Donation Project**

The bank endeavors to fulfill educational gap for urban or up-country to have the same standard. The bank, therefore, arranges the used computers donation project, offering second-hand, ready-to-use computers and notebooks with good condition to disadvantaged schools as an educational resource, so that their students could fully search for knowledge and information and make the most of it.



The Donation of Used Computers and Notebooks to Anuban Phibunwes School



The Donation of Used Computers and Notebooks to Wat Tamnaktai School (Vilas-osathanon-nukror)

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 of 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 also needs concrete collaborations from related parties to help tackle problems and bring about constructive changes to the society for sustainable growth, for instance, inviting employees and customers to donate money for disaster victims and participating in the anti-corruption activities to encourage Thai society to work together against all forms of corruption while promoting market conduct.

- **Voluntary Activity for Social Development**

Amid the COVID-19 pandemic, the bank has given priority to prevent and monitor the risks of transmission, particularly for the hygiene and safety of employees. In order to manage this, a working group has been set up to monitor and communicate health and safety tips to employees. Security measures were implemented including allowing employees to work from home, allowing flexible work hours and lunch breaks to ease the congestion in the workplace, marking social distancing signs in the office, canteen and service points and providing employees with alcohol-based hand sanitizers and face masks. Regarding preventive measures for its facilities, the bank increased the frequency of cleaning and disinfection with disinfectants being sprayed on risky areas, cleaned the air conditioning outlets, installed air purifiers and separate the safe zone.



Before entering into the bank's facilities, everyone was also required to conduct temperature checks, apply alcohol hand gel and wear a face mask. All these measures were to ensure the safety of all employees in a workplace.

In addition, the bank is concerned about customers, partners, public and all groups of stakeholders impacted by the COVID-19 outbreak, the bank, therefore, joins forces with Land and Houses Financial Business Group to make a Baht 1 million donation raised by executives, employees and customers under the "Fight COVID-19 Together" project to purchase medical equipment and supplies used for treating and saving COVID-19 patients. The donation went to the following 4 medical institutions:

1. Ramathibodi Foundation
2. Chulalongkorn Hospital, Thai Red Cross Society
3. Rajavithi Hospital Foundation
4. Bamrasnaradura Infectious Diseases Institute



The bank also delivers 2,800 lunch boxes to express sincere appreciation and gratitude towards medical staff and other related workers who are at the frontlines in the fight against of COVID-19.



The COVID-19 outbreak causes significant negative impacts on the economy and all business sectors. The bank has launched the relief measures to help all groups of customers relieve, to some extent, burdens and anxiety, keep them in business and get them ready for situations with their full potential.

Such measures include the bank participation in DR BIZ program of the Bank of Thailand aiming to help multi-creditor businesses to lessen their debt burdens in the hope that they would be able to recover quickly.

Implementation of supportive measures for all groups of customers

LH Bank ห่วงใยลูกค้า
ออกมาตรการช่วยเหลือลูกค้าที่ได้รับผลกระทบจากภาวะเศรษฐกิจและสถานการณ์ต่างๆ เช่น วิกฤตการณ์โควิด-19 การปิดตัวของหน่วยงานราชการชั่วคราว สถานการณ์การระบาดของไวรัสโคโรนา และอื่นๆ

ให้ธุรกิจได้ไปต่อ

- ลดค่าธรรมเนียมการชำระ เช่น ประถมเงินกู้สูงสุด 12 เดือน และค่าธรรมเนียมการชำระหนี้ เพื่อให้ภาระการผ่อนชำระลดลง กลับมาผ่อนชำระได้ตามปกติ
- ปรับปรุงสินเชื่อเงินกู้แบบรายเดือน
- ลดดอกเบี้ยให้ลูกค้าในช่วงวิกฤตการณ์สูงสุดไม่เกิน 12 เดือน โดยพิจารณาตามความเสี่ยงไป
- ช่วยเหลืออื่นๆ ตามที่เห็นสมควรโดยธนาคารพาณิชย์ราย ไม่

Call Center 1327

LH BANK
ธนาคารแลนด์ แอนด์ เฮาส์ ห่วงใยลูกค้า
พร้อมให้ความช่วยเหลือลูกค้าผู้ประกอบการ SMEs

ชำระค่าเช่าอาคารไม่เกิน 100 ล้านบาท	ชำระค่าเช่าอาคารไม่เกิน 500 ล้านบาท
พักชำระหนี้ต้น และดอกเบี้ย 6 เดือน ตั้งแต่วันที่ 1/4/63 - 30/6/63	วงเงินสินเชื่อขยายต่อวง กู้ได้ 20% (วงเงินสินเชื่อเดิมไม่เกิน 10 ล้านบาท) อัตราดอกเบี้ย 2% ไม่ต่ำกว่า 6 เดือน

สนใจขอรายละเอียดเพิ่มเติม กรุณาติดต่อฝ่ายสินเชื่อธุรกิจ โทร. 1327

LH BANK
ปรับลดดอกเบี้ยเงินกู้
MLR / MOR / MRR

0.40%
ลดแล้ว

เพื่อบรรเทาความเดือดร้อนของลูกค้าในช่วงวิกฤตและลูกค้าสินเชื่อรายย่อย
มีผลตั้งแต่วันที่ 14 เมษายน 2563 เป็นต้นไป
สอบถามข้อมูลเพิ่มเติม โทร. 1327

โครงการ DR BIZ การเงินร่วมใจ ธุรกิจไทยมั่นคง

โครงการช่วยเหลือธุรกิจที่ได้รับผลกระทบจากภาวะเศรษฐกิจและสถานการณ์โควิด-19 ให้สามารถฟื้นตัวได้อย่างรวดเร็ว
เริ่มโครงการตั้งแต่วันที่ 1 กันยายน 2563 เป็นต้นไป



Currently, blood reserves at the Thai Red Cross are inadequate for patients' urgent needs. The company comprehends the problem and is eager to be part of supports for social activities. Thus, the company initiates a voluntary social activity by persuading all employees to donate blood annually.



• Promoting and Developing 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. 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 desirable financial behaviors.

Objectives of 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.

Performance of 2020 Financial Literacy Project

1. Have improved financial literacy and created financial discipline for 634 trainers from 11 member banks
2. Have shared knowledge to over 7,000 students from 18 universities
3. Have created positive attitudes towards banks among the target students



Activities of the "Financial Literacy Project" for knowledge sharing and financial literacy for public

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 communities around the bank's branches.

Environmental Management



The company 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 lead to natural disasters which eventually result in huge losses.

Thus, the company has implemented several measures to reduce pollutions and to preserve environment by promoting energy and paper saving campaign in the organization.

Green Office Project

All activities consume resources and energy, leave environmental footprints: waste and polluted water. Inevitably, the company shares part in greenhouse gas emission into the atmosphere which, in turn, causes climate change and global warming, a critical environmental crisis affecting the nation and the whole world.

The company pays attention to good environmental management. Therefore, it has assigned the Occupational Safety, Health and Environment Committee to define the safety measures for the Green Office project 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 company also encourages its 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 energy
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 spaces in office
8. Increase co-working spaces

Encouraging Employees to Engage in Efficient 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 a reduction in paper use and the number of printers, provide photocopier pool, and change employees' behaviors to always think twice before printing
4. Eliminate papers used for meeting materials 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 a lunch break
6. Turn off computer screens during a lunch break
7. Constantly promote 5S activity



Although the attempts mentioned above do not significantly reflect any numerical results of how much the energy and expense have been decreased, they help raise awareness among employees and make a behavioral change in their daily life.

Vehicle Service Management

The company has the policy to reduce carbon dioxide emission from the company's vehicles by employing the e-Car service system to support the effective vehicle management. The company 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 company continues to manage electricity and tap water in order to achieve efficient and effective use, for example:

- The company has renovated the office building and maintained office equipment in an environmental-oriented manner to reduce pollution, save energy and costs.
- The company has reduced the number of single function office automations 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, maintenance and procurement costs for office equipment. Moreover, it also helps save the office space.
- The company has selected energy saving fluorescent tubes and LED tubes, with the wattage suitable for space, and proper size of cables. The office decoration also employed soft colors and natural light as much as possible and water-saving taps were installed.

Energy Management Goal for 2020

The company's energy management goal for 2020 was to reduce electricity consumption by 5 percent from 2019.

GHG Emissions Reduction

The company follows the guideline developed to eliminate greenhouse gas, carbon footprint and the standard for the reduction of carbon dioxide emission according to Care the Bear: Eco Event Kit manual 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. The company also encourages personnel to learn about greenhouse gas management and holds related workshops to raise their awareness on climate changes and its effects as part of the preparation for the corporate carbon footprint assessment.

Consequently, the company had replaced fluorescent tubes with LED tubes since 2016 until 2020. Currently, 2,775 fluorescent tubes at the company's headquarters has already been replaced, consisting of 2,378 long LED tubes and 397 short LED tubes, and saved energy consumption by 618,360 kWh. or approximately 45 percent when compared with the use of fluorescent tubes. As LED tubes produces less heat than traditional fluorescent lamps, they could reduce the carbon dioxide emissions by 359,947.36 Kg.Co₂e, equivalent to 39,995 large trees to absorb the amount of carbon dioxide.

Replacing Fluorescent Tubes with LED Tubes Project

Number of fluorescent tubes replaced by LED tubes	2,775 tubes
Number of hours used	15,000 hours/tube
Amount of carbon dioxide emission reduced	359,947.36 Kg.Co ₂ e
Number of large trees equivalent (absorbing carbon dioxide gas)	39,995 trees

The company has redesigned the electricity and lighting system for its branch offices, turning to use LED tubes since 2019.

- The company 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 the cost from energy loss.



The company has sent staff to attend the following trainings from various institutions, both public and private, so they gained knowledge and understanding on the above issues.

Training Courses	Organizer	Number of Participants
Trees Associate Existing Building Training	Thai Green Building Institute	1
Carbon Footprint for Organization	Thailand Greenhouse Gas Management Organization	1
Guidelines on Internal Carbon Footprint Pricing	Thailand Greenhouse Gas Management Organization	2
Thailand Electrical Installation Standard Program	Engineering Institute of Thailand Under H.M. The King's Patronage	2
Air Conditioning System, Water Pump System, Fire Hose System Training	Engineering Institute of Thailand Under H.M. The King's Patronage	1
Techniques for cost reduction and maintenance efficiency increase: Lean Maintenance	Engineering Institute of Thailand Under H.M. The King's Patronage	1

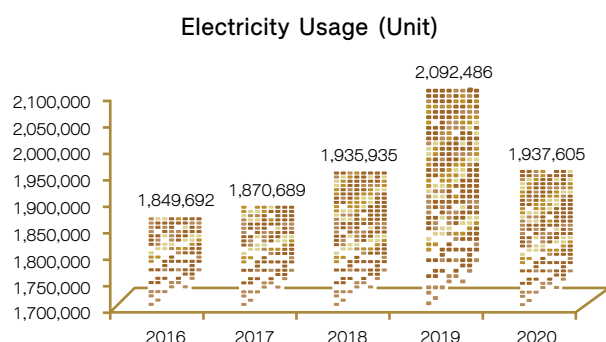
Carbon Footprint Plan

The company aims to offset at least 10 percent of its carbon footprint by 2021 and sets the long-term plan to achieve carbon neutrality in 5 years.

Electricity Management

The company has focused on environment, economy and society, management of cost reduction, especially energy cost. The financial business group, as a financial service provider, requires great amount of electrical energy including lighting system, air-conditioning system and computer system. The company, therefore, monitors environmental impacts and measures energy efficiency constantly.

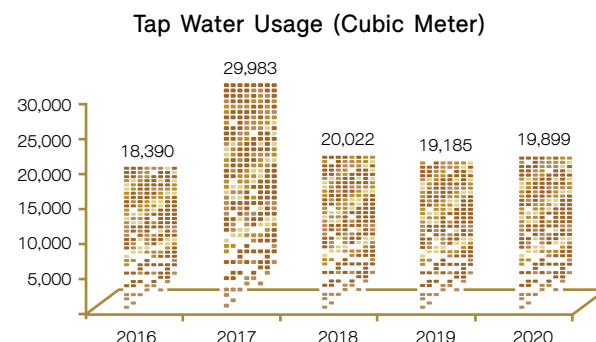
The company campaigned to save energy by turning the lights off during breaks, switching to use LED tubes and adjusting the on and off period of air conditioners. As a result, in 2020, the company had the total electricity usage of 1,937,605 kWh, a decrease of 7 percent from 2019 as planned. However, the electricity expense surged to Baht 11,061,020, rising by Baht 12,694 year-on-year as the landlord charged more electricity fee from Baht 4.70 per unit to Baht 5.50 per unit. If the calculation was still based on the original rate of Baht 4.7 per unit, the electricity bill was charged at Baht 10,236,048, a drop of Baht 824,972 from 2019.



Water Management

The company has uses water from the Waterworks Authority of Thailand for business operation of which the most consumption is in an office, washing and tree watering. The company has been trying to reduce water consumption so it regularly checks pipes, water meters and equipment and uses water saving sanitary wares, taps and bidet showers. It also focuses on raising employees' awareness of the need to conserve water.

In 2020, the tap water usage totaled 19,899 cubic meters, increasing by 4 percent when compared with 2019. This was partly due to the company's necessity of implementing health and safety measures during the COVID-19 pandemic such as the practice of regular hand washing, increasing the cleaning frequency in the restrooms and on frequently touched areas as well as other reasons such as the increasing number of employees, overtime working and working on the weekend. The tap water expense in 2020 increased to Baht 425,839.





Paper Management

The company is well aware that paper is a main office consumable which is needed in different stages of operations in financial service business, such as printing reports, documents for customers, receipts, and contracts. Producing the paper needs natural resources which are trees while there are massive rubbishes from used papers. Therefore, campaigns and activities are conducted to raise awareness among employees to use paper economically and effectively as follows:

Pool Printer Management Project

The company has replaced the single-function printers with the multi-function printers and set them as a pool for which one printer is shared among different departments. This results in the lower consumption of electricity and space saving.

Transforming Paper form of Invitation Letter into Electronic-based Platform

The company has changed the process of preparing the meeting 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.

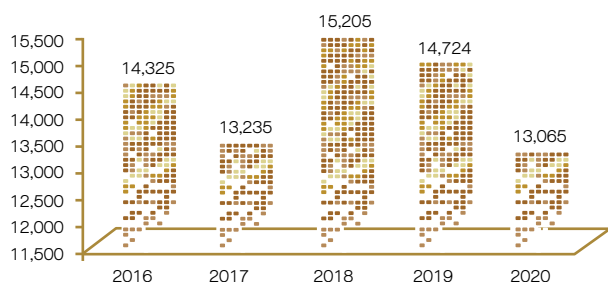
Developing Financial Services to Be More Digital :

This enables financial transactions to be performed every day, 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 2020 was 13,065 reams, decreasing by 11 percent when compared to 14,724 reams in 2019. In 2020, the company urges the staff to reduce and avoid using papers for meeting materials and document printing by sharing files for meetings via electronic platform.

Paper Usage (Ream)



Paperless Guidelines

The company provides the paperless guidelines with the aim to ensure that saving the papers and reducing the paper usage are systematic and concrete by adhering to the following practical guidelines:

1. Survey and planning
2. Application of technologies by increasing electronic channels in operations instead of papers
3. Efficient use of paper
4. Monitoring and evaluation
5. Behavioral change among employees

1. Survey and Planning

The company has surveyed the data of paper usage in each year by taking into account the number of employees, departments and work supports as well as developing 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 company has supported and encouraged employees to adopt more information technologies in the operations such as 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 material folders for each committee have been changed from the paper pack of invitation letter to an electronic platform.
- The trainings with a lot of training materials are suggested to send them by email.
- Correspondence is made via email such as 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 having one-side used papers separated before proceeding with the following steps:

- Set up 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 notes or notebooks.
- Use the reused papers to note the informal messages or record internal messages or memos within the department.

4. Monitoring and Evaluation

To make paperless process more effective and concrete, the company has monitored the paper usage statistics in each department. The information will then be analyzed and used for planning 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 as follows:

- Separate used papers and sort them into the 3R principles as follows:
 1. Reduce (amount / size)
 2. Reuse
 3. Recycle / disposal
- 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.

The company realizes and pays attention to the reduction in paper trash. As a result, there is the recycle of used papers and the company has imposed the operation manual on document storage and destruction by recycling expired documents as detailed in the table below:

	2020	2019	2018	2017
Amount of documents due to be destroyed (Box)	1,868	2,115	721	599
Weight of documents (Kilogram)	27,280	30,250	8,712	7,037
Trees that can substitute the cut down trees to produce papers per 1 ton ¹ of used papers (Tree)	409	454	131	106

Note : ¹ 1 ton of used papers can substitute up to 15 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 company pays attention to the dangers of light that may impact employees. In case of insufficient illumination, it can cause negative effects to eyes and may cause simple accidents such as failure to manipulate tools or equipment which may pose some dangers including mental health, decreased performance and low motivation to work. The company has regularly measured the light intensity in all areas of the office to ensure the working area has a proper lighting level.

One ton of used papers can substitute 15 trees to be cut down. If all Thai people use papers economically 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 napkins, 3,315,000 trees will be saved.

In general, almost half of the pile of garbage has values, it can be recycled and sorted out to paper, plastic, glass and metal in the portion of 19%, 13%, 8% and 5% respectively. Paper is the largest portion which is considerably 2.47 million tons from all over the country. These used papers must be collected and shipped to the paper factories to be 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 be stored and recycled. This is to create the most benefits to the economy, environment and natural resources.

Source: Green Science Project. Paperless Manual, Faculty of Science, Srinakharinwirot University.

Lighting Measurement and Data Collection Process

1. Measure in the specific working area: focusing on the light intensity of particular areas where operators need to perform sight-specific work.
2. Measure the average intensity of light in general areas: such as walkways and working spaces.



The results of measurement of light intensity in the workplace : After conducting the actual measurement of the light intensity in Lux unit, it was found that illumination in the office was sufficient and compliant with the standard of not less than 400-500 Lux.

5S Activity

The company 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 resources and costs. In addition, it contributes to high quality and efficient work performance. The 5S activity gains good cooperation from employees and the company has a continued implementing this activity.

5S Results

1. Results of **Sort**
 - Cutting down the consumption of resources
 - Having more spaces 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 are both physically and mentally healthy
5. Results of **Sustain**
 - All employees have a good habit and attitude towards work
 - Customers receive quality and fast services

LH BANK ATM Stops Global Warming

The bank has played part in helping slow down global warming constantly by providing customers with an option of no printing transaction slips from the ATM so we can reduce the consumption of natural resources and help stop global warming.

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 and reinforced the importance of their participation.

Innovation and Dissemination of Innovative Corporate Social Responsibilities



The bank is committed to creating innovations for the benefits of business and society.

Financial products and services are being tailored continuously to facilitate and meet customers' needs and move to the new era of digital transformation and the government's policy to foster a digital economy. The bank is well aware of these significant trends and therefore enhances the innovation development for financial products and services in the form of digital banking, helping customers save their time, reduce costs and receive more convenient services.

Mobile Banking (LH Bank M Choice) is a service to facilitate financial transactions via mobile phones such as money transfer, balance checking and bill payment, available every day, anywhere and anytime, as mobile phones have become part of everyday life. With no limitations in terms of places and time, this service channel still maintains the same form and safety standard as transactions being processed at the bank branches.

Online Savings Account Opening is an online service to keep pace with the digital era, enabling customers to conveniently do financial transactions every day, anywhere any time. It is now easy to open a new savings account online by just downloading the bank's mobile application before visiting any 7-Eleven's counter service nationwide to verify their identities with e-KYC system that meets the IAL 2.3 security standard. Apart from using a national ID card in an online self-verification process with the Department of Provincial Administration, facial recognition technology for standardized digital verification is also adopted. The service is now under the regulatory sandbox of the Bank of Thailand.

Internet Banking (LH Bank Speedy) is a service available for more convenience in conducting financial transactions every day, anywhere and anytime. With double security system, customers can rest assured of financial transactions with the bank.



LH Bank Debit Chip Card is a card for processing financial transactions at ATMs of all banks. With securities by recording information into a chip card, safe from ATM skimming, customers can trust their financial transactions and use it to check the account balance and withdraw money at any UnionPay International (UPI) ATM and also pay for products and services at stores or online shopping conveniently with many privileges and special promotions from participating stores with UPI symbol.





LH Bank Debit Premium Card is a card with personal accident protection of up to Baht 300,000 insured by CHUBB Samaggi Insurance PLC. With no medical assessment required, customers just inform their health profiles in the application form and the coverage will be effective immediately. The service covers for medical expenses for any accidents, just show the LH Bank Premium card together with the ID card to a contract infirmary.

LH Bank PromptPay Service is a service to transfer and receive funds without carrying cash, just register the ID card or mobile phone numbers with LH Bank's account. Such transactions can be made easily with only the ID card number or mobile phone number with no need of the bank account number. LH Bank PromptPay is available via 3 channels as follows:

1. Mobile Banking (LH Bank M Choice)
2. LH Bank's ATMs
3. Branches of the bank



LH Bank Business PromptPay is a new choice of fund transfer service for companies or corporates by linking their accounts with their tax ID number.

My Portfolio Service is an online service to check your personal data via LH Bank M Choice, including 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 by scanning a QR Code through leading E-Wallet agencies in Thailand such as Rabbit LINE Pay, AirPay, TrueMoney and in overseas such as WeChat and Alipay from China. The service helps boost up the stores' sales volume, reduces loose changes for their customers and provides more convenient and secure transfer because the bank will transfer the money to the store on the next day.

The bank has been publicizing the products and services to customers to ensure accuracy for their optimal benefits.

The bank is open and supports the creativity and development of new innovations which will result in continuity of creating quality innovations internally with social responsibility, and regularly surveys the business operation 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 IT Security Management System Standards (ISO/IEC 27001:2013)

Land and Houses Bank Public Company Limited received the certificate for the IT security management system standards (ISO/IEC 27001:2013) to enhance the management of IT security of payment infrastructure to international standard, consisting of BAHTNET 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 IT Security

The bank has organized a training course on IT security awareness for directors and executives of the Land and Houses financial business group to keep up with 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 B.E. 2562, IT 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 within the organization.



Internal Control and Risk Management

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 in the financial business group have reported the internal transactions within the group to the Board of Directors. The company operates its business within the control framework 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 Board of Directors also determines the organization structure, duties and responsibilities of committees in order to achieve the objectives.

The operating results of the companies in 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 proposing the 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 auditing the financial statements. The auditors shall be invited to attend the Audit Committee meetings to propose significant issues related to the company's internal control environments and financial statements. The auditor of the company is EY Office Limited who audited the 2020 financial statements and provided the reports with unqualified opinions. Moreover, the Audit Committee has to consider the fit and proper qualifications of the head of internal audit which had been screened by the management. The appointment, dismissal and rotation of the head of internal audit will be consented by the Audit Committee as specified in the Audit Committee's charter.

Internal Audit Group is able to perform audit tasks and monitor the operations independently, and directly reports to the Audit Committee. The auditing and monitoring processes focus on the comprehensive risks and compliance with regulations, policies, guidelines, procedures and code of conduct that the Audit Department, the Branch Audit Department and the Information Technology Audit Office take responsibilities for internal control functions as follows:

- **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, operating procedures and code of conduct including laws and regulations. They will also audit the internal control as to assess its adequacy and suitability of risk management, efficiency of human resource management, validity and reliability of data, customers' data storage, protective measures for data disclosure, suggest the guidelines to improve the operations and report the audit results to the Audit Committee and the Board of Directors on a regular basis.

Audit Tasks under the Head of Internal Audit Group Consist of:

1. General Audit
2. Branch Audit
3. Information Technology Audit



Profile of the Head of Internal Audit Group

Name	Mrs. Wilawan Sutthibutr
Position	Executive Vice President of Internal Audit Group
Age (Years)	54
Education	<ul style="list-style-type: none"> • Master of Business Administration, Kasetsart University • Bachelor of Economics, Kasetsart University
Training	<ul style="list-style-type: none"> • Governance and Law Enforcement in Money Market Program : Chula Unisearch, Chulalongkorn University • Fund Performance Optimization Workshop Program : The Securities and Exchange Commission • Law enforcement of Anti-Money Laundering Office Program : Chula Unisearch, Chulalongkorn University • Insurance Compliance Officer Program : Chula Unisearch, Chulalongkorn University • Securities Business Oversight for the Most Responsible Persons in Regulatory Affairs Program : The Thai Bankers' Association • Credit Risk Management for Financial Institutions Program • Securitization and Interest Rate Risk Hedging Program • Advanced Financial Institution Credit Risk Analysis Program • Regulatory Guidelines of Basel II Program • The 7 Habits of Highly Effective People Program • Intermediate Credit Seminar Program • Certified Professional Internal Audit of Thailand (CPIAT) : The Institute of Internal Auditors of Thailand • Advanced Audit Committee Program (AACP) 37/2020 : IOD • Company Secretary Program (CSP) 108/2020 : IOD
Shareholding (%)	-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. 2019 - Present	Executive Vice President, Internal Audit 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 PLC
1991 - 1995	Assistant Manager	Thanachat 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
- Prepare and update the audit manual in accordance with the Bank of Thailand's regulations and the international standards for internal audit profession
- Administrate the general audit function, branch audit function, information technology audit function and supervise the operation of internal audit officers
- Approve the audit program, evaluate the sufficiency and efficiency of internal control to mitigate risks and evaluate the quality of assigned tasks
- Evaluate the reliability and accuracy of financial and operational information
- Ensure that the operations comply with the policies, goals, objectives, plans, operating procedures, laws and regulations
- Set the performance standards, verify whether auditors comply with the audit standard, and control the audit plan
- Propose the audit reports to the top executives of audited departments, Chief Executive Officer and President, the Audit Committee and the Board of Directors as appropriate
- Sharpen the skills of auditors to be able to catch up with economic and social changes
- Conduct the performance assessments for all levels of auditors
- Give advice, opinion and suggestion about the operation guidelines in accordance with rules, orders and internal control
- Monitor high risk transactions
- Report the results of special audit to the Chief Executive Officer and President and the Audit Committee
- Propose the results of special audit to the top executives of audited departments so they can find accurate guidelines
- Follow up the improvements specified in audit reports
- Perform other tasks assigned by the Audit Committee

Number of Employees in the Internal Audit Group as of December 31, 2020

There are 34 staff in the Internal Audit Group consisting of 10 in the General Audit Department, 16 in the Branch Audit Department, and 8 in the Information Technology Audit Department.

Significant Penalty Charges under the Governing Laws

LH Financial Group Public Company Limited

In 2016, there were no significant penalty charges under the governing laws.

In 2017, there were no significant penalty charges under the governing laws.

In 2018, there were no significant penalty charges under the governing laws.

In 2019, there were no significant penalty charges under the governing laws.

In 2020, there were no significant penalty charges under the governing laws.

Land and Houses Bank Public Company Limited

In 2016, there were no significant penalty charges under the governing laws.

In 2017, there were significant penalty charges under the governing laws as follows:

Item	Charger	Section	Issue	Charge (Baht)
1	Bank of Thailand	Section 66 Financial Institutions Businesses Act B.E. 2551	Sale of debt instruments in HTM portfolio	187,500.00
		Section 71 Financial Institutions Businesses Act B.E. 2551	Reclassification of debt instruments	412,500.00
		Section 84 Financial Institutions Businesses Act B.E. 2551	Appointment of the Risk Management Committee does not comply with the Bank of Thailand's requirement	514,687.50



In 2018, there were no significant penalty charges under the governing laws.

In 2019, there were significant penalty charges under the governing laws as follows:

Item	Charger	Section	Issue	Charge (Baht)
1	Bank of Thailand	Section 37 Financial Institutions Businesses Act B.E. 2551	Operations: Offsite service	78,750.00
		Section 41 Financial Institutions Businesses Act B.E. 2551	No KYC checking (Know Your Customer : KYC)	246,250.00

In 2020, there were no significant penalty charges under the governing laws.



Related Party Transactions

Related party transactions are defined as transactions which are similar to or competitive with one another or have any other connection that may cause conflicts of interest between the company and a related person. In considering related party transactions with related persons/companies, the company applies policies, general commercial terms and conditions in accordance with predefined processes in an appropriate, transparent, and accurate manner, by 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 related party transactions between the companies in the financial business group and to avoid any conflict of interest with related businesses, the company has established the policy on risk management of related party transaction within the financial business group. Such policy has been approved by the Board of Directors and is subject to annual review. This policy covers the risk management of intra-group transactions that controls various types of major transactions. Also, the policy requires that any related party transactions made within the group contain the terms and conditions or requirements that are not materially different from general commercial terms and conditions at the same risk level.

Necessities and Rationales of Transactions

The company and its subsidiaries shall conduct any related party transactions with great care by taking into account the maximum benefits of the company, its subsidiaries and its shareholders. All related party transactions conducted by the company and its subsidiaries with a person who has conflicts of interests constitute either normal business transactions or necessary and reasonable transactions to support the general operations of the company and its subsidiaries. Any terms and conditions of such related party transactions shall be determined in accordance with the common commercial conditions and market prices, and shall follow the same procedures as applied to other general customers similar or close in nature.

Procedures and Approval Process

The company strictly complies with notifications of the Stock Exchange of Thailand, the Securities and Exchange Commission and the Capital Market Supervisory Board regarding connected transactions and transactions that may cause conflicts of interest. Hence, the directors or executives connected with the transactions that may lead to conflicts of interest are excluded from consideration of such transactions. The company secretary records the relationships of directors or executives in the minutes of the meetings.

In the event that related party transactions arise, the company shall take into consideration the interests of the company, its subsidiaries and shareholders. Such transactions are subject to due procedures based on the regulations of the company and its subsidiaries and scrutinized by responsible committees. The company has sought approval in principle for the company and its subsidiaries to conduct transactions with general commercial terms and conditions with directors, executives or related persons as follows: “The company and its subsidiaries may conduct related party transactions in the future, the company thus seeks approval in principle for management to approve such transactions with the similar commercial terms and conditions as what a person with ordinary prudence will 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 report of the transactions to the Board of Directors meeting upon request”.

Furthermore, any related party transactions that may occur in the future with persons with potential conflicts of interest or stakeholders, the Audit Committee shall give opinions on the necessity and rationale of such transactions. In the case where the Audit Committee does not have the expertise in considering such related party transactions, the company will have independent experts or its auditors give comments to support its decision making on a case-by-case basis. Once the Audit Committee commented on the related party transactions, it must be proposed to the Board of Directors for approval with a unanimous vote. Key related party transactions will be disclosed in the notes to audited financial statements.



Policies and Trends for Future Related Party Transactions

The company and its subsidiaries have a policy to conduct both present and future related party transactions with persons involving conflicts of interest by treating them as normal as other customers. Such transactions must be made based on the fair pricing policy and consistent with general commercial terms and conditions which are competitive with other financial institutions. They must also undergo the clear, transparent and fair approval process in accordance with the good corporate governance principles, requirements and approval authority for related party transactions.

Regarding any related party transactions which may occur in the future, they must be made in accordance with the laws relating to the Securities and Exchange Commission, related regulations, notifications, orders and guidelines of the Stock Exchange of Thailand and those on disclosure of connected transactions and the acquisitions or disposals of the company's key assets.

Information Disclosure

The company shall disclose its related party transactions and connected transactions in compliance with the regulations of the Stock Exchange of Thailand in the annual report.

In 2020, the company had no connected transactions with significant values that were supposed to be disclosed according to the regulations of the Stock Exchange of Thailand.

Related Party Transactions

In 2020, the company and its subsidiaries had significant transactions made with persons and connected persons. Such transactions were based on the commercial terms and conditions agreed by the company and its subsidiaries connected persons and related entities on the other as a normal business practice. The company disclosed them in the notes to the financial statements of the company and its subsidiaries No. 48 as follows:

(Unit : Million Baht)

Connections ¹	Consolidated Financial Statement				
	Interest Income	Fees and Service Income	Dividend Incomes	Interest Expenses	Other Operating Expenses
1. Major shareholders	-	-	-	29.89	59.75
2. Related companies	106.60	56.33	99.12	41.41	107.90
3. Director and executives	-	-	-	1.98	-
4. Connected persons	1.38	-	-	17.45	-
Total	107.98	56.33	99.12	90.73	167.65

Notes: ¹ The nature of connections is described in the Note 48 to the financial statements "Related party transactions"

(Unit : Million Baht)

Connections ¹	Separate Financial Statements						
	Interest Income	Dividend Income	Supporting Service Income	Other Operating Income	Interest Expenses	Other Operating Expenses	Fees and Service Expenses
1. Company's subsidiaries	4.69	663.80	277.02	1.45	27.63	-	0.11
2. Major shareholders	-	-	-	-	-	8.00	-
3. Connected companies	-	10.11	-	-	-	-	-
Total	4.69	673.91	277.02	1.45	27.63	8.00	0.11

Notes: ¹ The nature of connections is described in the Note 48 to the financial statements "Related party transactions"



Outstanding Balance

As at December 31, 2020, the outstanding balances of significant transactions between the company, its subsidiaries and their related parties can be summarized as follows:

(Unit : Million Baht)

Connections ¹	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	Lease Liabilities	Other Liabilities	Contingent Liabilities - Bank Guarantees
1. Major shareholders	-	-	-	12.05	4,788.72	592.89	-	2.75	128.01	0.94	-
2. Related companies	1,831.05	3,511.31	2.42	36.00	6,237.22	-	-	3.07	400.54	0.85	21.19
3. Directors and executives	-	-	-	-	149.35	-	20.00	0.14	-	-	-
4. Related persons	-	68.13	0.10	-	2,986.68	-	18.40	1.77	-	0.01	-
Total	1,831.05	3,579.44	2.52	48.05	14,161.97	592.89	38.40	7.73	528.55	1.80	21.19

Notes: ¹ The nature of connections is described in the Note 48 to the financial statements “Related party transactions”

(Unit : Million Baht)

Connections ¹	Separate Finance Statements							
	Interbank and Money Market Items (Assets)	Investments – Cost	Accrued Interest Receivables on Investments	Other Assets	Interbank and Money Market Items (Liabilities)	Accrued Interest Expenses on Interbank and Money Market Items (Liabilities)	Lease Liabilities	Other Liabilities
1. Company’s subsidiaries	10.76	84.10	0.48	32.60	745.00	0.04	-	0.30
2. Major shareholders	-	-	-	1.65	-	-	25.98	-
3. Connected companies	-	384.54	-	-	-	-	-	-
Total	10.76	468.64	0.48	34.25	745.00	0.04	25.98	0.30

Notes: ¹ The nature of connections is described in the Note 48 to the financial statements “Related party transactions”



Audit Committee's Report

The Audit Committee consists of 4 independent directors as follows:

1. Mr. Adul	Vinaiphat	Chairman
2. Mr. Pradit	Sawattananond	Member
3. Dr. Supriya	Kuandachakupt	Member
4. Mr. Pichai	Dusdeekulchai*	Member

Remarks: *Mr. Pichai Dusdeekulchai was appointed member of the Audit Committee on July 20, 2020 to replace Mr. Somsak Assavapokee.

Mrs. Wilawan Sutthibutr, Executive Vice President of Internal Audit Group, is the secretary.

The Audit Committee has performed its duties under the scope of responsibilities assigned by the Board of Directors.

During the year 2020, 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, audit results and significant risks.

In addition, the committee has reviewed the company's performance on a quarterly basis 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 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 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 2020, the auditor of the company was EY Office Limited who audited the financial statements for the year 2020 and provided the audit reports of financial statements with unqualified opinions.

4. Related Party Transactions or Conflicts of Interest

Considering the related party 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 a related party transaction or potentially related to conflicts of interest, is also taken into account.



5. Risk Management

Setting up the internal control and risk management both in overall structure and in activity levels needs to comply with international standards to ensure that the company can 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 regulations and any matters as assigned by the Board of Directors.

7. Anti-corruption Measure

The Audit Committee has consented to the renewal of membership of Collective Action Coalition Against Corruption (CAC).

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 auditors have independently audited the financial statements and performed their duties as a professional. The company has sufficient internal control suitable for business operations and in compliance with the laws and regulations.

(Mr. Adul Vinaiphat)
Chairman of Audit Committee



Nomination and Remuneration Committee's Report

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

- | | | |
|----------------|----------------|----------|
| 1. Mr. Pichai | Dusdeekulchai* | Chairman |
| 2. Mr. Shih, | Jiing-Fuh | Member |
| 3. Dr. Supriya | Kuandachakupt | Member |

Remarks: *Mr. Pichai Dusdeekulchai was appointed Chairman of the Nomination and Remuneration Committee on July 20, 2020 to replace Mr. Somsak Assavapokee.

Mr. Ruangsak Vitavaskarnvej, Executive Vice President of Human Resource Group, is the secretary.

The Nomination and Remuneration Committee has performed its duties under the scope of responsibilities assigned by the Board of Directors.

During the year 2020, the Nomination and Remuneration Committee had a total of 3 meetings and reported the results of each meeting to the Board of Directors with the summary as follows:

1. Assigned the executive to oversee the Compliance Group as a replacement for those who resigned
2. Appointed the head of the Legal Consultants and Data Protection Group
3. Considered the 2020 payroll adjustment for Chief Executive Officer and President to propose to the Board of Directors
4. Considered the promotion of high-level executives
5. Considered the 2020 bonus for employees to propose to the Board of Directors
6. Considered the payroll adjustment for employees in case of promotion and special payroll adjustment to be compatible with market for the year 2021 to propose to the Board of Directors
7. Considered the 2020 performance and bonus for the Chief Executive Officer and President to propose to the Board of Directors
8. Consented to the directors' remuneration and meeting allowances for the year 2021 and directors' gratuity for the year 2020
9. Considered the nomination of directors to replace those retired by rotation
10. Conducted the 2020 self-assessment of the Nomination and Remuneration Committee according to the corporate governance principles

(Mr. Pichai Dusdeekulchai)
Chairman of Nomination and Remuneration Committee

Board of Directors' Responsibility for Financial Statement's Report

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.

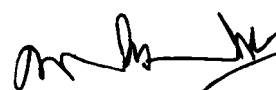
The Board of Directors has appointed the Audit Committee which comprises of independent directors responsible for the quality of financial reporting and internal control. The Audit Committee's opinions on these issues are included in the Audit Committee's report in this annual report.

The financial statements of the company have been audited by the certified public accountants of EY Office Limited. All necessary documents have been provided by the company in order that they can audit and address their opinions according to the financial reporting standards. Thus, their opinions have been included in the auditors' report 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, 2020.



(Mr. Rutt Phanijphand)
Chairman



(Mrs. Sasitorn Phongsathorn)
Chief Executive Officer and President



Independent Auditor's Report

To the Shareholders of LH Financial Group Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of LH Financial Group Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the related consolidated statements of comprehensive income, changes in shareholders' 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 2020, their financial performance and cash flows for the year then ended in accordance with the Bank of Thailand's regulations and 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.

Emphasis of Matter

I draw attention to Notes 1.2 and 3.2 to the consolidated financial statements. The Coronavirus 2019 outbreak has had an impact on the Group's businesses, especially on the value of loans to customers as a result of assistance provided and the value of investments, as a result of fluctuations in market prices. The subsidiary, which operates banking business, has provided assistance to its debtors in accordance with the Bank of Thailand's guidelines. The management has therefore prepared its consolidated and separate financial statements for the year ended 31 December 2020, opting to adopt the Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy issued by the Federation of Accounting Professions. My opinion is not modified in respect of this matter.

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 expected credit losses on loans to customers

As described in Note 13 to the consolidated financial statements, as at 31 December 2020, the Group had total loans to customers of Baht 161,376 million (accounting for 65% of total assets) and allowance for expected credit losses of Baht 6,014 million, which are material to the financial statements. In 2020, the Group has adopted Thai Financial Reporting Standards related to financial instruments, which became effective on 1 January 2020. This set of standards comprises Thai Financial Reporting Standards No. 9 Financial Instruments, which stipulates the basis used for calculating impairment on financial instruments is the expected credit losses method. The basis requires complex calculation modelling, which involves use of significant management judgements and estimates in developing expected credit losses model in order to comply with Thai Financial Reporting Standards and the rules set by the Bank of Thailand. The areas of significant management judgement include the identification of criteria for a significant increase in credit risk since initial recognition, the selection of future economic variables to be incorporated in the model and the management overlay adjustment to be applied on the allowance for expected credit losses due to the limitations of the model.

Because of the materiality and the extent of the judgements and estimates mentioned above, I addressed the adequacy of the allowance for expected credit losses on loans to customers as a key audit matter.

I gained an understanding of, assessed and tested the calculation of allowance for expected credit losses of loans to customers, taking into account the outstanding balances, complexity and credit risk of each portfolio. I compared the accounting policies of the Group with Thai Financial Reporting Standards and the regulations announced by the regulator. I also considered and assessed the governance process over the model development, the model development documentation and the model validation report prepared by a specialist employed by the management of the Group and I tested, on a sampling basis, the accuracy of the data used in the development of the model. I assessed the methods and assumptions applied by the Group in the calculation of the allowance for expected credit losses, and the recording of allowance for expected credit losses. Moreover, I tested, on a sampling basis, the classification of loans to customers based on changes in credit risk since initial recognition and tested the completeness of the data used in the calculation of the allowance for expected credit losses.

Recognition of interest income on loans to customers

For the year 2020, the Group recognised interest income on loans to customers amounting to Baht 6,221 million (accounting for 80% of total income). The Group recognises interest income using the effective interest method, which involves the use of management judgement and estimates in estimating the future cash inflows throughout the expected life of the financial instrument or, when appropriate, a shorter period, taking into account any discount or premium on acquisition, fees and costs that are an integral part of the effective interest rate. I therefore focused my audit on whether interest income on loans to customers is recognised correctly in accordance with Thai Financial Reporting Standards and the regulations announced by the Bank of Thailand.

I gained an understanding of, assessed and tested on the Group's internal controls relating to loan origination and interest income recognition, including related computer-based controls. I assessed the methods applied by the management in determining the future cash inflows and the expected life of the financial instrument in the determination of the effective interest rate including testing, on a sampling basis, the accuracy of the data and the calculation. In addition, I applied a sampling method to select loan agreements to test whether the income recognition is consistent with the conditions stipulated in the agreements and is adjusted to reflect the effective interest rate. I also performed analytical procedures on interest income and tested, on a sampling basis, significant adjustments made through journal vouchers.



Other Information

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



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

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

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

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

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

Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951

EY Office Limited
Bangkok: 25 February 2021



Statements of financial position

LH Financial Group Public Company Limited and its subsidiaries
As at 31 December 2020 and 2019

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2020	2019	2020	2019
Assets					
Cash		801,515	1,635,585	10	10
Interbank and money market items - net	8	32,367,362	18,569,123	10,755	28,977
Financial assets measured at fair value through profit or loss	9	26,780	-	-	-
Derivative assets	10	412,457	241,376	-	-
Investments - net	11	55,656,491	66,288,635	7,510,025	8,595,696
Investments in subsidiaries	12	-	-	32,916,116	31,960,323
Loans to customers and accrued interest receivables - net	13	156,216,695	152,040,692	-	-
Investment properties - net	17	-	-	36,721	36,853
Properties foreclosed - net	18	652,527	73,734	-	-
Premises and equipment - net	19	309,925	280,192	3,761	1,679
Right-of-use assets - net	20	800,365	-	24,218	-
Intangible assets - net	21	439,097	499,875	1,196	-
Deferred tax assets	22.1	630,893	306,243	2,361	-
Accrued interest receivables on investments		187,220	285,685	484	484
Securities business receivables - cash accounts		157,526	62,370	-	-
Other assets - net	23	652,804	447,777	47,643	35,913
Total assets		249,311,657	240,731,287	40,553,290	40,659,935

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



Statements of financial position (continued)

LH Financial Group Public Company Limited and its subsidiaries
As at 31 December 2020 and 2019

(Unit: Thousand Baht)					
		Consolidated		Separate	
		financial statements		financial statements	
	Note	2020	2019	2020	2019
Liabilities and shareholders' equity					
Deposits	25	182,719,839	164,984,781	-	-
Interbank and money market items	26	12,336,776	10,466,992	745,000	360,002
Liabilities payable on demand		949,585	52,083	-	-
Derivative liabilities	10	228,458	35,634	-	-
Debts issued and borrowings - net	27	11,393,942	21,805,590	6,425,302	4,996,265
Interest payables		491,851	581,130	11,948	26,123
Accrued expenses		305,558	497,972	1,470	1,498
Lease liabilities - net	28	791,187	-	24,282	-
Provisions	29	331,319	225,153	45,337	39,758
Tax payable		404,934	418,931	6,484	65,302
Revenue received in advance		266,031	258,417	-	-
Deferred tax liabilities	22.1	-	32,805	-	27,133
Securities business payables		274,217	69,989	-	-
Other liabilities	31	186,998	139,031	4,958	3,574
Total liabilities		210,680,695	199,568,508	7,264,781	5,519,655
Shareholders' equity					
Share capital	32.1				
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	32.1	9,627,913	9,627,913	9,627,913	9,627,913
Other components of shareholders' equity	35	(3,692,704)	(309,288)	(1,332,999)	313
Retained earnings					
Appropriated - statutory reserve	33	1,553,867	1,422,720	595,000	545,300
- treasury shares reserve	32.2	335,417	-	335,417	-
Unappropriated		9,958,223	9,237,771	3,214,934	3,783,093
Less: Treasury shares - common shares	32.2	(335,417)	-	(335,417)	-
Equity attributable to the Company's shareholders		38,630,960	41,162,777	33,288,509	35,140,280
Non-controlling interests of the subsidiaries		2	2	-	-
Total shareholders' equity		38,630,962	41,162,779	33,288,509	35,140,280
Total liabilities and shareholders' equity		249,311,657	240,731,287	40,553,290	40,659,935

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



Statements of comprehensive income

LH Financial Group Public Company Limited and its subsidiaries
For the years ended 31 December 2020 and 2019

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

	Note	Consolidated financial statements		Separate financial statements	
		2020	2019	2020	2019
Profit or loss:					
Interest income	37	7,855,391	8,643,260	4,690	4,741
Interest expenses	38	(3,129,659)	(4,157,144)	(180,715)	(182,577)
Net interest income (expenses)		4,725,732	4,486,116	(176,025)	(177,836)
Fees and service income	39	911,486	940,399	-	-
Fees and service expenses	39	(183,921)	(210,991)	(9,032)	(10,332)
Net fees and service income (expenses)		727,565	729,408	(9,032)	(10,332)
Gains on financial instruments measured at fair value through profit or loss	40	44,356	118,915	-	142,456
Gains on investments	41	833,921	1,095,332	-	499,487
Dividend income		1,388,591	1,442,669	1,205,151	2,096,858
Supporting services income		-	-	277,018	188,167
Other operating income		27,151	31,418	2,382	1,926
Total operating income		7,747,316	7,903,858	1,299,494	2,740,726
Other operating expenses					
Employee's expenses		1,614,705	1,607,194	263,881	179,521
Directors' remuneration	42	47,086	46,848	22,685	22,754
Premises and equipment expenses		726,004	731,300	8,999	134
Taxes and duties		215,475	227,776	196	249
Advertising and promotional expenses		76,413	107,179	1,452	1,911
Amortisation on intangible assets		126,455	118,314	-	-
Other expenses		191,003	166,632	9,179	4,351
Total other operating expenses		2,997,141	3,005,243	306,392	208,920
Expected credit losses	43	2,303,779	-	63	-
Bad debts, doubtful accounts and impairment losses	44	-	1,092,852	-	-
Profit from operating before income tax		2,446,396	3,805,763	993,039	2,531,806
Income tax	22.2	(389,502)	(591,166)	901	(96,190)
Net profit for the years		2,056,894	3,214,597	993,940	2,435,616

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



Statements of comprehensive income (continued)

LH Financial Group Public Company Limited and its subsidiaries
For the years ended 31 December 2020 and 2019

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

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2020	2019	2020	2019
Other comprehensive income (loss):					
Items that will be reclassified subsequently to profit or loss:					
Gains on investments in debt instruments measured at fair value					
through other comprehensive income		973,369	-	776	-
Gains (losses) on revaluation of available-for-sale investments		-	(75,047)	-	108,629
Income tax relating to components of other comprehensive income (loss)					
for items that will be reclassified subsequently to profit or loss		(194,956)	35,484	(155)	(79)
Total items that will be reclassified subsequently to profit or loss		778,413	(39,563)	621	108,550
Items that will not be reclassified subsequently to profit or loss:					
Losses on investments in equity instruments designated					
at fair value through other comprehensive income		(4,693,400)	-	(1,598,034)	-
Actuarial losses on defined benefit plans		-	(33,306)	-	(3,517)
Income tax relating to components of other comprehensive income (loss)					
for items that will not be reclassified subsequently to profit or loss		446,687	6,661	28,491	704
Total items that will not be reclassified subsequently to profit or loss		(4,246,713)	(26,645)	(1,569,543)	(2,813)
Other comprehensive income (loss) for the years		(3,468,300)	(66,208)	(1,568,922)	105,737
Total comprehensive income (loss) for the years		(1,411,406)	3,148,389	(574,982)	2,541,353
Net profit for the years attributable to:					
The Company's shareholders		2,056,829	3,214,597	993,940	2,435,616
Non-controlling interests of the subsidiaries		65	-		
		2,056,894	3,214,597		
Total comprehensive income (loss) for the years attributable to:					
The Company's shareholders		(1,411,471)	3,148,389	(574,982)	2,541,353
Non-controlling interests of the subsidiaries		65	-		
		(1,411,406)	3,148,389		
Earnings per share of the Company's shareholders:					
	45				
Basic earnings per share					
Profit for the years (Baht per share)		0.098	0.152	0.047	0.115
Weighted average share capital (Thousand shares)		20,957,917	21,183,661	20,957,917	21,183,661

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



Statements of changes in shareholders' equity

LH Financial Group Public Company Limited and its subsidiaries
For the years ended 31 December 2020 and 2019

Consolidated financial statements													(Unit: Thousand Baht)
Equity attributable to the Company's shareholders													
Note	Issued and paid-up share capital	Share premium	Other components of shareholders' equity			Retained earnings		Treasury shares	Total equity attributable to the Company's shareholders	Non-controlling interests of the subsidiaries	Total		
			Revaluation surplus (deficit) on investments measured at fair value through other comprehensive income	Revaluation surplus (deficit) on available-for-sale investments	Statutory reserve	Appropriated	Treasury shares reserve					Unappropriated	

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



Statements of changes in shareholders' equity (continued)

LH Financial Group Public Company Limited and its subsidiaries
For the years ended 31 December 2020 and 2019

(Unit: Thousand Baht)

Separate financial statements										
	Note	Other components of shareholders' equity				Retained earnings		Treasury shares	Total	
		Issued and paid-up share capital	Share premium	Revaluation surplus (deficit) on available-for-sale investments	Revaluation surplus on investments measured at fair value through other comprehensive income	Appropriated				
						Statutory reserve	Treasury shares reserve			
Balance as at 1 January 2019		21,183,661	9,627,913	(108,237)	-	423,500	-	3,166,779	-	34,293,616
Appropriated to statutory reserve	33	-	-	-	-	121,800	-	(121,800)	-	-
Dividend paid	34	-	-	-	-	-	-	(1,694,689)	-	(1,694,689)
Profit for the year		-	-	-	-	-	-	2,435,616	-	2,435,616
Other comprehensive income (loss) for the year		-	-	108,550	-	-	-	(2,813)	-	105,737
Total comprehensive income for the year		-	-	108,550	-	-	-	2,432,803	-	2,541,353
Balance as at 31 December 2019		21,183,661	9,627,913	313	-	545,300	-	3,783,093	-	35,140,280
Balance as at 1 January 2020		21,183,661	9,627,913	313	-	545,300	-	3,783,093	-	35,140,280
Cumulative effect of changes in accounting policy	4	-	-	(313)	114,278	-	-	(113,965)	-	-
Balance as at 1 January 2020 - as restated		21,183,661	9,627,913	-	114,278	545,300	-	3,669,128	-	35,140,280
Appropriated to statutory reserve	33	-	-	-	-	49,700	-	(49,700)	-	-
Dividend paid	34	-	-	-	-	-	-	(941,372)	-	(941,372)
Paid for treasury shares	32.2	-	-	-	-	-	-	-	(335,417)	(335,417)
Transfer of retained earnings to treasury shares reserve	32.2	-	-	-	-	-	335,417	(335,417)	-	-
Investments in equity instruments derecognised during the year	11.1	-	-	-	121,645	-	-	(121,645)	-	-
Profit for the year		-	-	-	-	-	-	993,940	-	993,940
Other comprehensive loss for the year		-	-	-	(1,568,922)	-	-	-	-	(1,568,922)
Total comprehensive income (loss) for the year		-	-	-	(1,568,922)	-	-	993,940	-	(574,982)
Balance as at 31 December 2020		21,183,661	9,627,913	-	(1,332,999)	595,000	335,417	3,214,934	(335,417)	33,288,509

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



Statements of cash flows

LH Financial Group Public Company Limited and its subsidiaries
As at 31 December 2020 and 2019

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Cash flows from operating activities				
Profit before income tax	2,446,396	3,805,763	993,039	2,531,806
Adjustments to reconcile profit before income tax				
to net cash provided by (paid from) operating activities				
Depreciation and amortisation	509,902	214,035	7,097	134
Expected credit losses	2,303,779	-	63	-
Bad debts, doubtful accounts and impairment losses	-	1,092,852	-	-
Provisions for employee benefits	43,198	58,946	6,377	3,585
(Gains) losses on financial instruments measured at fair value				
through profit or loss	92,986	(135,868)	-	(142,456)
Losses on disposal/write-off of leasehold improvements and equipment	2,256	1,425	-	-
Gains on sales of investments	(833,921)	(1,095,332)	-	(499,487)
Net interest (income) expenses	(4,725,732)	(4,486,116)	176,025	177,836
Dividend income	(1,388,591)	(1,442,669)	(1,205,151)	(2,096,858)
Cash received on interest income	5,995,463	7,123,551	369	431
Cash paid on interest expenses	(3,377,325)	(4,135,071)	(168,170)	(167,492)
Cash paid on income tax	(583,279)	(472,506)	(62,503)	(10,710)
Profit (loss) from operation before changes				
in operating assets and liabilities	485,132	529,010	(252,854)	(203,211)
(Increase) decrease in operating assets				
Interbank and money market items	(13,625,502)	406,919	18,222	(26,902)
Financial assets measured at fair value through profit or loss	(21,456)	-	-	-
Trading investments	-	18,437	-	-
Loans to customers	(5,935,433)	2,503,397	-	-
Properties foreclosed	(578,793)	14,215	-	-
Securities business receivables - cash accounts	(95,156)	23,777	-	-
Other assets	(212,405)	45,788	(5,577)	(28,272)
Increase (decrease) in operating liabilities				
Deposits	17,735,058	(3,179,247)	-	-
Interbank and money market items	1,869,784	1,235,501	384,998	(3,027,998)
Liabilities payable on demand	897,502	(120,739)	-	-
Short-term debts issued and borrowings	(8,409,496)	(3,393,512)	2,429,037	-
Accrued expenses	8,580	28,071	(28)	508
Provisions	(5,325)	(12,966)	(1,258)	32,575
Revenue received in advance	214,953	-	-	-
Payables to Clearing House	(3,107)	(132,926)	-	-
Other liabilities	243,788	(182,728)	(27,110)	(26,103)
Net cash provided by (used in) operating activities	(7,431,876)	(2,217,003)	2,545,430	(3,279,403)

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

Statements of cash flows (continued)

LH Financial Group Public Company Limited and its subsidiaries
For the years ended 31 December 2020 and 2019

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2020	2019	2020	2019
Cash flows from investing activities					
Proceeds from sale of investments in debt instruments measured at amortised cost		9,623,416	-	-	-
Proceeds from sale of investments in debt instruments measured at fair value through other comprehensive income		13,314,255	-	-	
Proceeds from sale of investments in equity instruments designated at fair value through other comprehensive income		2,069,111	-	2,188,021	-
Proceeds from sale of available-for-sale investments		-	7,799,054	-	2,399,228
Proceeds from held-to-maturity investments		-	3,360,730	-	-
Cash received on interest income on investments		1,362,402	1,555,376	4,322	4,310
Cash received on dividend income on investments		1,388,587	1,442,711	541,355	526,848
Cash received on dividend income on investments in subsidiaries		-	-	663,796	1,570,010
Invested in investments in debt instruments measured at amortised cost		(180,000)	-	-	-
Invested in investments in debt instruments measured at fair value through other comprehensive income		(14,844,995)	-	-	-
Invested in investments in equity instruments designated at fair value through other comprehensive income		(2,377,593)	-	(2,699,672)	-
Invested in available-for-sale investments		-	(6,927,856)	-	(1,524,942)
Invested in held-to-maturity investments		-	(2,285,886)	-	-
Invested in general investments		-	(2,559)	-	-
Invested in a subsidiary		-	-	(955,793)	-
Proceeds from disposal of equipment		1,712	3,326	6	-
Cash paid for purchase of leasehold improvements and equipment		(119,092)	(86,907)	(2,985)	(1,681)
Cash paid for purchase of intangible assets		(76,498)	(146,546)	(1,196)	-
Net cash provided by (used in) investing activities		10,161,305	4,711,443	(262,146)	2,973,773
Cash flows from financing activities					
Cash paid for lease liabilities		(284,493)	-	(6,495)	
Cash received on long-term debts issued and borrowings		2,000,000	3,000,323	2,000,000	2,000,323
Cash paid for long-term debts issued and borrowings		(4,002,152)	(4,004,196)	(3,000,000)	-
Dividend paid	34	(941,437)	(1,694,689)	(941,372)	(1,694,689)
Cash paid for treasury shares	32.2	(335,417)	-	(335,417)	-
Net cash provided by (used in) financing activities		(3,563,499)	(2,698,562)	(2,283,284)	305,634
Net increase (decrease) in cash and cash equivalents		(834,070)	(204,122)	-	4
Cash and cash equivalents as at 1 January		1,635,585	1,839,707	10	6
Cash and cash equivalents as at 31 December		801,515	1,635,585	10	10
Supplemental cash flows information					
Non-cash items:					
Right-of-use assets		344,344	-	-	-
Purchase of assets on credit		16,979	27,533	-	-
Bad debts written-off		-	34,550	-	

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



Notes to financial statements

LH Financial Group Public Company Limited and its subsidiaries
For the years ended 31 December 2020 and 2019

1. General information

1.1 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 December 2020 and 2019, 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.

1.2 Coronavirus disease 2019 pandemic

The Coronavirus disease 2019 (COVID-19) pandemic is directly and indirectly impacting various businesses and industry sectors, which results in an economic slowdown and a fluctuation in the money market and the capital market. This situation has impacted on the Group’s value of loans to customers, value of investments, operating results and cash flows at present, and is expected to do so in the future. However, the Group’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in various matters in order to continuously assess the impact as the situation evolves.

2. Preparation of financial statements

2.1 Basis for preparation of financial statements

These financial statements were prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547, Accounting Guidances announced by the Federation of Accounting Professions and accounting practices generally accepted in Thailand including the relevant regulations stipulated by the Bank of Thailand (BOT). The presentation of the financial statements has been made in compliance with the BOT’s notification No. Sor Nor Sor. 21/2561 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 31 October 2018.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 5 to the financial statements regarding the summary of significant accounting policies.

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

2.2 Basis of consolidation

- (a) These consolidated financial statements included the financial statements of LH Financial Group Public Company Limited and the following subsidiaries (Collectively called “the Group”) as follows:

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	
		2020	2019	2020	2019	2020	2019
		Percent	Percent	Percent	Percent	Percent	Percent
<u>Subsidiaries directly held by the Company</u>							
Land and Houses Bank Public Company Limited	Banking business	99.99	99.99	94.55	93.44	85.56	81.71
Land and Houses Securities Public Company Limited	Securities business	99.90	99.80	2.35	2.79	5.05	4.11
Land and Houses Fund Management Company Limited	Fund management business	99.99	99.99	0.14	0.18	4.48	4.65
<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 shareholders' 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 shareholders' equity in the consolidated statements of financial position.

2.3 The separate financial statements

The Company has prepared the separate financial statements, which presents 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 has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal periods 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. Those new standards that involve changes to key principles, are summarised below:



Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments, consisting 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
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost taking into account the type of instrument, the characteristics of the contractual cash flows and the Group'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.

The adoption of these financial reporting standards results in changes in the Group's significant accounting policies, which can be summarised as follows.

Classification and measurement of financial assets

The Group classifies its financial assets and liabilities in accordance with the business model and management of the Group's financial assets and liabilities based on the characteristics of the contractual cash flows of financial assets and the facts and circumstances as of the date these financial reporting standards were initially adopted. Classifications are as follows:

- The Group classifies and measures its investments in non-listed equity instruments, which were previously classified as general investments and measured at cost, at fair value through other comprehensive income.
- Before 2020, the subsidiary, which operates banking business, had derivatives held for banking book recorded as off-balance sheet items and measured based on an accrual basis under the former accounting policies. However, since 1 January 2020 onwards, the subsidiary measures derivatives at fair value through profit or loss.

In addition, on 14 May 2020, the Board of Directors of the Company considered and approved the reclassification of investments in investment units of Real Estate Investment Trust, Property Funds and Infrastructure Funds, which were previously classified as trading investments, measured at fair value through profit or loss, under the former accounting policies in prior year, to financial assets measured at fair value through other comprehensive income with the effective date back to 1 January 2020, being the first-date adoption of the set of TFRSs related to financial instruments. The reclassification of investments is in accordance with the interpretation of Federation of Accounting Profession relating to Interpretation of investments in investment units of Property Funds, Real Estate Investment Trusts, Infrastructure Funds and Infrastructure Trusts that are registered and established in Thailand. Hence, the cumulative effect from such reclassification resulted in the Group having to transfer accumulated unrealised gains on revaluation of those investments as at 31 December 2019 amounting to Baht 86 million (The Company only: Baht 114 million) out of retained earnings and record such amounts against the "Revaluation surplus on investments measured at fair value through other comprehensive income" in the shareholders' equity as at 1 January 2020.

Classification of financial liabilities

The adoption of these financial reporting standards does not have an impact on the classification of financial liabilities. The Group continues to classify and measure its financial liabilities at amortised cost.

Impairment of financial assets

TFRS 9 requires entities to estimate allowance for expected credit losses in place of the incurred losses recognised under the previous accounting policy. It requires entities to recognise impairment based on the Expected Credit Loss model for all financial assets that are debt instruments and not measured at fair value through profit or loss, including undrawn commitments and financial guarantees, and it is not necessary for a credit-impaired event to have occurred. The Group applies the General Approach to calculate expected credit losses of financial assets such as loans to customers, loans to financial institutions, investments in debt instruments and so on.

Practice during transitional period

The Group recognised the cumulative effect of the adoption of these financial reporting standards as an adjustment to retained earnings or other components of shareholders' equity as at 1 January 2020, and the comparative information was not restated. Therefore, the presentation of the 2019 figures cannot be compared with the financial statements for the year 2020.

The cumulative effect of the change is described in Note 4 to the financial statements.

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.

The Group recognised the cumulative effect of the initial adoption of this financial reporting standard using the modified retrospective method as an adjustment to retained earnings as at 1 January 2020, and the comparative information was not restated.

The cumulative effect of the change is described in Note 4 to the financial statements.

3.2 Accounting Guidance related to 2 Temporary Relief Measures

Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy. Its objectives are to provide temporary relief measures solely for entities providing assistance to debtors impacted by the situations that affect the Thai economy, such as COVID-19, economic conditions, trade wars and drought, and to provide an alternative for all entities providing assistance to debtors in accordance with measures to assist debtors specified in the circular of the Bank of Thailand No.BOT.RPD.(23)C.276/2563 "Guidelines on providing assistance to debtors impacted by situations that affect the Thai economy" and the circular of the Bank of Thailand No.BOT.RPD.(01)C.380/2563 "Measures to provide additional assistance to debtors during the COVID-19 pandemic" or any other measures announced by the Bank of Thailand. Such entities include credit card business, business providing loans secured against vehicle registrations without collateral, personal loan business under the supervision of the Bank of Thailand and certain entities not under the supervision of the Bank of Thailand, such as leasing, hire-purchase, motorcycle hire-purchase and factoring business. Entities providing assistance to debtors in accordance with the Bank of Thailand's measures and electing to apply this Accounting Guidance have to apply all temporary relief measures in this guidance.



On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for entities providing assistance to debtors impacted by situations that affect the Thai economy during the year from 1 January 2020 to 31 December 2021 or until the Bank of Thailand makes changes, with which the entities are to comply. The guidance applies to large debtors, small and medium-sized debtors and retail debtors who have the ability to run a business or to pay debts in the future and who have been impacted directly or indirectly by such situations, considering the following guidelines.

- (a) Debtors who were not yet non-performing (Stage 1 or Stage 2) on or after 1 January 2020.
- (b) Debtors who became non-performing (Stage 3) on or after 1 January 2019, unless the entity is able to prove that the debtors becoming non-performing before 1 January 2019 are non-performing loans affected by the economic conditions.

The subsidiary, which operates banking business, has entered into the scheme to provide assistance to affected debtors in accordance with the BOT's guidelines. The Accounting Guidance can be applied for the debtors who meet the conditions under the temporary relief measures.

- (a) In assisting a debtor that is not yet non-performing (Non-NPL), the subsidiary classifies it in the stage where there has not been a significant increase in credit risk (Performing or Stage 1), provided that analysis of its status and business shows that the debtor is able to comply with the debt restructuring agreement without compliance monitoring and the debt restructuring is considered a pre-emptive debt restructuring rather than a troubled debt restructuring. If it is a provision of assistance to debtors in accordance with the circular of the BOT No.BOT.RPD.(01)C.380/2563, classification of the debtor remains at the same stage as before.
- (b) In assisting a debtor that is non-performing (NPL), the subsidiary can classify it as performing loan if the debtor is able to make payment in accordance with the debt restructuring agreement for 3 months or 3 installments consecutively, whichever is the longer period.
- (c) In providing additional working capital loans to a debtor in order to increase liquidity and enable the debtor to continue its business operations during the debt restructuring, the subsidiary can classify the debtor by account level if the debtor has cash flows to support repayment or if, considering other factors, the debtor has the ability to pay the debt.
- (d) The guideline specified in the appendix of circular of the Bank of Thailand relating to assessment of whether there has been a significant increase in credit risk are applied to assess whether a debtor is moving to Stage 2.
- (e) Expected credit losses are determined based on the outstanding balance of the drawn down portion only.
- (f) If the debt restructuring causes the existing effective interest rate to no longer reflect the estimated cash inflows from the loan, the subsidiary can apply a newly calculated effective interest rate to determine the present value of loans that have been restructured in accordance with guidelines to assist debtors specified in the circulars of the Bank of Thailand. In addition, provided that the provision of assistance is in compliance with the circular of the Bank of Thailand No.BOT.RPD.(01)C.380/2563, the subsidiary recognises interest income on the basis of this new effective interest rate during the grace period, or in accordance with the Bank of Thailand's guidelines if there are changes.
- (g) In determining the expected credit losses, the subsidiary can consider placing lighter weight on forward-looking information that is the result of the temporary crisis than on information reflecting ability of debt payment from historical experience.

The BOT announced the temporary relief measures for entities providing assistance to debtors impacted by situations that affect the Thai economy such as economic conditions, trade wars, drought as well as COVID-19 pandemic. The subsidiary, which operates banking business, referred to such guidelines in providing assistance to affected debtors, as follows:



1. During the year from 1 January 2020 to 31 December 2021, the subsidiary considers provision of assistance to large, small and medium-sized debtors and retail debtors that have been directly or indirectly affected but still have the potential to continue operating their business or have the ability to settle debt in the future, at the first signs of issues with debt payment or as a pre-emptive measure. The subsidiary can classify non-performing debtors (NPLs) as of 1 January 2020 as loans where there has not been a significant increase in credit risk or as Stage 1 immediately if the debtor is able to comply with the restructuring plan, and this is considered a pre-emptive debt restructuring, not a troubled-debt restructuring. In case that debtors are non-performing (NPL), the subsidiary can classify them as performing or Stage 1 immediately if the debtors are able to make debt payments in accordance with the restructuring plan for 3 consecutive months or periods, whichever is longer, and the subsidiary will continuously monitor and review whether these debtors are able to comply with the new terms and conditions. As at 31 December 2020, the subsidiary has eligible debtors under this measure amounting to Baht 50,378 million.
2. For housing loan facilities not exceeding Baht 3 million and corporate loan facilities not exceeding Baht 20 million, who are not classified as non-performing as at 1 March 2020, the subsidiary provides 3-month principal payment holidays and considers reducing interest rates as appropriate, commencing from April 2020 onwards. As at 31 December 2020, the temporary relief measure has ended.
3. The subsidiary provides additional soft loans of up to 20 percent of the outstanding loan balance as at 31 December 2019, with concessional interest rates of not more than 2 percent per annum for 2 years, in order to provide liquidity support to SMEs with loan facilities not exceeding Baht 500 million. The BOT will absorb some of the interest losses for the first 6 months. The subsidiary will then modify the interest rate after 2 years based on cost and risk considerations. As at 31 December 2020, the subsidiary has eligible debtors under this measure amounting to Baht 1,208 million.
4. The subsidiary grants 6-month principal and interest payment holidays to SMEs with loan facilities not exceeding Baht 100 million in order to provide financial assistance to SMEs impacted by the COVID-19 pandemic. As at 31 December 2020, the temporary relief measure has ended.

In addition, on 19 June 2020, the BOT issued the circular of the BOT No. BOT.RPD.(01)C. 648/2563 “Measures to provide additional assistance to retail debtors during the COVID-19 pandemic - Phase 2”. As at 31 December 2020, the subsidiary has eligible debtors under this measure amounting to Baht 1,071 million.

Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures on Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic. Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

During the period from the first quarter to the third quarter of 2020, the Group elected to apply the following temporary relief measures on accounting alternatives:

- (a) To measure the fair value of investments in unquoted equity instruments using the fair value as at 1 January 2020.
- (b) To put a lighter weight on information relating to the COVID-19 situation in applying the valuation technique to measure the fair value of financial assets in the form of debt instruments using Level 2 or Level 3 inputs.
- (c) Not to account for any reduction in lease payments by lessors resulting from the COVID-19 situation as a lease modification, with the lease liabilities that come due in each period reduced in proportion to the reduction and depreciation of right-of-use assets and interest on lease liabilities recognised in each period reversed in proportion to the reduction, with any differences then recognised in profit or loss.
- (d) Not to use information relating to the COVID-19 situation in determining whether sufficient taxable profits will be available in future periods against which deferred tax assets can be utilised.
- (e) Not to use information relating to the COVID-19 situation that may affect the cash flow forecasts used in testing an intangible asset with an indefinite useful life for impairment.
- (f) Not to consider the COVID-19 situation as an indication that an asset may be impaired in accordance with TAS 36, Impairment of Assets.



In the fourth quarter of 2020, the Group has assessed the financial impacts of the uncertainties of the COVID-19 Pandemic on the valuation of assets. As a result, in preparing the financial statements for the year ended 31 December 2020, the Group has decided to discontinue application of all temporary relief measures on accounting alternatives with no significant impact on the Group's financial statements.

3.3 Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2021

The Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2021. 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 management of the Group has evaluated that these revised financial reporting standards and interpretations do not have any significant impact on the Group's financial statements when they are adopted.

4. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards

As described in Note 3.1 to the financial statements, during the current year, the Group has adopted financial reporting standards related to financial instruments and TFRS 16. The cumulative effect of initial application of these standards is recognised as an adjustment to retained earnings as at 1 January 2020 and the comparative information was not restated.

The impacts on the beginning balance of retained earnings or other components of shareholders' equity of 2020 from changes in accounting policies due to the adoption of these financial reporting standards were presented as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements			
	The impacts of			
	31 December	Financial reporting		1 January
	2019	standards related to	TFRS 16	2020
		financial instruments		
Statements of financial position				
Assets				
Interbank and money market items - net	18,569,123	226,304	-	18,795,427
Financial assets measured at fair value				
through profit or loss	-	4,659	-	4,659
Derivative assets	241,376	68,166	-	309,542
Investments - net	66,288,635	99,327	-	66,387,962
Loans to customers and accrued interest				
receivables - net	152,040,692	(354,830)	-	151,685,862
Right-of-use assets - net	-	-	770,735	770,735
Deferred tax assets	306,243	(22,010)	-	284,233
Other assets - net	447,777	(27,231)	-	420,546
Liabilities and shareholders' equity				
Derivative liabilities	35,634	-	-	35,634
Debts issued and borrowings - net	21,805,590	-	-	21,805,590
Lease liabilities - net	-	-	730,190	730,190
Provisions	225,153	46,037	40,545	311,735
Revenue received in advance	258,417	(208,095)	-	50,322
Shareholders' equity				
Other components of shareholders' equity	(309,288)	174,114	-	(135,174)
Retained earnings - unappropriated	9,237,771	(17,671)	-	9,220,100

(Unit: Thousand Baht)

	Separate financial statements		
	The impacts of		1 January 2020
	31 December 2019	Financial reporting standards related to financial instruments	
Statements of financial position			
Assets			
Interbank and money market items - net	28,977	-	28,977
Investments - net	8,595,696	-	8,595,696
Right-of-use assets - net	-	-	30,285
Liabilities and shareholders' equity			
Lease liabilities - net	-	-	29,840
Provisions	39,758	-	40,203
Shareholders' equity			
Other components of shareholders' equity	313	113,965	114,278
Retained earnings - unappropriated	3,783,093	(113,965)	3,669,128

4.1 Financial instruments

Details of the impact on retained earnings and other components of shareholders' equity as at 1 January 2020 due to the adoption of financial reporting standards related to financial instruments are presented as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	Retained earnings	Other components of shareholders' equity	Retained earnings	Other components of shareholders' equity
Recognition of derivatives at fair value through profit or loss	68,166	-	-	-
Cumulative effect from reclassification of investments	(85,837)	85,837	(113,965)	113,965
Recognition of revaluation deficit of available-for-sale investments	-	43,587	-	-
Recognition of revaluation surplus of investments measured a fair value through other comprehensive income	-	44,690	-	-
Impacts of the adoption of financial reporting standards related to financial instruments	(17,671)	174,114	(113,965)	113,965



As at 1 January 2020, the classification and measurement of financial assets and financial liabilities in accordance with TFRS 9 compared to the classification and measurement under the former basis, are as follows:

(Unit: Thousand Baht)

Consolidated financial statements							
	Carrying amount under the former basis	Classification and measurement in accordance with TFRS 9					
		Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity instruments		Financial instruments measured at amortised cost	Total
				designated at fair value through other comprehensive income	Financial instruments measured at amortised cost		
Financial assets as at 1 January 2020							
Cash	1,635,585	-	-	-	1,635,585	1,635,585	
Interbank and money market items - net	18,569,123	-	-	-	18,795,427	18,795,427	
Financial assets measured at fair value							
through profit or loss	4,659	4,659	-	-	-	4,659	
Derivative assets	241,376	309,542	-	-	-	309,542	
Investment - net	66,283,976	-	1,055,563	23,153,619	42,178,780	66,387,962	
Loans to customers and accrued							
interest receivables - net	152,040,692	-	-	-	151,685,862	151,685,862	
Total financial assets	238,775,411	314,201	1,055,563	23,153,619	214,295,654	238,819,037	
Financial liabilities as at 1 January 2020							
Deposits	164,984,781	-	-	-	164,984,781	164,984,781	
Interbank and money market items	10,466,992	-	-	-	10,466,992	10,466,992	
Liabilities payable on demand	52,083	-	-	-	52,083	52,083	
Derivative liabilities	35,634	35,634	-	-	-	35,634	
Debts issued and borrowings - net	21,805,590	-	-	-	21,805,590	21,805,590	
Provisions	225,153	-	-	-	271,190	271,190	
Total financial liabilities	197,570,233	35,634	-	-	197,580,636	197,616,270	

(Unit: Thousand Baht)

		Separate financial statements				
Carrying amount under the former basis		Classification and measurement in accordance with TFRS 9				
		Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity instruments designated at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
Financial assets as at 1 January 2020						
Cash	10	-	-	-	10	10
Interbank and money market items - net	28,977	-	-	-	28,977	28,977
Investment - net	8,595,696	-	-	8,595,696	-	8,595,696
Total financial assets	8,624,683	-	-	8,595,696	28,987	8,624,683
Financial liabilities as at 1 January 2020						
Interbank and money market items	360,002	-	-	-	360,002	360,002
Debts issued and borrowings - net	4,996,265	-	-	-	4,996,265	4,996,265
Provisions	39,758	-	-	-	39,758	39,758
Total financial liabilities	5,396,025	-	-	-	5,396,025	5,396,025

The table below shows the impact of allowance for impairment as of 31 December 2019 which was recognised in accordance with the Bank of Thailand and TAS 105, Accounting for investments in debt and equity instruments, and provision for contingent obligation which was recognised in accordance with TAS 37, Provisions, Contingent liabilities and Contingent assets, and allowance for impairment as of 1 January 2020 which was recognised in accordance with TFRS 9. The changes are resulted from the valuation of allowance for expected credit losses which was initially incurred in accordance with TFRS 9.

(Unit: Thousand Baht)

	Consolidated financial statements		
	31 December 2019	Remeasurement	1 January 2020
Allowance for expected credit losses - interbank and money market items - net (assets)	179,480	(175,206)	4,274
Allowance for expected credit losses - investments in held-to-maturity debt instruments, reclassified to investments measured at amortised cost	-	6,060	6,060
Allowance for expected credit losses - available-for-sale debt instruments, reclassified to investments measured at fair value through other comprehensive income	-	240	240
Allowance for expected credit losses - loans to customers and accrued interest receivables	4,016,756	124,848	4,141,604
Allowance for expected credit losses - undrawn credit limit and financial guarantee contracts	-	46,037	46,037
Total	4,196,236	1,979⁽¹⁾	4,198,215

⁽¹⁾ The balance was fee received from financial guarantee contracts which was higher than its allowance for expected credit losses.



4.2 Leases

Upon initial application of TFRS 16, the Group recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates on 1 January 2020, at the rates between 1.65 percent to 4.23 percent per annum (the Company only: 3.48 percent per annum). For leases previously classified as finance leases, the Group recognised the carrying amount of the right-of-use assets and lease liabilities based on the carrying amounts of the leased assets and lease liabilities immediately before the date of initial application of TFRS 16.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Operating lease commitments as at 31 December 2019	643,985	13,536
Less: Short-term leases and leases of low-value assets	(7,223)	-
Add: Option to extend lease term	398,501	19,486
Less: Contracts reassessed as service agreements	(248,448)	-
Less: Others	(30,040)	(546)
Less: Deferred interest expenses	(26,585)	(2,636)
Increase in lease liabilities due to TFRS 16 initial adoption	730,190	29,840
Liabilities under finance lease agreements as at 31 December 2019	-	-
Lease liabilities as at 1 January 2020	730,190	29,840

The adjustments of right-of-use assets from TFRS 16 initial adoption as at 1 January 2020 are summarised below:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Buildings	720,200	30,285
Vehicles	50,535	-
Total right-of-use assets	770,735	30,285

5. Summary of significant accounting policies

5.1 Revenue recognition

(a) Interest and discount

Accounting policy adopted since 1 January 2020

The Group recognises interest income on an accrual basis, using the effective interest method. The effective interest rate is calculated based on the estimated contractual cash flows or on the expected life, with the cash flows including fees directly related to acquisition of a financial asset. The Group recalculates the effective interest rate whenever there is a change in the cash flows, such as the loans being drawn down in installments or a change in a floating interest rate.

The Group calculates interest income by applying the effective interest rate to the gross carrying amount of financial assets. When a financial asset becomes credit-impaired, the Group calculates interest income by applying the effective interest rate to the net carrying amount (gross carrying amount net of allowance for expected credit losses) of the financial asset.



The Group records the difference between interest income calculated using the effective interest method and interest income calculated using the contract rate as interest income in the statement of comprehensive income, and records undue interest receivables in the statement of financial position.

In cases where a discount is included in promissory notes or loans, the interest or the discount is recognised as deferred revenue and amortised under the effective interest method over the term of the note or loan.

When subsequent changes to the terms and conditions of contracts mean loans to customers meet the criteria for derecognition (Modification with derecognition), the Group recognises interest income based on the new effective interest rate over the remaining term of the contract. In addition, the Group reverses undue interest receivables in the statement of financial position, and reverses any interest income remaining in the statement of comprehensive income on the derecognition date.

Accounting policy adopted before 1 January 2020

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 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 calculated as a percentage of the net asset value of the funds under the subsidiary's management or at rates stipulated in agreements, and are recognised as revenue when services have been rendered.

- (c) Brokerage fee income

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

- (d) Gains (losses) on financial instruments measured at fair value through profit or loss

Gains (losses) on securities trading and derivatives are recognised as revenues or expenses on the transaction dates. Gains (losses) on changes in fair value are recognised in profit or loss.

- (e) Gains (losses) on investments

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

- (f) Dividend income

Dividend is recognised as revenues when the right to receive the dividend is established.

5.2 Expense recognition

- (a) Interest expenses

Accounting policy adopted since 1 January 2020

Interest expenses are recognised on an accrual basis, using the effective interest rate. Interest on notes payable included in the face value is recorded as deferred interest expenses, which will be amortised as expenses evenly throughout the term of the notes.

Accounting policy adopted before 1 January 2020

Interest expenses are recognised on an accrual basis. Interest on notes payable included in the face value is recorded as deferred interest expenses, 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 such as commission expenses, are gradually amortised, using the effective interest method, and 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.

5.3 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.

5.4 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.

5.5 Securities purchased under reverse repurchase 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 reverse repurchase agreements 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 agreements 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.

5.6 Derivatives

Accounting policy adopted since 1 January 2020

The subsidiaries have entered into derivative financial instruments in order to manage risk of the subsidiaries and in response to customer needs. These consist of financial derivative contracts which were originated for trading purposes and derivative contracts which were originated for risk management purposes (Banking book) and the subsidiaries have not elected to adopt hedge accounting. Derivatives are initially recognised at fair value on trade date and subsequently remeasured at fair value.

After initial recognition, gains or losses on changes in fair value are presented as gains (losses) on financial instruments measured at fair value through profit or loss.

The fair value of the contracts is based on the quoted market prices. The fair value of the futures contracts is based on daily settlement price at the end of the last working day of the year as quoted on Thailand Futures Exchange Public Company Limited. If the fair value of a 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.

Accounting policy adopted before 1 January 2020

The subsidiaries have entered into derivative financial instruments in order to manage risk of the subsidiaries and in response to customer needs.

Financial derivative contracts which were originated for trading purposes are recorded as off-balance sheet items. Gains or losses on changes in the fair value of the contracts are presented as gains (losses) on financial instruments measured at fair value through profit or loss. The fair value of the contracts is based on the quoted market prices and the fair value of the futures contracts is based on daily settlement price at the end of the last working day of the year as quoted on Thailand Futures Exchange Public Company Limited. 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.

Financial derivative contracts which were originated for the purpose of risk management (Banking book) are recorded as off-balance sheet 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 period 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 expenses over the term of the contracts.



5.7 Investments

Accounting policy adopted since 1 January 2020

The Group has classified investments in instruments as financial assets - debt or equity instruments as follows:

Financial assets - debt instruments

The Group classifies its investments in debt instruments as financial assets subsequently measured at amortised cost or fair value in accordance with the Group's business model in managing the financial assets and according to the contractual cash flows characteristics of the financial assets as follows:

(a) Financial assets measured at fair value through profit or loss

Investments in debt instruments held within a business model whose objective is not to hold financial assets in order to collect contractual cash flows, or the contractual terms of the financial assets give rise on specified dates to contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value.

After initial recognition, gains and losses on changes in fair value are recognised in profit or loss.

(b) Financial assets measured at fair value through other comprehensive income

Investments in debt instruments whose both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value.

After initial recognition, gains or losses on changes in fair value are presented as a separate item in other comprehensive income. The cumulative change in fair value recognised in other comprehensive income is recycled to profit or loss upon derecognition of these financial assets. Gains or losses on foreign exchange, expected credit losses and interest income which is calculated using the effective interest method are recognised in profit or loss.

At the end of reporting period, investments in debt instruments measured at fair value through other comprehensive income are presented in the statement of financial position net of allowance for expected credit losses (if any).

(c) Financial assets measured at amortised cost

Investments in debt instruments whose both of the following conditions are met: the financial asset is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows; and the contractual terms of the financial assets give rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value and subsequently measured at amortised cost net of allowance for expected credit losses (if any).

The premium/discount on debt instruments is amortised using the effective interest rate with the amortised amount presented as an adjustment to interest income.

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets - equity instruments

All investments in equity instruments are measured at fair value in the statement of financial position. The Group classifies its investments in equity instruments as equity instruments measured at fair value through profit or loss, or equity instruments designated at fair value through other comprehensive income. The classification is determined on an instrument-by-instrument basis.

The equity instruments designated at fair value through other comprehensive income are irrevocably reclassified.



After initial recognition, gains or losses on changes in fair value of investments in equity instruments measured at fair value through profit or loss are recognised in profit or loss, and gains or losses on changes in fair value of investments in equity instruments designated at fair value through other comprehensive income are recognised in other comprehensive income. Gains and losses recognised in other comprehensive income are never recycled to profit or loss, instead, they are directly transferred to retained earnings upon disposal of the investments. Dividends on these investments are recognised in profit or loss except when the dividends clearly represent a recovery of part of the cost of the investments.

In addition, investments in equity instruments are not subject to impairment assessment.

Fair value

The fair value of marketable instruments is calculated based on the latest bid price of the last working day of the reporting period as quoted on the Stock Exchange of Thailand. The fair value of non-marketable instruments is calculated using discounted future cash flows techniques and/or determined by comparing with information of similar companies.

The fair value of debt instruments is determined based on the yield rates quoted by the Thai Bond Market Association.

Income from investments and disposals of investments

Gains or losses on disposals of investments are recognised in profit or loss on the transaction date by using weighted average method for computation of the cost of investments, except that those of investments in equity instruments classified as equity instruments designated at fair value through other comprehensive income are directly recognised in retained earnings.

Initial recognition

Purchases and sales of investments are initially recognised on trade date, which is the date that the Group commits to purchase or sell the investments.

Changes in classification of investments in debt instruments

When there are changes in the Group's business model for management of financial assets, the Group has to reclassify investments in debt instruments and adjust the value of these investments to their fair value on the reclassification date. Differences between the book value and fair value of investments in debt instruments on the reclassification date are recorded in profit or loss or other comprehensive income depending on the classification of the investments.

Accounting policy adopted before 1 January 2020

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 instruments is amortised by the effective interest rate with the amortised amount presented as an adjustment to interest income.

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

The fair value of marketable equity instruments is based on the last bid price of the last working day of the reporting periods on the Stock Exchange of Thailand. The fair value of debt instruments is based on the yield rates quoted by the Thai Bond Market Association.



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. Upon 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.

5.8 Investments in subsidiaries

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

5.9 Loans to customers

Accounting policy adopted since 1 January 2020

Banking business

Loans to customers are presented at the principal balances, excluding accrued interest receivables and undue interest receivables, except for overdrafts which are presented at the principal balances plus accrued interest receivables. Deferred revenue, unearned discount and fees related to loans to customers and modification gains or losses are added or deducted from the balances of loans to customers.

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

Securities business

Securities and derivatives business receivables comprise the net securities and derivatives business receivables, and including related accrued interest receivables after deducting allowance for expected credit losses. In addition, securities business receivables comprise the credit balance receivables for which the securities purchased are used as collateral, securities borrowing and lending receivables and guaranteed deposit receivables (which comprise cash placed as guarantee from borrowers of securities) as well as other receivables such as overdue cash customer accounts and receivables which are subject to legal proceedings, are undergoing restructuring or are settling in installments, but exclude securities business receivables - cash accounts.

Accounting policy adopted before 1 January 2020

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.

5.10 Allowance for expected credit losses/allowance for doubtful accounts

Accounting policy adopted since 1 January 2020

The Group recognises an allowance for expected credit losses on its financial assets that are debt instruments measured at amortised cost and debt instruments measured at fair value through other comprehensive income, including undrawn credit limit and financial guarantee contracts, without requiring a credit-impaired event to have occurred prior to the recognition. The Group sets allowance for expected credit losses using the General Approach on the loan amount, which consists of the outstanding loan balance, accrued interest receivables, undue interest receivables and other related items or equivalent to the asset in the statement of financial position as the base for calculation.

The Group classifies its financial assets into three stages based on changes in credit risk since initial recognition as follows:

Stage 1 (Performing): Financial assets where there has not been a significant increase in credit risk

For financial assets where there has not been a significant increase in credit risk since initial recognition, the Group determines allowance for expected credit losses at an amount equivalent to the expected credit losses for the next 12 months.

Stage 2 (Under-performing): Financial assets where there has been a significant increase in credit risk

For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, the Group determines allowance for expected credit losses at an amount equivalent to the expected credit losses over the expected lifetime of the financial assets.

Stage 3 (Non-performing): Financial assets that are credit-impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets. The Group determines allowance for expected credit losses at an amount equivalent to the expected credit losses over the expected lifetime of the financial assets.

At the end of the reporting period, the Group assesses whether there has been a significant increase in the credit risk of the financial assets since initial recognition by comparing the risk of default as at the reporting date with that as at the initial recognition date.

In assessing whether there has been a significant increase in credit risk since initial recognition, the Group uses internal criteria and risk ratings derived from external sources to assess the decrease in credit quality of the financial assets. The Group assesses the credit risk of the financial assets on an individual or an asset group basis. In making estimates of expected credit losses on an asset group basis, the basis of the Group's grouping of financial assets is the similarity of credit risk characteristics such as asset type, credit rating, remaining term to maturity, industry, status of the debtor and other relevant factors.

When the terms of a loan are modified because the debtor is having financial problem, it is considered to be a financial asset where there has been a significant increase in credit risk or that is credit-impaired, unless there is an evidence showing that the risk of inability to collect the contractual cash flows is significantly decreased and there are no other impairment indicators.

In making estimates of expected credit losses, the Group considers historical loss experience and adjusts it on the basis of current observable data, as well as forward-looking information that is supportable and reasonable, provided that it is shown to be statistically related, as well as exercising appropriate judgement. Macroeconomic data is used, and both the current situation and economic forecasts are evaluated. The use of forward-looking data increases the degree of judgement required in evaluating how relevant current macroeconomic changes affect expected credit losses. However, the Group has a review procedure, and the methods, assumptions and forecasts of future economic situations are regularly appraised. In addition, the allowance for expected credit losses also includes the Management Overlay for the factors, which are not captured by the ECL model and for the group of customers whose credit quality may be deteriorated.

In the case of investments in debt instruments measured at fair value through other comprehensive income, the Group recognises impairment charge in profit or loss as expected credit losses and the allowance for expected credit losses with the corresponding amount in other comprehensive income, whereas the carrying amount of the investments in debt instruments in the statement of financial position still present at fair value.

Expected credit losses on undrawn credit limit is the present value difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive. The measurement of expected credit losses on financial guarantee contracts is based on the expected payments to reimburse the holder less any amounts that the Bank expects to recover.



The Group sets allowance for expected credit losses on securities and derivatives receivables is based on the subsidiary's historical loss experience. In determining whether credit risk has increased significantly since initial recognition, the Group mainly takes into account the status of outstanding receivables and maintenance of required collateral values in the contract.

For accrued fees and service income from asset management business, the subsidiary, which operates fund management business, applies the Simplified Approach to consider the lifetime expected credit losses of the accrued fees. It is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment.

An increase or decrease in the allowance for expected credit losses is recognised as expected credit losses in profit or loss for each year.

Accounting policy adopted before 1 January 2020

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 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 history 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, problem 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).

5.11 Financial assets with modifications of terms/Debt restructuring

Banking business

Accounting policy adopted since 1 January 2020

When a financial assets' terms of repayment are renegotiated or modified, or debt is restructured, or an existing financial asset is replaced with a new financial asset because the debtor is having financial problem, the subsidiary assesses whether to derecognise the financial asset and measures the expected credit losses, as follows:

- If the modification of terms does not result in derecognition of the financial assets, the subsidiary calculates the gross carrying amount of the new financial assets based on the present value of the new or modified cash flows, discounted using the original effective interest rate of the financial assets. The difference between the book value and the present value of expected future cash flow is recognised as modification gains or losses of terms in profit or loss and presented as a part of the expected credit losses.
- If the modification of terms results in derecognition of the financial assets, the fair value of the new financial assets is the latest cash flows of the original financial assets on the date of derecognition. The difference between the book value and the fair value of the financial assets is recognised in profit or loss.

In addition, the subsidiary has redefined debt restructuring in cases where the restructuring is due to an increase in the credit risk of the debtor, in compliance with the circular of Bank of Thailand No.BOT.RPD(23)C.276/2563 dated 28 February 2020, and has accordingly modified the classification of debtors as follows:

- Debt restructuring for debtors who are performing loans, which are pre-emptive debt restructurings, made when signs of debt payment problems become evident, with the debtors classified as financial assets where there has been a significant increase in credit risk (Stage 2). If the debtors are able to make payment in accordance with the debt restructuring agreement for 3 consecutive months or 3 installments, whichever is the longer period, this demonstrates that the debtors do not meet the criteria of a significant increase in credit risk and the subsidiary will classify them as financial assets where there has not been a significant increase in credit risk (Stage 1).
- Debt restructuring for debtors who are non-performing loans (NPL) is a troubled debt restructuring (TDR) regardless of whether losses are incurred. If the debt restructuring does not result in derecognition, the debtors are classified as credit-impaired (Stage 3) until they are able to make payment in accordance with the debt restructuring agreement for 3 consecutive months or 3 installments, whichever is the longer period. The Bank can then classify them as financial assets where there has been a significant increase in credit risk (Stage 2). Following this, the subsidiary will continue to monitor repayment by these debtors for 9 months, and if they have no overdue balances of either principal or interest at the end of this period, making the subsidiary confident that they do not meet the criteria of a significant increase in credit risk, the subsidiary will reclassify them as financial assets where there has not been a significant increase in credit risk (Stage 1).

In addition, modifications of contract terms in line with changes in expected future cash flows, made in order to maintain good relationships with debtors with no increase in credit risk, such as reductions of interest rates related to market conditions, are not considered to be debt restructuring.

Accounting policy adopted before 1 January 2020

The subsidiary 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 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 accounts.

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.

5.12 Receivables from/payables to Clearing Houses and brokers-dealers

Receivables from/payables to Clearing Houses and brokers-dealers comprise 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.

5.13 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 estimated useful lives of 20 years. Depreciation of the investment properties is recognised as expenses in profit or loss.

Upon 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.

5.14 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.

Gains (losses) on disposal of properties foreclosed is recognised as revenue (expenses) in profit or loss upon disposal. Impairment loss is recognised as expenses in profit or loss.

5.15 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	-	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.

5.16 Leases

Accounting policy adopted since 1 January 2020

At inception of the contract, the Group assesses whether a contract is, or contains, a lease component if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises and measures all leases with a term of more than 12 months, unless the underlying asset is low value. At the commencement date of the lease (i.e. the date the underlying asset is available for use), the Group recognises right-of-use assets representing the right to use underlying assets and lease liabilities based on lease payments.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses (if any), and adjusted for any remeasurement of lease liabilities.

Depreciation of right-of-use assets is calculated by reference to their costs on the straight-line basis over the shorter of the lease term and their estimated useful lives as follows:

Buildings	1 - 6 years
Vehicles	1 - 5 years

If ownership of the leased asset is transferred to the Group at the end of the lease term or the cost of such asset reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted by the interest rate implicit in the lease or the Group's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or reassessment.

Short-term leases and Leases of low-value assets

Payments under a lease that has a lease term less than or equal to 12 months from the commencement date or a lease of low-value assets are recognised as expenses on a straight-line basis over the lease term.

Accounting policy adopted before 1 January 2020

Leases that do not transfer substantially all the risks and rewards of ownership to the Group, 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 period.

5.17 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 expenses and impairment losses 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 indefinite useful lives are intangible assets as a result of the business purchase, which are presented in consolidated financial statements. No amortisation has been made but such intangible assets are tested for impairment annually either individually or at the cash-generating unit level.

5.18 Impairment of non-financial 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 or 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.

5.19 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.

5.20 Provisions

Provisions 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.

5.21 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.



5.22 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Group's functional currency.

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 which are presented as gains (losses) on financial instruments measured at fair value through profit or loss.

5.23 Income tax

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

(a) Current income tax

Current income tax is 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 tax

Deferred income tax is 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 period.

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 losses 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 tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

5.24 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 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.

5.25 Financial instruments

Accounting policy adopted since 1 January 2020

The Group recognises financial assets or financial liabilities, at initial recognition, when the Group becomes a party to the contractual provisions of the financial instruments.

Classification and measurement of financial assets and financial liabilities

Financial assets - debt instruments

The Group classifies its financial assets - debt instruments as to be subsequently measured at amortised cost or fair value in accordance with the Group's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets as follows:

- Financial assets measured at amortised cost

Only if both following conditions are met: the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value on trade date and subsequently measured at amortised cost net of allowance for expected credit losses (if any).

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

- Financial assets measured at fair value through other comprehensive income

Only if both following conditions are met: the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value and subsequently measured at fair value. Gains or losses on changes in fair value are presented in shareholders' equity through other comprehensive income. The cumulative change in fair value recognised in other comprehensive income is recycled to profit or loss upon derecognition of these financial assets. Gains or losses on foreign exchange, expected credit losses and interest income which are calculated using the effective interest method are recognised in profit or loss.

- Financial assets measured at fair value through profit or loss

The financial assets are held within a business model whose objective is to hold financial asset in order to collect contractual cash flows, or the contractual terms of the financial assets give rise on specified dates to contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value and are subsequently measured at fair value. Gains or losses on changes in fair value and gains or losses on disposal are recognised as gains (losses) on financial instruments measured at fair value through profit or loss.

Financial assets - equity instruments

All investments in equity instruments are measured at fair value in the statement of financial position. The Group classifies its investments in equity instruments as equity instruments measured at fair value through profit or loss, or equity instruments designated at fair value through other comprehensive income. The classification is determined on an instrument-by-instrument basis.



Equity instruments designated at fair value through other comprehensive income are irrevocably reclassified.

After initial recognition, gains or losses on changes in fair value of investments in equity instruments measured at fair value through profit or loss are recognised in profit or loss, and gains or losses on changes in fair value of investments in equity instruments designated at fair value through other comprehensive income are recognised in other comprehensive income. Gains and losses recognised in other comprehensive income are never recycled to profit or loss, instead, they are directly transferred to retained earnings upon disposal of the investments. Dividends on these investments are recognised in profit or loss except when the dividends clearly represent a recovery of part of the cost of the investments.

In addition, investments in equity instruments are not subject to impairment assessment.

Financial liabilities

At initial recognition, the Group's financial liabilities are recognised at fair value and classified as liabilities to be subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Modification of financial instruments not measured at fair value

Financial assets

If the terms of a financial asset are modified and the Group assesses that cash flows of the modified financial asset are significantly different from the original financial assets. The original financial asset is derecognised and a new financial asset is recognised at fair value. The difference between the carrying amount of the derecognised financial asset and the new financial asset is recognised in profit or loss as a part of the expected credit losses.

If cash flows of the modified financial asset are not substantially different, the Group recalculates the gross carrying amount of the new financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss, which is presented as a part of the expected credit losses.

Financial liabilities

The Group derecognises a financial liability when its terms are modified, and the cash flows of the modified financial liability are substantially different. A new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability is recognised in profit or loss.

If the cash flows of the modified financial liability are not substantially different, the Group adjusts the carrying amount of the financial liability to reflect the net present value of the revised cash flows discounted at the original effective interest rate and recognises the amount arising from adjusting the carrying amount as a modification gains or losses.

Derecognition of financial instruments

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or have been transferred and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Write-off

Debts that are determined to be irrecoverable are written off (either partially or in full) in the year in which the decision is taken. This is generally the case when the Group determines that the counterparties do not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off are still subject to enforcement activities in order to comply with the Group's procedures for recovery of amount due. In case of bad debt recovery, the recovered amount is recognised as revenue in the year it is recovered.

The Group has risk related to these financial instruments and the risk management policies as described in Note 51 to the financial statements.



5.26 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 give 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.

6. Significant accounting judgements and estimates

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

6.1 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 exercises judgement, 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 the disclosure notes of the fair value hierarchy.

6.2 Allowance for impairment on investments

Accounting policy adopted before 1 January 2020

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 judgement 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.

6.3 Allowance for expected credit losses/allowance for doubtful accounts

Accounting policy adopted since 1 January 2020

Banking business

The subsidiary has developed a model for estimating expected credit losses of financial assets based on the Bank of Thailand's guidelines.

Judgement is used in estimating the allowance for expected credit losses of debtors who are having problems making principal and/or interest payments, with management taking into consideration analysis of debtor status performed on an individual and a group basis, the probability of default, estimated losses arising from the default, historical collection experience, collateral value, statistical data, economic factors and risk ratings derived from external sources. These are used in determining assumptions and forward-looking scenarios, as well as probability weighted outcomes. The subsidiary also considers factors that would result in a significant increase in the credit risk of the financial assets compared with the risk as of the initial recognition date.

In addition, the management sets aside an additional allowance for expected credit losses to account for the uncertainties around future events that have not yet been reflected in the model (Management Overlay), based on the assessment and judgement of the management.

Securities business/fund management business

The management is required to exercise judgement in estimating allowance for expected credit losses of financial assets. The calculation of allowance for expected credit losses of the subsidiaries depends on the criteria used for assessment of a significant increase in credit risk, the development of a model, the risk that collateral value cannot be realised, collective and individual analyses of the status of receivables, the probability of debt collection and



selection of the forecasted macroeconomic data input used in the model. The use of difference estimates and assumptions could affect the amount of the allowance for expected credit losses and therefore the allowance may need to be adjusted in the future.

Accounting policy adopted before 1 January 2020

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 judgement 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.

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

6.5 Leases

Accounting policy adopted since 1 January 2020

Determining the lease term with extension and termination options

In determining the lease term, the management is required to exercise judgement in assessing whether the Group is reasonably certain to exercise the option to extend or terminate the lease considering all relevant facts and circumstances that create an economic incentive for the Group to exercise either the extension or termination option.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, the management is required to exercise judgement in estimating its incremental borrowing rate to discount lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

6.6 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.

6.7 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 judgement 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.

6.8 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.



6.9 Litigation

The subsidiaries have contingent liabilities as a result of claim litigation. The management has used judgement 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.

6.10 Recognition and derecognition of assets and liabilities

In considering whether to recognise or derecognise assets and liabilities, the management is required to make judgement on whether risks and rewards of those assets and liabilities have been transferred, based on their best knowledge of current events and arrangements.

7. The classification of financial assets and financial liabilities

(Unit: Thousand Baht)

Consolidated financial statements					
31 December 2020					
	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity instruments designated at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
Financial assets					
Cash	-	-	-	801,515	801,515
Interbank and money market items - net	-	-	-	32,367,362	32,367,362
Financial assets measured at fair value through profit or loss	26,780	-	-	-	26,780
Derivative assets	412,457	-	-	-	412,457
Investments - net	-	36,887,789	18,768,702	-	55,656,491
Loans to customers and accrued interest receivables - net	-	-	-	156,216,695	156,216,695
Securities business receivables - cash accounts	-	-	-	157,526	157,526
Total financial assets	439,237	36,887,789	18,768,702	189,543,098	245,638,826
Financial liabilities					
Deposits	-	-	-	182,719,839	182,719,839
Interbank and money market items	-	-	-	12,336,776	12,336,776
Liabilities payable on demand	-	-	-	949,585	949,585
Derivative liabilities	228,458	-	-	-	228,458
Debts issued and borrowings - net	-	-	-	11,393,942	11,393,942
Lease liabilities - net	-	-	-	791,187	791,187
Securities business payables	-	-	-	274,217	274,217
Total financial liabilities	228,458	-	-	208,465,546	208,694,004

(Unit: Thousand Baht)

Consolidated financial statements

31 December 2019

	Held for trading	Held as available-for- sale	Held to maturity	Cost / amortised cost	Total
Financial assets					
Cash	-	-	-	1,635,585	1,635,585
Interbank and money market items - net	-	-	-	18,569,123	18,569,123
Derivative assets	56,864	-	184,512	-	241,376
Investments - net	22,549,678	1,647,803	42,074,794	16,360	66,288,635
Loans to customer and accrued interest receivables - net	-	-	-	152,040,692	152,040,692
Securities business receivables - cash accounts	-	-	-	62,370	62,370
Total financial assets	22,606,542	1,647,803	42,259,306	172,324,130	238,837,781
Financial liabilities					
Deposits	-	-	-	164,984,781	164,984,781
Interbank and money market items	-	-	-	10,466,992	10,466,992
Liabilities payable on demand	-	-	-	52,083	52,083
Derivative liabilities	35,634	-	-	-	35,634
Debts issued and borrowings - net	-	-	-	21,805,590	21,805,590
Payables to Clearing House	-	-	-	3,107	3,107
Securities business payables	-	-	-	69,989	69,989
Total financial liabilities	35,634	-	-	197,382,542	197,418,176

(Unit: Thousand Baht)

Separate financial statements

31 December 2020

	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity instruments designated at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
Financial assets					
Cash	-	-	-	10	10
Interbank and money market items - net	-	-	-	10,755	10,755
Investments - net	-	85,206	7,424,819	-	7,510,025
Total financial assets	-	85,206	7,424,819	10,765	7,520,790
Financial liabilities					
Interbank and money market items	-	-	-	745,000	745,000
Debts issued and borrowings - net	-	-	-	6,425,302	6,425,302
Lease liabilities - net	-	-	-	24,282	24,282
Total financial liabilities	-	-	-	7,194,584	7,194,584



(Unit: Thousand Baht)

Separate financial statements

	31 December 2019				
	Held for trading	Held as available-for-sale	Held to maturity	Cost / amortised cost	Total
<u>Financial assets</u>					
Cash	-	-	-	10	10
Interbank and money market items - net	-	-	-	28,977	28,977
Investments - net	8,511,203	84,493	-	-	8,595,696
Total financial assets	8,511,203	84,493	-	28,987	8,624,683
<u>Financial liabilities</u>					
Interbank and money market items	-	-	-	360,002	360,002
Debts issued and borrowings - net	-	-	-	4,996,265	4,996,265
Total financial liabilities	-	-	-	5,356,267	5,356,267

8. Interbank and money market items (assets)

(Unit: Thousand Baht)

Consolidated financial statements

	31 December 2020			31 December 2019		
	At call	Term	Total	At call	Term	Total
Domestic:						
Bank of Thailand	2,452,043	-	2,452,043	325,746	-	325,746
Commercial banks	152,480	8,800,000	8,952,480	154,855	3,338,000	3,492,855
Specialised financial institutions	-	7,300,000	7,300,000	-	2,500,000	2,500,000
Other financial institutions	2,925,000	10,515,000	13,440,000	2,709,000	9,580,978	12,289,978
Total	5,529,523	26,615,000	32,144,523	3,189,601	15,418,978	18,608,579
Add: Accrued interest receivables and undue interest receivables	2,716	7,847	10,563	3,908	9,649	13,557
Less: Allowance for expected credit losses	(1,207)	(2,542)	(3,749)	-	-	-
Less: Allowance for doubtful accounts	-	-	-	(27,090)	(152,390)	(179,480)
Total domestic items	5,531,032	26,620,305	32,151,337	3,166,419	15,276,237	18,442,656
Foreign:						
US Dollar	205,371	-	205,371	119,239	-	119,239
Yen	624	-	624	-	-	-
Euro	490	-	490	35	-	35
Other currencies	9,540	-	9,540	7,193	-	7,193
Total foreign items	216,025	-	216,025	126,467	-	126,467
Total interbank and money market items - net	5,747,057	26,620,305	32,367,362	3,292,886	15,276,237	18,569,123

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2020			31 December 2019		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	10,755	-	10,755	28,977	-	28,977
Interbank and money market items - net	10,755	-	10,755	28,977	-	28,977

9. Financial assets measured at fair value through profit or loss

(Unit: Thousand Baht)

Investments	Consolidated financial statements		Separate financial statements	
	31 December		31 December	
	2020	2019	2020	2019
Financial assets held for trading				
Domestic marketable equity instruments				
- Stocks	26,780	-	-	-
Total	26,780	-	-	-

10. Derivative assets/liabilities

The fair values/carrying values of derivative assets and liabilities consist of derivatives held for trading and derivatives held for banking book measured at fair value.

(Unit: Thousand Baht)

Types of derivatives	Consolidated financial statements			
	31 December 2020		31 December 2019	
	Fair value		Fair value / Carrying value	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	135,796	228,458	56,864	35,634
Derivatives held for banking book *	276,661	-	184,512	-
Total	412,457	228,458	241,376	35,634

* The subsidiary has entered into derivatives contracts for the purpose of risk management (Banking book) without selecting an option to adopt hedge accounting.



Derivatives held for trading

As at 31 December 2020 and 2019, 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 2020			31 December 2019		
	Fair value		Notional amounts *	Fair value		Notional amounts *
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate	135,796	228,458	21,700,033	56,864	35,634	18,336,461
Total	135,796	228,458	21,700,033	56,864	35,634	18,336,461

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

Derivatives held for banking book

As at 31 December 2020 and 2019, the fair values/carrying values and the notional amounts of derivatives held for banking book, classified by type of risk, were as follows:

(Unit: Thousand Baht)

Types of risk	Consolidated financial statements					
	31 December 2020			31 December 2019		
	Fair value		Notional amounts *	Carrying value		Notional amounts *
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate and interest rate	276,661	-	1,149,440	184,512	-	1,149,440
Total	276,661	-	1,149,440	184,512	-	1,149,440

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

11. Investments

11.1 Type of investments

Investments as at 31 December 2020 consist of:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	31 December 2020	31 December 2020
	Fair value	Fair value
Investments in debt instruments measured at fair value through other comprehensive income		
Government and state enterprise instruments	18,471,268	-
Private sector debt instruments	14,908,300	85,269
Other debt instruments	3,710,497	-
Total	37,090,065	85,269
Less: Allowance for expected credit losses	(202,276)	(63)
Total investments in debt instruments measured at fair value through other comprehensive income	36,887,789	85,206

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	31 December 2020		31 December 2020	
	Fair value	Dividend received	Fair value	Dividend received
Investments in equity instruments designated at fair value through other comprehensive income				
Domestic marketable equity instruments				
- Stock	306,250	10,100	-	-
- Investment units	18,446,093	1,373,129	7,424,819	538,279
Domestic non-marketable equity instruments	16,359	629	-	-
Total investments in equity instruments designated at fair value through other comprehensive income	18,768,702	1,383,858	7,424,819	538,279
Total investments - net	55,656,491		7,510,025	



During the year ended 31 December 2020, the Group sold investments in equity instruments designated at fair value through other comprehensive income. Accumulated gains or losses on derecognition were recognised in retained earnings were as follows:

(Unit: Thousand Baht)

Consolidated financial statements				
For the year ended 31 December 2020				
	Fair value on derecognition date	Dividend received	Gains or losses on derecognition	Reason of derecognition
Derecognised investments in equity instruments				
Domestic marketable equity instruments				
- Stock	255,989	-	(87,511)	Liquidity management
- Investment units	755,494	4,642	179,787	Liquidity management
Investment units ⁽¹⁾	796,954	-	(3,046)	Liquidity management
Total	1,808,437	4,642	89,230	

⁽¹⁾ The subsidiary classifies and measures the investment units at fair value through other comprehensive income, which is in accordance with the BOT's notification Sor Nor Sor. 6/2563 regarding the investments in unit trust of fixed income fund to enhance the liquidity of the money market.

(Unit: Thousand Baht)

Separate financial statements				
For the year ended 31 December 2020				
	Fair value on derecognition date	Dividend received	Gains or losses on derecognition	Reason of derecognition
Derecognised investments in equity instruments				
Domestic marketable equity instruments				
- Investment units	2,138,460	3,076	(121,645)	Liquidity management
Total	2,138,460	3,076	(121,645)	

During the year 2020, the Company sold investments in equity instruments designated at fair value through other comprehensive income to the subsidiary and recognised losses in retained earnings totalling Baht 206 million.

Investments as at 31 December 2019 consist of:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	31 December 2019	31 December 2019
Trading investments - fair value		
Domestic marketable equity instruments		
- Stocks	4,659	-
- Investment units	22,545,019	8,511,203
Total trading investments	22,549,678	8,511,203
Available-for-sale investments - fair value		
Private sector debt instruments	1,055,563	84,493
Domestic marketable equity instruments - stocks	592,240	-
Total available-for-sale investments	1,647,803	84,493
Held-to-maturity investments - amortised cost		
Government and state enterprise instruments	18,336,809	-
Private sector debt instruments	18,347,043	-
Other debt instruments	5,390,942	-
Total held-to-maturity investments	42,074,794	-
General investments - cost		
Domestic non-marketable equity instruments - stocks	16,385	-
Less: Allowance for impairment	(25)	-
Total general investments	16,360	-
Total investments - net	66,288,635	8,595,696

11.2 Investments in which the subsidiary holds more than 10 percent of the equity of the investees

As at 31 December 2020 and 2019, the investments in which the subsidiary, which operates banking business, holds more than 10 percent of the equity of the investees that were not treated as investments in subsidiaries and associates, were as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	31 December	
	2020	2019
Infrastructure Fund (presented at fair value)	211,750	285,250
	211,750	285,250



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

(Unit: Thousand Baht)

Consolidated financial statements						
31 December 2020			31 December 2019			
Number of companies	Cost	Fair value	Number of companies	Cost	Fair value	Allowance for impairment
Companies whose auditors' report indicating going concern issues						
1	25	-	1	25	-	25
1	25	-	1	25	-	25

11.4 Reclassification

On 15 June 2020, the Board of Directors' Meeting No.6/2563 of the subsidiary which operates banking business approved the change of its business model of financial assets management with regard to investments in debt instruments, which were previously classified as an investments in debt instruments measured at amortised cost to be an investments in debt instruments measured fair value through other comprehensive income. The change was effective on 1 July 2020, whereby the fair value and the cost of the reclassified investments on the reclassification date amounted to Baht 33,963 million and Baht 32,864 million, respectively. The difference between the fair value and the cost of Baht 1,099 million was recognised as a part of "Gains (losses) on debt instruments measured at fair value through other comprehensive income" in the statements of comprehensive income.

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 financial instruments measured at fair value through profit or loss" 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).

12. 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	
	2020	2019	2020	2019	2020	2019
			(Percent)	(Percent)		
<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	1,274,430	637,215	99.90	99.80	1,991,785	1,035,992
Land and Houses Fund						
Management Company						
Limited	300,000	300,000	99.99	99.99	325,417	325,417
					<u>32,916,116</u>	<u>31,960,323</u>
<u>Subsidiary indirectly held via another subsidiary</u>						
Land and Houses Advisory						
Company Limited	20,000	20,000	99.99	99.99	4,833 ⁽¹⁾	5,115 ⁽¹⁾

⁽¹⁾ As this subsidiary is held by the Company's another subsidiary, that amount is a carrying value presented in the separate financial statements of that subsidiary.

On 19 March 2020, the Annual General Meeting of the subsidiary's shareholders (Securities business) No.1/2563 passed a resolution to approve the issuance and allotment of 637,215,030 additional ordinary shares with a par value of Baht 1 each to the Company at Baht 1.50 per share, or a total of Baht 955.79 million. The Board of Directors' Meeting No.2/2563 of the Company passed a resolution to purchase these additional shares. However, the Company made a payment for such shares and the subsidiary has already registered its additional share capital with the Ministry of Commerce on 14 April 2020.



13. Loans to customers and accrued interest receivables

13.1 Classified by loan types

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December	
	2020	2019
Overdrafts	3,519,531	4,318,141
Loans	121,969,143	113,374,942
Bills	34,665,576	37,328,743
Hire purchase receivables	92,631	174,589
Securities and derivatives business receivables	1,129,516	670,000
Total loans to customers	161,376,397	155,866,415
Less: Deferred revenue	(21,620)	(26,029)
Loans to customers net of deferred revenue	161,354,777	155,840,386
Add: Accrued interest receivables and undue interest receivables	876,219	217,062
Total loans to customers and accrued interest receivables	162,230,996	156,057,448
Less: Allowance for expected credit losses	(6,014,301)	-
Allowance for doubtful accounts	-	(4,002,771)
Revaluation allowance for debt restructuring	-	(13,985)
Loans to customers and accrued interest receivables - net	156,216,695	152,040,692

13.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2020			31 December 2019		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	159,226,272	-	159,226,272	154,614,871	-	154,614,871
US Dollar	2,046,487	-	2,046,487	1,225,515	-	1,225,515
Other currency	82,018	-	82,018	-	-	-
Total	161,354,777	-	161,354,777	155,840,386	-	155,840,386

13.3 Classified by loan classification

As at 31 December 2020, the Group had loans to customers and relevant allowance for expected credit losses classified by loan classification as follows:

	Banking business		Securities business	
	31 December 2020		31 December 2020	
	Loans to customers and accrued interest receivables	Allowance for expected credit losses	Loans to customers and accrued interest receivables	Allowance for expected credit losses
Financial assets where there has not been a significant increase in credit risk (Performing)	150,816,723	944,202	1,110,072	-
Financial assets where there has been a significant increase in credit risk (Under-performing)	4,781,681	869,397	-	-
Financial assets that are credit-impaired (Non-performing)	5,498,953	2,762,044	23,567	8,390
Total	161,097,357	4,575,643	1,133,639	8,390
General provision		1,430,268		
Total		6,005,911		

As at 31 December 2019, loans to customers were classified by loan classification in accordance with the BOT's notifications/SEC's regulations as follows:

(a) Banking business

	(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 ⁽¹⁾	Minimum rates (Percent)	Allowance for doubtful accounts
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

⁽¹⁾ For loans classified as pass and special-mention, net amount used for setting allowance for doubtful accounts means principal balance excluding accrued interest receivables and net of collateral. For loans classified as sub-standard, doubtful and doubtful of loss, it means the principal balance after deduction of the present value of future cash flows expected to be received from debt collection or from the disposal of collateral.



(b) Securities business

(Unit: Thousand Baht)

Consolidated financial statements			
31 December 2019			
	Loans to customers and accrued interest receivables	Allowance for doubtful accounts	Debt balances after allowance for doubtful accounts
Pass	647,288	-	647,288
Sub-standard	22,798	-	22,798
Doubtful	2,852	2,852	-
Total	672,938	2,852	670,086

In addition, as at 31 December 2020 and 2019, that subsidiary also had outstanding receivables due from cash account customers totalling Baht 158 million and Baht 62 million, respectively. These receivables were presented as a part of “securities business receivables - cash accounts” in the consolidated financial statements, and classified as “receivables where there has not been a significant increase in credit risk (Performing) in compliance with TFRS 9 / “pass” in compliance with the SEC’s regulations.

13.4 Loans to customers that have repayment problems or default payments

As at 31 December 2020 and 2019, the subsidiaries had loans to customers and accrued interest receivables due from companies and individuals, which had repayment problems or default payments, against which allowance for expected credit losses/allowance for doubtful accounts, were made as follows:

(Unit: Thousand Baht)

Consolidated financial statements			
31 December 2020			
	Number of debtors	Debt balances	Allowance for expected credit losses
<u>Banking business</u>			
Companies and individuals that have repayment problems or default payments	579	10,280,634	3,631,441
<u>Securities business</u>			
Companies and individuals that have repayment problems or default payments	2	23,567	8,390

(Unit: Thousand Baht)

Consolidated financial statements				
31 December 2019				
	Number of			Allowance for doubtful
	debtors	Debt balances	Collateral value	accounts/Revaluation
				allowance
<u>Banking business</u>				
Companies and individuals that have repayment problems or default payments	439	6,170,863	5,557,513	463,443
<u>Securities business</u>				
Companies and individuals that have repayment problems or default payments	1	25,650	22,687	2,852

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 already considered the loan classification and set allowance for expected credit losses of those debtors.

13.5 Troubled debt restructuring

As at 31 December 2020 and 2019, the subsidiary had restructured debtors with outstanding debt balances as follows:

	(Unit: Thousand Baht)			
	Total debts		Restructured debts	
	Number of	Debt balances	Number of	Debt balances
	debtors	(principal and	debtors	(principal and
		accrued interest)		accrued interest)
31 December 2020	10,081	162,230,996	268	4,160,494
31 December 2019	9,734	156,057,448	247	4,657,237

As at 31 December 2020 and 2019, the subsidiary had no outstanding commitments to provide additional loan facilities after restructuring.



13.6 Hire purchase receivables

As at 31 December 2020 and 2019, the subsidiary had hire purchase receivables, on which the terms of the agreements were generally between 3 to 8 years and they carried interest at fixed rates as stipulated in the agreements.

(Unit: Thousand Baht)

Consolidated financial statements				
31 December 2020				
Amounts due under the contracts				
Less than		Over		
1 year	1 - 5 years	5 years	Total	
Aggregate initial investments under the hire purchase agreements	74,726	17,905	-	92,631
Less: Deferred revenue	(2,898)	(1,811)	-	(4,709)
Present value of minimum lease payments	71,828	16,094	-	87,922
Less: Allowance for expected credit losses				(5,427)
Hire purchase receivables - net				82,495

(Unit: Thousand Baht)

Consolidated financial statements				
31 December 2019				
Amounts due under the contracts				
Less than		Over		
1 year	1 - 5 years	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

14. Allowance for expected credit losses/allowance for doubtful accounts

(Unit: Thousand Baht)

Consolidated financial statements							
For the year ended 31 December 2020							
	Financial assets where there has not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under- performing)	Financial assets that are credit- impaired (Non- performing)	General provision	Allowance for doubtful accounts	Revaluation allowance for debt restructuring	Total
Interbank and money market items (assets)							
Balances - beginning of the year	-	-	-	-	179,480	-	179,480
Changes due to adoption of new accounting standards ⁽¹⁾	4,274	-	-	-	(179,480)	-	(175,206)
	4,274	-	-	-	-	-	4,274
Changes due to revaluation of loss allowance	(11,689)	-	-	-	-	-	(11,689)
New financial assets purchased or acquired	31,666	-	-	-	-	-	31,666
Financial assets derecognised	(20,502)	-	-	-	-	-	(20,502)
Balances - end of the year	3,749	-	-	-	-	-	3,749
Investments in debt instruments measured at amortised cost							
Balances - beginning of the year	-	-	-	-	-	-	-
Changes due to adoption of new accounting standards ⁽¹⁾	6,060	-	-	-	-	-	6,060
	6,060	-	-	-	-	-	6,060
Changes due to revaluation of loss allowance	(866)	-	-	-	-	-	(866)
New financial assets purchased or acquired	32	-	-	-	-	-	32
Financial assets derecognised	(412)	-	-	-	-	-	(412)
Reclassification	(4,814)	-	-	-	-	-	(4,814)
Balances - end of the year	-	-	-	-	-	-	-
Investments in debt instruments measured at fair value through other comprehensive income							
Balances - beginning of the year	-	-	-	-	-	-	-
Changes due to adoption of new accounting standards ⁽¹⁾	240	-	-	-	-	-	240
	240	-	-	-	-	-	240
Changes due to transfers of loan classification	(2,764)	2,764	-	-	-	-	-
Changes due to revaluation of loss allowance	(753)	197,236	-	-	-	-	196,483
New financial assets purchased or acquired	928	-	-	-	-	-	928
Financial assets derecognised	(189)	-	-	-	-	-	(189)
Reclassification	4,814	-	-	-	-	-	4,814
Balances - end of the year	2,276	200,000	-	-	-	-	202,276

⁽¹⁾ The beginning balance of allowance for doubtful accounts, which was previously recognised in accordance with the rules of the Bank of Thailand, is currently shown as 12-mth ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment of the comparative information, as described in Note 4 to the financial statements.



(Unit: Thousand Baht)

	Consolidated financial statements						
	For the year ended 31 December 2020						
	Financial assets where there has not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under- performing)	Financial assets that are credit- impaired (Non- performing)	General provision	Allowance for doubtful accounts	Revaluation allowance for debt restructuring	Total
Loans to customers and accrued interest receivables							
Balances - beginning of the year	-	-	-	872,251	3,130,520	13,985	4,016,756
Changes due to adoption of new accounting standards ⁽¹⁾	433,768	972,271	1,417,001	446,313	(3,130,520)	(13,985)	124,848
	433,768	972,271	1,417,001	1,318,564	-	-	4,141,604
Changes due to transfers of loan classification	583,032	(1,105,760)	522,728	-	-	-	-
Changes due to revaluation of loss allowance	(187,335)	938,086	1,013,148	111,704	-	-	1,875,603
New financial assets purchased or acquired	444,239	364,732	90,265	-	-	-	899,236
Financial assets derecognised	(329,502)	(299,932)	(272,708)	-	-	-	(902,142)
Balances - end of the year	944,202	869,397	2,770,434	1,430,268	-	-	6,014,301
Other assets							
Balances - beginning of the year	-	-	-	-	27,555	-	27,555
Changes due to adoption of new accounting standards ⁽¹⁾	791	249	26,515	-	(27,555)	-	-
	791	249	26,515	-	-	-	27,555
Changes due to transfers of loan classification	(21)	38	(17)	-	-	-	-
Changes due to revaluation of loss allowance	33	26	11,132	-	-	-	11,191
New financial assets purchased or acquired	718	776	26,292	-	-	-	27,786
Financial assets derecognised	(775)	(771)	(27,436)	-	-	-	(28,982)
Balances - end of the year	746	318	36,486	-	-	-	37,550

⁽¹⁾ The beginning balance of allowance for doubtful accounts, which was previously recognised in accordance with the rules of the Bank of Thailand, is currently shown as 12-mth ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment of the comparative information, as described in Note 4 to the financial statements.

(Unit: Thousand Baht)

	Separate financial statements						
	For the year ended 31 December 2020						
	Financial assets where there has not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under- performing)	Financial assets that are credit- impaired (Non- performing)	General provision	Allowance for doubtful accounts	Revaluation allowance for debt restructuring	Total
Investments in debt instruments measured at fair value through other comprehensive income							
Balances - beginning of the year	-	-	-	-	-	-	-
Changes due to revaluation of loss allowance	63	-	-	-	-	-	63
Balances - end of the year	63	-	-	-	-	-	63



The amount of allowance for expected credit losses (ECL) as at 1 January 2020 as determined based on Expected Credit Loss model (ECL model) of the subsidiary which operates banking business in accordance with TFRS 9: Financial Instruments was less than the amount of allowance for doubtful accounts as at 31 December 2019 as determined in accordance with the former accounting policy by Baht 1,317 million. On 15 May 2020, the subsidiary informed the Bank of Thailand that the subsidiary reserves such amount as Management Overlay for the cases where additional provision may be incurred from the instability of the ECL model due to the first-year adoption or for the group of customers whose credit quality may be deteriorated. During the year ended 31 December 2020, the subsidiary has set additional Management Overlay of Baht 111 million. Therefore, as at 31 December 2020, the balance of allowance for expected credit losses in respect of the Management Overlay was Baht 1,428 million.

(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	General provision	Total
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss	for specific debtors		
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-off	-	-	-	-	(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

During the year ended 31 December 2020, the subsidiary, which operates banking business, had significant changes in the book value of financial assets to the changes in allowance for expected credit losses as follows:

(Unit: Thousand Baht)

Consolidated financial statements				
For the year ended 31 December 2020				
Increase (decrease) in allowance for expected credit losses				
	Description of significant change in book value	Financial assets where there has		
		not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under-performing)	Financial assets that are credit-impaired (Non-performing)
Financial instruments				
Corporate loans increased				
Loans to customers	by Baht 3,394 million	442,536	(112,404)	1,282,150



15. Revaluation allowance for debt restructuring

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2020	2019
Balances - beginning of the years	13,985	11,994
Changes due to adoption of new accounting standards	(13,985)	-
Increase during the years	-	4,430
Decrease during the years	-	(3,166)
Adjustment during the years	-	727
Balances - end of the years	-	13,985

16. Disposals of non-performing loans

For the years ended 31 December 2020 and 2019, the subsidiary, which operates banking business, has entered into the sale and purchase agreements, as a seller, to sell non-performing loans, which were summarised as follows:

(Unit: Million Baht)

Consolidated financial statements							
For the year ended 31 December 2020				For the year ended 31 December 2019			
Batch	Month sold	Outstanding balances (including other relevant assets)	Selling price	Batch	Month sold	Outstanding balances (including other relevant assets)	Selling price
1	May	187	121	1	May	823	675
				2	May	269	158
				3	September	859	427
				4	October	882	700
		<u>187</u>	<u>121</u>			<u>2,833</u>	<u>1,960</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 May 2021 (for the sale in May 2020). 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, the transfer of any assets shall 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 2020, the buyer has yet to cancel any assets sold up to the authorisation date of these financial statements.

17. Investment properties

As at 31 December 2020 and 2019, the carrying values of investment properties were presented below.

(Unit: Thousand Baht)

	Separate financial statements		
	Land	Office building for rent	Total
Cost			
1 January 2019	35,358	2,642	38,000
31 December 2019	35,358	2,642	38,000
31 December 2020	35,358	2,642	38,000
Accumulated depreciation			
1 January 2019	-	1,015	1,015
Depreciation charged for the year	-	132	132
31 December 2019	-	1,147	1,147
Depreciation charged for the year	-	132	132
31 December 2020	-	1,279	1,279
Net book value			
31 December 2019	35,358	1,495	36,853
31 December 2020	35,358	1,363	36,721
Depreciation for the years			
2019			132
2020			132
Fair values			
31 December 2019	36,620	3,279	
31 December 2020	36,620	3,173	

The fair value is appraised by an independent value using the market approach for land and office building for rent and 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.



18. Properties foreclosed

(Unit: Thousand Baht)

Consolidated financial statements				
For the year ended 31 December 2020				
	31 December 2019	Increase	Disposal	Appraiser change
31 December 2020				
Properties foreclosed - Immovable assets				
Appraised by external appraisers:				
Cost	9,474	580,659	-	17,684
Allowance for impairment	-	-	-	-
Net book value	9,474	580,659	-	17,684
Appraised by internal appraisers:				
Cost	62,398	364	(2,230)	(17,684)
Allowance for impairment	-	-	-	-
Net book value	62,398	364	(2,230)	(17,684)
Properties foreclosed - Immovable assets	71,872	581,023	(2,230)	-
Properties foreclosed - Movable assets				
Appraised by external appraisers:				
Cost	3,560	-	-	-
Allowance for impairment	(1,698)	-	-	-
Net book value	1,862	-	-	-
Properties foreclosed - Movable assets	1,862	-	-	-
Total properties foreclosed	73,734	581,023	(2,230)	-

(Unit: Thousand Baht)

Consolidated financial statements				
For the year ended 31 December 2019				
	31 December			31 December
	2018	Increase	Disposal	2019
Properties foreclosed - Immovable assets				
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	(16,941)	62,398
Allowance for impairment	-	-	-	-
Net book value	76,626	2,713	(16,941)	62,398
Properties foreclosed - Immovable assets	86,087	2,726	(16,941)	71,872
Properties foreclosed - Movable assets				
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
Total properties foreclosed	87,949	2,726	(16,941)	73,734

As at 31 December 2020, the subsidiary's properties foreclosed totalling Baht 500 million were obligated under the agreements to sell to the former debtors as the first refusal rights within the specified periods.

As at 31 December 2019, 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 or were not subject to the first refusal rights granted to the former debtors.

(Unit: Thousand Baht)

	Consolidated financial statements							
	Land	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicles	Assets in progress	Total
Cost								
1 January 2019	75,947	12,853	461,759	166,197	654,866	19,778	4,428	1,395,828
Addition	-	-	11,037	5,630	52,217	9,016	11,096	88,996
Write-off/disposal	-	-	(48,897)	(13,438)	(361)	(7,050)	-	(69,746)
Transfer 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
Addition	-	-	6,698	4,690	94,926	-	11,381	117,695
Write-off/disposal	-	-	(8,010)	(5,604)	(93,470)	(6,053)	-	(113,137)
Transfer in (out)	-	-	6,212	-	8,108	-	(14,320)	-
31 December 2020	75,947	12,853	441,286	157,475	716,286	15,691	98	1,419,636
Accumulated depreciation								
1 January 2019	-	4,023	403,517	144,265	537,186	15,128	-	1,104,119
Accumulated depreciation on write-off/disposal	-	-	(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
Accumulated depreciation on write-off/disposal	-	-	(7,510)	(5,271)	(91,205)	(6,054)	-	(110,040)
Depreciation charged for the year	-	644	21,517	7,388	52,759	2,557	-	84,865
31 December 2020	-	5,309	397,528	142,959	554,255	9,660	-	1,109,711
Net book value								
31 December 2019	75,947	8,188	52,865	17,547	114,021	8,587	3,037	280,192
31 December 2020	75,947	7,544	43,758	14,516	162,031	6,031	98	309,925
Depreciation for the years								
2019								95,762
2020								84,865

(Unit: Thousand Baht)

	Separate financial statements				Total
	Leasehold improvements	Furniture and fixtures	Office equipment	Assets in progress	
Cost					
1 January 2019	-	-	-	-	-
Addition	1,453	168	60	-	1,681
31 December 2019	1,453	168	60	-	1,681
Addition	1,139	506	490	850	2,985
Disposal	-	(6)	-	-	(6)
Transfer in (out)	850	-	-	(850)	-
31 December 2020	3,442	668	550	-	4,660
Accumulated depreciation					
1 January 2019	-	-	-	-	-
Depreciation charged					
for the year	2	-	-	-	2
31 December 2019	2	-	-	-	2
Depreciation charged					
for the year	684	120	93	-	897
31 December 2020	686	120	93	-	899
Net book value					
31 December 2019	1,451	168	60	-	1,679
31 December 2020	2,756	548	457	-	3,761
Depreciation for the years					
2019					2
2020					897

As at 31 December 2020 and 2019, 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 914 million and Baht 896 million, respectively.



20. Right-of-use assets

(Unit: Thousand Baht)

	Consolidated financial statements		
	Buildings	Vehicles	Total
Cost			
1 January 2020 ⁽¹⁾	720,200	50,535	770,735
Addition	330,516	13,828	344,344
Contract termination	(38,123)	(3,871)	(41,994)
31 December 2020	1,012,593	60,492	1,073,085
Accumulated depreciation			
1 January 2020	-	-	-
Accumulated depreciation on contract termination	(33,138)	(3,027)	(36,165)
Depreciation charged for the year	286,528	22,357	308,885
31 December 2020	253,390	19,330	272,720
Net book value			
31 December 2020	759,203	41,162	800,365

⁽¹⁾ The amounts were the adjustments of right-of-use assets from TFRS 16 adoption as described in Note 4.2 to the financial statements.

(Unit: Thousand Baht)

	Separate financial statements		
	Buildings	Vehicles	Total
Cost			
1 January 2020 ⁽¹⁾	30,285	-	30,285
Addition	-	-	-
Contract termination	-	-	-
31 December 2020	30,285	-	30,285
Accumulated depreciation			
1 January 2020	-	-	-
Accumulated depreciation on contract termination	-	-	-
Depreciation charged for the year	6,067	-	6,067
31 December 2020	6,067	-	6,067
Net book value			
31 December 2020	24,218	-	24,218

⁽¹⁾ The amounts were the adjustments of right-of-use assets from TFRS 16 adoption as described in Note 4.2 to the financial statements.

21. Intangible assets

(Unit: Thousand Baht)

	Consolidated financial statements				Total
	Computer softwares	Deferred membership and license fee	Intangible assets from the business purchase	Computer softwares under development	
Cost					
1 January 2019	781,778	38,093	80,041	165,371	1,065,283
Addition	77,011	2,858	-	77,147	157,016
Write-off	(383)	-	-	-	(383)
Transfer in (out)	228,681	-	-	(228,681)	-
31 December 2019	1,087,087	40,951	80,041	13,837	1,221,916
Addition	41,443	-	-	26,014	67,457
Write-off	(2,253)	-	-	(682)	(2,935)
Adjustment	(1,679)	-	-	-	(1,679)
Transfer in (out)	28,234	-	-	(28,234)	-
31 December 2020	1,152,832	40,951	80,041	10,935	1,284,759
Accumulated amortisation					
1 January 2019	579,076	25,034	-	-	604,110
Accumulated amortisation on write-off	(383)	-	-	-	(383)
Amortisation charged for the year	114,396	3,918	-	-	118,314
31 December 2019	693,089	28,952	-	-	722,041
Accumulated amortisation on write-off	(2,216)	-	-	-	(2,216)
Accumulated amortisation on adjustment	(618)	-	-	-	(618)
Amortisation charged for the year	122,412	4,043	-	-	126,455
31 December 2020	812,667	32,995	-	-	845,662
Net book value					
31 December 2019	393,998	11,999	80,041	13,837	499,875
31 December 2020	340,165	7,956	80,041	10,935	439,097
Amortisation for years					
2019					118,314
2020					126,455
Remaining amortisation periods (years)	0 - 5	1, 4, 5, 8, 9	-	-	



(Unit: Thousand Baht)

	Separate financial statements	
	Computer softwares under development	Total
Cost		
31 December 2019	-	-
Addition	1,196	1,196
31 December 2020	1,196	1,196
Accumulated amortisation		
31 December 2019	-	-
Amortisation charged for the year	-	-
31 December 2020	-	-
Net book value		
31 December 2019	-	-
31 December 2020	1,196	1,196

As at 31 December 2020 and 2019, 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 531 million and Baht 480 million, respectively.

22. Deferred tax assets/liabilities and income tax

22.1 Deferred tax assets/liabilities

The components of deferred tax assets/liabilities included deferred income tax arose from the following transactions:

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December		Changes in deferred income tax for the years ended 31 December	
	2020	2019	2020	2019
Deferred tax assets (liabilities) arose from:				
Investments	266,369	55,633	210,736	12,981
Loans to customers and accrued interest receivables	295,151	173,759	121,392	(20,789)
Properties foreclosed	340	340	-	-
Premises and equipment	186	319	(133)	(150)
Right-of-use assets	6,331	-	6,331	-
Other asstes	7,428	5,429	1,999	(8,523)
Provisions	49,821	37,014	12,807	9,795
Tax losses from prior year recognised as deferred tax assets during the year	-	-	-	13,070
Utilised tax losses	-	-	-	(13,070)
Others	5,267	944	4,323	(291)
Total	630,893	273,438	357,455	(6,977)
Presented separately in statements of financial position:				
Deferred tax assets	630,893	306,243		
Deferred tax liabilities	-	(32,805)		
Total	630,893	273,438		
Changes in deferred income tax:				
Recognised in retained earnings as at 1 January 2020 ⁽¹⁾			(22,010)	-
Recognised in retained earnings ⁽²⁾			(60,546)	-
Recognised in profit or loss			188,280	(49,122)
Recognised in other comprehensive income (loss)			251,731	42,145
Total			357,455	(6,977)

⁽¹⁾ The effect of changes in accounting policies due to the adoption of new financial reporting standards as described in Note 4 to the financial statements.

⁽²⁾ Transactions arise from disposals of equity instruments designated at fair value through other comprehensive income during the years.



(Unit: Thousand Baht)

	Separate financial statements			
	31 December		Changes in deferred income tax for the years ended 31 December	
	2020	2019	2020	2019
Deferred tax assets (liabilities) arose from:				
Investments	(221)	(28,570)	28,349	(28,570)
Premises and equipment	17	-	17	-
Right-of-use assets	105	-	105	-
Provisions	2,460	1,437	1,023	1,437
Tax losses from prior year recognised as				
deferred tax assets during the year	-	-	-	13,070
Utilised tax losses	-	-	-	(13,070)
Total	<u>2,361</u>	<u>(27,133)</u>	<u>29,494</u>	<u>(27,133)</u>
Presented separately in statements of financial position:				
Deferred tax assets	2,361	-		
Deferred tax liabilities	-	(27,133)		
Total	<u>2,361</u>	<u>(27,133)</u>		
Changes in deferred income tax:				
Recognised in profit or loss			1,158	(27,758)
Recognised in other comprehensive income (loss)			28,336	625
Total			<u>29,494</u>	<u>(27,133)</u>

As at 31 December 2020 and 2019, the Group has deductible temporary differences and unused tax losses totalling Baht 2,579 and Baht 2 million, respectively (the Company only: as at 31 December 2020 totalling Baht 1,562 million), on which deferred tax assets have not been recognised as the Group believes future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses before they gradually expire from the year 2021 to 2025.

22.2 Income tax

Income tax (expenses) reported in profit or loss for the years ended 31 December 2020 and 2019 were as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2020	2019	2020	2019
Current income tax:				
Corporate income tax for the years	(517,236)	(542,044)	(257)	(68,432)
Deferred income tax:				
Deferred income tax from temporary differences and reversal of temporary differences	188,280	(49,122)	1,158	(27,758)
Deferred income tax from disposals of equity instruments designated at fair value through other comprehensive income during the years	(60,546)	-	-	-
Income tax (expenses) reported in profit or loss	(389,502)	(591,166)	901	(96,190)

Reconciliations between income tax (expenses) and the product of accounting profits for the years ended 31 December 2020 and 2019 multiplied by the applicable tax rate were as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2020	2019	2020	2019
Accounting profits before income tax expenses	2,446,396	3,805,763	993,039	2,531,806
Applicable tax rate	20%	20%	20%	20%
Income tax calculated based on accounting profits	(489,279)	(761,153)	(198,608)	(506,361)
Tax effects of:				
Tax-exempted revenues	145,080	151,638	221,066	397,103
Additional expense deductions allowed	5,035	8,021	68	-
Non-deductible expenses	(15,967)	(2,162)	(24)	(2)
Unused tax losses on which deferred tax assets have not been recognised	(21,400)	-	(21,344)	-
Unused tax losses of prior years on which deferred tax assets had not been recognised, but were utilised during the year	-	13,070	-	13,070
Others	(12,971)	(580)	(257)	-
Income tax (expenses) reported in profit or loss	(389,502)	(591,166)	901	(96,190)



The weighted average income tax rates in the consolidated financial statements for the years ended 31 December 2020 and 2019 was 15.92% and 15.53%, respectively.

The weighted average income tax rates in the separate financial statements for the years ended 31 December 2020 and 2019 was (0.09)% and 3.80%, respectively.

The amounts of income tax recognised in other comprehensive income (loss) for the years ended 31 December 2020 and 2019 were summarised below:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2020	2019	2020	2019
Deferred income tax relating to:				
(Gains) losses on revaluation of available-for-sale investments	-	35,484	-	(79)
Gains on investments in debt instruments measured at fair value through other comprehensive income	(194,956)	-	(155)	-
Losses on investments in equity instruments designated at fair value through other comprehensive income	446,687	-	28,491	-
Actuarial losses	-	6,661	-	704
Income tax reported in other comprehensive income (loss)	251,731	42,145	28,336	625

23. Other assets

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	31 December	31 December
	2020	2019
Receivable from Clearing House	171,448	25,028
Deposits and guarantees	101,633	97,746
Suspense accounts - debtors	94,290	38,639
Receivables on disposals of properties foreclosed through auctions	74,648	82,465
Prepaid expenses	57,873	47,844
Accrued income	45,348	52,039
Withholding income tax awaiting refund	45,329	2
Contribution and deposit for Securities Clearing Fund	39,674	36,316
Token money	30,810	30,790
Other receivable per Credit Support Annex	18,306	13,614
Security deposits	5,007	5,080
Deferred expenses	-	27,300
Account Receivable - Revenue Department	-	12,271
Others	5,988	6,198
Total	690,354	475,332
Less: Allowance for expected credit losses	(37,550)	-
Allowance for doubtful accounts/ allowance for impairment	-	(27,555)
Other assets - net	652,804	447,777



24. Quality of assets

As at 31 December 2020 and 2019, 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 2020				
	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>					
Financial assets where there has not been a significant increase in credit risk (Performing)	32,341,320	33,379,568	150,816,723	2,141	216,539,752
Financial assets where there has been a significant increase in credit risk (Under- performing)	-	3,710,497	4,781,681	360	8,492,538
Financial assets that are credit-impaired (Non-performing)	-	-	5,498,953	36,076	5,535,029
Total	32,341,320	37,090,065	161,097,357	38,577	230,567,319

(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

25. Deposits

25.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	31 December	
	2020	2019
Demand deposits	3,938,090	4,253,649
Savings deposits	87,754,401	62,011,321
Time deposits	60,726,266	65,147,694
Fixed deposit receipts	30,301,082	33,572,117
Total deposits	182,719,839	164,984,781

25.2 Classified by currency and residency of depositors

	(Unit: Thousand Baht)					
	Consolidated financial statements					
	31 December 2020			31 December 2019		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	181,579,253	52	181,579,305	164,631,712	52	164,631,764
US Dollar	101,658	1,038,194	1,139,852	146,376	206,641	353,017
Other currency	682	-	682	-	-	-
Total	181,681,593	1,038,246	182,719,839	164,778,088	206,693	164,984,781



26. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2020			31 December 2019		
	At call	Term	Total	At call	Term	Total
Domestic:						
Bank of Thailand	-	1,208,340	1,208,340	-	-	-
Commercial banks	6,954	1,000	7,954	9	1,000	1,009
Specialised financial institutions	-	4,132,268	4,132,268	-	2,551,466	2,551,466
Other financial institutions	1,950,739	4,354,475	6,305,214	6,480,686	843,915	7,324,601
Total domestic items	1,957,693	9,696,083	11,653,776	6,480,695	3,396,381	9,877,076
Foreign:						
Baht	-	-	-	30	-	30
US Dollar	7,166	675,834	683,000	1,883	588,003	589,886
Total foreign items	7,166	675,834	683,000	1,913	588,003	589,916
Total interbank and money market items	1,964,859	10,371,917	12,336,776	6,482,608	3,984,384	10,466,992

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2020			31 December 2019		
	At call	Term	Total	At call	Term	Total
Domestic:						
Commercial banks	745,000	-	745,000	360,002	-	360,002
Total interbank and money market items	745,000	-	745,000	360,002	-	360,002

27. Debts issued and borrowings

(Unit: Thousand Baht)

	Consolidated financial statements									
	31 December 2020					31 December 2019				
	Interest					Interest				
	rate	Matured				rate	Matured			
	per annum	in year	Domestic	Overseas	Total	per annum	in year	Domestic	Overseas	Total
Bills of exchange	1.10% - 2.49%	2021 - 2022	3,050,000	-	3,050,000	1.80% - 2.75%	2020	8,931,717	-	8,931,717
Subordinated debentures ⁽¹⁾	5.125%	2025	3,915,900	-	3,915,900	5.125%	2025	3,915,900	-	3,915,900
Unsubordinated and unsecured debentures	1.84% - 2.86%	2021 - 2022	4,500,000	-	4,500,000	1.75% - 3.11%	2020 - 2022	9,000,000	-	9,000,000
Borrowings from Department of Alternative Energy Development and Efficiency	0%	2021 - 2022	5,976	-	5,976	0%	2021 - 2022	8,129	-	8,129
Total			11,471,876	-	11,471,876			21,855,746	-	21,855,746
Less: Deferred expenses			(77,934)	-	(77,934)			(50,156)	-	(50,156)
Debts issued and borrowings - net			11,393,942	-	11,393,942			21,805,590	-	21,805,590

⁽¹⁾ Counted as a part of Tier 2 capital, which is determined under the conditions as specified in the BOT's notification.

(Unit: Thousand Baht)

	Separate financial statements									
	31 December 2020					31 December 2019				
	Interest					Interest				
	rate	Matured				rate	Matured			
	per annum	in year	Domestic	Overseas	Total	per annum	in year	Domestic	Overseas	Total
Bills of exchange	2.05% - 2.49%	2021 - 2022	3,000,000	-	3,000,000	-	-	-	-	-
Unsubordinated and										
unsecured debentures	1.84% - 2.86%	2021 - 2022	3,500,000	-	3,500,000	2.40% - 3.11%	2020 - 2022	5,000,000	-	5,000,000
Total			6,500,000	-	6,500,000			5,000,000	-	5,000,000
Less: Deferred expenses			(74,698)	-	(74,698)			(3,735)	-	(3,735)
Debts issued and borrowings - net			6,425,302	-	6,425,302			4,996,265	-	4,996,265

27.1 Subordinated debentures

On 21 May 2015, the subsidiary issued 4 million units with a par value of Baht 1,000 each, totalling 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 mature 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.



28. Lease liabilities

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	31 December 2020	31 December 2020
Lease Liabilities	834,082	25,982
Less: Deferred interest	(42,895)	(1,700)
Total lease liabilities	791,187	24,282

The Group has entered into the lease agreements for rental of buildings and motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 1 to 6 years (the Company only: The terms of the agreements are generally 5 years).

The maturity analysis of lease payments is disclosed in Note 51.3 to the financial statements under the liquidity risk.

Expenses relating to leases that were recognised in profit or loss for the year ended 31 December 2020 were as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	For the year ended	For the year ended
	31 December 2020	31 December 2020
Depreciation of right-of-use assets	298,676	6,067
Interest expenses on lease liabilities	16,057	937
Expenses relating to leases of low-value assets/ short-term leases/variable lease payments	31,154	273
Total	345,887	7,277

The Group had total cash outflows for leases for the year ended 31 December 2020 of Baht 284 million (the Company only: Baht 6 million).

29. Provisions

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	31 December		31 December	
	2020	2019	2020	2019
Allowance for expected credit losses of undrawn credit limit and financial guarantee contracts	26,698	-	-	-
Provisions for employee benefits	254,197	216,212	44,877	39,758
Provisions for decommissioning cost	48,994	7,511	460	-
Other provisions	1,430	1,430	-	-
Total	331,319	225,153	45,337	39,758

29.1 Allowance for expected credit losses of undrawn credit limit and financial guarantee contracts

As at 31 December 2020, allowance for expected credit losses of undrawn credit limit and financial guarantee contracts classified by loan classification were as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	31 December 2020	
	Undrawn credit limit and financial guarantee contracts	Allowance for expected credit losses
Financial assets where there has not been a significant increase in credit risk (Performing)	33,279,223	18,445
Financial assets where there has been a significant increase in credit risk (Under-performing)	67,495	55
Financial assets that are credit-impaired (Non-performing)	34,220	8,198
Total	33,380,938	26,698



Movements of allowance for expected credit losses of undrawn credit limit and financial guarantee contracts were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2020			
	Financial assets where there has not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under- performing)	Financial assets that are credit-impaired (Non-performing)	Total
Balances - beginning of the year	-	-	-	-
Changes due to adoption of new accounting standards ⁽¹⁾	33,195	4,701	8,141	46,037
	33,195	4,701	8,141	46,037
Changes due to transfers of loan classification	494	(797)	303	-
Changes due to revaluation of loss allowance	(17,085)	(3,756)	580	(20,261)
New loan commitments/guarantee contracts issued	17,282	240	452	17,974
Financial assets derecognised	(15,441)	(333)	(1,278)	(17,052)
Balances - ending of the year	18,445	55	8,198	26,698

⁽¹⁾ The beginning balance of allowance for doubtful accounts, which was previously recognised in accordance with the rules of the Bank of Thailand, is currently shown as 12-mth ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment of the comparative information, as described in Note 4 to the financial statements.

29.2 Provisions for employee benefits

Movements of provisions for employee benefits were as follows:

	Consolidated financial statements		(Unit: Thousand Baht)	
			Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2020	2019	2020	2019
Provisions for employee benefits				
at the beginning of the years	216,212	136,311	39,758	81
Current service costs	39,811	31,340	5,753	3,115
Interest costs	3,387	4,195	624	551
Past service costs	-	23,626	-	-
Employees transferred in among the Group	-	-	-	32,575
Actuarial (gains) losses arose from:				
Demographic assumption changes	-	(2,145)	-	-
Financial assumption changes	-	25,329	-	3,517
Other changes	-	10,122	-	-
Benefits paid during the years	(5,213)	(12,351)	(1,258)	-
Others	-	(215)	-	(81)
Provisions for employee benefits at the end of the years	254,197	216,212	44,877	39,758

Employee benefit expenses recognised in profit or loss are as follows:

	Consolidated financial statements		(Unit: Thousand Baht)	
			Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2020	2019	2020	2019
Current service costs	39,811	31,340	5,753	3,115
Interest costs	3,387	4,195	624	551
Past service costs	-	23,626	-	-
Total employee benefit expenses	43,198	59,161	6,377	3,666



As at 31 December 2020 and 2019, the Group expected to pay approximately Baht 15.8 million and Baht 4.8 million, respectively on employee benefits payable within the next 1-year period (the Company only: as at 31 December 2020 and 2019, the Company expected to pay approximately Baht 5.6 million and Baht 1.3 million, respectively on employee benefits payable within the next 1-year period).

As at 31 December 2020 and 2019, the Group's weighted average durations of employee benefit payments were estimated to be 7 - 10 years and 7 - 11 years, respectively (the Company only: as at 31 December 2020 and 2019, the Company's weighted average durations of employee benefit payments were approximately 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	
	2020	2019	2020	2019
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Future salary incremental rates	5.0, 5.5	5.0, 5.5	5.5	5.5
Turnover rates	0 - 40	0 - 40	0 - 40	0 - 40
Discount rates	1.41, 1.56 and 1.57	1.41, 1.56, 1.57, 2.54, 2.58, 2.62 and 2.72	1.57	1.57 and 2.54

The impacts from changes in significant assumptions on provisions for employee benefits as at 31 December 2020 and 2019 were summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2020		31 December 2019	
	Increase (decrease) in provisions for employee benefits		Increase (decrease) in provisions for employee benefits	
	+ 0.5%	- 0.5%	+ 0.5%	- 0.5%
Significant assumptions				
Future salary incremental rates	14,749	(13,812)	11,619	(10,899)
Discount rates	(12,335)	13,262	(10,607)	11,419

(Unit: Thousand Baht)

	Separate financial statements			
	31 December 2020		31 December 2019	
	Increase (decrease) in provisions for employee benefits		Increase (decrease) in provisions for employee benefits	
	+ 0.5%	- 0.5%	+ 0.5%	- 0.5%
Significant assumptions				
Future salary incremental rates	2,590	(2,422)	2,073	(1,942)
Discount rates	(2,151)	2,317	(1,875)	2,022

30. Advance received from electronic transactions

The BOT's notification No. Sor Nor Chor 2/2562, dated 20 December 2019, regarding the "Regulations on Service Business Relating to Electronic Fund Transfer" requires the subsidiary which operates banking business to disclose advances received from electronic fund transfer transactions. These advances are to be presented under other liabilities. As at 31 December 2020, the subsidiary had advances received from electronic fund transfer transactions amounting to Baht 0.02 million (2019: None).

In addition, the subsidiary has deposits of Baht 10 million to support electronic transactions, which are presented under interbank and money market items (assets) in the statements of financial position as at 31 December 2020.

31. Other liabilities

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	31 December		31 December	
	2020	2019	2020	2019
Suspense accounts - creditors	134,158	47,543	2,555	1,662
Accounts payable on acquisition of equipment and intangible assets	17,027	27,550	-	-
Account payable - Revenue Department	8,350	5,455	2,103	1,612
Deposits received	6,279	6,357	300	300
Other payable per Credit Support Annex	5,800	39,400	-	-
Others	15,384	12,726	-	-
Total other liabilities	186,998	139,031	4,958	3,574

32. Share capital

32.1 Share capital/share premium

Reconciliation of issued and paid-up share capital and share premium during the years ended 31 December 2020 and 2019 as follows:

	Consolidated and separate financial statements		
	For the year ended 31 December 2020		
	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 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

32.2 Treasury shares - common shares

On 18 December 2019, the Board of Directors' Meeting No.12/2562 of the Company passed a resolution approving a share repurchase program (Treasury share) 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 percent 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. Treasury shares are to be sold after 6 months and within 3 years from the repurchase date.

During the year ended 31 December 2020, the Company has repurchased shares of 264,250,300 shares or a total of Baht 335,417,238 that were recognised at market price on the transaction dates, and appropriated retained earnings as treasury shares reserve amounting to Baht 335,417,238. The Company separately presented the treasury shares as a deduction item in shareholders' equity.

On 17 December 2020, the Board of Directors' Meeting No.12/2563 of the Company passed a resolution approving the resale of 264,250,300 treasury shares, or 1.2474 percent of the total paid-up capital. All treasury shares were resold on the Stock Exchange of Thailand between 4 January 2021 and 30 December 2021 at a price of not less than 85 percent the average closing price of the last 5 trading days. If the Company is unable to resell all treasury shares, the remaining treasury shares are to be retired and the registered share capital reduced by an amount equal to the unsold treasury shares.

33. Statutory reserve

Pursuant to Section 116 of the Public Company Limited Act B.E. 2535, the Company is required to set aside 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.

34. Dividend paid

On 22 April 2019, the Annual General Meeting of the Company's shareholders passed a resolution approving dividend payment 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 of the Company 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.

On 21 April 2020, the Board of Directors' Meeting No.4/2563 of the Company passed a resolution to approve a 2019 interim dividend payment, since the Coronavirus disease 2019 had caused the Company to postpone the 2020 Annual General Meeting. The interim dividend payment was a cash dividend of Baht 0.08 per share, or a total of not more than Baht 1,694.69 million, paid from the operating results for the year ended 31 December 2019. The Company had already paid an interim dividend payment of Baht 0.035 per share, or a total of Baht 741.43 million, from its operating results for the six-month period ended 30 June 2019 on 20 September 2019. The Company therefore paid the remaining cash dividend of Baht 0.045 per share, or not more than Baht 941.37 million, on 20 May 2020, which is the same rate as the rate previously notified to The Stock Exchange of Thailand on 28 February 2020, and will not propose a further 2019 dividend payment.

35. Other components of shareholders' equity

As at 31 December 2020 and 2019, revaluation surplus (deficit) on investments measured at fair value through other comprehensive income/revaluation surplus (deficit) on available-for-sale investments consisted of:

	Consolidated		Separate	
	financial statements		financial statements	
	31 December		31 December	
	2020	2019	2020	2019
Revaluation surplus on the reclassified investments				
Debt instruments	775,299	61,939	-	-
Total	775,299	61,939	-	-
Revaluation deficit on the reclassified investments				
Debt instruments	-	(110,079)	(928)	(928)
Total	-	(110,079)	(928)	(928)
Revaluation surplus on investments				
Debt instruments	390,352	-	2,097	1,320
Equity instruments	104,312	-	102,995	-
Total	494,664	-	105,092	1,320
Revaluation deficit on investments				
Debt instruments	(136,480)	(6,344)	-	-
Equity instruments	(5,051,226)	(332,126)	(1,436,929)	-
Total	(5,187,706)	(338,470)	(1,436,929)	-
Revaluation deficit on investments measured				
at fair value through other comprehensive income	(3,917,743)	-	(1,332,765)	-
Revaluation surplus (deficit) on available-for-sale investments	-	(386,610)	-	392
Add (less): Income tax	225,039	77,322	(234)	(79)
Revaluation deficit on investments measured at fair value				
through other comprehensive				
income - net of income tax	(3,692,704)	-	(1,332,999)	-
Revaluation surplus (deficit) on available-for-sale				
investments - net of income tax	-	(309,288)	-	313



36. Capital fund and liquid assets

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 2020 and 2019, capital fund of the financial business group and Land and Houses Bank consisted of the following:

	Financial business group		(Unit: Thousand Baht)	
	31 December		31 December	
	2020	2019	2020	2019
Common Equity Tier 1 capital fund				
Issued and fully paid-up share capital	20,848,244	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	1,553,867	1,422,720	889,700	819,300
Retained earnings after appropriation	8,359,044	7,038,006	4,473,125	3,890,338
Revaluation deficit on investments measured at fair value through other comprehensive income	(3,904,049)	-	(1,055,629)	-
Revaluation deficit on available-for-sale investments	-	(358,813)	-	(93,112)
Deduction items on Common Equity				
Tier 1 capital fund	(1,069,991)	(799,958)	(946,648)	(637,122)
Total Common Equity Tier 1 capital fund	35,415,028	38,113,529	33,959,463	34,578,319
Total Tier 1 capital fund	35,415,028	38,113,529	33,959,463	34,578,319
Tier 2 capital fund				
Subordinated debentures	3,088,900	3,866,100	3,173,000	3,950,200
General provision	2,265,711	1,892,556	2,265,711	1,892,556
Total Tier 2 capital fund	5,354,611	5,758,656	5,438,711	5,842,756
Total capital fund	40,769,639	43,872,185	39,398,174	40,421,075

(Unit: Percentage)

	31 December 2020		31 December 2019	
	Financial business group	Minimum and additional rates required by law *	Financial business group	Minimum and additional rates required by law *
			(Revised)	
The ratio of Common Equity Tier 1 capital fund to risk assets	16.700	6.375	15.077	5.750
The ratio of Tier 1 capital fund to risk assets	16.700	7.875	15.077	7.250
The ratio of total capital fund to risk assets	19.225	10.375	17.355	9.750

* Additional rate for conservation buffer is required on the ratio of Common Equity Tier 1 capital fund to risk asset of 0.625 percent per annum each year with effect from 1 January 2019 onwards until reaching 2.50 percent in 2021.

(Unit: Percentage)

	31 December 2020		31 December 2019	
	Land and Houses Bank	Minimum and additional rates required by law	Land and Houses Bank	Minimum and additional rates required by law
			(Revised)	
The ratio of Common Equity Tier 1 capital fund to risk assets	17.109	7.000	16.481	7.000
The ratio of Tier 1 capital fund to risk assets	17.109	8.500	16.481	8.500
The ratio of total capital fund to risk assets	19.849	11.000	19.265	11.000

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 2019 through the Company’s website at www.lhfg.co.th on 30 April 2020 and the Company will disclose capital adequacy and capital risk exposure information as of 31 December 2020 by April 2021.

The subsidiary, which operates banking business, disclosed Liquidity Coverage Ratio as of 31 December 2019 through the subsidiary’s website at www.lhbank.co.th on 30 April 2020 and will disclose Liquidity Coverage Ratio as of 31 December 2020 by April 2021.



37. Interest income

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2020	2019	2020	2019
Interbank and money market items	411,145	513,707	368	431
Investments in debt instruments	1,222,864	1,521,219	4,322	4,310
Loans to customers	6,214,598	6,595,261	-	-
Hire purchase	6,101	12,296	-	-
Others	683	777	-	-
Total interest income	7,855,391	8,643,260	4,690	4,741

38. Interest expenses

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2020	2019	2020	2019
Deposits	2,118,914	2,514,465	-	-
Interbank and money market items	87,039	92,567	27,625	67,088
Contributions to the Deposit Protection Agency and the Bank of Thailand	447,916	877,057	-	-
Debts issued				
- Subordinated debentures	201,835	201,254	-	-
- Unsubordinated and unsecured debentures	179,516	206,125	129,789	115,489
- Others	72,997	259,564	22,348	-
Others	21,442	6,112	953	-
Total interest expenses	3,129,659	4,157,144	180,715	182,577

Moreover, the Bank of Thailand announced a reduction in the contribution rate to the Financial Institutions Development Fund (FIDF) from 0.46 percent to 0.23 percent per year, which is effective from 1 January 2020 to 31 December 2021.

39. Fees and service income

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	For the years ended 31 December	For the years ended 31 December
	2020	2019
Fees and service income		
Acceptances, avals and guarantees	40,539	56,865
Commission income	291,573	273,868
Others	579,374	609,666
Total fees and service income	911,486	940,399
Fees and service expenses		
Fees and charges	58,765	67,568
Others	125,156	143,423
Total fees and service expenses	183,921	210,991
Net fees and service income (expenses)	727,565	729,408

40. Gains on financial instruments measured at fair value through profit or loss

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	For the years ended 31 December	For the years ended 31 December
	2020	2019
Gains (losses) on trading and foreign exchange transactions:		
Foreign exchange and derivatives contract relating to foreign exchange	45,045	6,172
Equity instruments	(689)	112,743
Total gains on financial instruments measured at fair value through profit or loss	44,356	118,915



41. Gains on investments

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2020	2019	2020	2019
Gains (losses) on derecognition:				
Investments in debt instruments measured at amortised cost	418,567	-	-	-
Investments in debt instruments measured at fair value through other comprehensive income	415,354	-	-	-
Available-for-sale investments	-	1,095,572	-	499,487
Total	833,921	1,095,572	-	499,487
Impairment losses:				
Equity instruments of available-for-sale investments	-	(240)	-	-
Total	-	(240)	-	-
Total gains on investments	833,921	1,095,332	-	499,487

42. 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.

43. Expected credit losses

Expected credit losses and modification gains or losses of financial assets for the years ended 31 December 2020 and 2019 were as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2020	2019	2020	2019
Expected credit losses (reversal)				
Interbank and money market items	(525)	-	-	-
Investments in debt instruments				
measured at amortised cost	(6,060)	-	-	-
Investments in debt instruments				
measured at fair value through other				
comprehensive income	202,036	-	63	-
Loans to customers and accrued				
interest receivables				
- Expected credit losses	1,939,028	-	-	-
- Modification losses	177,434	-	-	-
Other assets	9,995	-	-	-
Undrawn credit limit and financial				
guarantee contracts	(18,129)	-	-	-
Total expected credit losses	2,303,779	-	63	-

44. Bad debts, doubtful accounts and impairment losses

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2020	2019
Bad debts and doubtful accounts (reversal)		
Loans to customers	-	1,123,206
Interbank and money market items	-	12,260
Other assets	-	(42,614)
Total bad debts, doubtful accounts and impairment losses	-	1,092,852

45. 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, netting of treasury shares held by the Company.



46. 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 percent of basic salaries, and the group contribute at rates ranging from 3 - 7 percent, 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 2020 and 2019, the Group contributed Baht 54.6 million and Baht 48.5 million, respectively to the provident fund (the Company only: during the years ended 31 December 2020 and 2019, the Company contributed Baht 9.3 million and Baht 5.6 million, respectively to the provident fund).

47. Commitments and contingent liabilities

47.1 Contingent liabilities

(Unit: Thousand Baht)

	Consolidated financial statements					
	31 December 2020			31 December 2019		
	Foreign		Total	Foreign		Total
	Baht	currency		Baht	currency	
Avals to bills	106,303	-	106,303	1,330	-	1,330
Liabilities under unmatured						
import bills	-	141,047	141,047	-	130,543	130,543
Letters of credit	-	228,952	228,952	-	254,884	254,884
Other commitments						
- Undrawn bank overdrafts	4,607,470	-	4,607,470	4,308,063	-	4,308,063
- Other guarantees	5,215,523	-	5,215,523	5,120,817	-	5,120,817
- Others	28,647,558	-	28,647,558	35,381,126	-	35,381,126
Total	38,576,854	369,999	38,946,853	44,811,336	385,427	45,196,763

47.2 Commitments under long-term lease agreements

- The Group has entered into various service agreements which the remaining contract period of the agreements were between 1 - 5 years. As at 31 December 2020 and 2019, the Group is obligated to pay further Baht 176 million and Baht 235 million, respectively.
- Two subsidiaries have entered into various consultancy service agreements relating to software development and installation services. As at 31 December 2020 and 2019, the subsidiaries are obligated to pay further Baht 16 million and Baht 14 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 3.5 million. The agreements remain in effect until terminated by the subsidiary or either party breaches conditions stipulated in the agreements.
- As at 31 December 2020 and 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 for five years and an annual maintenance charge at Baht 3.5 million. The agreements remain in effect until terminated by the subsidiary or either party breaches conditions stipulated in the agreements.

47.3 Service commitments

47.3.1 As at 31 December 2020 and 2019, 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.

However, as at 31 December 2020 and 2019, the minimum of the above fees is limited at Baht 50,000 per annum and Baht 25,000 per annum, respectively and the maximum of the above fees is limited up to Baht 10,000,000 per annum.

47.3.2 As at 31 December 2019, the subsidiary, which operates fund management business, has entered into computer center improvement and maintenance service agreement with a term of 2years. The subsidiary's payment obligations under this agreement total Baht 2.1 million.

47.3.3 As at 31 December 2020 and 2019, the subsidiary, which operates securities business, has committed (a) to pay various fees related to its securities business, securities brokerage, securities trading, investment advisory and securities underwriting to the Stock Exchange of Thailand, Thailand Securities Depository Company Limited, Thailand Clearing House Company Limited and the Securities and Exchange Commission, and (b) to pay the fees related to its derivatives business to Thailand Futures Exchange Public Company Limited, Thailand Securities Depository Company Limited and Thailand Clearing House Company Limited, which can be summarised as follows:

		Fee rates	
		31 December	
		2020	2019
(a) Fees for securities business			
Securities brokerage fee	0.001% of its trading volume	0.001% of its trading volume	
Securities dealing fee	1% of net capital gain from debt securities	1% of net capital gain from debt securities	
Securities underwriting fee	1% of fees for securities underwriting licenses, but excluded units trust	1% of fees for securities underwriting licenses, but excluded units trust	
Floor and ceiling of fees	The minimum total fee is Baht 50,000 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) Fees for derivatives business			
Derivatives agent fee	Baht 0.10 of futures contracts, in case of single stock futures contracts less than 100 Baht, will be charged Baht 0.01 each contract	Baht 0.10 of futures contracts, in case of single stock futures contracts less than 100 Baht, will be charged Baht 0.01 each contract	
Floor and ceiling of fees	The minimum total fee is Baht 50,000 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	



47.4 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 percent 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.

47.5 Litigation

As at 31 December 2020 and 2019, the subsidiaries had various outstanding litigation cases being claimed for compensations totalling Baht 1,300 million and Baht 1,010 million, respectively. Final judgements have not yet been reached in respect of these cases. The management of the subsidiaries has exercised judgement 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.

48. Related party transactions

The Group had significant business transactions with its related parties, including transactions with directors, executives 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, first executive vice 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.

48.1 Transactions during the years

During the years, the Group had significant business transactions with its related parties. Such transactions, which were summarised below, arose in the ordinary course of business or were concluded on commercial terms and bases agreed upon between the Group and its related parties.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2020	2019	2020	2019
Interest income				
The Company's subsidiary	-	-	4,690	4,741
Related companies	106,597	27,270	-	-
Directors and executives	-	249	-	-
Related persons	1,379	1,141	-	-
	<u>107,976</u>	<u>28,660</u>	<u>4,690</u>	<u>4,741</u>
Fees and service income				
Related companies	<u>56,325</u>	<u>52,052</u>	<u>-</u>	<u>-</u>
	<u>56,325</u>	<u>52,052</u>	<u>-</u>	<u>-</u>



	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2020	2019	2020	2019
Dividend income				
The Company's subsidiaries	-	-	663,796	1,570,010
Related companies	99,116	139,597	10,113	28,524
	<u>99,116</u>	<u>139,597</u>	<u>673,909</u>	<u>1,598,534</u>
Supporting service income				
The Company's subsidiaries	-	-	277,018	188,167
	<u>-</u>	<u>-</u>	<u>277,018</u>	<u>188,167</u>
Other operating income				
The Company's subsidiary	-	-	1,452	1,452
Directors and executives	-	1,395	-	-
Related persons	4	-	-	-
	<u>4</u>	<u>1,395</u>	<u>1,452</u>	<u>1,452</u>
Interest expenses				
The Company's subsidiary	-	-	27,625	67,088
The major shareholders	29,887	51,178	-	-
Related companies	41,411	92,683	-	-
Directors and executives	1,983	2,190	-	-
Related persons	17,445	16,805	-	-
	<u>90,726</u>	<u>162,856</u>	<u>27,625</u>	<u>67,088</u>
Other operating expenses				
The Company's subsidiary	-	-	2	1
The major shareholders	59,755	46,848	7,995	-
Related companies	107,899	113,037	-	57
	<u>167,654</u>	<u>159,885</u>	<u>7,997</u>	<u>58</u>
Fees and service expenses				
The Company's subsidiary	-	-	108	220
	<u>-</u>	<u>-</u>	<u>108</u>	<u>220</u>

48.2 The outstanding balances

As at 31 December 2020 and 2019, 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	
		2020	2019
Investments - cost			
<u>Related companies/persons</u>			
Related companies		1,831,049	2,210,425
		<u>1,831,049</u>	<u>2,210,425</u>
Loans to customers			
<u>Related companies/persons</u>			
Related companies		3,511,312	3,520,000
Related persons		68,131	26,304
		<u>3,579,443</u>	<u>3,546,304</u>
Accrued interest receivables on loans to customers			
<u>Related companies/persons</u>			
Related companies		2,423	9,490
Related persons		100	10
		<u>2,523</u>	<u>9,500</u>
Other assets			
<u>The major shareholder</u>			
Quality Houses Public Company Limited		12,049	9,549
<u>Related companies/persons</u>			
Related companies		36,004	39,473
		<u>48,053</u>	<u>49,022</u>
Deposits			
<u>The major shareholders</u>			
Land and Houses Public Company Limited		4,111,526	2,013,552
Quality Houses Public Company Limited		660,710	830,839
Ms. Piengjai Harnpanich		16,480	13,243
<u>Related companies/persons</u>			
Related companies		6,237,220	6,169,828
Directors and executives		149,354	71,916
Related persons		2,986,680	1,764,497
		<u>14,161,970</u>	<u>10,863,875</u>



(Unit: Thousand Baht)

Consolidated financial statements		
31 December		
	2020	2019
Interbank and money market items (liabilities)		
<u>The major shareholder</u>		
CTBC Bank Company Limited	592,889	589,886
	<u>592,889</u>	<u>589,886</u>
Debts issued and borrowings		
<u>Related companies/persons</u>		
Directors and executives	20,000	20,000
Related persons	18,400	41,200
	<u>38,400</u>	<u>61,200</u>
Accrued interest payables		
<u>The major shareholders</u>		
CTBC Bank Company Limited	404	1,486
Land and Houses Public Company Limited	2,313	308
Ms. Piengjai Harnpanich	30	43
<u>Related companies/persons</u>		
Related companies	3,071	8,012
Directors and executives	143	126
Related persons	1,765	1,480
	<u>7,726</u>	<u>11,455</u>
Lease liabilities		
<u>The major shareholder</u>		
Quality Houses Public Company Limited	128,007	-
<u>Related companies/persons</u>		
Related companies	400,543	-
	<u>528,550</u>	<u>-</u>
Other liabilities		
<u>The major shareholder</u>		
Quality Houses Public Company Limited	941	426
<u>Related companies/persons</u>		
Related companies	852	1,073
Related persons	10	1
	<u>1,803</u>	<u>1,500</u>
Contingent liabilities - bank guarantees		
<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	
		2020	2019
Interbank and money market items (assets)			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		10,755	28,977
		10,755	28,977
Investments - cost			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		84,100	84,100
<u>Related companies/persons</u>			
Related company		384,538	487,501
		468,638	571,601
Accrued interest receivables on investments			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		484	484
		484	484
Other assets			
<u>The Company's subsidiaries</u>			
Land and Houses Bank Public Company Limited		32,000	28,320
Land and Houses Securities Public Company Limited		250	250
Land and Houses Fund Management Company Limited		350	350
<u>The major shareholder</u>			
Quality Houses Public Company Limited		1,651	-
		34,251	28,920
Interbank and money market items (liabilities)			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		745,000	360,002
		745,000	360,002
Accrued interest expenses on interbank and money market items (liabilities)			
<u>The Company's subsidiary</u>			
Land and Houses Bank Public Company Limited		35	26
		35	26
Lease liabilities			
<u>The major shareholder</u>			
Quality Houses Public Company Limited		25,981	-
		25,981	-



(Unit: Thousand Baht)

Separate financial statements

31 December

2020

2019

Other liabilitiesThe Company's subsidiary

Land and Houses Bank Public Company Limited

300

300

300

300

The significant outstanding balances during the years ended 31 December 2020 and 2019 were presented at the average balance at the end of each month as follows:

(Unit: Thousand Baht)

Consolidated financial statements

For the years ended 31 December

2020

2019

The major shareholders

Deposits

2,895,390

3,617,154

Interbank and money market items (liabilities)

1,670,110

111,875

Related companies/persons

Loans to customers

3,551,667

1,011,536

Deposits

10,067,738

10,080,269

Debts issued and borrowings

49,800

61,533

(Unit: Thousand Baht)

Separate financial statements

For the years ended 31 December

2020

2019

The Company's subsidiary

Interbank and money market items (assets)

40,422

149,881

Interbank and money market items (liabilities)

1,251,334

2,519,546

48.3 Directors' and executives' compensation

During the years ended 31 December 2020 and 2019, compensations payable to 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		For the years ended	
	31 December		31 December	
	2020	2019	2020	2019
Short-term employee benefits	259	262	73	64
Post-employment benefits	19	20	4	2
Total	278	282	77	66

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.

49. 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 2020 and 2019, the outstanding loans to these structured entities including accrued interest amounted to Baht 6,686 million and Baht 5,935 million, respectively.

50. 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, which 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 2020								
		Banking business							
	Investment	Lending				Fund			
	holding	Housing	Commercial	Other	Total	management	Securities		
	business	and retail	loans	segments	segments	business	business	Eliminations	Total
Interest income	4,690	1,107,144	5,596,943	1,223,106	7,927,193	220	40,366	(117,078)	7,855,391
Total operating income - net	1,299,494				6,623,393	335,179	453,486	(964,236)	7,747,316
Other operating expenses	(306,392)				(2,591,074)	(204,277)	(188,585)	293,187	(2,997,141)
Expected credit losses	(63)				(2,298,242)	-	(5,537)	63	(2,303,779)
Income tax	901				(326,484)	(24,728)	(39,191)	-	(389,502)
Profit for the year	993,940				1,407,593	106,174	220,173	(670,986)	2,056,894

(Unit: Thousand Baht)

	For the year ended 31 December 2019								
	Investment holding business	Banking business				Fund management business	Securities business	Eliminations	Total
		Lending		Other segments	Total segments				
		Housing and retail	Commercial loans						
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	(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)

	As at 31 December 2020								
	Banking business								
	Investment	Lending				Fund			
	holding	Housing	Commercial	Other	Total	management	Securities		
	business	and retail	loans	segments	segments	business	business	Eliminations	Total
Loans to customers/ interbank and money market items	-	23,880,244	170,220,017	-	194,100,261	-	1,129,516	(4,335,000)	190,894,777
Total assets	40,553,290				240,084,839	392,530	5,684,662	(37,403,664)	249,311,657
Total liabilities	7,264,781				203,718,435	86,730	4,169,214	(4,558,465)	210,680,695



(Unit: Thousand Baht)

As at 31 December 2019								
	Banking business							
	Investment holding business	Lending			Total segments	Fund		
		Housing and retail	Commercial loans	Other segments		management business	Securities 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)
Total assets	40,659,935				230,548,310	461,872	6,740,348	(37,679,178)
Total liabilities	5,519,655				194,268,723	53,293	5,515,322	(5,788,485)

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 2020 and 2019, 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.

51. Risk management

Risk management policies of the Group are principally focused on the banking business of its subsidiary whereby the subsidiary maintains various risks to be within acceptable levels. Its policies, which are annually reviewed so that they reflect any changes in the environment in which the subsidiary operates and the risk arising from internal and external factors, are as follows:

51.1 Credit risk

Credit risk is the risk that debtors or counterparties may not be able to meet their obligations, as well as the likelihood of the credit rating of counterparties being downgraded and the risk of investment or credit quality deteriorating while prices cannot be adjusted to compensate for the resulting increase in risk, which may affect the revenues and capital funds of the subsidiary.

Credit risk is recognised as highly significant to financial institutions, especially the risk 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 in terms of credit-like transactions. Maximum exposure to credit loss of the subsidiary is the carrying value of loans to customers, including commitments related to guarantees, avals or other similar items.

The subsidiary manages credit risk by setting guidelines for granting credit in order to control, prevent and mitigate the risks associated with credit transactions. Decisions on granting credit have to take into account a range of criteria such as the target market, type of business, type of loan and activity, the credit limits set for each debtor in order to mitigate credit concentration risk, the collateral obtained in order to reduce credit risk and persons or corporates that are not supported by the subsidiary. In addition, the subsidiary's key risk management processes are as follows:

(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 a picture of asset quality and credit risk. In addition, the subsidiary conducts reviews of borrower risk levels 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 judgement 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 also reported to executives on a regular basis.

(d) Risk control and mitigation

The subsidiary sets credit concentration limits at both 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 for the abnormality, in order to maintain risk exposure within acceptable parameters. The subsidiary also has internal controls 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 allowance for expected credit losses, 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.

The maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for recognised and unrecognised financial instruments. The maximum exposure is shown at the gross value before both the effect of mitigation through use of master netting and collateral arrangements.

For financial assets recognised on the statements of financial position, the maximum exposure to credit risk equals their carrying value.

For financial guarantee contracts, the maximum exposure to credit risk is the maximum amount that the subsidiary would have to pay if the guarantees are called upon. For undrawn credit limits that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

As at 31 December 2020, the maximum exposure to credit risk are as follows:

	(Unit: Thousand Baht)	
	Consolidated	Seperate
	financial statements	financial statements
	31 December 2020	31 December 2020
Interbank and money market items (assets)	32,371,111	10,755
Investments in debt instruments measured at fair value		
through other comprehensive income	37,090,065	85,269
Loans to customers and accrued interest receivables	162,414,106	-
Accrued interest receivables not related to loans to customers	187,220	484
Total financial assets	232,062,502	96,508
Undrawn credit limit	33,255,028	-
Financial guarantee contracts	125,910	-
Total	33,380,938	-
Total maximum exposure to credit risk	265,443,440	96,508

Credit quality analysis

Credit risk refers to the risk that a customer or a counterparty will default on its contractual obligations resulting that the return may not be as expected. The Group has adopted a policy to mitigate this risk, whereby credit analysis is performed based on customer information and the status of customers is followed up consistently.

The table below shows the credit quality of financial assets exposed to credit risk. The amounts presented for financial assets are the gross carrying amount (before netting allowance for expected credit losses). The amounts presented for undrawn credit limits and financial guarantee contracts are the amounts committed or guaranteed, respectively.

Explanations of the 12-month expected credit losses, lifetime expected credit losses - not credit impaired, and lifetime expected credit losses - credit impaired are included in Notes 5 and 6 to the financial statements.

	(Unit: Thousand Baht)			
	Consolidated financial statements			
	31 December 2020			
	Financial assets where there has not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under-performing)	Financial assets that are credit- impaired (Non-performing)	Total
Interbank and money market items (assets)				
Investment grade*	18,663,130	-	-	18,663,130
No overdue	13,707,981	-	-	13,707,981
Total	32,371,111	-	-	32,371,111
Less: Allowance for expected credit losses	(3,749)	-	-	(3,749)
Net carrying value	32,367,362	-	-	32,367,362



(Unit: Thousand Baht)

Consolidated financial statements				
31 December 2020				
	Financial assets where there has not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under-performing)	Financial assets that are credit- impaired (Non-performing)	Total
Investments in debt instruments measured fair value through other comprehensive income				
Investment grade*	33,379,568	3,710,497	-	37,090,065
Total	33,379,568	3,710,497	-	37,090,065
Less: Allowance for expected credit losses	(2,276)	(200,000)	-	(202,276)
Net carrying value	33,377,292	3,510,497	-	36,887,789
Loans to customers and accrued interest receivables - net				
<u>Banking business</u>				
0 - 30 days overdue	150,816,723	4,356,312	380,440	155,553,475
31 - 90 days overdue	-	425,369	54,054	479,423
Over 90 days overdue	-	-	5,064,459	5,064,459
Total	150,816,723	4,781,681	5,498,953	161,097,357
Less: Allowance for expected credit losses	(944,202)	(869,397)	(2,762,044)	(4,575,643)
Net carrying value	149,872,521	3,912,284	2,736,909	156,521,714
<u>Securities business</u>				
MM Ratio more than or equal to 35%	949,255	-	-	949,255
MM Ratio more than or equal to 25% but less than 35%	-	-	-	-
MM Ratio less than 25%	-	-	23,364	23,364
Others	160,817	-	203	161,020
Total	1,110,072	-	23,567	1,133,639
Less: Allowance for expected credit losses	-	-	(8,390)	(8,390)
Net carrying value	1,110,072	-	15,177	1,125,249

* Rating of external credit risk rating agency

(Unit: Thousand Baht)

Consolidated financial statements				
31 December 2020				
	Financial assets where there has not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under-performing)	Financial assets that are credit- impaired (Non-performing)	Total
Other assets				
0 - 30 days overdue	2,141	127	1,640	3,908
31 - 90 days overdue	-	233	18	251
Over 90 days overdue	-	-	34,828	34,828
Total	2,141	360	36,486	38,987
Less: Allowance for expected credit losses	(746)	(318)	(36,486)	(37,550)
Net carrying value	1,395	42	-	1,437
Undrawn credit limit				
0 - 30 days overdue	33,153,672	66,388	16,042	33,236,102
31 - 90 days overdue	-	1,107	-	1,107
Over 90 days overdue	-	-	17,819	17,819
Total	33,153,672	67,495	33,861	33,255,028
Less: Allowance for expected credit losses	(17,673)	(55)	(8,194)	(25,922)
Net carrying value	33,135,999	67,440	25,667	33,229,106
Financial guarantee contracts				
0 - 30 days overdue	125,551	-	-	125,551
Over 90 days overdue	-	-	359	359
Total	125,551	-	359	125,910
Less: Allowance for expected credit losses	(772)	-	(4)	(776)
Net carrying value	124,779	-	355	125,134



(Unit: Thousand Baht)

Separate financial statements			
31 December 2020			
Financial assets where there has not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under-performing)	Financial assets that are credit- impaired (Non-performing)	Total
Interbank and money market items (assets)			
Investment grade*	10,755	-	10,755
Total	10,755	-	10,755
Less: Allowance for expected credit losses	-	-	-
Net carrying value	10,755	-	10,755
Investments in debt instruments measured fair value through other comprehensive income			
Investment grade*	85,269	-	85,269
Total	85,269	-	85,269
Less: Allowance for expected credit losses	(63)	-	(63)
Net carrying value	85,206	-	85,206

* Rating of external credit risk rating agency

Collateral and any operations to increase creditability

The subsidiaries hold collateral and any operations to increase creditability of their exposure to credit risk. Details of the collateral held by the subsidiaries for each type of financial asset are as follows:

(Unit: Thousand Baht)

Consolidated financial statements		
Exposure to risk with collateral		
	31 December 2020	Type of collateral
Interbank and money market items	8,800,239	Bonds
Loans to customers and accrued interest receivables	84,507,151	Lands and buildings, machinery and equipment, deposits

51.2 Market risk

Market risk is the risk that changes in interest rate, foreign exchange rates and securities prices in money markets/equity markets may negatively 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 asset, liability, and equity items, and mismatches between the maturities and the repricing terms of assets and liabilities.

Most of the the Group's assets consist of deposits at financial institutions, loans to customers and investments in debt instruments measured at fair value through other comprehensive income, 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 economic value (equity value) may be affected. The risk is mainly arising from transactions and outstanding balances of the subsidiary. The subsidiary therefore needs to manage interest rate risk in its banking books in order to mitigate the impact.

Interest rate risk in the banking books is a risk that income or capital of the subsidiary may be negatively affected as fluctuations in interest rates impact rate-sensitive assets, liabilities and commitments. The main causes are maturity mismatches and repricing risks for assets and liabilities presented in the subsidiary's statements of financial position.

The nature of the subsidiary's exposures to interest rate risk in the banking books are as follows:

(1) Repricing Risk

This arises due to mismatches between the maturities or interest rate reset dates of assets and liabilities.

(2) Basis Risk

This arises because of mismatches between changes in the reference interest rates used for assets and liabilities.

(3) Option Risk

The subsidiary is exposed to risk as a result of options embedded in its financial contracts, whether as debtor or creditor, which grant the subsidiary's counterparties a right to change the original payment or redemption plans when market interest rates change. The option holders will often exercise these if the original payment plan puts them in an unfavorable position, whereby interest costs, returns or net interest income, as well as the structure of assets and liabilities in the statement of financial position, would change for the worse.

The subsidiary has developed interest rate risk measurement and assessment tools to evaluate the impact of interest rate risk in the banking books. The subsidiary sets risk ceilings in order to keep risk levels within stipulated parameters and reports risk levels to the 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 2020 and 2019, financial assets and liabilities, classified by types of interest rate, were as follows:

(Unit: Thousand Baht)

Consolidated financial statements					
31 December 2020					
Transactions	Floating interest rates	Fixed interest rates	Non-interest bearing	Non- Performing loan	Total
<u>Financial assets</u>					
Cash	-	-	801,515	-	801,515
Interbank and money market items	217,238	29,340,000	2,803,310	-	32,360,548
Financial assets measured at fair value through profit or loss	-	-	26,780	-	26,780
Derivative assets	-	-	412,457	-	412,457
Investments	1,071,098	36,018,967	18,768,702	-	55,858,767
Loans to customers ⁽¹⁾	109,879,905	46,104,290	-	5,392,202	161,376,397
Securities business receivables - cash accounts	-	-	157,526	-	157,526
<u>Financial liabilities</u>					
Deposits	91,055,083	91,481,161	183,595	-	182,719,839
Interbank and money market items	1,518,930	10,571,917	245,929	-	12,336,776
Liabilities payable on demand	-	-	949,585	-	949,585
Derivative liabilities	-	-	228,458	-	228,458
Debts issued and borrowings	-	11,465,900	5,976	-	11,471,876
Lease liabilities	-	834,082	-	-	834,082
Securities business payables	-	-	274,217	-	274,217

⁽¹⁾ In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates.

(Unit: Thousand Baht)

Consolidated financial statements

31 December 2019

Transactions	Floating interest rates	Fixed interest rates	Non-interest bearing	Non- Performing loan	Total
<u>Financial assets</u>					
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 ⁽¹⁾	99,882,388	53,182,352	-	2,801,675	155,866,415
Securities business receivables - cash accounts	-	-	62,370	-	62,370
<u>Financial liabilities</u>					
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

⁽¹⁾ In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates.

(Unit: Thousand Baht)

Separate financial statements

31 December 2020

Transactions	Floating interest rates	Fixed interest rates	Non-interest bearing	Non- Performing loan	Total
<u>Financial assets</u>					
Cash	-	-	10	-	10
Interbank and money market items	10,755	-	-	-	10,755
Investments	-	85,269	7,424,819	-	7,510,088
<u>Financial liabilities</u>					
Interbank and money market items	-	745,000	-	-	745,000
Debts issued and borrowings	-	6,500,000	-	-	6,500,000
Lease liabilities	-	25,982	-	-	25,982



(Unit: Thousand Baht)

Separate financial statements					
31 December 2019					
Transactions	Floating interest rates	Fixed interest rates	Non-interest bearing	Non- Performing loan	Total
Financial assets					
Cash	-	-	10	-	10
Interbank and money market items	28,977	-	-	-	28,977
Investments	-	84,493	8,511,203	-	8,595,696
Financial liabilities					
Interbank and money market items	2	360,000	-	-	360,002
Debts issued and borrowings	-	5,000,000	-	-	5,000,000

Financial instruments which bear interest rate at fixed rates are classified below by the period from 31 December 2020 and 2019 to the repricing date or maturity date (whichever is sooner).

(Unit: Thousand Baht)

Consolidated financial statements							
31 December 2020							
Transactions	Repricing or maturity date					Total	Interest rates (% p.a.)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Interbank and money market items	2,925,000	26,415,000	-	-	-	29,340,000	0.42 - 3.65
Investments	-	1,473,815	7,269,939	15,603,423	11,671,790	36,018,967	1.585 - 5.00
Loans to customers	459,274	15,869,994	12,334,853	15,886,570	1,553,599	46,104,290	1.40 - 5.125
<u>Financial liabilities</u>							
Deposits	2,777,503	38,012,925	42,889,892	7,800,841	-	91,481,161	0.15 - 2.50
Interbank and money market items	200,000	5,857,821	2,799,908	1,714,188	-	10,571,917	0.01 ⁽¹⁾ , 0.1 ⁽²⁾ , 0.22 - 1.35
Debts issued and borrowings	-	1,550,000	3,600,000	6,315,900	-	11,465,900	1.10 - 2.86, 5.125
Lease liabilities	-	7,602	267,711	515,678	43,091	834,082	1.65 - 4.23

⁽¹⁾ The interest rate of 0.01% is charged on the balance of Baht 3,003 million which the subsidiary obtained for financial assistance to debtors impacted by situations that affect the Thai economy.

⁽²⁾ The interest rate of 0.1% is charged on the balance of Baht 2,337 million which the subsidiary obtained for financial assistance to SMEs that lack of liquidity.

(Unit: Thousand Baht)

Consolidated financial statements							
31 December 2019							
Transactions	Repricing or maturity date					Total	Interest rates (% p.a.)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	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
Financial liabilities							
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 ⁽¹⁾ , 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 - 3.11, 5.125

⁽¹⁾ The interest rate of 0.1% is charged on the balance of Baht 2,551 million which the subsidiary obtained for financial assistance to SMEs that lack of liquidity.

(Unit: Thousand Baht)

Separate financial statements							
31 December 2020							
Transactions	Repricing or maturity date					Total	Interest rates (% p.a.)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Investments	-	-	-	85,269	-	85,269	5.125
<u>Financial liabilities</u>							
Interbank and money market items	745,000	-	-	-	-	745,000	1.70
Debts issued and borrowings	-	500,000	3,600,000	2,400,000	-	6,500,000	1.84 - 2.86
Lease liabilities	-	1,624	4,872	19,486	-	25,982	3.48

(Unit: Thousand Baht)

Separate financial statements							
31 December 2019							
Transactions	Repricing or maturity date					Total	Interest rates (% p.a.)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Investments	-	-	-	-	84,493	84,493	5.125
<u>Financial liabilities</u>							
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



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 2020 and 2019 were as follows:

(Unit: Thousand Baht)

Consolidated financial statements						
For the years ended 31 December						
	2020			2019		
	Average balances	Interest income/ expenses	Average rate (% per annum)	Average balances	Interest income/ expenses	Average rate (% per annum)
Performing financial assets						
Interbank and money market items	30,675,753	490,685	1.60	20,464,486	632,525	3.09
Investments in debt instruments	39,372,674	1,222,486	3.10	44,630,291	1,519,641	3.40
Loans to customers	157,941,824	6,214,022	3.93	158,577,242	6,635,548	4.18
Performing financial liabilities						
Deposits	174,758,868	2,536,585	1.45	163,799,608	3,278,156	2.00
Interbank and money market items	14,612,538	109,049	0.75	9,914,142	127,920	1.29
Debts issued and borrowings	9,314,349	315,526	3.39	22,204,340	640,461	2.88

Interest rate sensitivity analysis

Analysis of sensitivity to changes in interest rates shows the impact of potential changes in interest rates on profit or loss and shareholders' equity of the Group when other variables are set to constant values.

The sensitivity of profit or loss is the effect of changes in interest rates to profit or loss of the year. For financial assets and financial liabilities at the end of the reporting period, the sensitivity of shareholders' equity is calculated by measuring the fair value as at 31 December 2020 of financial assets measured at fair value through other comprehensive income using a new fixed interest rate, including the effect of hedging cash flow risk by assuming a 1 percent change in the interest rate. The methods used in sensitivity analysis are unchanged from the previous year.

The effect of change in interest rates on profit or loss and shareholders' equity as of 31 December 2020 can be summarised as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	Sensitivity of	
	Profit or loss	Shareholders' equity
Increased by 1 percent	43,278	43,278
Decreased by 1 percent	(189,895)	(189,895)

Note: The estimation of the effect of increase (decrease) in interest rates on profit or loss within the next 1 year.

(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.

The subsidiary provides trade finance services to support customers engaged in foreign trade and there are foreign currency positions as a result of these transactions. The subsidiary has, therefore, established a risk management framework to mitigate the risk, and also sets risk ceilings and closely monitors the operations in order to maintain risk at acceptable levels.

As at 31 December 2020 and 2019, 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 2020				
	USD	EUR	JPY	HKD	Others
<u>Foreign currency in the statements of financial position</u>					
Interbank and money market items	205,371	490	624	-	9,540
Investments	1,071,098	-	-	-	-
Loans to customers and accrued interest receivables	2,047,228	19,922	-	-	62,366
Total assets	3,323,697	20,412	624	-	71,906
Deposits	1,139,852	-	-	-	682
Interbank and money market items	683,000	-	-	-	-
Accrued interest payables	4,912	-	-	-	-
Total liabilities	1,827,764	-	-	-	682
Items recognised in the statements of financial position - net	1,495,933	20,412	624	-	71,224
<u>Foreign currency not recognised in the statements of financial position - net</u>					
(Forward contracts, cross currency and interest rate swap contracts)	(1,475,021)	(20,282)	54,253	-	(63,457)



(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2019				
	USD	EUR	JPY	HKD	Others
<u>Foreign currency in the statements of financial position</u>					
Cash	234	47	84	94	75
Interbank and money market items	119,239	35	-	-	7,193
Investments	964,928	-	-	-	-
Loans to customers and accrued interest receivables	1,226,079	-	-	-	-
Total assets	2,310,480	82	84	94	7,268
Deposits	353,017	-	-	-	-
Interbank and money market items	589,886	-	-	-	-
Accrued interest payables	2,463	-	-	-	-
Total liabilities	945,366	-	-	-	-
Items recognised in the statements of financial position - net	1,365,114	82	84	94	7,268

Foreign currency not recognised in the statements of financial position - net

(Forward contracts, cross currency and interest rate swap contracts)

(1,373,487)	-	-	-	-
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Foreign exchange rate sensitivity analysis

Analysis of sensitivity to changes in foreign exchange rates shows the impact of potential changes in foreign exchange rates on profit or loss and the shareholders' equity of the subsidiary when other variables are set to constant values. The risks encountered, and methods used for sensitivity analysis are unchanged from the previous period.

The effect of change in exchange rate on profit or loss and shareholders' equity as of 31 December 2020 can be summarised as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	Sensitivity of	
	Profit or loss	Shareholders' equity
Increased by 5 percent	74,759	74,759
Decreased by 5 percent	(74,759)	(74,759)

Note: The effect of increase (decrease) in exchange rate is the appreciation (depreciation) of foreign currencies compared to US Dollar.

(c) Equity position risk

Equity position risk is the risk that changes in the market prices of equity instruments or stocks may result in changes in the value of investments, and fluctuations in revenue and the value of financial assets.

The Group closely manages equity position risk, with a policy to invest in equity instruments with a lower risk than those in equity markets. Moreover, the Group monitors risks related to investments in equity instruments to ensure that the risk is still lower than that of the market.

Equity security price sensitivity analysis

The following table demonstrates the sensitivity of a reasonably possible change in equity security price to profit or loss and shareholders' equity as at 31 December 2020 when other variables are set to constant values.

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	Sensitivity of	
	Profit or loss	Shareholders' equity
Increased by 10 percent	3,153	914,383
Decreased by 10 percent	(3,153)	(914,383)

Note: The estimation of increase (decrease) is a percentage change of SET Index.

	(Unit: Thousand Baht)	
	Separate financial statements	
	Sensitivity of	
	Profit or loss	Shareholders' equity
Increased by 10 percent	-	328,117
Decreased by 10 percent	-	(328,117)

Note: The estimation of increase (decrease) is a percentage change of SET Index.

(d) Commodity price risk

This is the risk that income or capital may be adversely affected by changes in commodity prices. The Group has no policy to hold such positions.

51.3 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 preparing net liquidity status reports or liquidity gap reports. The subsidiary's, which operates banking business, analysis has two components, namely a Contractual Liquidity Gap report and a Behavior Liquidity Gap report, which 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 accumulated outstanding net liquidity by maturity, adjusted to reflect depositor behavior, in order to maintain liquidity risk at the appropriate levels stipulated by the subsidiary.



The subsidiary conducts studies 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 and these include the effects on liquidity management of the subsidiary. The Operational, Market and Information Technology Risk Management Department are responsible for carrying out the study and reporting the results to the Asset and Liability Committee, for assessment of liquidity requirements under each scenario, and to provide a framework for establishing contingency plans for liquidity crisis.

In addition, the subsidiary monitors its liquidity risk based on regulations relating to the maintenance of liquid assets to handle a severe liquidity crisis situation (Liquidity Coverage Ratio: LCR), which is based on the assumption that total cash inflows and outflows reflect the differing withdrawal behaviors of various counterparties and both on and off-balance sheet items, which are affected by different cash flow indicators. The assumptions also reflect the business group structure, which may require the group's commercial banks to provide liquidity assistance in the event of a severe and continuous cash outflow crisis. Therefore, the subsidiary sets risk limits in order to monitor liquidity risk levels and maintain them within appropriate levels, and 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 2020 and 2019 were as follows:

(Unit: Thousand Baht)

Transactions	Consolidated financial statements					
	31 December 2020					
	At call	Less than 1 year	1 - 5 years	Over 5 years	No maturity	Total
<u>Financial assets</u>						
Cash	801,515	-	-	-	-	801,515
Interbank and money market items	5,745,548	26,615,000	-	-	-	32,360,548
Financial assets measured at fair value through profit or loss	-	-	-	-	26,780	26,780
Derivative assets	-	135,796	276,661	-	-	412,457
Investments	-	8,743,754	16,674,521	11,671,790	18,768,702	55,858,767
Loans to customers ⁽¹⁾	9,163,767	48,753,368	50,827,969	51,501,777	1,129,516	161,376,397
Securities business receivables - cash accounts	-	157,526	-	-	-	157,526
<u>Financial liabilities</u>						
Deposits	91,692,491	82,183,264	8,838,774	5,310	-	182,719,839
Interbank and money market items	1,964,859	8,657,729	1,714,188	-	-	12,336,776
Liabilities payable on demand	949,585	-	-	-	-	949,585
Derivative liabilities	-	228,458	-	-	-	228,458
Debts issued and borrowings	-	5,151,431	6,320,445	-	-	11,471,876
Lease liabilities	-	275,313	515,678	43,091	-	834,082
Securities business payables	-	274,217	-	-	-	274,217

⁽¹⁾ Loans to customers due at call included default loans and non-performing loans.

(Unit: Thousand Baht)

Consolidated financial statements						
31 December 2019						
Transactions	At call	Less than 1 year	1 - 5 years	Over 5 years	No maturity	Total
Financial assets						
Cash	1,635,585	-	-	-	-	1,635,585
Interbank and money market items	3,316,068	15,418,978	-	-	-	18,735,046
Derivative assets	-	56,864	-	184,512	-	241,376
Investments	-	7,360,205	24,998,626	10,771,526	23,158,303	66,288,660
Loans to customers ⁽¹⁾	7,707,409	58,801,713	45,244,474	43,442,819	670,000	155,866,415
Securities business receivables						
- cash accounts	-	62,370	-	-	-	62,370
Financial liabilities						
Deposits	66,264,970	91,104,467	7,609,989	5,355	-	164,984,781
Interbank and money market items	6,482,608	3,325,348	659,036	-	-	10,466,992
Liabilities payable on demand	52,083	-	-	-	-	52,083
Derivative liabilities	-	35,634	-	-	-	35,634
Debts issued and borrowings	-	14,931,717	3,008,129	3,915,900	-	21,855,746
Payables to Clearing House	-	3,107	-	-	-	3,107
Securities business payables	-	69,989	-	-	-	69,989

⁽¹⁾ Loans to customers due at call included default loans and non-performing loans.

(Unit: Thousand Baht)

Separate financial statements						
31 December 2020						
Transactions	At call	Less than 1 year	1 - 5 years	Over 5 years	No maturity	Total
Financial assets						
Cash	10	-	-	-	-	10
Interbank and money market items	10,755	-	-	-	-	10,755
Investments	-	-	85,269	-	7,424,819	7,510,088
Financial liabilities						
Interbank and money market items	745,000	-	-	-	-	745,000
Debts issued and borrowings	-	4,100,000	2,400,000	-	-	6,500,000
Lease liabilities	-	6,496	19,486	-	-	25,982



(Unit: Thousand Baht)

Transactions	Separate financial statements					
	31 December 2019					
	At call	Less than 1 year	1 - 5 years	Over 5 years	No maturity	Total
Financial assets						
Cash	10	-	-	-	-	10
Interbank and money market items	28,977	-	-	-	-	28,977
Investments	-	-	-	84,493	8,511,203	8,595,696
Financial liabilities						
Interbank and money market items	360,002	-	-	-	-	360,002
Debts issued and borrowings	-	3,000,000	2,000,000	-	-	5,000,000

In addition, as at 31 December 2020 and 2019, 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 2020			31 December 2019		
	Not over 1 year	Over 1 year	Total	Not over 1 year	Over 1 year	Total
Avals to bills	96,303	10,000	106,303	1,330	-	1,330
Liabilities under						
unmatured import bills	141,047	-	141,047	130,543	-	130,543
Letters of credit	228,952	-	228,952	254,884	-	254,884
Undrawn bank overdrafts	4,607,470	-	4,607,470	4,308,063	-	4,308,063
Guarantee - others	4,721,477 ⁽¹⁾	494,046	5,215,523	4,808,826 ⁽¹⁾	311,991	5,120,817
Other commitments	-	28,647,558	28,647,558	-	35,381,126	35,381,126

⁽¹⁾ As at 31 December 2020 and 2019, these amounts included contracts with no maturity date amounting to Baht 2,474 million and Baht 2,120 million, respectively.

52. Fair value of financial instruments

52.1 Financial assets and liabilities measured at fair value

As at 31 December 2020 and 2019, the Group had financial assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2020				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets measured at fair value through					
profit or loss	26,780	26,780	-	-	26,780
Derivative assets	412,457	-	412,457	-	412,457
Investments in debt instruments measured at					
fair value through other comprehensive income	36,887,789	-	36,887,789	-	36,887,789
Investments in equity instruments designated at					
fair value through other comprehensive income	18,768,702	18,752,343	-	16,359	18,768,702
<u>Financial liabilities</u>					
Derivative liabilities	228,458	-	228,458	-	228,458

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2019				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Derivative assets	56,864	-	56,864	-	56,864
Trading investments	22,549,678	22,549,678	-	-	22,549,678
Available-for-sale investments	1,647,803	592,240	1,055,563	-	1,647,803
<u>Financial liabilities</u>					
Derivative liabilities	35,634	-	35,634	-	35,634

(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2020				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Investments in debt instruments measured at					
fair value through other comprehensive income	85,206	-	85,206	-	85,206
Investments in equity instruments designated at					
fair value through other comprehensive income	7,424,819	7,424,819	-	-	7,424,819



(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2019				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Trading investments	8,511,203	8,511,203	-	-	8,511,203
Available-for-sale investments	84,493	-	84,493	-	84,493

During the current year, there was no transfer within the fair value hierarchy.

52.2 Financial assets and liabilities for which fair values are disclosed

As at 31 December 2020 and 2019, 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 2020				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Cash	801,515	801,515	-	-	801,515
Interbank and money market items - net	32,367,362	2,822,703	-	29,529,059	32,351,762
Loans to customers - net	156,216,695	-	1,125,249	155,242,169	156,367,418
Securities business receivables - cash accounts	157,526	-	157,526	-	157,526
<u>Financial liabilities</u>					
Deposits	182,719,839	91,238,678	91,510,768	-	182,749,446
Interbank and money market items	12,336,776	1,764,859	10,575,900	-	12,340,759
Liabilities payable on demand	949,585	949,585	-	-	949,585
Debts issued and borrowings	11,471,876	5,976	11,456,059	-	11,462,035
Lease liabilities	834,082	-	796,048	-	796,048
Securities business payables	274,217	-	274,217	-	274,217

(Unit: Thousand Baht)

	Consolidated financial statements				
	31 December 2019				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Financial 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	-	670,086	151,600,640	152,270,726
Securities business receivables - cash accounts	62,370	-	62,370	-	62,370
<u>Financial 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)

	Separate financial statements				
	31 December 2020				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Cash	10	10	-	-	10
Interbank and money market items - net	10,755	10,755	-	-	10,755
<u>Financial liabilities</u>					
Interbank and money market items	745,000	-	745,035	-	745,035
Debts issued and borrowings	6,500,000	-	6,437,950	-	6,437,950
Lease liabilities	25,982	-	24,009	-	24,009

(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2019				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Cash	10	10	-	-	10
Interbank and money market items - net	28,977	28,977	-	-	28,977
<u>Financial liabilities</u>					
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



The Group estimates fair values for financial instruments as follows:

- (a) The fair values of investments in debt instruments are determined based on the yield rates quoted by the Thai Bond Market Association.
- (b) The fair values of investments in non-marketable equity instruments are determined based on generally accepted pricing models.
- (c) 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 expected credit losses. 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.
- (d) 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.
- (e) 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's credit risk.
- (f) The fair values of debts issued and borrowings that are both subordinated and unsubordinated debentures are determined using yield rates quoted by Thai Bond Market Association. The fair values of debts issued and borrowings that bear fixed interest rates are determined by discounting the expected future cash flows by market interest rates on borrowings with similar conditions.
- (g) The fair values of lease liabilities are determined by discounting the expected future cash flows by the Group's incremental borrowing rate with similar conditions.

53. Events after the reporting period

53.1 Dividend payments of the Company

On 25 February 2021, the Board of Directors' Meeting No.2/2564 of the Company passed resolutions to propose to the Annual General Meeting of the Company's shareholders for approval a 2020 cash dividend payment of Baht 0.040 per share, or a total of not more than Baht 836.8 million, from its operating results for the year ended 31 December 2020.

53.2 Dividend payments of the subsidiary

On 25 February 2021, the Board of Directors' Meeting (Banking business) No.2/2564 of the subsidiary passed resolutions to propose to the Annual General Meeting of the subsidiary's shareholders for approval a 2020 cash dividend payment of Baht 0.35 per share, or a total of not more than Baht 700 million, from its operating results for the year ended 31 December 2020.

53.3 Issuance of debentures of the subsidiary

On 25 February 2021, the Board of Director's Meeting (Banking business) No.2/2564 of the subsidiary passed resolutions to propose to the Annual General Meeting of the subsidiary's shareholders for approval the Medium-Term Note Program (MTN) which is to run for a period of up to 2 years, with up to Baht 50,000 million of debentures issued under the scheme.

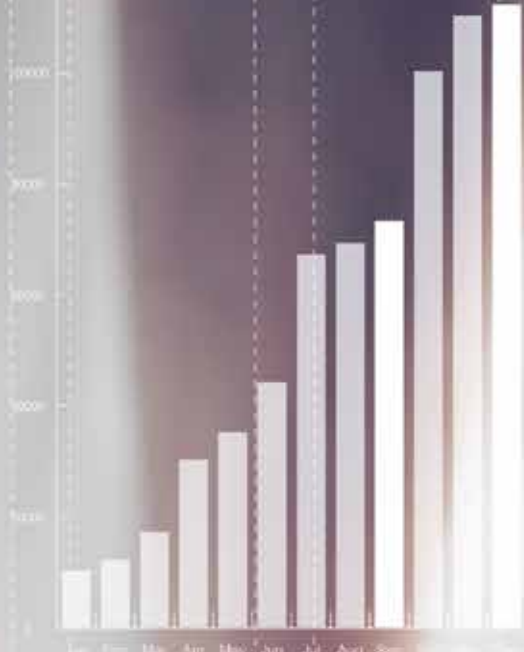
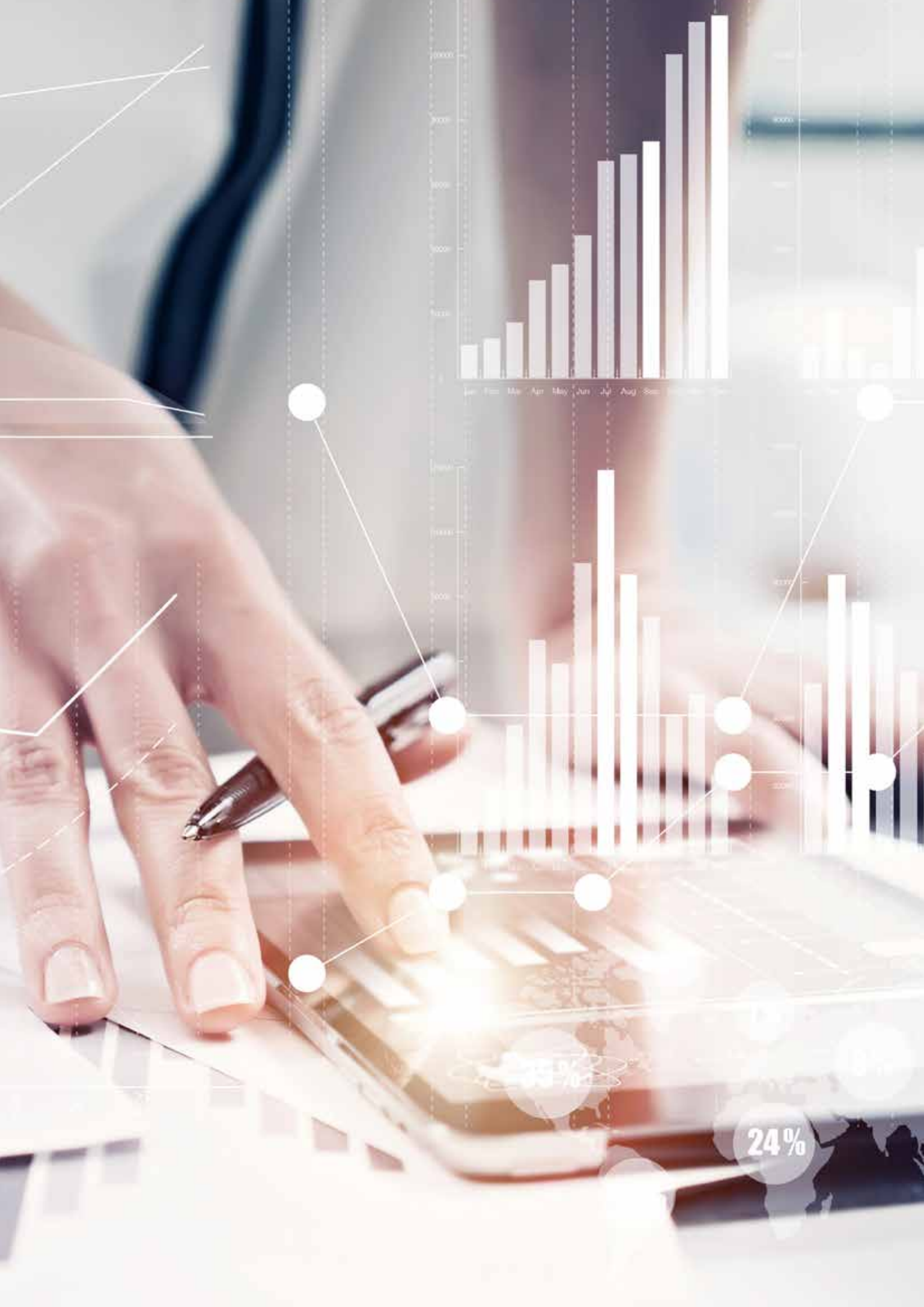
54. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2021.

References

Share Registrar : **Thailand Securities Depository Co., Ltd.**
Address : 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand
Telephone : 0 2009 9000
Fax : 0 2009 9991
SET Contact Center : 0 2009 9999
Website : www.set.or.th/tsd

Audit Company : **EY Office Limited**
Auditors : Ms. Ratana Jala
 Certified Public Accountant (Thailand), No. 3734 and/or
 Ms. Somjai Khunapasut
 Certified Public Accountant (Thailand), No. 4499 and/or
 Ms. Rachada Yongsawadvanich
 Certified Public Accountant (Thailand), No. 4951 and/or
 Ms. Wanwilai Phetsang
 Certified Public Accountant (Thailand), No. 5315
Address : 193/136-137, 33rd Floor, Lake Rajada Office Complex,
 Rajadapisek Road, Klongtoey, Bangkok 10110
Telephone : 0 2264 0777
Fax : 0 2264 0789-90
Website : www.ey.com/th



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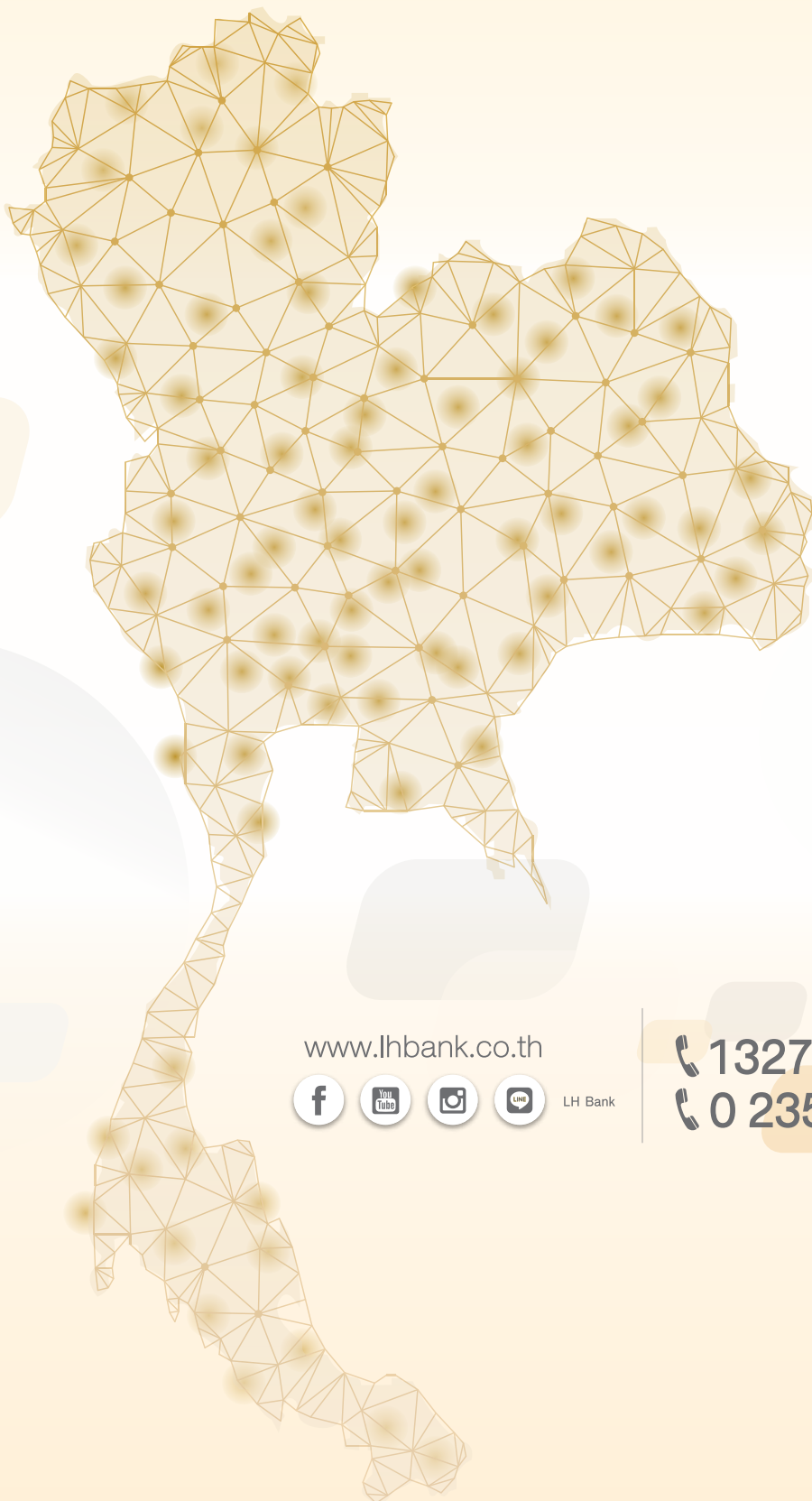
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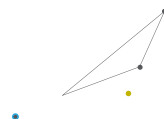
LH Bank

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Branch Information



LH FINANCIAL GROUP PUBLIC COMPANY LIMITED

1 Q.HOUSE LUMPINI BUILDING, 5th FL., SOUTH SATHON RD.,
THUNGMAHAMEK, SATHON, BANGKOK 10120

TEL : 0 2359 0000 FAX : 0 2677 7223



www.lhfg.co.th