

mark

# Symbolic of CHANGE

“จุดเริ่มต้น...ของการเปลี่ยนแปลง”



รายงานประจำปี **2561**  
Annual Report **2018**

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## MESSAGE FROM THE CHAIRMAN

During the past year, LH Bank has developed in many dimensions, whether it be the modern technology to become a full service in electronic banking ( Digital Banking), new products development in order to respond and match with the customers' lifestyle such as stock trading, fund trading and new account opening through M Choice Application and launching campaign "mark symbolic of CHANGE" which is remarkable change in service, branch format including employee uniform to enhance modern personality and agility and increasing the private zone and the private room of the branches for support the privacy of customers.

Land and Houses Bank Public Company Limited had a total asset of 238,658 million baht, increasing from the previous year by 3.6 percent. The total amounts of loans were 182,142 million baht, increasing from the previous year by 5.1 percent and the loans quality is considered good, with non-performing loans (NPL) at 1.93 percent of total loans and net profit of 2,569 million baht, increasing from the previous year by 11.1 percent, which the performance is increasing continuously.

In 2019, LH Bank plans to reduce the branch which is in the same direction as other commercial banks by focusing on the development of digital and adjusting to be a Professional Financial Advisors to fully support Wealth Management services including develop the technology for services with digital banking to respond the customers' needs in a convenient and fast manner, so customers will be able to make financial transactions at any time. In January 2019, the bank will launch E-Wallet, a payment services via QR Code, and Trade Finance business services, which is a collaboration with CTBC Bank, a partner from Taiwan that experts in Trade Finance with a network of branches around 111 countries, covering more than 14 countries, facilitates people using the service and to support the import and export business of Thailand that is constantly expanding.

The Board of Directors always recognizes the significance of good corporate governance, business transparency, justification and accountability as well as sustaining the utmost benefits of all stakeholders and the whole society, in addition to managing the business faithfully and truthfully that help to improve capability and being a foundation for business growth. Including supported the bank to operate its business according to the Market Conduct as the guideline complies with the official agencies determined.

Finally, the bank would like to extend my appreciation and thanks to shareholders, investors, customers, public and private financial institutions and government agencies for trust and for the continued support that you have placed in the bank. The bank will intend to develop the business opportunities and present the products and the financial services to response the customers' needs as well as we are confident that the bank will grow with the quality.



(Mr. Rutt Phanijphand)  
Chairman

## COMPANY PROFILE

Land and Houses Bank Public Company Limited is a financial institution which positions itself as a new choice for consumers. It originated from the inspiration of a leading group of property developers-Land & Houses Public Company Limited and Quality Houses Public Company Limited. Listed on the Stock Exchange of Thailand, the two companies are engaged in the development and management of real estate projects and together command the largest market share. Apart from their strong financial positions, they both are committed to management with good corporate governance. In 2004, the government had announced a financial institutions development plan. Viewing this as an opportunity to diversify its business to be more comprehensive, the group by Land and Houses Credit Foncier Public Company Limited of which 43% of paid-up capital was held by Land and Houses Public Company Limited submitted a plan to the Ministry of Finance to set up a commercial retail bank on December 19, 2015.

On June 19, 2009, LH Financial Group Public Company Limited submitted an application to the Bank of Thailand to establish the financial business group. Then on October 28, 2009, the Bank of Thailand allowed the company and Land and Houses Bank Public Company Limited to set up a financial business group, with the company acting as the holding company, the bank as the subsidiary under the solo consolidation group, and Land and Houses Fund Management Company Limited as a subsidiary outside the solo consolidation group.

In 2010, the bank took over the United Asset Management Company Limited which it later renamed Land and Houses Fund Management Company Limited the bank held 99.99% of paid-up capital in the company.

On December 16, 2011, the Ministry of Finance, by the recommendation of the Bank of Thailand, approved and upgraded of Land and Houses Retail Bank Public Company Limited the company's subsidiary, from a retail bank into a full commercial bank under the name of Land and House Bank Public Company Limited and has official opening on December 19, 2011. As a result of the change, the Bank could start operating a complete commercial banking business and offer a more diverse range of commercial banking services to its customers.

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



## GENERAL INFORMATION

### 1. Type of Business, Number of Shares, Par Value and All Type of Shares and Issued Share Capital

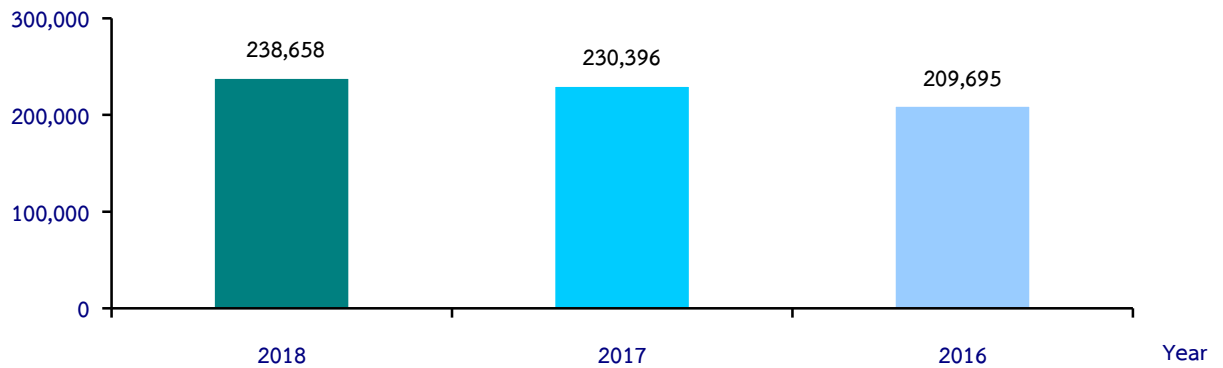
The Company Name	:	Land and Houses Bank Public Company Limited
Symbol	:	LH Bank
Registration Number	:	0107548000234
Type of Business	:	Commercial Bank
Website	:	www.lhbank.co.th
Head Office	:	1 Q.House Lumpini Building G, 1 <sup>st</sup> , 5 <sup>th</sup> , 6 <sup>th</sup> and 32 <sup>nd</sup> Floor, South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120
Registered Capital	:	20,000,000,000 Baht
Paid-up Capital	:	20,000,000,000 Baht
Par Value	:	10 Baht
All Type of Share and Issued Share Capital	:	Consists of      Ordinary Shares 2,000,000,000 Shares Preferred Shares -None-
Accounting Period	:	1 January – 31 December
Contact	:	<b>Head Office</b> Telephone      0 2359 0000 Fax              0 2677 7223 Email :          presidentoffice@lhbank.co.th
The Audit Committee	:	Mr. Phairoj      Hengsakul      Chairman of the Audit Committee Telephone 08 1990 7448 Email : phairojh@lhbank.co.th
	:	Mr. Somsak      Asavapokee      Member of the Audit Committee Telephone 08 5485 4269 Email : somsaka@lhbank.co.th
	:	Mr. Pradit      Sawattananond      Member of the Audit Committee Telephone 08 1868 1487 Email : pradits@lhbank.co.th
	:	Dr.Supriya      Kuandachakupt      Member of the Audit Committee Telephone 08 5901 5888 E-mail : supriyak@lhbank.co.th
Auditors	:	Ms. Ratana      Jala Certified Public Accountant (Thailand) No. 3734 and/or Ms. Somjai      Khunapasut Certified Public Accountant (Thailand) No. 4499 and/or Miss Rachada      Yongsawadvanich Certified Public Accountant (Thailand) No.4951
	:	<b>EY Office Limited</b> 193/136-137, 33 <sup>rd</sup> Floor, Lake Rajada Office Complex, Rajadapisak Road, Klongtoey, Bangkok 10110 Telephone :      0 2664 0777 Fax :              0 2664 0789-90

## FINANCIAL HIGHLIGHTS

Items	Separate Financial Statement		
	2018	2017	2016
<b>Statements of financial position : Million Baht</b>			
Total assets	238,658	230,396	209,695
Investments	55,313	55,237	49,978
Loans to customers	161,893	154,020	141,145
Allowance for doubtful debts	3,775	3,403	3,094
Non-performing loans (Gross NPLs)	3,520	3,264	2,766
Debts issued and borrowings	23,290	32,979	20,465
Deposits	168,171	143,742	149,639
Total liabilities	203,054	195,274	192,197
Total owners' equity	35,604	35,122	17,498
Registered share capital	20,000	20,000	20,000
Paid-up share capital	20,000	20,000	14,000
<b>Statements of comprehensive income : Million Baht</b>			
Interest income	8,575	8,654	8,816
Interest expenses	(3,671)	(3,673)	(3,978)
Net interest income	4,904	4,981	4,838
Non-interest income	1,154	814	1,636
Total operating income	6,058	5,795	6,474
Non-interest expenses	(2,362)	(2,346)	(2,333)
Bad debts and doubtful accounts	(570)	(617)	(1,025)
Profits before income tax expenses	3,126	2,832	3,116
Net profits	2,569	2,312	2,502
<b>Comparing per share : Baht</b>			
Basic earnings per share	1.285	1.399	1.787
Dividend rate per share	1.170	0.857	0.666
Book value per share	17.802	17.561	12.499
<b>Financial ratio (%)</b>			
Return on average assets (ROA)	1.10	1.05	1.23
Return on average shareholders' equity (ROE)	7.27	8.79	14.93
Dividend payout ratio	91.08	64.87	37.26
Loans to deposit and borrowing	84.60	87.19	83.07
Non-interest income to total income	19.06	14.05	25.27
Non-interest expenses to total income	38.99	40.49	36.04
Total capital fund to risk assets ratio	20.045	21.857	13.706
Tier 1 capital fund to risk assets ratio	17.131	18.673	10.195
<b>Capital fund : Million Baht</b>			
Tier 1 capital fund	34,344.23	34,101.44	16,557.45
Total capital fund	40,185.53	39,915.64	22,259.27

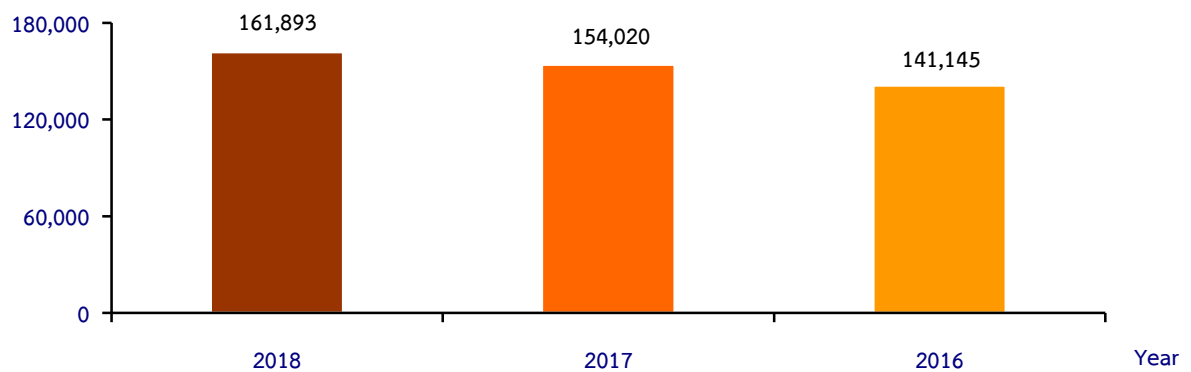
### Total Asset

(Million Baht)



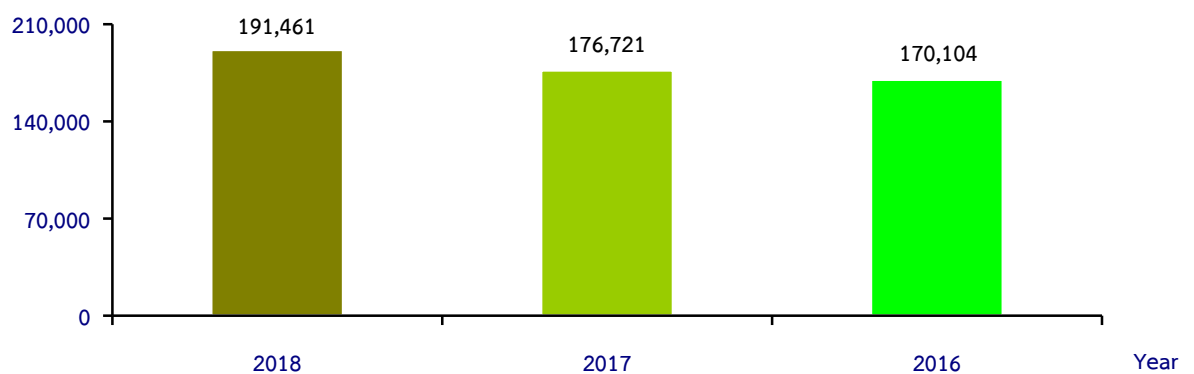
### Loans to Customers

(Million Baht)



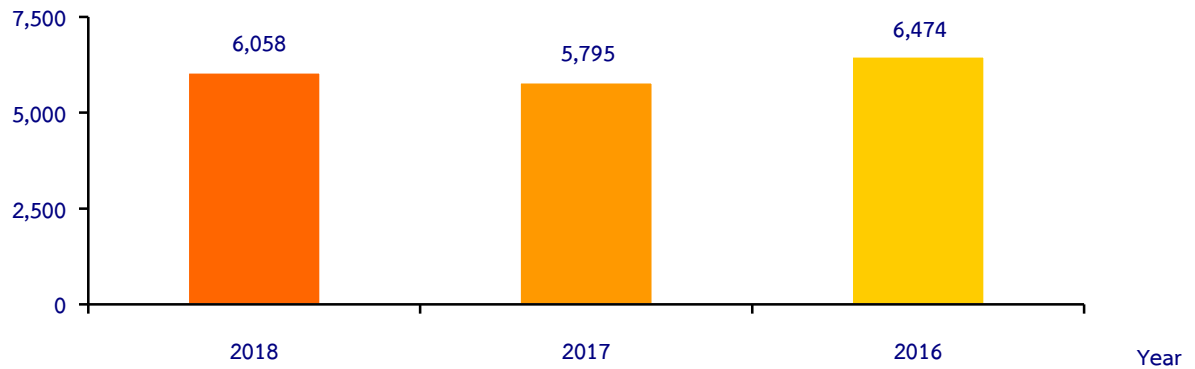
### Deposits & Debts Issued and Borrowings

(Million Baht)



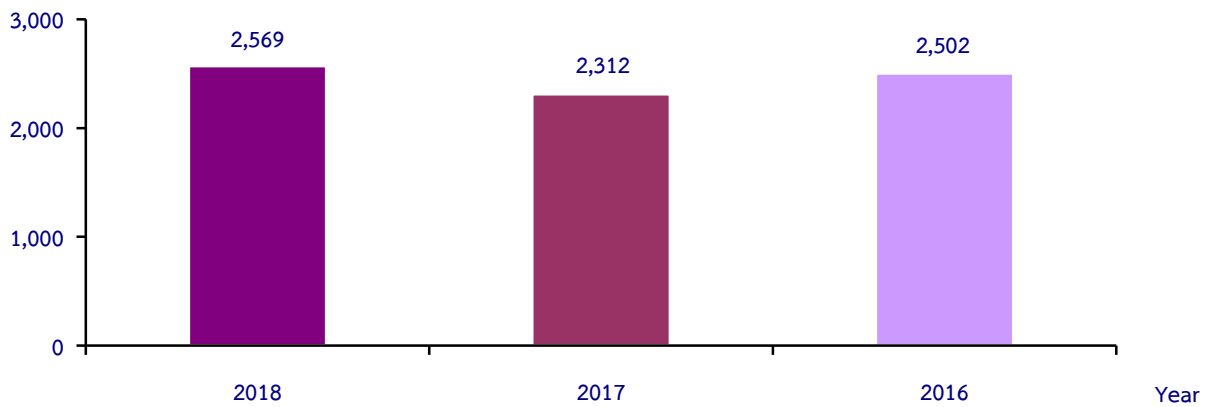
### Operating Income

(Million Baht)



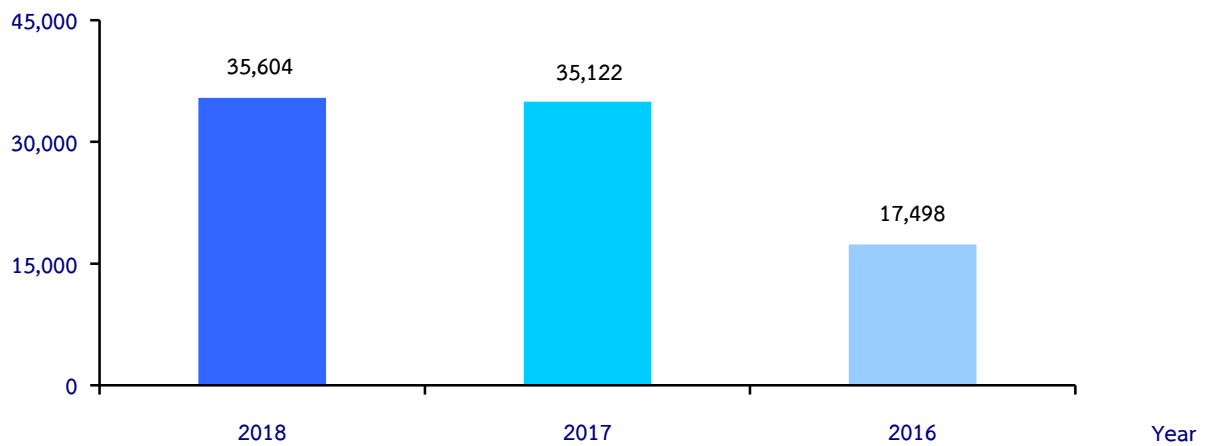
### Net Profits

(Million Baht)



### Owners' Equity

(Million Baht)



## BOARD OF DIRECTORS



**Name:** Mr. Rutt Phanijphand  
**Position:** Chairman  
**Age (Years):** 71  
**Education:**

- Master of Science in Business Administration, Fort Hays Kansas State University, USA
- Bachelor of Science, Kasetsart University
- National Defense College Class 388
- Director Accreditation Program (DAP) 4/2003: IOD
- Director Certification Program (DCP) 61/2005: IOD
- Financial Institutions Governance Program (FGP) 1/2010: IOD
- Corporate Governance For Capital Market Intermediaries Program (CGI) 14/2016 : IOD
- Information Security Awareness Training 2018: LH Bank

**Number of direct holding of shares:** - None  
**Number of indirect holding of shares:** - None  
**Relationship with executives:** - None

### Work experiences in the past 5 years

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

Period	Position	Organization/Company
Jun. 2017 - Present	Chairman	LH Financial Group PLC
Apr. 2009 - Present	Director	
Apr. 2009 - Jun. 2017	Chairman of the Executive Committee	
Apr. 2016 - Present	Vice Chairman	Banpu PLC
Apr. 2014 - Present	Member of the Audit Committee	
May 2005 - Present	Chairman of the Compensation Committee	
Apr. 2005 - Present	Independent Director	
Jun. 2007 - Present	Executive Director	Home Product Center PLC
Mar. 2007 - Present	Chairman of the Nomination and Remuneration Committee	
Dec. 2001 - Present	Director	
Aug. 2001 - Dec. 2014	Chief Executive Officer and President	Quality Houses PLC
Oct. 2006 - Apr. 2009	Independent Director and Member of the Audit Committee	IRPC PLC
Feb. 2005 - Dec. 2005	Director	Dhipaya Insurance PLC
May 2004 - Dec. 2005	Executive Director	Krung Thai Bank PLC
Apr. 2003 - Apr. 2004	Member of the Audit Committee	

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

Period	Position	Organization/Company
Jun. 2017 - Present	Chairman	Land and Houses Bank PLC
Dec. 2005 - Present	Director	
Dec. 2005 - Jun. 2017	Chairman of the Executive Committee	
Dec. 2013 - Present	Chairman	Land and Houses Securities PLC
Oct. 2010 - Present	Chairman	Land and Houses Fund Management Co., Ltd.
Jan. 2003 - Dec. 2014	Director	QH Management Co., Ltd.
Aug. 2001 - Dec. 2014	Director	QH International Co., Ltd.
2006 - 2008	Director	Kasetsart University Council
2002 - 2008	Chairman	The Activities Promotion Committee, Kasetsart University
Aug. 2001 - Dec. 2009	Director	Centerpoint Management Co., Ltd.
2000 - 2005	Chairman	United Advisory service Co., Ltd.



Name: Mr. Phairoj Hengsakul

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

Age (years): 71

Education:

- Executive MBA, Thammasat University
- Barrister at Law
- Bachelor of Laws, Thammasat University
- Bachelor of Accounting, Thammasat University
- Bank Examiner Course, Federal Deposit Insurance Corporation, Washington DC., USA
- Senior Executive Program, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Executive Program for Central Banker, Harvard University, BOT - Chiangmai
- Media and Public Relation Course, Ogilvy (Thailand)
- Director Certification Program (DCP) 121/2009 : IOD
- Financial Institutions Governance Program (FGP) 1/2010 : IOD
- Information Security Awareness Training 2018 : LH Bank
- Shaping the Future of Central Banks : BOT - OMFIF

Number of direct holding of shares: - None

Number of indirect holding of shares: - None

Relationship with executives: - None

Work experiences in the past 5 years

❖ None Current Position in Listed Company

Period	Position	Organization / Company
Feb. 2013 - Aug. 2017	Member of the Corporate Governance Committee	LH Financial Group PLC
Apr. 2009 - Aug. 2017	Independent Director and Chairman of the Audit Committee	
Apr. 2009 - Apr. 2011	Member of the Nomination and Remuneration Committee	

❖ Current Position in 2 Non-Listed Companies

Period	Position	Organization / Company
Feb. 2013 - Present	Chairman of the Corporate Governance Committee	Land and Houses Bank PLC
Feb. 2009 - Present	Independent Director Chairman of the Audit Committee	
Jul. 2018 - Sep. 2018	Member of the Nomination and Remuneration Committee	
Feb. 2018 - Jul. 2018	Chairman of the Nomination and Remuneration Committee	
2007 - Present	Member of the Audit Committee	Prince of Songkla University
Sep.2009 - Dec. 2009	Director	Siam City Securities Co., Ltd.
2006 - May. 2009	Director	Bangkok Commercial Asset Management Co., Ltd.
2006 - 2007	Assistant Governor, FIDF Management	Bank of Thailand
2000 - 2006	Senior Director	
	- Southern Region Office - Project and Asset Management Department	



**Name:** Mr. Pradit Sawattananond  
**Position:** Independent Director  
 Member of Audit Committee  
 Member of Corporate Governance Committee  
**Age (Years):** 70  
**Education:**

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

**Number of direct holding of shares:** - None

**Number of indirect holding of shares:** - None

**Relationship with executives:** - None

**Work experiences in the past 5 years:**

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

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

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

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



**Name:** Dr. Supriya Kuandachakupt

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

**Age (Years):** 65

**Education:**

- Doctor of Philosophy in Economics, University of Hawaii, USA
- Master of Arts (Economics) (English Program), Thammasat University
- Bachelor of Economics, University of Tasmania, Australia
- Diploma of Tertiary Education University of New England, Australia
- Corporate Governance Program for Directors and Senior Executives of State Enterprises and Public Organizations (Class 7) : Public Director institute, King Prajadhipok's Institute
- Director Accreditation Program (DAP) 56/2006 : IOD
- Director Certification Program (DCP) 97/2007 : IOD
- Financial Statements for Directors (FSD) 10/2010 : IOD
- Audit Committee Effectiveness (ACE) 2012 : IOD
- How to Develop a Risk Management Plan (HRP) 4/2013 : IOD
- Chartered Director Class 9/2015 : IOD
- Corporate Governance for Capital Market Intermediaries (CGI) 7/2015 : IOD
- Advance Audit Committee Program (AACP) 31/2018 : IOD
- Information Security Awareness Training 2018: LH Bank

**Number of direct holding of shares:** - None

**Number of indirect 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 3 Non-Listed Companies on the Stock Exchange of Thailand

Period	Position	Organization/Company
Aug. 2017 - Present	Independent Director	Land and Houses Bank PLC
	Member of the Audit Committee	
	Member of the Corporate Governance Committee	
	Member of the Nomination and Remuneration Committee	
Jul. 2018 - Aug. 2018	Member of the Nomination and Remuneration Committee	
Aug. 2017 - Feb. 2018	Member of the Nomination and Remuneration Committee	
2012 - Present	Advisor	Destination Resorts Co., Ltd.
2002 - Present	Director	P.A.K. Supply Co., Ltd.
2013 - Sep. 2018	Special Senior Fellows, Faculty of Economics	Kasetsart University
1986 - Sep. 2018	Associate Professor, Economics Department, Faculty of Economics	
2012 - 2013	Chairman of Board of Operation Director, Entrepreneurial Economics Bachelor of Administration (EEBA) International Program	
2007 - 2013	Chairman of the Business Economics, Faculty of Economics	
2000 - 2004	Dean, Faculty of Economics	
2001 - 2003	Director, Kasetsart University Council	
2010 - 2012	Director, The Government Lottery Office	The Government Lottery Office
2004 - 2006	Advisor, Director of the Fiscal Policy Office	Fiscal Policy Office





**Name:** Mr. Somsak Assavapokee  
**Position:** Independent Director  
 Chairman of the Nomination and Remuneration Committee  
 Member of the Corporate Governance Committee  
 Member of the Audit Committee  
 Member of the Risk Oversight Committee  
**Age (Years):** 66  
**Education:**  
 - Master of Business Administration, New York University, USA  
 - Bachelor of Commerce (Commerce and Accountancy), Thammasat University  
 - Director Certification Program (DCP) 157/2012: IOD  
**Number of direct holding of shares:** - None  
**Number of indirect holding of shares:** - None  
**Relationship with executives:** - None

Work experiences in the past 5 years

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

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

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

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



**Name:** Mr. Sirichai Sombutsiri  
**Position:** Chairman of the Executive Committee  
**Age: (Years)** 65  
**Education:**

- Master of Business Administration (Finance), University of Southern California
- Bachelor of Accountancy (Honour), Thammasat University
- Advanced Management Program, Harvard Business School
- Capital Market Academy Leadership Program
- 2007 : Capital Market Academy
- Director Accreditation Program (DAP) 25/2004 : IOD
- National Defense College Class of 4515

**Number of direct holding of shares:** - None  
**Number of indirect holding of shares:** - None  
**Relationship with executives:** - None

**Work experiences in the past 5 years**

❖ **Current Position in 3 Listed Companies**

Period	Position	Organization/Company
Dec. 2016 - Present	Chairman	Pre-Built PLC
Sep. 2016 - Present	Independent Director	
Jan. 2013 - Present	Independent Director Member of the Audit Committee	Buriram Sugar PLC
Apr. 2010 - Present	Independent Director	OHTL PLC
Apr. 2000 - Sep. 2013	Chief Officer	Siam Commercial Bank PLC
2000 - 2004	Director	Thai Oil PLC

❖ **Current Position in 1 Non-Listed Company**

Period	Position	Organization/Company
Jun. 2017 - Present	Chairman of the Executive Committee	Land and Houses Bank PLC
Jan. 2014 - Present	Director	
Jan. 2014 - Jun. 2017	Member of the Executive Committee	
May 2009 - Sep. 2013	Director	Asean Finance Corporation Limited
Jun. 2005 - Aug. 2013	Chairman	Phoenix Land Development Co., Ltd.
Jun. 2005 - Aug. 2013	Chairman	Phoenix Golf and Country Club Pattaya Co., Ltd.
1998 - 1999	President	Radanasin Bank PLC
1998 - 1998	President	Radanasin Bank (1998) PLC
1994 - 1998	President	Thai Summit Finance and Securities Co., Ltd.



**Name:** Mr. Naporn Sunthornchitcharoen  
**Position:** Director  
 Member of the Executive Committee  
**Age (Years):** 60  
**Education:**

- Master of Business Administration, Thammasat University
- Bachelor of Civil Engineering, Chiangmai University
- Stanford Executive Program (SEP) Graduate School of Business, Stanford University, USA
- National Defense College Class of 2006
- Director Accreditation Program (DAP) 25/2004: IOD
- Director Certification Program (DCP) 53/2005: IOD
- Financial Institutions Governance Program (FGP) 2/2011: IOD
- Information Security Awareness Training 2018: LH Bank

**Number of direct holding of shares:** - None  
**Number of indirect holding of shares:** - None  
**Relationship with executives:** - None

**Work experiences in the past 5 years**

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

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

❖ **Current Position in 13 Non-Listed Companies on the Stock Exchange of Thailand**

Period	Position	Organization/Company
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 and Member of the Executive Director	Land and Houses Bank PLC
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.
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 - Aug. 2017	Director	Double Three Co., Ltd.
2001 - 2016	Director	Muang Mai Guthrie PLC
2005 - Sep. 2018	Director	Phuket Future Plan Co., Ltd.



**Name:** Mr. Li, Ming-Shieh  
**Position:** Director  
**Age (Years):** 62  
**Education:**

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

**Number of direct holding of shares:** - None  
**Number of indirect holding of shares:** - None  
**Relationship with executives:** - None

Work experiences in the past 5 years

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

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

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

Period	Position	Organization/Company
Mar. 2018 - Present	Director	Land and Houses Bank PLC
2017 - Present	Chairman	CTBC Bank Corp. (USA)
2017 - Present	Chairman	CTBC Capital Corp.
2016 - Present	Vice Chairman	CTBC Bank Co., Ltd.
2010 - 2016	President and Executive Director	China Guanfa Bank
2005 - 2010	Country Officer	Citigroup Taiwan
2007 - 2010	Chairman	Citi Bank Taiwan Ltd.
2003 - 2005	Country Treasurer	
1989 - 2000	Head of Sales and Trading for Taiwan	
2000 - 2003	Senior Executive Vice President	Chinatrust Commercial Bank



**Name:** Mr. Shih, Jiing-Fuh  
**Position:** Director  
 Chairman of the Risk Oversight Committee  
**Age: (Years)** 54  
**Education:**

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

**Number of direct holding of shares:** - None  
**Number of indirect holding of shares:** - None  
**Relationship with executives:** - None  
**Work experiences in the past 5 years:**

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

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

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

Period	Position	Organization/Company
Sep. 2018 - Present	Member of the Nomination and Remuneration Committee	Land and Houses Bank PLC
Sep. 2018 - Present	Chairman of the Risk Oversight Committee	
Aug. 2017 - Present	Director	
2017 - Present	Head of Global Operations Group	CTBC Bank Co., Ltd.
2013 - 2017	Head of South East Asia	
2013 - 2017	Chief Strategy Officer	
2007 - 2014	Head of Global Commercial Product Group	
2006 - 2012	Symphony Project Leader	
2010 - 2011	Head of North America Division	
2007 - 2007	Head of Corporate Banking Division	
2005 - 2006	Regional Manager, Taipei Region Center II, Institute Banking	
2003 - 2005	Regional Manager, Hong Kong Branch	
2001 - 2003	Vice President - Team Leader, CTBC Corporate Banking Regional Center	
2017 - 2018	Commissioner	PT Bank CTBC Indonesia
2013 - 2017	Director	CTBC Bank (Philippines) Corp.
2010 - 2011	Director	CTBC Capital Corp.
1992 - 2001	Vice President of Marketing Department	ABN AMRO Bank, Taipei Branch



**Name:** Mr. Wu, Kuo-Chin  
**Position:** Director  
 Member of the Nomination and Remuneration Committee  
**Age (Years):** 64  
**Education:**

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

Number of direct holding of shares: - None

Number of indirect holding of shares: - None

Relationship with executives: - None

Work experiences in the past 5 years:

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

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

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

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



**Name:** Mrs. Sasitorn Phongsathorn  
**Position:** Chief Executive Officer and President  
**Age (Years):** 61  
**Education:**

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

**Number of direct holding of shares:** - None  
**Number of indirect holding of shares:** - None  
**Relationship with executives:** - None  
**Work experiences in the past 5 years**

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

Period	Position	Organization/Company
Jan. 2018 - Present	Chief Executive Officer	LH Financial Group PLC
Apr. 2009 - Present	President	
	Chairman of the Risk Management Committee	
Apr. 2009 - Jun. 2017	Member of the Executive Committee	Pico (Thailand) PLC
Nov. 2005 - Sep. 2017	Independent Director	
	Member of the Audit Committee	
	Member of the Nomination and Remuneration Committee	
Jul. 2005 - Dec. 2005	Vice President	Book Club Finance PLC
Jan. 2004 - May 2005	President	United Securities PLC
Nov. 1998 - Jul. 1999	Chief Financial Officer	The Cogeneration PLC
Sep. 1983 - Jul. 1998	Senior Vice President	Dhana Siam Finance and Securities PLC

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

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



## MANAGEMENT TEAM

Name	Mrs. Sasitorn Phongsathorn
Position	Chief Executive Officer and President
Age (Years)	61
Education	<ul style="list-style-type: none"> <li>• MBA, Nortre Dame de Namur University California, USA</li> <li>• Bachelor of Science, Chulalongkorn University</li> <li>• Capital Market Academy Leader Program, CMA 12</li> <li>• Director Accreditation Program (DAP) 28/2004 : IOD</li> <li>• Director Certification Program (DCP) 58/2005 : IOD</li> <li>• Financial Institutions Governance Program (FGP) 3/2011 : IOD</li> <li>• Corporate Governance For Capital Market Intermediaries (CGI) 17/2016 (English Program) : IOD</li> <li>• Information Security Awareness Training 2018 : LH Bank</li> </ul>

### Work experiences in the past 5 years

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

Period	Position	Organization/Company
Jan. 2018 - Present Apr. 2009 - Present Apr. 2009 - 19 Jun 2017	Chief Executive Officer President, Chairman of the Risk Management Committee Member of the Executive Committee	LH Financial Group PLC
Nov. 2005 - Sep. 2017	Independent Director, Member of the Audit Committee and Member of the Nomination and Remuneration Committee	Pico (Thailand) PLC
Jul. - Dec. 2005	Vice President	Book Club Finance PLC
Jan. 2004 - May 2005	President	United Securities PLC
Nov. 1998 - Jul. 1999	Chief Financial Officer	The Cogeneration PLC
Sep. 1983 - Jul. 1998	Senior Vice President	Dhana Siam Finance and Securities PLC

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

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



**Name** Mrs. Sutharntip Phisitbuntoon  
**Position** Senior Executive Vice President, Credit Development and Risk Management Sector  
**Age (Years)** 64  
**Education**

- Master of Economics, Thammasat University
- Bachelor of Economics, Chulalongkorn University

**Work experiences in the past 5 years**

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

Period	Position	Organization/Company
Jul. 2015 - Present	Member of the Risk Management Committee	LH Financial Group PLC
2010 - Feb. 2014	First Executive Vice President, Deputy Manager Corporate Banking Group	Siam Commercial Bank PLC
2008 - 2010	Executive Vice President, Credit Risk Management Group	
2004 - 2010	Assistant Manager of Credit Risk Management Department	
2001 - 2004	Manager of Credit Risk Management Department	

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

Period	Position	Organization/Company
Dec. 2018 - Present	Independent Director Chairman of the Risk Management Committee Member of the Audit Committee	Heng Leasing Ltd
Mar. 2017 - Present	Senior Executive Vice President, Credit Development and Risk Management Sector	Land and Houses Bank PLC
Apr. 2014 - Feb. 2017	Senior Executive Vice President, Credit Sector	

**Name** Mr. Chen, Ching-Ming  
**Position** Senior Executive Vice President, Strategic Business Development Sector  
**Age (Years)** 50  
**Education**

- M.A. Finance, University of Iowa, USA
- B.A. Public Finance, National Chengchi University, Taiwan
- Pacific Rim Bankers Program (2011): University of Washington
- Wharton Executive (2012-2017): Wharton University of Pennsylvania

**Work experiences in the past 5 years**

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

Period	Position	Organization/Company
Jan. 2018 - Present	Member of the Risk Management Committee	LH Financial Group PLC

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

Period	Position	Organization/Company
Dec. 2017 - Present	Senior Executive Vice President, Taiwanese Business Development Group	Land and Houses Bank PLC
Feb. 2015 - Dec. 2017	CEO & General Manager	CTBC Singapore
Jun. 2008 - Feb. 2015	President and Chief Executive Officer Board Director	CTBC Bank (Philippines) Corp. (ex Chinatrust)
Jun. 2006 - Jun. 2008	Chief Country Officer of Vietnam and General Manager of Ho Chi Minh City Branch	Chinatrust Commercial Bank Vietnam
Jun. 2004 - Jun. 2006	Senior Vice President and Director	ABN AMRO Bank Shanghai Branch
Jun. 2000 - Jun. 2004	Senior Vice President	Bank of Asia, Thailand (a subsidiary of ABN AMRO Bank)
Jun. 1998 - Jun. 2000	Vice President	ABN AMRO Bank, Asia Pacific Regional Center
Jan. 1992 - Apr. 1998	Assistant Vice President	ABN AMRO Bank Taipei Branch

**Name** Ms. Chutamas Sombunyaviroj  
**Position** First Executive Vice President, Commercial Banking Marketing Group  
**Age (Years)** 60  
**Education** • Master of Commerce, Thammasat University

**Work experiences in the past 5 years**

❖ **None Current Position in Listed Company on the Stock Exchange of Thailand**

Period	Position	Organization/Company
Jul. 2005 - Dec. 2005	Executive Vice President, Funding Department 2	Book Club Finance PLC
Jun. 1999 - Jun. 2005	First Vice President, Private Banking/Funding Department	Bank Thai PLC

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

Period	Position	Organization/Company
May 2013 - Present	First Executive Vice President, Commercial Banking Marketing Group	Land and Houses Bank PLC
Dec. 2011 - Jun. 2013	First Executive Vice President, Commercial Banking Group	
Oct. 2010 - Present	Directors	Land and Houses Fund Management Co., Ltd.
Apr. 2006 - Jan. 2013	First Executive Vice President, Commercial Banking Group	Land and Houses Bank PLC

**Name** Mr. Thanee Phalawong  
**Position** Executive Vice President, Information and Technology Group  
**Age (Years)** 55  
**Education** • Master of Public and Private Management  
National Institute of Development Administration (NIDA)  
• Bachelor of Science, Chiangmai University

**Work experiences in the past 5 years**

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

Period	Position	Organization/Company
Jul. 2015 - Present	Member of the Risk Management Committee	LH Financial Group PLC
Oct. 2011 - Dec. 2011	Vice President	Thanachart Bank PLC
2002 - 2011	Vice President	Siam City Bank PLC

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

Period	Position	Organization/Company
Jan. 2012 - Present	Executive Vice President, Information and Technology Group	Land and Houses Bank PLC

**Name** Mr. Pairath Trangarnrueng  
**Position** Executive Vice President, Branch Network Administration Group  
**Age (Years)** 57  
**Education**

- Public Administration (Master of Public and Private Management), National Institute of Development Administration (NIDA)
- Bachelor of Business Administration (General Management), Ramkhamhaeng University

**Work experiences in the past 5 years**

❖ None Current Position in Listed Company on the Stock Exchange of Thailand

Period	Position	Organization/Company
2010 - Dec. 2011 2008 - 2010	First Vice President (Suan Mali Office Branch) First Vice President, Branch Network Administration Group 3, and Acting Manager Business Center (Surasak Rd. Branch)	Siam City Bank PLC

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

Period	Position	Organization/Company
Mar. 2016 - Present	Executive Vice President, Branch Network Administration Group	Land and Houses Bank PLC
Feb. 2013 - Mar. 2016	First Senior Vice President , Branch Network Administration Group	
Jan. 2012 - Feb. 2013	First Senior Vice President , Commercial Banking Group	
Jan. 2014 - Aug. 2014	Director	Land and Houses Securities PLC

**Name** Mr. Kosol Kavayavong  
**Position** Executive Vice President, Assets and Operation Group  
**Age (Years)** 53  
**Education**

- Bachelor of Economics (Finance and Banking), Ramkhamhaeng University

**Work experiences in the past 5 years**

❖ None Current Position in Listed Company on the Stock Exchange of Thailand

Period	Position	Organization/Company
Jun. 2013 - Oct. 2013 Jun. 2011 - May. 2013	First Vice President Vice President	Thanachart Bank PLC
Mar. 2007 - May. 2011 Dec. 2001 - Feb. 2007	Vice President Division Manager	
		Siam City Bank PLC

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

Period	Position	Organization/Company
Aug. 2016 - Present	Executive Vice President, Assets and Operation Group	Land and Houses Bank PLC
Oct. 2013 - Jul. 2016	First Senior Vice President, Assets and Operation Group	

Name	Mrs. Ravewan Wattananukij
Position	Executive Vice President, Finance Group
Age (Years)	64
Education	<ul style="list-style-type: none"> <li>Master of Business Administration (Accounting), University of the Thai Chamber of Commerce</li> <li>Director Certification Program (DCP), Class of 204/2015 : IOD</li> <li>Corporate Governance For Capital Market Intermediaries (CGI) 14/2016 : IOD</li> </ul>

Work experiences in the past 5 years

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

Period	Position	Organization/Company
Oct. 2016 - Present	Head of Finance Group	LH Financial Group PLC
2004 - 2005	First Vice President, Bank Operation Group	Book Club Finance PLC

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

Period	Position	Organization/Company
Dec. 2016 - Present	Executive Vice President, Finance Group	Land and Houses Bank PLC
Jan. 2012 - Nov. 2016	First Senior Vice President, Finance Group	
Dec. 2005 - Dec. 2011	Senior Vice President, Accounting Department	
Nov. 2016 - Present	Chairman of the Risk Management Committee	Land and Houses Fund Management Co., Ltd.
Nov. 2016 - Present	Independent Director and Member of the Audit Committee	
Apr. 2016 - Nov. 2016	Director	
Nov. 2016 - Present	Independent Director and Member of the Risk management Committee	Land and Houses Securities PLC
Sep. 2014 - Nov. 2016	Director	
Jan. 2014 - Present	Director	Land and Houses Advisory Co., Ltd.

Name	Ms. Chintana Klaisuwan
Position	Executive Vice President 1, Credit Sector
Age (Years)	56
Education	<ul style="list-style-type: none"> <li>Master of Business Administration, Thammasat University</li> <li>Bachelor of Economics, Thammasat University</li> <li>Director Certification Program (DCP) 130/2010 : IOD</li> </ul>

Work experiences in the past 5 years

❖ None Current Position in Listed Company on the Stock Exchange of Thailand

Period	Position	Organization/Company
-	-	-

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

Period	Position	Organization/Company
Mar. 2017 - Present	Executive Vice President 1 Credit Sector	Land and Houses Bank PLC
Apr. 2016 - Feb. 2017	First Senior Vice President, Credit Group 4	
Jan. 2011 - Mar. 2016	First Senior Vice President, Credit Group 4	
Jul. 2010 - Dec. 2011	First Senior Vice President, Consumer Loan Group	
Dec. 2009 - Jun. 2010	Senior Vice President, Consumer Loan Department	
2005 - Dec. 2009	Vice President, Consumer Loan Department	

**Name** Mr. Anucha Bupphaves  
**Position** Executive Vice President 2, Credit Sector  
**Age (Years)** 52  
**Education**

- Master of Public Administration (Project Management), National Institute of Development Administration (NIDA)
- Bachelor of Economics, Ramkhamhaeng University

**Work experiences in the past 5 years**

❖ None Current Position in Listed Company on the Stock Exchange of Thailand

Period	Position	Organization/Company
1995 - 2001	Business Office Manager	United Overseas Bank (Thai) PLC
1989 - 1995	Executive Assistant, Loan Officer	Siam Commercial Bank PLC

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

Period	Position	Organization/Company
Mar. 2017 - Present	Executive Vice President 2 Credit Sector	Land and Houses Bank PLC
Mar. 2016 - Mar. 2017	First Senior Vice President, Credit Group 5	
Dec. 2011 - Mar. 2016	First Senior Vice President, Credit Group 5	
2009 - 2013	Senior Vice President	Islamic Bank of Thailand
2008 - 2009	Vice President	ACL Bank PLC
2001 - 2008	Assistant Vice President	Small and Medium Enterprise Development Bank of Thailand

**Name** Mr. Somsak Deemongkolsuk  
**Position** Executive Vice President 3, Credit Sector  
**Age (Years)** 59  
**Education**

- Master of Business Administration (Finance), Chulalongkorn University
- Bachelor Degree in Marketing, Chulalongkorn University

**Work experiences in the past 5 years**

❖ None Current Position in Listed Company on the Stock Exchange of Thailand

Period	Position	Organization/Company
2007 - 2010	Senior Vice President, Head of Investment Banking Department	Bank of Ayudhya PLC
2001 - 2007	Vice President, Financial Product and Capital Market Department	
1993 - 2001	First Assistant Vice President, Capital Market Dept.	
1988 - 1993	Assistant Head of Section, Credit Department (Head Office)	

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

Period	Position	Organization/Company
Mar. 2017 - Present	Executive Vice President 3 Credit Sector	Land and Houses Bank PLC
Mar. 2016 - Mar. 2017	First Senior Vice President, Corporate Loan Group 3	
Jul. 2011 - Mar. 2016	Senior Vice President, Corporate Loan Group 3	

**Name** Mr. Paradorn Preyaprawat  
**Position** Executive Vice President, Bank Operation Group  
**Age (Years)** 53  
**Education**

- Master of Business Administration, Ramkhamhaeng University
- Bachelor of Business Administration (Finance and Banking), Ramkhamhaeng University

**Work experiences in the past 5 years**

❖ None Current Position in Listed Company on the Stock Exchange of Thailand

Period	Position	Organization/Company
-	-	-

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

Period	Position	Organization/Company
Aug. 2017 - Present	Executive Vice President, Bank Operation Group	Land and Houses Bank PLC
Mar. 2016 - Aug. 2017	First Senior Vice President, Bank Operation Group	
Jul. 2012 - Mar. 2016	First Senior Vice President, Bank Operation Group	
Oct. 2005 - Jul. 2012	Vice President, Bank Operation Department	

**Name** Mr. Vichian Amornpoonchai  
**Position** Executive Vice President, Corporate Affairs and Legal Group  
 Company Secretary  
**Age (Years)** 57  
**Education**

- Master of Business Administration, Mahanakorn University of Technology
- Bachelor of Accounting, Dhurakijpundit University
- Certified Professional Internal Auditor (CPIA) : Thailand Affiliate of IIA
- Modern Managers Program, Chulalongkorn University
- Corporate Secretary Development Program, Thai Listed Companies Association
- Company Secretary Program 32/2009 : IOD
- Effective Minute Taking 17/2010 : IOD
- Company Reporting Program 17/2017 : IOD
- Director Accreditation Program (DAP) 153/2018 : IOD

**Work experiences in the past 5 years**

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

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

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

Period	Position	Organization/Company
Aug. 2017 - Present	Executive Vice President	Land and Houses Bank PLC
Mar. 2008 - Present	Corporate Affairs and Legal Group	
Apr. 2016 - Aug. 2017	Company Secretary	
Dec. 2005 - Mar. 2016	First Senior Vice President, Office of the President	
Jan. 2014 - Present	Vice President, Office of the President	Land and Houses Advisory Co., Ltd
Mar. 2015 - Aug. 2017	Director	
	Company Secretary	Land and Houses Securities PLC
	Company Secretary	

**Name** Ms. Chou, Mei-Yin  
**Position** Executive Vice President, Corporate Banking Product Group  
**Age (Years)** 59  
**Education**

- Bachelor Degree (International Trade), Tamkang University
- Master Card (2001-2011): Master Card
- Visa Credit Card (2001-2011): Visa
- SME Relative Training (2001-2011): Taishin Bank
- Treasury Product Training (1990-1998): HSBC
- Executive Training (1990-1998): HSBC

**Work experiences in the past 5 years**

❖ **None Current Position in Listed Company on the Stock Exchange of Thailand**

Period	Position	Organization/Company
-	-	-

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

Period	Position	Organization/Company
Nov. 2017 - Present	Executive Vice President, Corporate Banking Product Group	Land and Houses Bank PLC
May 2017 - Nov. 2017	Senior Vice President	CTBC Bank (Taiwan)
2012 - 2017	General Manager	GMF Group (Taiwan)
2011 - 2012	General Manager (SME Division Head)	Standard Chartered Bank (Taiwan)
2001 - 2011	Senior Vice President (Division Head)	Taishin International Bank (Taiwan)
1998 - 2001	Vice President	CTBC Bank (Taiwan)
1990 - 1998	Senior Vice President	HSBC (Taiwan)
1987 - 2010	Assistant Vice President	ABN - AMRO (Taiwan)

**Name** Mr. Weeravej Sirichatchai  
**Position** Executive Vice President, Compliance Group  
**Age (Years)** 46  
**Education**

- Master of Laws (LL.M.), University of Illinois Urbana-Champaign, USA
- Graduate Diploma in Business Law, Thammasat University
- Bachelor of Laws (LL.B.) Thammasat University
- Commercial Banks Supervision Course (Compliance Officer), Chulalongkorn University
- AML Computer Based Training, Anti-Money Laundering Office (AMLO)
- Compliance Certificate, The Thai Bond Market Association (ThaiBMA)
- Anti-Corruption: The Practical Guide: 8/2014 : IOD
- Governance and Law Enforcement in Money Market, Chula Unisearch, Chulalongkorn University
- Bond Regulatory Updates 2017, The Thai Bond Market Association (ThaiBMA)
- Knowledge of Securities Business Supervision, the Thai Bankers' Association

**Work experiences in the past 5 years**

❖ **None Current Position in Listed Company on the Stock Exchange of Thailand**

Period	Position	Organization/Company
Jul. 2018 - Present	Secretary of the Corporate Governance Committee	LH Financial Group PLC
2013 - Jun. 2018	SVP, Consolidated Supervision & Foreign Banking Regulation Division, Regulatory	Siam Commercial Bank PLC
2012 - 2013	First Vice President, Department Head - Legal	Kasikornbank PLC
2010 - 2012	First Vice President, Department Head - Compliance	

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

Period	Position	Organization/Company
Jul. 2018 - Present	Executive Vice President Compliance Group	Land and Houses Bank PLC
2005 - 2007	Associate, Attorney at Law	DLA Piper (Thailand) Limited
2000 - 2005	Associate, Attorney at Law	Coudert Brothers Co., Ltd.
1999 - 2000	Foreign Attorney, Foreign Trainee	Coudert Brothers, Head Office, New York, USA



Name	Mrs. Wilawan Sutthibutr
Position	Executive Vice President, Control Group
Age (Years)	52
Education	<ul style="list-style-type: none"> <li>• Master of Business Administration, Kasetsart University</li> <li>• Bachelor of Economic, Kasetsart University</li> <li>• Governance and Law Enforcement in Money Market, Chula Unisearch, Chulalongkorn University</li> <li>• Workshop Fund Performance Optimization, the Securities and Exchange Commission</li> <li>• Law enforcement : Anti-Money Laundering Office, Chula Unisearch, Chulalongkorn University</li> <li>• Knowledge of Insurance Compliance Officer : Chula Unisearch , Chulalongkorn University</li> <li>• Knowledge of securities business oversight for the most responsible persons in regulatory affairs, the Thai Bankers' Association</li> <li>• Knowledge of Credit Risk Management for Financial Institutions</li> <li>• Knowledge of the Securitization and interest rate risk hedging</li> <li>• Knowledge of the Advanced Financial Institution Credit Risk Analysis</li> <li>• Knowledge of the regulatory guidelines of Basel II</li> <li>• Knowledge the 7 Habits of Highly Effective People</li> <li>• Knowledge of Intermediate Credit Seminar</li> </ul>

Work experiences in the past 5 years

❖ None Current Position in Listed Company on the Stock Exchange of Thailand

Period	Position	Organization/Company
1999 - 2018	Senior Vice President	Bangkok Bank PLC
1995 - 1999	Manager	Nava Finance and Securities PLC

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

Period	Position	Organization/Company
Jul. 2018 - Present	Executive Vice President, Compliance Group	Land and Houses Bank PLC
1991 - 1995	Assistance Manager	National Finance and Securities PLC

Name	Mr. Sompob Asavaritikrai
Position	Executive Vice President, Treasury Group
Age (Years)	52
Education	<ul style="list-style-type: none"> <li>• Bachelor of Arts in Computer Science, University of Texas at Austin</li> <li>• MBA in Information Systems Management, Baylor University</li> </ul>

Work experiences in the past 5 years

❖ None Current Position in Listed Company on the Stock Exchange of Thailand

Period	Position	Organization/Company
Jan. 2017 - Sep. 2018	SVP, IT Projects Manager, IT Group	Bank of Ayudhya PCL
Jan. 2007 - Dec. 2016	SVP, Head of Trading Department - Global Markets Group	
Sept. 1994 - Mar 2012	AVP, Treasury Department	Bangkok Bank PLC

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

Period	Position	Organization/Company
Oct. 2018 - Present	Executive Vice President Treasury Group	Land and Houses Bank PCL
Aug. 2005 - Dec. 2006	VP, Treasury Department	GE Money Retail Bank PCL
Nov. 2003 - Aug. 2005	VP, Capital Markets Department	Calyon Investment Bank
Apr. 2000 - Nov. 2003	AVP, Global Markets Division	Standard Chartered Bank



## NATURE OF BUSINESS OPERATION

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

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

Land and Houses Bank Public Company Limited has determined strategic and business plan for the next 3 years in accordance with the vision and mission, by considering business environments including economic situations, domestic and foreign politics. The bank also considers other internal factors such as strengths, weaknesses, opportunities, risk, key success factors, and other significant issues that must be treated. We shall consider all factors to determine the organization guideline annually and constantly reviewed the operation plan to be updated with the changing situation and environment.

### Credit Rating

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

### Vision, Mission and Corporate Value

The vision encompasses the ultimate goal of the company whereas mission determines duties and practices that the company holds to operate its business. Corporate value encompasses principles utilized by the executives and the employees to operate business to achieve target.

The Board of Directors of Land and Houses Bank Public Company Limited has determined the vision, the mission and the corporate value as the guidelines to determine the strategic plan for operating of the bank and the Land and Houses financial business group to achieve the target and the Board of Directors has determined to review the vision and the missions every year.

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



## Core Values

The knowledge development supports their working behavior and coexistence, the bank created the corporate value in order to appoint the same core value for employees to have the knowledge, the understanding and the behavior through communication, learning and working according to the PRO-Active so that all employees can work and grow together with the bank sustainably.

**PRO-Active** is the core value of the bank in order to be the operation guideline which was shown through the working behavior, coexistence and treating the customers and stakeholders.

### PROfessional



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

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

### ACcountability



#### **Ac – Accountability: “All-dimension responsibility, promise keeping and endeavor”**

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

### Teamwork



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

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

### Integrity



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

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

## Visioning



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

The bank supports the working methodically, determine a clear working goal both in short term and long term to be able to monitor and evaluate for development and the defect management. The bank adheres to the creativity and considers to the bank’s benefits and responsibility to stakeholders in the long term.

## Excellence Service



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

The bank supports all employees to have the values of excellence service by devoting their mind for making an impression services to both internal and external customers. All employees must have the spirit of volunteering for helping colleagues, department and the bank. In addition, the bank supports to the employees to be able to give a useful suggestions for the customers and focus on the product and service development by respecting to the important of customers.

### Branches of the Bank

Land and Houses Bank Public Company Limited has created its branch networks to thoroughly provide services to the clients. Most of the branches opened in HomePro. The bank allies with Home Product Center Public Company Limited to expand branches in all provinces where HomePro is located. This is the bank’s strategy for branch expansion to have service points covered in all areas nationwide and for client base expansion. Presently, the bank has 128 branches, as follows:

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

Number of branches expanded in each year



## Products and Services of the Bank

Land and Houses Bank Public Company Limited has continuously developed products and services meet a variety of customer needs and wants. The bank's products and services can be divided into 4 main categories as follows:

### 1. Deposit Service

The bank provides a deposit service for individuals, juristic persons, non-profit juristic persons, government agencies/state enterprise, funds, cooperative, and domestic financial institutions. There are various types of deposits, as follows:

#### ● Saving Deposit

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

- Biz Saving Account for juristic persons with high interest rate and Bonus + 0.10% when the outstanding balance per month is more than Baht 1,000,000, pay the interest monthly, this saving account is filled with commercial convenience by using together with current account.

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

● **Non-Fixed Deposit** is one type of saving deposit with high interest rate. Minimum deposit of Baht 5,000 must be maintained in this account at all times. This account is allowed for deposit and withdrawal anytime for the convenience.

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

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

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

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

### Competitive Strategy of Deposit Service

The bank has continued to develop and design new financial products, which are suitable for occupations and financial positions of various customer groups, to provide saving alternatives and meet different customers' demand thoroughly, with attractive returns and deposit periods that are consistent with customers' demand. This will boost competitive advantage of the bank's deposit products. In addition, the bank holds various recreational activities to reward customers for maintenance of deposit customers, which have well been accepted by customers.

The bank's branches are main channels for expanding deposit customer bases, providing services for customers to engage in various transactions, and giving advices to customers for their convenience and satisfaction. The bank has launched a series form of deposit product include a benefit project, new promotion and customer relationship project (Loyalty Program) that emphasize to respond to customer demand for attract and increase customer to use our bank branches. It's an opportunity for present the product and service (Cross-selling) for to expand fee income.

The bank determines interest rates by considering internal and external factors that may have an impact, including the bank's costs, interest rate trend, economic direction, and competitive condition of deposit mobilization. The bank does not focus on competitive interest rate, rather on satisfactory provision of products and services in order to satisfy all groups of customer.

## 2. Loan Service

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

### 1. Loan Service for Big Corporate & Corporate

Big Corporate & Corporate loan is targeted to serving business purposes for working capital as well as production capacity expansion through capital expenditure for buildings, plants, machines, and equipment. There are short-term and long-term loans available that are suitable for the customer's business nature and the customer needs.

### 2. Loan service for SMEs & SSME

SMEs & SSME loan is targeted to serving business purposes for working capital as well as production capacity expansion through capital expenditure for buildings, plants, machines, and equipment. There are short-term and long-term loans available that are suitable for the customer's business nature and the customer needs.

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

#### - Short-Term Loan

Short-term loan is a lending service to raise liquidity and manage cash flows. It can be withdrawn and repaid within the required limit throughout the lending term not more than 1 year, such as overdraft (O/D) or promissory note (P/N).

#### - Long-Term Loan

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

#### - Factoring Loan

Factoring loan is a financial service, for working capital and increase the financial liquidity. By the assignment of the receivable to the bank that agrees to purchase invoices from a business, customer must to send commercial documents to the bank such as a commercial invoice, purchase order, bill, payment receipt. The bank would be paid according to the agreed ratio such as the bank can provide 70-80% of the invoice value, purchase order, bill, payment receipt etc., without having to provide collateral. Upon receipt of payment from your customers you receive the remaining balance back.

#### - Commercial Hire Purchase Loan

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

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

Issuance of Bank Guarantee, Aval and Acceptance is a service for customers requiring bank guarantee document to be placed with principal agencies or for bidding purpose, as follows:

1. Bid Bond / Tender Guarantee
2. Performance Bond
3. Advance Payment Guarantee / Security and Retention Guarantee

#### - Consulting Service and Other Loans Services

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

### 3. Retail Loan

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

#### ● Housing Loans

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

#### ● Trade Finance

Trade Finance is the service to support import and export business for increasing a business opportunity and enhancing a strengthen negotiation with business partners through bank network over the world with the national standard which have the various and the comprehensive services such as:

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

### Competitive Strategy of Loans Service

The bank categorizes customers into different groups to continuously develop good relationship with all customer groups and to propose complete financial products and services to meet demand of each customer group. The bank shall consider loan type, interest rate, credit type, repayment period suitable for each customer, with fast process of loan approval.

To increase SMEs customers, the bank focuses on strategy of extending loans to existing customers with good payment history to increase business opportunity and maintain existing customers to be with the bank over long term. For new customers, the bank targets to extend loans to customer group with good financial status. The banks are used strategy by all bank's branches might introduce bank's SME loans and giving the existing customers of banks offering loans to friends or business partner.

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

### 3. Electronic Services

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

- **Internet Banking on Mobile (LH Bank M Choice)** is a service to convenience for conducting financial transactions everyday, everywhere, anytime, via mobile phone, including fund purchasing and selling, and deposit account opening.



- **Internet Banking (LH Bank Speedy)** is a service available for convenience in conducting financial transactions everyday, everywhere, anytime. LH Bank Speedy has double security system to assure security with easy-to-use menu and to make sure for financial transactions. It provides services of fund transfer within the bank, fund transfer to the account of other bank, PromptPay



fund transfer and payment for commodities and services, loan payment, checking the cheque status, stop cheque, insurance checking that purchase through the bank, account status checking and searching the bank branches. The bank immediately send message (SMS) to confirm results of all transactions to the customers for increasing security.



- **LH Bank Debit Chip Card** is a card to apply via all ATM of all bank with securities by Chip Card information recording, the customer trust in their financial transactions and the customers can use to inquire the balance account and withdrawal at the UnionPay International (UPI) ATM and also stuffs and services purchasing at the stores or online shopping conveniently including special promotion offering from the stores participated with UPI.



- **LH Bank Premium** is a personal accident protection card highest Baht 300,000 which guaranteed by CHUBB, the customers just inform their health profile in the application form without health checking, this service will be effective immediately by covered medical expenses from the accident. The customers must to show the LH Bank Premium card together with the identification card and infirmity following the contract.

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



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

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

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

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

As of 31 December 2018, there are 5 Cash Deposit Machines.

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

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





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



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

- **Mobile Payment Service** is a service for stores that would like to service for bill payment by using QR Code via E-Wallet in nationwide.

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

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



#### Benefits from PromptPay Service

##### Convenience and Fast

- The service provides convenient fund transfer to payee within the bank or other banks in domestic by using a mobile phone number, national ID, taxpayer identification number or e-Wallet number of the payee replace the account number.

- The service provides direct receiving from the government agencies with national ID.
- The service provides as the channel in tax returns from the Revenue Department

##### Security

- The service provides the risk decreasing from hold cash, cash delivering and auditing transaction items.

##### Saving

- Low service fee

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

1. **Saving** without fee for using the bank's ATM card in domestic via the bank's ATM and unlimited time and other bank's ATM in 6 items a month.
2. **Convenience** using service in every day, everywhere and any time with internet banking (LH Bank Speedy) and application on mobile phone (LH Bank M Choice)
3. **Value** high interest and make transaction at any time
4. **Protection** free accident insurance in case of death, without premium insurance Payment and without health checking with high benefit up to 25 times of current deposit saving account balances when link to Saving Super Shield 1 with PromptPay.

#### 4. Other Services

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

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

**4.2 Mutual Fund Selling Agent Service** The bank is a selling agent of the unit trusts for many asset management companies, which offer mutual funds of various types, from debt instruments, equity instruments, equity to retirement mutual funds (RMFs) and long-term equity funds (LTFs) as follows:

- Land and Houses Fund Management Co., Ltd.
- Asset Plus Fund Management Co., Ltd.
- CIMB-Principal Asset Management Co., Ltd.
- MFC Asset Management PLC
- SCB Asset Management Co., Ltd.
- One Asset Management Co., Ltd.
- Krungthai Asset Management PLC
- TMB Asset Management Co., Ltd.
- Innotech Asset Management Co., Ltd.
- Krungsri Asset Management Co., Ltd.
- Phatra Asset Management Co., Ltd.
- UOB Asset Management (Thailand) Co., Ltd.
- Tisco Asset Management Co., Ltd.
- Kasikorn Asset Management Co., Ltd.

**4.3 Cash Deposit-Withdrawal without Slip** is a service to provide more convenience for customers. They just have to tell staff if they want to deposit or withdraw cash. The staff will then do transaction and prepare slip for customers to sign.

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

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



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

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

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

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

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

Customer base of the companies in the group of Land and Houses Public Company Limited and Quality Houses Public Company Limited which the companies are the leader of real estate in Thailand. There's beneficial for loan extension of the bank, especially housing loan and opportunity to present other financial products and services to such customers. Moreover, the bank has an opportunity to extend SME loans to business partners of the companies in the group of Land and Houses Public Company Limited, Quality Houses Public Company Limited, and Home Products Center Public Company Limited.

#### **Operational Targets**

The banks has expanded a loan service to new customer groups, expansion of deposit customer base, increase of service channels for fee income expansion, personnel development to have knowledge and expertise in the financial products, develop the products and the services to respond the customer needs and also develop the Information technology system for rapid operation and advance towards Digital Banking. The bank has provided the internet banking service and has continued developing and the application for mobile banking service and launched marketing campaign via social media, such as Lines, Facebook and Youtube to multiply up communication channels for better approach the bank's target group.

In addition, the bank's target of business expansion, the bank also emphasizes on business operation in accordance with good corporate governance, prevention of payment for corruption, strengthening of risk management coverage, and social responsibility.

## Structure of Income

Income structure of Land and Houses Bank Public Company Limited for the year 2018, 2017 and 2016 had the details as follows:

(Unit: Million Baht)

Structure of Income	Separate Financial Statements					
	2018		2017		2016	
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
<b>Interest income</b>						
Loans to customers	6,343.58	104.71	6,395.74	110.38	6,459.89	99.78
Investments in debt securities	1,547.17	25.54	1,626.91	28.08	1,664.67	25.71
Interbank and money market items	659.65	10.89	583.59	10.07	607.36	9.38
Hire purchase	24.27	0.40	47.45	0.82	84.41	1.30
<b>Total interest income</b>	<b>8,574.67</b>	<b>141.54</b>	<b>8,653.69</b>	<b>149.35</b>	<b>8,816.33</b>	<b>136.17</b>
<b>Interest expenses</b>						
Deposits	(2,130.37)	(35.17)	(2,154.87)	(37.19)	(2,465.42)	(38.08)
Interbank and money market items	(113.93)	(1.88)	(98.22)	(1.70)	(206.89)	(3.19)
Contributions to the Deposit Protection Agency and Bank of Thailand	(840.45)	(13.87)	(807.51)	(13.94)	(761.97)	(11.76)
Debts issued	(270.86)	(4.47)	(247.89)	(4.28)	(234.19)	(3.62)
Borrowings	(315.46)	(5.21)	(364.98)	(6.30)	(309.82)	(4.79)
<b>Total interest expenses</b>	<b>(3,671.07)</b>	<b>(60.60)</b>	<b>(3,673.47)</b>	<b>(63.40)</b>	<b>(3,978.29)</b>	<b>(61.44)</b>
<b>Net interest income</b>	<b>4,903.60</b>	<b>80.94</b>	<b>4,980.22</b>	<b>85.95</b>	<b>4,838.04</b>	<b>74.73</b>
<b>Fees and service income</b>						
Acceptances, avals and guarantees	42.40	0.70	41.11	0.71	46.05	0.71
Commission income	200.71	3.31	245.44	4.24	206.25	3.19
Others	113.14	1.87	114.03	1.97	84.60	1.30
<b>Total fees and service income</b>	<b>356.25</b>	<b>5.88</b>	<b>400.58</b>	<b>6.91</b>	<b>336.90</b>	<b>5.20</b>
<b>Fees and service expenses</b>						
Fees and charges	(60.27)	(0.99)	(58.85)	(1.02)	(56.68)	(0.88)
Others	(12.87)	(0.21)	(16.01)	(0.28)	(19.07)	(0.29)
<b>Total fees and service expenses</b>	<b>(73.14)</b>	<b>(1.20)</b>	<b>(74.86)</b>	<b>(1.29)</b>	<b>(75.75)</b>	<b>(1.17)</b>
<b>Net fees and service income</b>	<b>283.11</b>	<b>4.68</b>	<b>325.72</b>	<b>5.62</b>	<b>261.15</b>	<b>4.03</b>
<b>Other income</b>						
Gains on investments	191.74	3.17	65.77	1.14	1,135.62	17.54
Dividend income	658.74	10.87	392.83	6.78	210.63	3.25
Other operating income	20.88	0.34	29.65	0.51	28.85	0.45
<b>Total other income</b>	<b>871.36</b>	<b>14.38</b>	<b>488.25</b>	<b>8.43</b>	<b>1,375.10</b>	<b>21.24</b>
<b>Total operating income</b>	<b>6,058.07</b>	<b>100.00</b>	<b>5,794.19</b>	<b>100.00</b>	<b>6,474.29</b>	<b>100.00</b>

Structure of income can be categorized into 3 types as follows;

### 1. Net Interest Income

Interest income consists of loans to customers income, investments in debt securities income, interbank and money market items income and hire purchase income. In 2018, the bank had interest income amounted of Baht 8,574.67 million, decreased by Baht 79.02 million or down to 0.91% from year 2017.

Interest expenses consists of interest expenses from deposits, interbank and money market items, contributions to the Deposit Protection Agency and the Bank of Thailand, debts issued and borrowings. In 2018, the bank had interest expenses amounted of Baht 3,671.07 million, decreased by Baht 2.40 million or down to 0.07% from year 2017, which reflects good efficiency of cost management.

Net interest income amounted of Baht 4,903.60 million or 80.94% of total operating income. Net interest income decreased from year 2017 was Baht 76.62 million or down to 1.54% due to an decrease of interest income of investments in debt securities.

### 2. Net Fees and Service Income

Fees and service income are mainly from fees on loan extension, consisting of acceptances, avals and guarantees income, commission income and others fees and service income (consists of ATM fee, fund management fee, penalty fee, cheque fee, etc.). In 2018, the bank had fees and service income amounted of Baht 356.25 million, decreased by Baht 44.33 million or down to 11.07% from year 2017.

Fees and service expenses amounted of Baht 73.14 million, decreased by Baht 1.72 million or down to 2.30% from year 2017.

Net fees and service income had amounted of Baht 283.11 million or 4.67% of total operating income, decreased by Baht 42.61 million or down to 13.08% from year 2017.

### 3. Other Income

Other income consists of gains on investments, dividend income and other operating income. In 2018, the bank had other incomes amounted of Baht 871.36 million, increased by Baht 383.11 million or up to 78.47% from year 2017, mainly from dividend income increased by Baht 265.91 million or up to 67.69%.

## SECURITIES AND SHAREHOLDERS INFORMATION

### 1. Securities information

#### 1.1 Ordinary shares

As of December 31, 2018 the bank has total registered capital Baht 20,000,000,000 divided into 2,000,000,000 ordinary shares with the par value of Baht 10. It consisted of paid-up capital Baht 20,000,000,000 divided into 2,000,000,000 ordinary shares with per value of Baht 10.

#### 1.2 Preferred shares

-None-

#### 1.3 Warrants

-None-

### 2. The shareholders

#### 2.1 The shareholding structure

The shareholders of the bank as of December 31, 2018 as follows:

Shareholder Names	Number of Ordinary Shares	%
1. LH Financial Group Public Company Limited	1,999,999,900	99.99
2. 17 Minority Shareholders	100	0.01
<b>Total</b>	<b>2,000,000,000</b>	<b>100.00</b>

#### 2.2 The shareholding structure

LH Financial Group Public Company Limited is the major shareholder of the bank which held 99.99 of the paid-up capital.

LH Financial Group Public Company Limited was established on 2009 to invest in the bank by the acquiring of the Financial Institution Business Act B.E. 2551 and under the Bank of Thailand's notification regarding the consolidated supervision. On 28 October 2009, the Bank of Thailand approved the company and Land and Houses Bank Public Company Limited to set up the financial business group which the company acting as the holding company of the financial business group and the bank was the subsidiary under the solo consolidation group, and Land and Houses Fund Management Company Limited was the subsidiary outside the solo consolidation group.

The Stock Exchange of Thailand has received the company's ordinary shares as the listed securities and started its first trading day on 10 May 2011 under the LHBANK symbol. And on 24 April 2018, the company has changed the securities symbol to LHFG.

### 3. Dividend policy

#### 3.1 Dividend policy of the bank

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

The payment of dividends will be in the bank's Articles of Association, the key point being that an allocated dividend is to be divided equally by the number of shares and its payment must be approved at a shareholders' meeting. The Board of Directors may occasionally pay interim dividends when the bank has a large enough profit to warrant it, in which case it will report to the shareholders at the next meeting. Furthermore, a dividend payment must be in compliance with the Bank of Thailand's notifications and governing laws.

#### 3.2 Regulations and criteria related to dividend payments

According to the Bank of Thailand's Notification on the criteria of the classification and allocation of allowances, a financial institution which has not yet written off damaged assets from its balance sheets or allocated in full allowances for potentially damaged and undamaged assets and obligations may not pay dividends or other forms of remuneration to its shareholders.

Section 8 of the Bank of Thailand's Notification on guidelines on accounting of financial institutions, financial institutions should not pay dividends from the transactions that result in unrealized gains or no real cash inflows such as profits from mark-to-market trading securities or the reclassification of financial assets. Neither should they pay dividends from the profits arising from the sale of assets which does not actually take place which generate a higher profit or lower loss, such as profits from the sale of foreclosed assets under the condition that they may repurchase or obtain the rights to repurchase them in the future.

#### 4. The number and type of shares the company holds in other companies or private companies since ten percent or higher and not exceeding fifty percent.

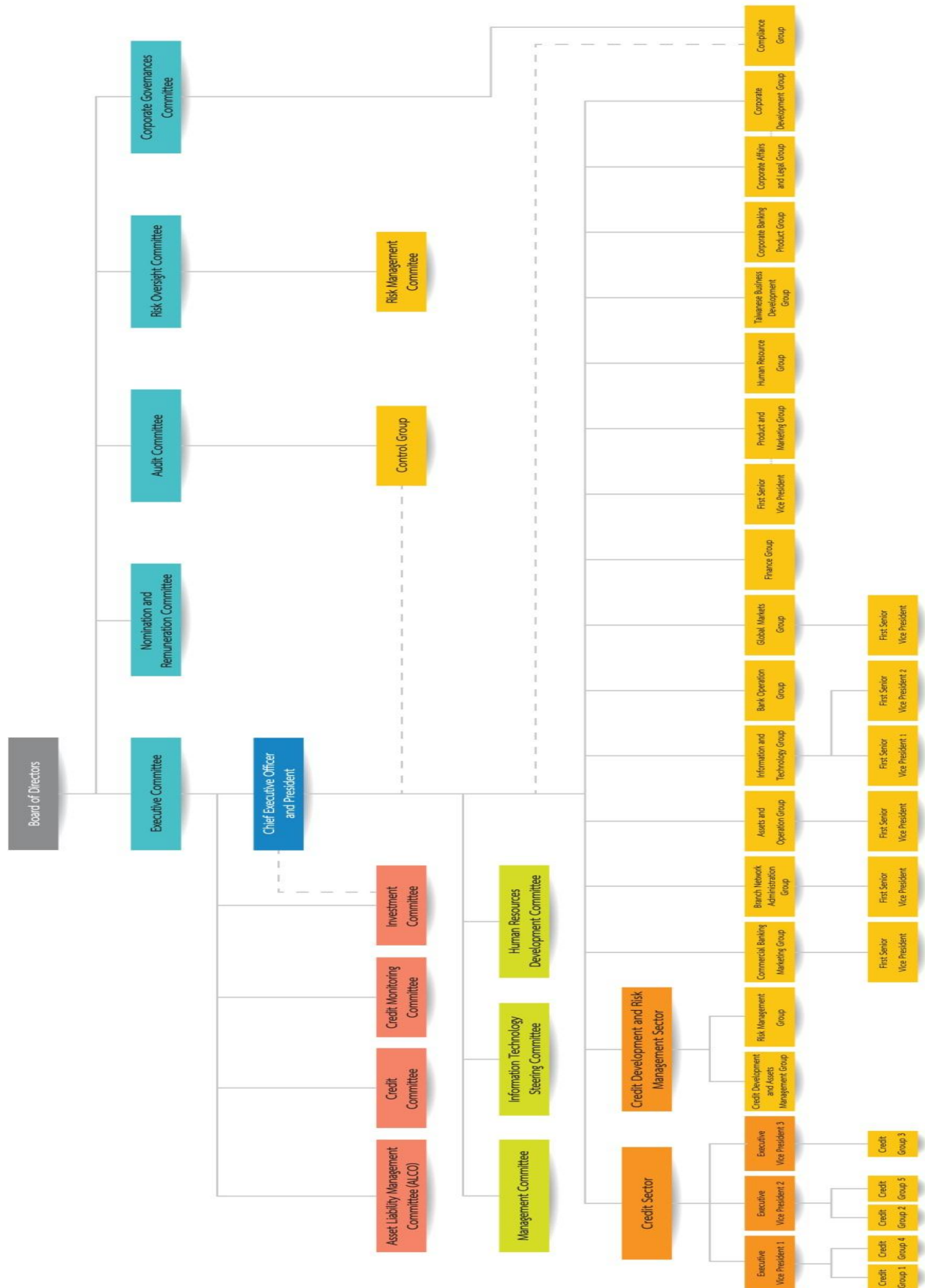
- None -

#### 5. The number and type of shares the company holds in its subsidiaries since fifty percent or higher.

- None -



## ORGANIZATION CHART



## MANAGEMENT STRUCTURE

The management structure of Land and Houses Bank Public Company Limited consists of the Board of Directors, which the Board of Directors has appointed 5 sub-committees: the Executive Committee, the Audit Committee, the Corporate Governance Committee, the Nomination and Remuneration Committee and the Risk Oversight Committee. The Board of Directors and these sub-committees have clearly separated duties and responsibilities among them in keeping with the Bank of Thailand's notification on corporate governance of financial institutions, directors, managers and persons with management authorities. All have been approved by the Bank of Thailand, the details of which are as follows:

### 1. Board of Directors

The board of directors consists of 11 directors as follows:

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

### Authorized Signatory of the Company

Mrs. Sasitorn Phongsathorn, Mr. Wu, Kuo-Chin, Mr. Naporn Sunthornchitcharoen and Mr. Sirichai Sombutsiri, two of those four directors together sign with the company's seal on behalf of the company.

### Scope of Authorities and Duties of the Board of Directors

The Board of Directors of the bank has a role, duty and responsibility of supervising the bank's operations with integrity and care in the best interests of the overall organization without conflicts of interest among the different groups of shareholders or any shareholder. Its duties and responsibilities are as follows:

- 1) Perform duties in compliance with the laws, objectives, Articles of Association and regulations of the related agencies, as well as the resolutions of the shareholders' meetings, with integrity and care in the interests of the bank.
- 2) Determine direction and strategic goals for the bank, consider approving the policies and operation direction proposed by the management team and supervise the management team to ensure the effective and efficient execution of the approved policies and to protect the interests of the bank and the shareholders.
- 3) Supervise to provide provisions on the Code of Conduct and Ethics, as well as the Codes of Ethics for the directors, executives and employees as the organization guidelines.

- 4) Monitor on the bank's operations at all times to ensure that the executive directors and the management team are operating in line with the laws and the policies.
- 5) Supervise the management team is capable of managing the bank's operations, including the nomination of top executives.
- 6) Supervise the company has efficient internal control, organization chart that support the Three Lines of Defense and independently.
- 7) Supervise the management team reports important matters of the company to the Board of Directors and the procedure for the Board of Directors receiving adequate information from the management team to be able to perform the duties within its authority and responsibilities completely.
- 8) Supervise the bank has the risk governance framework and the risk culture.
- 9) Supervise the bank has the market conduct
- 10) Consider approval the roles and duties of the sub-committees and changes in their elements, including significant changes that may affect the operations of the sub-committee that was appointed.
- 11) Supervise the bank has determined the policy on loan to customer and investment to related person of the bank.
- 12) Supervise the procedure of the management letter from external auditors and the management team's opinions for the Board of Directors within an appropriate timeframe.
- 13) Supervise to provide check-and-balance between the management team and/or major shareholders at appropriate levels by determining an appropriate composition or number of the independent directors in the Board of Directors.
- 14) Ensure that the directors attend the meeting at least 75% of all meetings held each year except the directors has the reasonably and the necessity.

In case of any director or related person who has interests or conflicts of interest, they will not be authorized to approve the transaction with the bank or the subsidiaries.

## 2. Executive Committee

The Executive Committee consists of 4 directors as follows:

- |                  |                     |                                     |
|------------------|---------------------|-------------------------------------|
| 1. Mr. Sirichai  | Sombutsiri          | Chairman of the Executive Committee |
| 2. Mr. Naporn    | Sunthornchitcharoen | Member of the Executive Committee   |
| 3. Mr. Wu,       | Kuo-Chin            | Member of the Executive Committee   |
| 4. Mrs. Sasitorn | Phongsathorn        | Member of the Executive Committee   |
| Mr. Vichian      | Amornpoonchai       | Secretary                           |

### Scope of Authorities and Duties of the Executive Committee

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

- 1) Propose the policies, strategies plan and directions of the bank's operations to the Board of Directors and implement following the approved policies.
- 2) Determine the policy on loan extension and investments relating to the bank's related persons.
- 3) Consider any issue/task prior to proposing to the Board of Directors.
- 4) Manage and develop the organization productively.

- 5) Delegate work and coordinate with lower-ranking executives, monitor the operations to ensure they are in line with the established plans. Follow up on and evaluate the operations for enhanced efficiencies and analyze the operating results to determine strengths and weaknesses, as well as solutions.
- 6) Report the significant issues of the bank to the Board of Directors.
- 7) The authority to approve the loan limit and/or investment as required by the bank (the approval authority same the Super Credit Committee).
- 8) Scrutinize the loans and/or investment that as the approval authority of the Board of Directors.

In case of any executive director or person who has interests or may has conflicts of interest, he/she will not be authorized to approve the transaction with the bank or its subsidiary as stipulated by the Articles of Association of the bank, and the Securities and Exchange Commission, and/or the Stock Exchange of Thailand.

### 3. Audit Committee

The Audit Committee consists of 4 directors as follows:

- |    |                           |               |                                 |
|----|---------------------------|---------------|---------------------------------|
| 1. | Mr. Phairoj <sup>/1</sup> | Hengsakul     | Chairman of the Audit Committee |
| 2. | Mr. Somsak <sup>/1</sup>  | Assavapokee   | Member of the Audit Committee   |
| 3. | Mr. Pradit                | Sawattananond | Member of the Audit Committee   |
| 4. | Dr. Supriya <sup>/1</sup> | Kuandachakupt | Member of the Audit Committee   |
|    | Mrs. Wilawan              | Sutthibutr    | Secretary                       |

**Note** <sup>/1</sup> The director has the knowledge and experience in accounting and financial.

#### Scope of Authority and Duties of the Audit Committee

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

- 1) Review to ensure that the bank's financial reports have been disclosed properly and adequately.
- 2) Review and evaluate to ensure that the bank's internal control and internal audit systems are appropriate and effective.
- 3) Supervise the audit department has the duties in the effectiveness of the internal audit, the appropriate of the staffs and working system, independent from any departments, and performing their duties following the professional standard of internal audit and the Bank of Thailand regulations regard to internal audit operation guideline of the Financial Institutions.
- 4) To reviews and make sure that the bank has complied with the law on the Securities and Exchange Commission, regulations of the Stock Exchange of Thailand or the laws relate to business of financial institution.
- 5) Consider, select, and propose the appointments of the auditors and their remuneration.
- 6) Consider the accuracy and completely of the company's information disclosure, especially the related party or conflicts of interest.
- 7) Provide the corporate governance report of the Audit Committee and disclose the annual report.

- 8) Determines the Audit Committee's duties as well as the changing in composition including the significant changing to their operation as a statute which approved by the committee and disclosed to shareholders in the bank's annual report.
- 9) Determine the whistleblowing policy in case to meet any action inappropriate or inaccurate and supervise the executives provide the complaint channel or the sensitive information report for conceal the information complaint as well as protection the negative affect of the whistleblower.
- 10) Provide the guideline and the system of internal control of anti-corruption, control and monitor of risk from corruption in the company, and communicate and train the employees hold to practice.
- 11) Update the Executive Committee's report regularly in improving operation matter of the bank according to the policies and strategies of the bank.
- 12) Exchange of comments between the Audit Committee with the Risk Oversight Committee in case of review adequacy and effectiveness of overall risk management policies and strategies. Including acceptable levels of risk to assess Bank's risk management policies and strategies are covered all types of risks include emerging risks. The policy and strategy are implemented effectively and efficiently.
- 13) Reports to the board of directors to improve within the period of the audit committee considers appropriate in case the audit committee found or suspected as the items or actions as follow:
  - Conflict of interest transaction.
  - Fraud or irregularity or a defect in the internal control system.
  - Infringement of the laws on bank's business, the law on securities and Exchange Commission, regulations of the Stock Exchange, regulations of the Bank of Thailand or the other laws governing its business, securities and other laws. In case, the Board of Directors or the management fails to improve within the period the Audit Committee considered appropriate, the Audit Committee must to disclose such action in the Company's Annual Report and reports to the Bank of Thailand.
- 14) Evaluate the efficiency and effectiveness of the performance of the Chief of Internal Audit unit
- 15) Perform any tasks assigned by the Board of Directors with consenting of the Audit Committee.

#### 4. Corporate Governance Committee

The Corporate Governance Committee consists of 4 directors as follows:

- |                         |               |  |
|-------------------------|---------------|--|
| 1. Mr. Phairoj          | Hengsakul     | Chairman of the Corporate Governance Committee |
| 2. Mr. Somsak           | Assavapokee   | Member of the Corporate Governance Committee   |
| 3. Mr. Adul             | Vinaiphat     | Member of the Corporate Governance Committee   |
| 4. Asso.Prof.Dr.Supriya | Kuandachakupt | Member of the Corporate Governance Committee   |
| Ms. Chutima             | Boonmee       | Secretary                                      |

## Scope of Authority and Duties of the Corporate Governance Committee

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

- 1) Consider the good corporate governance policy for propose to the Board of Directors approval.
- 2) Consider the anti-corruption policy for propose to the Board of Directors approval.
- 3) Consider Compliance Policy to propose for approval from Board of Directors.
- 4) Supervise the compliance with the policies and give recommendations and necessary supports to related working team in order to achieve the operation plan.
- 5) Evaluate the performance of the company according to the corporate governance policy and the anti-corruption policy with the corporate governance criteria for determine the improvement matters.
- 6) Evaluate the performance of the Bank under Compliance Policy on regulatory compliance program in accordance with official laws, regulations, rules, standards, and guidelines applicable to businesses of the Bank.
- 7) Represent the company in communication and execution of corporate governance activities and corruption prevention with the executives, employees and external agencies.
- 8) Perform any tasks assigned by the Board of Directors with consenting of the Corporate Governance Committee.

## 5. Nomination and Remuneration Committee

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

- |    |              |                |   |
|----|--------------|----------------|---|
| 1. | Mr. Somsak   | Assavapokee    | Chairman of the Nomination and Remuneration Committee |
| 2. | Mr. Shih,    | Jiing-Fuh      | Member of the Nomination and Remuneration Committee   |
| 3. | Mr. Pradit   | Sawattananond  | Member of the Nomination and Remuneration Committee   |
|    | Mr. Ruangsak | Vitavaskarnvej | Secretary   |

## Scope of Authority and Duties of the Nomination and Remuneration Committee

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

- 1) Determine the policies, the regulations, the qualifications, and the nomination method of directors and the top executives that must to approve from the official agencies, and the executives from the position of the First Senior Vice President and higher or others in equivalent positions when retire by rotation, vacancy or addition which adhere to the Bank of Thailand's notifications regard to criteria of consider to appoint director, manager, authorized person or consultant appointment.
- 2) Select and propose the names of qualified candidates as follows:
  - 2.1 Directors
  - 2.2 Authorized person consists of Chief Executive Officer, President, Senior Executive Vice President, Executive Vice President and First Senior Vice President
  - 2.3 The consultant or the person acting as director, Chief Executive Officer, President, Senior Executive Vice President, Executive Vice President and First Senior Vice President which has the position name as the consultant only

- 3) Supervise the Board of Directors has the size and the composition that appropriate with the organization, adjustment according to the environment changing, support the process of nomination and propose the person to be the director for support the composition of the Board of Directors consists of persons with good behavior, knowledge, abilities and various experiences which have the benefits to long term operation and appropriate with the directions and the strategies.
- 4) Determine the policy of the remuneration, other benefits, remuneration amount and other benefits to the directors and the authorized person (reference no. 2) which reflect the related of objectives, duties, responsibilities and risk, must have clearly and transparency criteria for propose to the Board of Directors approval and submit the such policies to the Bank of Thailand if required.
- 5) Supervise the directors and the authorized persons (reference no. 2) received the appropriate remuneration with their duties and responsibilities.
- 6) Consider the budget for annual salary increasing, annual bonus or other special remuneration payments of the employees to propose to the Board of Directors.
  - 6.1 Consider the overall and the implementation framework of the remuneration structure, salary increasing, annual bonus or any benefits of the top executives and the local staffs as well as the expatriates remuneration which as the business partner such as fees or service charges etc. that involves to the condition of employment for the expatriates, according to the proposal of the management team to be appropriate, to be resulted as the expectation and to be fair to the compensation for the employees as their dedication for the success of the company.
  - 6.2 Consider the budget for annual salary increasing, annual bonus and any benefits for the employees.
- 7) Consider the policy, the guideline and the method of the succession plan for ensure the continuity of appropriate administration and systematically for the authorized persons (reference no. 2)
- 8) Consider the policy framework, the criteria and the fixed employment.
- 9) Review and propose the solution of the duties and responsibilities scope of the Nomination and Remuneration Committee comply with the situation.
- 10) Disclosure the policy and the detail of the nomination procedure for the directors and the authorized persons in the annual report.
- 11) Determine the performance evaluation guideline and the authorized persons (reference no. 2) for consider the adjustment of annual remuneration by considered the duties, the responsibilities, and the related risk including pays attention the value increasing of shareholders' equity in long term.
- 12) Disclosure the policy of the remuneration determination and any remuneration, and provide the remuneration determination report at least must have the factors that use evaluate the performance, goal and operation result as well as the Nomination and Remuneration Committee recommendations, method, and equipment for remuneration payment procedure method which reflect the risk (if any) in the annual report.
- 13) Perform other tasks assigned by the Board of Director.



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

Nomination of director shall comply with the articles of association, which can be divided into 2 cases:

**Case 1** Appointment of new director due to resignation by rotation. The Nomination and Remuneration Committee shall select and screen persons with proper qualifications, knowledge, experiences in various fields, adequate understanding in the area of banking, finance, economics, laws, etc., taking into consideration of corporate requirements and good governance. The Nomination and Remuneration Committee shall then propose the lists of qualified persons to the Board of Directors for consideration and screening before presenting to the shareholder meeting for approval.

**Case 2** Appointment of new director in place of director resigning before the end of the term. The Nomination and Remuneration Committee shall select and screen persons with proper qualifications, knowledge, experiences in various fields, adequate understanding in the area of banking, finance, economics, laws, etc., taking into consideration of corporate requirements and good governance. The lists of qualified persons shall then be proposed to the Board of Directors for approval.

### - The Executives Nomination

The nomination and remuneration committee shall select and screen persons with capabilities and proper qualifications by taking into consideration of ethics, moral principle and honesty for taking a position of the top executives including the president. Primary factors for consideration include qualifications, capabilities, and experiences in financial field. Selected person should have thought and vision regarding management that is in line with the company's board of directors for the operation to achieve targets successfully. The top executives and the company's board of directors must have trustworthiness, and closely coordinate with one another. The nomination and remuneration committee shall nominate selected persons to the company's board of directors for further appointment.

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

### - Composition of the Board of Directors

The number of directors of the bank is determined at the shareholders' meeting but shall not be less than five of the total number of the bank's directors and independent directors not less than one third and not less than three directors.

### - Directors Nomination

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

(A) One share is entitled to one vote.

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

- (C) The candidates are ranked in descending order, from the highest number of votes to the lowest, and are appointed as directors in that order until all the director positions are filled. Where the votes of candidates are tied, the chairman of the meeting has the casting vote.
2. Retirement from the position of directors
- (A) Retirement by rotation
- At every Annual General Meeting of Shareholders, one-third of the directors shall retire by rotation.
  - For directors who retire by rotation in the first and second years after registering the company, a draw must be held to determine which directors shall be retired. For subsequent years, the directors who have served the longest terms shall retire.
  - Directors who are retired by rotation can be re-elected to resume the position.
- (B) Death
- (C) Resignation
- (D) Lack of qualifications or having forbidden qualifications by law
- (E) The shareholders vote at a meeting for his resignation with a vote of not less than three-quarters of all shareholders with voting rights present and of not less than half of their shares which held by shareholders attending the meeting and entitled to vote.
- (F) Court order
3. If a vacancy on the Board of Directors occurs for reasons other than the normal rotation, the remaining directors shall elect a qualified person with no forbidden qualifications under the law on public companies to replace him at its next meeting unless the term of the director who vacates office is less than two months. The substituting director shall serve only for the remaining term of the director he replaces. Such resolution by the Board of Directors shall require the votes of not less than three-quarters of the remaining directors.

#### - Independent Directors Qualifications

Nomination and appointment of the independent directors must have qualifications that are required by the company and consistent with the good corporate governance policy according to the regulations by the Capital Market Supervisory Committee, the qualifications of independent directors as follows:

The independent directors qualifications must be a director who has no business interest or has no benefit related to the bank, which may affect his or her independence to express opinion. The bank defines the qualifications as follows;

(1) Holding not more than 0.5% of the total number of voting shares of the company, or the parent company, subsidiary company, associated company, major shareholder, or controlling person, which shall be inclusive of the shares held by any related person of such an independent director.

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

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

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

A business relationship shall include any trading transaction in the ordinary course of business for any lease taking or lease out of any immovable property, any transaction relating to asset or service, or granting or accepting any financial support by way of either borrowing, lending, guaranteeing, or collateral providing, including any other act in similar manner thereto, that could result in a creation of the company's obligation or the obligation of its counterparty, to repay its debt to the other party in an amount equal to three percent or more of the net tangible asset value of the company or Baht twenty million or more, whichever is lower. The method for calculation of the value of the connected transaction pursuant to the Notification of the Capital Market Supervisory Board concerning regulations in respect of an entering into connected transaction mutatis mutandis. The combination of such indebtedness shall include indebtedness taking place during the past one year prior to the date on which such business relationship with such a person exists must also be counted.

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

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

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

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

(9) Not having any other characteristics that prevent the exertion of independent opinion concerning the company's business undertaking. After having been appointed as an independent director, an independent director may be assigned by the board of directors to take part in the collective decision making process of the company, parent company, subsidiary, associated companies, subsidiary company in the same level of the company, or major shareholders, or a controlling person that they have a decision making in Collective Decision form.

## 6. Risk Oversight Committee

The Risk Oversight Committee consists of:

- |                                  |  |
|----------------------------------|--|
| 1. Mr. Shih Jiing-Fuh            | Chairman of the Risk Oversight Committee |
| 2. Mr. Pradit Sawattananond      | Member of the Risk Oversight Committee   |
| 3. Mr. Somsak Assavapokee        | Member of the Risk Oversight Committee   |
| 4. Head of Risk Management Group | Secretary                                |
| or assigned person               |  |

### Scope of Authorities and Duties of the Risk Oversight Committee

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

1) Supervise to provide the various of important risk management policies such as credit risk, market risk, liquidity risk, operational risk, and risk that affect the bank's reputation including determine the framework of information and technology risk management adequately and according to the international standards.

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

3) Supervise to provide the system or the procedure of policy reviewing, risk management strategy and overall risk management system at least yearly or significant changing that may affect the bank's stability by consider the risk profile in overall, risk appetite, and risk management strategy.

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

5) Supervise to provide the organization structure determination for support the risk governance

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

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

8) Supervise to provide the development and creating the persons in information and technology risk and cyber security adequately.

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

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

11) Supervise to provide the strategy of capital management and liquidity for support the various risks of the bank and compliance with risk appetite that approved.

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

13) Suggest to the Board of Directors regarding the framework of risk supervision.

14) Consult and share the ideas to the Audit Committee for evaluate the policies and the strategies in risk management cover all type of risks and emerging risk including operation comply with the policies and the strategies efficiently and effectively.

15) Give the ideas or participate the evaluation of efficiency and effectiveness in operation of head of risk management department.

## 7. Other Committees

In addition to the sub-committees, the Board of the Directors sets up for the benefit of monitoring and supervising each area of the bank's operations as mentioned above, the Executive Committee has appointed the sub-committees to supervise specific areas of the operations as follows:

### 7.1 Credit Committee

It has the authority and duty of approving as the bank determined and screening the credit within the scope of authorization of the Super Credit Committee.

### 7.2 Credit Monitoring Committee

It has the authority and duty of considering, determining and reviewing the processes of rehabilitating and tracking debts and of legal action against debtors. The committee also considers giving opinions on the classification of loans and the guideline on tracking and resolving debts. It has the approving authority as assigned by the Super Credit Committee.

### 7.3 Asset Liability Management Committee (ALCO)

It has the authority and duty of considering and setting the targets of the bank's financial structure for both assets and liabilities, liquidity and interest-rate risks in keeping with the bank's revenue goal. Determine the interest rate of loans, deposit interest, issuances of financial products to mobilize funds and considers and keeps track of the bank's cash flow and deposit and withdrawal trends to evaluate the liquidity risk and lays down strategies for different scenarios appropriately including determines key indicators to be used as tools in drawing the picture reflecting the management of assets and liabilities in line with the bank's policies.

### 7.4 Investment Committee

It has the authority and duty of setting the investment plan, criteria of investment in various securities under investment policies, studied and performed in accordance with the bookkeeping principle of accounting standards, determined the process and investment procedure, operation, monitoring and reporting the evaluation of investment results.

### The Board of Directors Meetings

Land and Houses Bank Public Company Limited regularly holds the board of directors meetings. At each meeting, clear agenda is determined in advance which contains important agenda items such as the consideration of the bank's financial statements of each quarter, following up the bank's performances, which the bank has sent in advance both of the invitation letter and the meeting agenda including the documents to allow the directors to have sufficient time considering the information. The minutes are recorded in writing and keep the minutes which have been approved by the board of directors accountability.

In 2018, the meeting of the Board of Directors and the sub-committees consist of the detail of each director meeting attendance, the number of the meeting and the number of times each director attended the meeting are summarized in the table below.

**Table: Meeting Attendance Records of the Directors and the Executives of Land and Houses Bank Public Company Limited in 2018**

Name of Directors	Board of Directors		Executive Committee		Audit Committee		Corporate Governance Committee		Nomination and Remuneration Committee		Risk Oversight Committee	
	Number of Meeting Attendance	(%)	Number of Meeting Attendance	(%)	Number of Meeting Attendance	(%)	Number of Meeting Attendance	(%)	Number of Meeting Attendance	(%)	Number of Meeting Attendance	(%)
<b>Total Meetings</b>	<b>12</b>		<b>24</b>		<b>13</b>		<b>10</b>		<b>6</b>		<b>3</b>	
1. Mr. Rutt Phanijphand	12	100										
2. Mr. Phairoj <sup>/1</sup> Hengsakul	11	91.67			13	100	9	90	3 (From 3 times)	100		
3. Mr. Pradit <sup>/2</sup> Sawattananond	9 (From 9 times)	100			9 (From 10 times)	90	7 (From 7 times)	100	5 (From 5 times)	100	2	66.67
4. Mr. Somsak <sup>/3</sup> Assavapokee	12	100			13	100	10	100	5 (From 5 times)	100	3	100
5. Dr. Supriya <sup>/4</sup> Kuandachakupt	12	100			13	100	10	100	4 (From 4 times)	100		
6. Mr. Li <sup>/5</sup> Ming-Shieh	8 (From 9 times)	88.88										
7. Mr. Shih <sup>/6</sup> Jiing-Fuh	12	100							2 (From 2 times)	100	3	100
8. Mr. Naporn <sup>/7</sup> Sunthornchitcharoen	12	100	21	87.50					1 (From 1 times)	100		
9. Mr. Sirichai Sombutsiri	12	100	22	91.67								
10. Mr. Wu, <sup>/8</sup> Kuo-Chin	12	100	24	100								
11. Mrs. Sasitorn Phongsathorn	12	100	23	95.83								

## Note

- <sup>/1</sup> Mr. Phairoj Hengsakul has been appointed to be the Chairman of the Nomination and Remuneration Committee on February 21, 2018
- <sup>/2</sup> Mr. Pradit Sawattananond hold the position of the independent director, the member of the Audit Committee and the member of the Corporate Governance Committee on March 21, 2018 replaced Mr. Adul Vinaiphat resigned on February 21, 2018. He attended the Board of Directors meeting since No. 4/2018 on April 23, 2018, the Audit Committee meeting since No. 4/2018 on April 19, 2018, the Corporate Governance Committee since No. 4/2018 on June 14, 2018, the Nomination and Remuneration Committee meeting since No. 2/2018 on August 3, 2018, and the Risk Oversight Committee since No. 1/2018 on October 11, 2018.
- <sup>/3</sup> Mr. Somsak Assavapokee hold the position of the Chairman of the Nomination and Remuneration Committee on July 16, 2018, the Risk Oversight Committee on September 17, 2018. He attended the Nomination and Remuneration Committee meeting since No. 2/2018 on August 3, 2018, and the Risk Oversight Committee since No. 1/2018 on October 11, 2018.
- <sup>/4</sup> Dr.Supriya Kuandachakupt hold the position of the member of the Nomination and Remuneration Committee on July 16, 2018. She attended the Nomination and Remuneration Committee meeting since No. 2/2018 on August 3, 2018, and ended the position of the member of the Nomination and Remuneration Committee on September 3, 2018.
- <sup>/5</sup> Mr. Li Ming-Shieh hold the position of the director on March 21, 2018 and attended the Board of Directors meeting since No. 4/2018 on April 23, 2018.
- <sup>/6</sup> Mr. Shih, Jiing-Fuh hold the position of the member of the Nomination and Remuneration Committee on August 20, 2018, the Chairman of the Risk Oversight Committee on September 17, 2018. He attended the Nomination and Remuneration Committee since No. 5/2018 on October 9, 2018 and the Risk Oversight Committee since No. 1/2018 on October 11, 2018.
- <sup>/7</sup> Mr. Naporn Sunthornchitcharoen ended his term for the member of the Nomination and Remuneration Committee on July 16, 2018.
- <sup>/8</sup> Mr. Wu, Kuo-Chin hold the position of the member of the Nomination and Remuneration Committee on February 21, 2018 and ended the position of the member of the Nomination and Remuneration Committee on July 16, 2018.

## The Executives



Land and Houses Bank Public Company Limited has the executives of the ranks of Executive Vice President and higher totaled 17 executives as follows:

Name		Position in LH Bank	Position in LH Fund	Position in LH Securities	Position in LH Advisory
1. Mrs. Sasitorn	Phongsathorn	Chief Executive Officer and President	Director	Director	Director
2. Mrs. Sutharntip	Phisitbuntoon	Senior Executive Vice President, Credit Development and Risk Management Group	-	-	-
3. Mr. Chen,	Ching-Ming	Senior Executive Vice President, Taiwanese Business Development Group	-	-	-
4. Ms. Chutamas	Sombunyaviroj	First Executive Vice President, Commercial Banking Marketing Group	Director	-	-
5. Mr. Thanee	Phalawong	Executive Vice President, Information and Technology Group	-	-	-
6. Mr. Pairath	Trangarnrueng	Executive Vice President, Branch Network Administration Group	-	-	-
7. Mr. Kosol	Kavayavong	Executive Vice President, Assets and Operation Group	-	-	-
8. Mrs. Ravewan	Wattananukij	Executive Vice President, Finance Group	Member of the Audit Committee and Chairman of the Risk Management Committee	Independent Director and Director	Director
9. Ms. Chintana	Klaisuan	Executive Vice President 1 Credit Sector	-	-	-
10. Mr. Anucha	Bupphaves	Executive Vice President 2 Credit Sector	-	-	-
11. Mr. Somsak	Deemongkolsuk	Executive Vice President 3 Credit Sector	-	-	-
12. Mr. Paradorn	Preeyapawat	Executive Vice President, Bank Operation Group	-	-	-
13. Mr. Vichian	Amornpoonchai	Executive Vice President, Corporate Affairs and Legal Group and company secretary	-	-	Director
14. Ms. Chou,	Mei-Yin	Executive Vice President, Corporate Banking Product Group	-	-	-
15. Mr. Weeravej	Sirichatchai	Executive Vice President, Compliance Group	-	-	-
16. Mrs. Wilawan	Sutthibutr	Executive Vice President, Control Group	-	-	-
17. Mr. Sompob	Asavaritikrai	Executive Vice President, Global Markets Group	-	-	-

**Note**      The Bank                      refers to Land and Houses Bank Public Company Limited  
                  LH Fund                        refers to Land and Houses Fund Management Company Limited  
                  LH Securities                refers to Land and Houses Securities Public Company Limited  
                  LH Advisory                 refers to Land and Houses Advisory Company Limited

#### The Remuneration of Directors and Executives

## The Policy of Remuneration Determination of the Directors and the Executives

The remuneration of the bank's directors has been determined by the meeting of shareholders, which had been considered and recommended by the Nomination and Remuneration Committee. Amount and components of such remunerations must be attractive to the directors, who are talented and important to the performance of the board. Excessive remuneration payment shall be avoided. Director remuneration shall be determined based on working experiences, knowledge, intention, dedication, and various benefits that each director has contributed to the company, comparing with those of other companies in the same industry and similar business size.

Determination of remuneration must be approved in order of authority, to avoid conflict of interest and for transparency, i.e., shareholders approve remuneration of the Board of Directors, the Executive Committee, the Audit Committee, the Corporate Governance Committee, and the Nomination and Remuneration Committee. The Nomination and Remuneration Committee shall consider suitability.

### Financial Remuneration

The financial remuneration of directors has been determined by the meeting of shareholders, in the form of monetary, such as monthly compensation and meeting allowances. In addition, the remuneration of directors has passed the Board of Directors' approval, which had been presented by the Nomination and Remuneration Committee. The remuneration of directors will be clearly defined and transparently based on the general practice in the industry, by considering from experience, knowledge, ability that comply with the duties and responsibilities of directors compliance with the operations of the bank, and taking into consideration the best interests of the bank and its shareholders.

The Annual General Meeting of Shareholders of Land and Houses Bank Public Company Limited for the year 2018, on 19 March 2018, had approved the director's remuneration as follows:

#### 1. The directors' remuneration for the year 2018

Table: The directors' remuneration comparison the year 2017 and the year 2018

Position	The directors' remuneration (per month)	
	2018	2017
Chairman (Mr. Rutt Phanijphand)	1,000,000	1,000,000
Non-Executive Directors	40,000	40,000
Executive Directors	40,000	40,000

#### 2. The director's meeting allowance for the year 2018

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

Position	Meeting Allowance (per time)											
	The Board of Directors		The Audit Committee		The Executive Committee		The Nomination and Remuneration Committee		The Corporate Governance Committee		Other Committees	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Chairman	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	25,000	25,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	-
Executive Directors	-	-	-	-	-	-	-	-	-	-	-	-

Note: \*Other Committees refer to the official agencies determine that the committee must have or should have or the Board of Director agreed that it is necessary

### 3. The Directors' Gratuity for the year 2018

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

LH Financial Group Public Company Limited which is a parent company of the bank also had determined the directors' pensions. Any director who is director of LH Financial Group Public Company Limited will receive the director's pension only from LH Financial Group Public Company Limited. Therefore, the bank has determined the directors' pensions to comply with appropriate their duties, responsibilities and work load totaled not more than Baht 3,200,000 which appropriate the duties, the responsibilities, work load, and the allocation of the directors' gratuity, depend on the discretion of the Board of Directors in the appropriate allocation, the bank will be paid the directors' gratuity for 3 directors as follows:

1. Mr. Phairoj Hengsakul
2. Mr. Sirichai Sombutsiri
3. Mr. Somsak Assavapokee

Table : The directors' gratuity comparison the year 2019 and the year 2018

The Directors' Gratuity	
2018 (Paid for 3 Directors)	2017 (Paid for 2 Directors)
3,200,000	1,500,000

### 4. Non-monetary remuneration

Referring to the Extra General Meeting of Shareholders No. 1/2015 had the resolution to provide the vehicle for the directors including the expenses of the vehicle such as vehicle oil, vehicle insurance, maintenance, and driver salary, the Board of Directors had authorized in the appropriate considering and effective for all time until the Shareholders Meeting has the resolution in revocation or changing.

### Other Remuneration of the Directors

Other remuneration or other remuneration benefits which is mean shares and debentures including other rights benefits as well as the monetary and not the monetary apart from the benefits that they receive regularly such as monthly remuneration and meeting allowances as follows:

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

Board Members	Date appointed as Director	2018 <sup>/1</sup>		2017 <sup>/1</sup>	
		Remuneration and Meeting Allowance (Baht)	Bonus (Baht)	Remuneration and Meeting Allowance (Baht)	Bonus (Baht)
1. Mr. Rutt Phanijphand	28 December 2005	12,000,000	-	12,000,000	-
2. Mr. Phairoj Hengsakul	1 February 2009	2,527,631.58	-	650,000	-
3. Mr. Adul Vinaiphat	19 December 2005	-	-	60,000	-
4. Mr. Pradit Sawattananond	21 March 2018	210,333.34	-	-	-
5. Mr. Somsak Assavapokee	5 October 2012	2,502,631.58	-	490,000	-
6. Dr. Supriya Kuandachakupt	1 August 2017	20,000	-	20,000	-
7. Mr. Sirichai Sombutsiri	2 January 2014	2,492,631.58	-	2,166,842.10	-
8. Mr. Naporn Sunthornchitcharoen	19 December 2005	440,000	-	260,000	-
9. Mr. Li, Ming-Shieh	21 March 2018	70,333.34	-	-	-
10. Mr. Shih, Jiing-Fuh	1 August 2017	90,000	-	-	-
11. Mr. Wu, Kuo-Chin	1 August 2017	480,000	-	180,000	-
12. Mrs. Sasitorn Phongsathorn	21 December 2005	-	-	-	-
13. Mr. Sun Vithespongse	17 November 2015	-	-	1,526,842.10	-
14. Mr. Khunawut Thumpomkul	9 March 2012	-	-	60,000	-
<b>Total</b>		<b>20,833,561.42</b>	<b>-</b>	<b>17,413,648.20</b>	<b>-</b>

**Note**

<sup>/1</sup> The director's remuneration for the year 2018 and 2017 due to the directors of the bank as the directors of the parent company in the financial business group consist of LH Financial Group Public Company Limited. Therefore, in the year 2018 and 2017 when the company paid the remuneration for the bank's directors, the bank did not pay the remuneration to the directors.

**The Remuneration of Executives**

The bank paid the remuneration for 31 executives which consists of salary, bonus and other remuneration in total to Baht 124,549,781.43.

**Other Remuneration of Executives**

1. Other remuneration or other remuneration benefits apart from the benefits they receive as usual is subvention, provident fund, group insurance, uniform, medical expenses and other remuneration as follows:

**Table: The remuneration of executives for the year 2018 and 2017**

Type	2018		2017	
	Number (Persons)	Remuneration (Baht)	Number (Persons)	Remuneration (Baht)
Salary	31	103,482,220.99	29	96,945,145
Extra Money/ Bonus		25,859,500		21,647,600
Provident Fund		4,708,880.50		4,374,917
Group Insurance		70,813.74		33,407.51
Medical Expenses		146,568.43		132,712.32
Other Remuneration		708,500.00		1,416,000
<b>Total</b>		<b>134,976,483.66</b>		<b>124,549,781.43</b>

2. Other benefits that the bank provides to its employees is the Employee Joint Investment Program (EJIP), which collects employee's saving money and the banks' subsidies for employees to purchase

the common shares of LH Financial Group Public Company Limited or LHBANK shares which listed on the Stock Exchange of Thailand.

Start date of project	July 1 <sup>st</sup> , 2014
Employee payment period	From July 1 <sup>st</sup> , 2014 to June 30 <sup>th</sup> , 2018
Accumulate by employee	
Accumulate duration by the company	From July 1 <sup>st</sup> , 2014 to June 30 <sup>th</sup> , 2018
End of project	December 31 <sup>th</sup> , 2018

- Employees who are eligible to participate must be permanent staffs at levels up to assistant manager and pass the probation.

- Employees who are participated the project must pay the accumulation monthly by 5% from the basic salary to invest with the accumulation from the Bank and the Bank will pay contribution for the attended employee individually with the rate of 5% of basic salary.

## Employees

As of December 31, 2018 the bank had 1,436 employees decreased 68 persons compared to year ended 2017 as the details are following:

	31 December 2018	31 December 2017	31 December 2016
Number of Employee (Persons)	1,436	1,504	1,692

In 2018, the bank had expenses on employees Baht 1,200.88 million, increasing Baht 33.04 million compared to the year 2017, or up to 2.83 % due to salary increased, bonus payment and the increase of employees for supporting its business expansion.

## Employee Development Policy

The bank had the policies in supporting the develop of human resources of the bank continuously due to the development of the employees as the important resources for the organization continue growth, the bank has arranged the seminars by internal organization and allocate the employees for seminars has arranged by external organization including work teaching by head of department for sustainable development, effective working, professional and teamwork which was the benefits to all department and tasks of overview organization.

## Corporate Value (ProAcTIVE)

Land and Houses Bank Public Company Limited awareness the important of the employees which as the important for business driving with stability and sustainability and comply with the mission of the bank in develop and support the human resources both in knowledge and benefits of the employees.

The bank has defined corporate values to encourage employees in the same principles of the operation through the company's "ProAcTIVE" core values.

Professional	: Have expertise and business mind in the profession for efficient working.
Accountability	: Express determination and intention to complete the assigned work successfully as planned.
Teamwork	: Understand his/her role and responsibility as a team member; participate in working, problem solving, and exchanging experiences



- and opinions with other team members.
- Integrity : Express integrity in working, and drive team members to strictly comply with the code of conduct and have integrity in working.
- Visioning : Ability to determine vision, mission, working target of the unit to be consistent with the vision and target of the organization.
- Excellence Service : Understand demand and expectation of internal and external clients; express manners, tone of voice, posture and behavior in a proper way for clients' satisfaction and impression.

### Employee Orientation

The objective of employee orientation is to provide knowledge and understanding of the banking business overview and ready to work together with happiness as well as to be informed about their importance and role for the organization and to have a knowledge about the bank's core value.

### Remuneration and Employee Welfare

The bank had policies in health and safety for employees to work happily together as well as determining the appropriate remuneration and welfares such as salary, bonus, provident fund, social security, medical expenses, uniform and other benefits.

### Provident Funds

The bank aims to encourage long-term savings of employees for providing the benefits for the employees in order to consume when they retire or resign, the bank had paid to the provident fund in the same proportion to the employees on a monthly basis at rate of 3-15% of their salary. For the year ended December 31, 2017 and 2016, the bank paid of Baht 37.3 million and Baht 34.2 million for Provident Funds, respectively.



The Directors and Executives Shareholding Proportion in LH Financial Group Public Company Limited and Land and Houses Bank Public Company Limited as at December 31, 2017 and December 31, 2016

Table: The Directors and Executives Shareholding Proportion in LH Financial Group Public Company Limited and Land and Houses Bank Public Company Limited

Name of the Directors	Position	31 December 2018		31 December 2017	
		Number of Shares Held		Number of Shares Held	
		The company <sup>/1</sup>	The bank <sup>/2</sup>	The company <sup>/1</sup>	The bank <sup>/2</sup>
1. Mr. Rutt Phanijphand	Chairman				
- Number of direct holding of shares:		-None-	-None-	-None-	-None-
- Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-
2. Mr. Phairoj Hengsakul	Independent Director				
- Number of direct holding of shares:		5,606,797 Shares 0.027%	-None-	-None-	-None-
- Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-
3. Mr. Pradit Sawattananond	Independent Director				
- Number of direct holding of shares:		-None-	-None-	-None-	-None-
- Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-
4. Mr. Somsak Assavapokee	Independent Director				
- Number of direct holding of shares:		-None-	-None-	-None-	-None-
- Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-
5. Dr. Supriya Kuandachakupt	Independent Director				
- Number of direct holding of shares:		-None-	-None-	-None-	-None-
- Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-
6. Mr. Li Ming-Shieh	Director				
- Number of direct holding of shares:		-None-	-None-	-None-	-None-
- Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-
7. Mr. Shih Jiing-Fuh	Director				
- Number of direct holding of shares:		-None-	-None-	-None-	-None-
- Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-



8. Mr. Naporn Sunthornchitcharoen	Director				
- Number of direct holding of shares:		-None-	-None-	-None-	-None-
- Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-
9. Mr. Sirichai Sombutsiri	Director				
- Number of direct holding of shares:		150,000 Shares 0.001%	-None-	150,000 Shares 0.001%	-None-
- Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-
10. Mr. Wu Kuo-Chin	Director				
- Number of direct holding of shares:		-None-	-None-	-None-	-None-
- Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-
11. Mrs. Sasitorn Phongsathorn	Director				
- Number of direct holding of shares:		1,983,622 shares 0.009%	-None-	1,983,622 shares 0.009%	-None-
- Number of spouse and minor child holding of shares :		-None-	-None-	-None-	-None-

**Note** The company<sup>/1</sup> refers to LH Financial Group Public Company Limited  
The bank<sup>/2</sup> refers to Land and Houses Bank Public Company Limited

Table: The Bank's Executives Shareholding Proportion in LH Financial Group Public Company Limited, Land and Houses Bank Public Company Limited and the Subsidiaries

The Executives	Position	31 December 2017		31 December 2016	
		Number of Shares Held		Number of Shares Held	
		The company <sup>1</sup>	The Bank <sup>2</sup>	The company <sup>1</sup>	The Bank <sup>2</sup>
<b>1. Mrs. Sasitorn Phongsathorn</b>	Chief Executive Officer and President				
Number of direct holding of shares:		1,983,622 Shares 0.009%	-none-	1,983,622 Shares 0.009%	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-
<b>2. Mrs. Suthartip Phisitbuntoon</b>	Senior Executive Vice President, Credit Development and Risk Management Group				
Number of direct holding of shares:		-none-	-none-	-none-	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-
<b>3. Mr. Chen, Ching-Ming</b>	Senior Executive Vice President, Taiwanese Business Development Group				
Number of direct holding of shares:		-none-	-none-	-none-	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-
<b>4. Ms. Chutamas Sombunyaviroj</b>	First Executive Vice President, Commercial Banking Marketing Group				
Number of direct holding of shares:		1,240,572 Shares 0.006%	-none-	976,015 Shares 0.005%	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-
<b>5. Mr. Thane Phalawong</b>	Executive Vice President, Information and Technology Group				
Number of direct holding of shares:		1,016,962 Shares 0.005%	-none-	741,547 Shares 0.004%	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-
<b>6. Mr. Pairath Trangarnrueng</b>	First Senior Vice President, Branch Network Administration Group				
Number of direct holding of shares:		1,469,707 Shares 0.007%	-none-	1,233,764 Shares 0.006%	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-
<b>7. Mr. Kosol Kavayavong</b>	Executive Vice President, Assets and Operation Group				
Number of direct holding of shares:		764,167 Shares 0.004%	-none-	515,924 Shares 0.002%	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-
<b>8. Mrs. Ravewan Wattananukij</b>	Executive Vice President, Finance Group				
Number of direct holding of shares:		-none-	-none-	-none-	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-
<b>9. Ms. Chintana Klaisuan</b>	Executive Vice President 1 Credit Sector				
Number of direct holding of shares:		1,392,228 Shares 0.006%	-none-	1,153,053 Shares 0.005%	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-
<b>10. Mr. Anucha Bupphaves</b>	Executive Vice President 2 Credit Sector				
Number of direct holding of shares:		701,630 Shares 0.003%	-none-	464,615 Shares 0.002%	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-
<b>11. Mr. Somsak Deemongkolsuk</b>	Executive Vice President 3 Credit Sector				
Number of direct holding of shares:		840,010 Shares 0.003%	-none-	603,711 Shares 0.003%	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-

<b>12. Mr. Paradorn Preeyapawat</b>	First Senior Vice President, Bank Operation Group				
Number of direct holding of shares:		41 Shares 0.000%	-none-	478,676 Shares 0.002%	-none-
Number of spouse and minor child holding of shares :		200,000 Shares 0.001%	-none-	-none-	-none-
<b>13. Mr. Vichian Amornpoonchai</b>	Executive Vice President Corporate Affairs and Legal Group and Company Secretary				
Number of direct holding of shares:		345,423 Shares 0.001%	84 Shares 0.000%	556,422 Shares 0.003%	84 Shares 0.000%
Number of spouse and minor child holding of shares :		120,000 Shares 0.001%	-none-	-none-	-none-
<b>14. Ms. Chou, Mei-Yin</b>	Executive Vice President, Corporate Banking Product Group				
Number of direct holding of shares:		-none-	-none-	-none-	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-
<b>15. Mr. Weeravej Sirichatchai</b>	Executive Vice President Compliance Group				
Number of direct holding of shares:		-none-	-none-	-none-	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-
<b>16. Mrs. Wilawan Sutthibutr</b>	Executive Vice President, Control Group				
Number of direct holding of shares:		-none-	-none-	-none-	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-
<b>17. Mr. Sompob Asavaritkrai</b>	Executive Vice President Global Markets Group				
Number of direct holding of shares:		-none-	-none-	-none-	-none-
Number of spouse and minor child holding of shares :		-none-	-none-	-none-	-none-

**Note** The company<sup>1</sup> refers to LH Financial Group Public Company Limited  
The bank<sup>2</sup> refers to Land and Houses Bank Public Company Limited

## RISK OVERSIGHT COMMITTEE'S REPORT



Risk Oversight Committee of Land and Houses Bank Public Company Limited consists of 3 directors as follows:

- |               |               |                                      |
|---------------|---------------|--------------------------------------|
| 1. Mr. Shih   | Shih Jing-Fuh | Chairman of Risk Oversight Committee |
| 2. Mr. Pradit | Sawattananond | Member of Risk Oversight Committee   |
| 3. Mr. Somsak | Assavapokee   | Member of Risk Oversight Committee   |

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

Risk Oversight Committee has performed duties according to the scope responsibilities assigned by the Board of Directors. In 2018 the Risk Oversight Committee arranged 3 meetings and reported the results and opinions suggestions of each meeting to the Board of Directors with the summary as follows:

- Consider the various risk management policies, such as credit risk, market risk, liquidity risk, operational risk, risks that affect the bank's reputation and Information technology risks By taking into account the risk governance framework and including creating and cultivating risk awareness culture in organization.
- Report the risk management assessment result and monitor the risk management, the risk management potential as well as supervise the management team in the measure of prevention, improvement and limitation of risk with appropriately.
- Report the risk profile and any changing to the risk appetite and ensure to the Board of Directors of the risk management supervision.

(Mr. Shih, Shih Jing-Fuh)  
Chairman of Risk Oversight Committee

## RISK FACTORS

Land and Houses Bank Public Company Limited has determined the strategies plan and business plan for the next 3 years following the vision and mission. The bank considered the business environment consists of economic conditions, domestic and international politics including other factors such as strength, weakness, opportunities, risk, achieve factor and any important issues in operation which the executives will bring the factors in considering for determine the operation plan in each year and regularly review the operation plan to catch up with situation and environment changes.

### Risk Management in Perspective

Land Houses Bank Public Company Limited sets the framework and strategies in growing the business based on the efficient risk management along with creating the sustainable profits. The bank controls and supervises the risk management systematically and efficiently. The risk-management structure and policies have been defined clearly in writing for the main goal of being the prevention and management of risks effectively. Moreover, the bank also pays attention to the disclosure of information of risks and sufficiency of capital to public following the principles and guidelines set within the framework of the Bank of Thailand's supervision guidelines.

### Risk Management Policies

The main objectives of risk management policies were to supervise and oversee the bank's transactions and to be the guidelines for all of risk management to have acceptable risks and adequate internal control system. In conducting transaction, analysis procedures have been put in place to manage potential risks appropriately and adequately. The board and others will supervise the bank's business units to operate the business conform to policies related to the risk management as follows:

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

**2. Credit Risk Management Policy** is the policy for determine the criteria in the credit consideration for controlling, preventing, and mitigating the risk possibly occurring from the credit transactions for the balance between the risk in giving credit and the returns. The policy is regulated to have the goal and process suitable for the risk of each type of credit. This is for determining the clear in the operation and the flexibility in improving the policy within the risk appetite.

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

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

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

**6. Liquidity Risk Management Policy** is the policy for appropriate liquidity management for serving the repayment of due liabilities and obligations, the process of the improvement of risk management and liquidity risk monitoring, including the supervision of proper assets and liabilities structure with the source of funds or assets ready to be converted into cash is sufficient to support the risk both in normal and critical conditions under the risk appetite.

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

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

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

**10. Risk Assessment and Capital Adequacy Policy and Stress Test Policy** is the policy for determine the guidelines of the bank to keep capitals adequately for serving the significant risks both in normal condition and in crisis. The policies focus on the process of risk management and the assessment of capital adequacy systematically for maintaining the level of capitals to be sufficient for the present and the future.

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

#### **Risk Supervision Structure**

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

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

**2. The Executive Committee** has the duty and responsibility to propose policies and strategic business plan to the Board of Directors, examine the company's operation in keeping with the plan, evaluate the company's performance to analyze strengths, weaknesses and solutions.

**3. The Audit Committee** has the duty and responsibility to review the adequacy of financial reporting and disclosing the information according to the financial reporting standards and the Bank of Thailand's regulations. The committee also reviews the adequacy of the internal control system supervise and follow the bank's policies.

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

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

**6. The Asset and Liabilities Committee** has the duty and responsibility in managing and recommending the liquidity, assessing, observing, and conducting the plan for the risk in the marketing, interest rate and liquidity, as well as setting the investment plan and monitoring the operation following the plan.

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

## Risk Factors

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

The risk management in line with the guideline of the Bank of Thailand involves 5 areas: strategic risk, credit risk, market risk, liquidity risk and operational risk as follows:

### 1. Strategy Risk

Strategy risk refers to the risk originated from inappropriate formulation of strategies and the inability to execute the laid-down strategies, as well as disharmony of strategies, policies, goal, organization chart, competition and organization's human resources as a result of internal and external factors. It may affect the competitiveness, revenue and capital of the bank.

#### 1.1 Risk Incurred from the Economic Uncertainty and Competition

Overall economic uncertainties may affect credit growth and quality, the bank prepares its business plans, annual budget and capital funds estimates. Executives of each unit participate and share their opinion in the preparations of such plans and budget. The business plan and budget will be proposed to the Board of Directors for approval and the plan will be semi- annual reviewed to be in line with the changing of economic conditions. The Board of Directors will regularly follow up the bank's performance compared to the business plan.

## 1.2 Risk from Inadequacy of Capital

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

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

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

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

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

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

## 2. Credit Risk

The credit risk refers to the risk arised from the debtors or counter-party cannot fulfill the agreed obligation, including the risk from chance which the debtors or the counter-parties cannot repayment until the reason for debtors will be downgraded the credit rating. These scenarios may affect earnings and capital of the bank due to the following external factors such as the change of economics, laws, rules and regulations and internal factors such as lack of regulatory control, lack of pursuit to the debtor complies with the terms of the agreement, loan process and reviewing of loan inefficient etc. And the transaction to be consistent with credit risk consists of loans and similar transactions, transactions related with obligation to delivery of assets or debts to the bank and investment transactions for debt instruments.

### Credit Risk Management Tools

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

- **Credit Scoring Model** is the tool to classify and designate the risk levels of individual borrower as well as consider the credits. The model was developed based on the fundamental statistics of the bank's customers, together with the discretion of experts (expert base).



- **Credit Rating Model** is the tool to screen and classify the risk levels of juristic persons.

The bank concerns about the accuracy and efficiency for considering to approve the loans. Therefore, the bank has followed up the results of using the models and analyzing their efficiencies regularly, including developing credit risk management tools for supporting the business operation productively.

#### **Credit Risk Management Process**

The bank has put in place a credit risk management process where checks and balances are incorporated through a clear separation of duties among marketing officers, credit-risk analysts, collateral appraisal and operation officers. Furthermore, in considering approving credit, the bank has set up independent units; namely, the Credit Risk Analysis office and Retail Credit Risk Analysis office to supervise and give opinions on risk elements that may be incurred from extending credit to each customer. This is to ensure that the credit the bank approves has been considered and screened prudently. The bank had the Credit Review Office independently for review the accuracy approved credits, monitoring compliance with the loan terms, make the understanding and provide credit training for the credit officers to develop the efficiency of credit marketing to acquire the high-quality loan.

#### **Credit Portfolio Management**

The bank pays attention to the quality of its credit customers by their business types and concentration of credit. In doing so, the bank tracks change in its credit portfolio in various dimensions such as the quality of its credit portfolio by credit and business type and the proportion of outstanding credit extended to the top 20 largest credit customers per the total bank's capital for determine the quality of its credit portfolio and potential risks.

**Credit Risk** Consists of:

##### **2.1 Risk from the Deterioration of Credit Quality**

The most significant risk of the bank is a result of the rise of NPLs. In addition, the bank has to increase its reserve allowance for doubtful accounts which directly impact to the bank's profits and capital adequacy. The bank has laid down a process to control non-performing loans by emphasizing the credit management efficiency from the more stringent credit-approving process. It involves the determination of the criteria in approving retail credit to serve as a standard in approving credit and avoid the use of discretion by officers, the setting of minimum down payment for housing loans of high-risk customers and the tightening of minimum standards of loan applicants' qualifications in each area, moreover, the bank has improved and developed tools for screening and categorizing risk-levels of the bank's debtors to mitigate the risk from credit-approving process. The bank gives priority to debts or loans that began to have problems and NPLs, therefore, the bank appoints the department for monitor and supervise the credits.

##### **2.2 Risk from the Concentration of Credit**

The bank realizes the risk from the concentration of credit both in the large borrower concentration and sector concentration. The bank stipulates the risk limitation and warning level in order to control for avoiding any concentration of credit significantly.

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

The bank's Secured Loans accounted for 43.01% of total loans and the real estate collateral is 84.89% of total collateral value. When any event occurs causing the market of real estate slow down, the bank may suffer the loss in the part that such real estate collateral is devaluated. Therefore, the bank manages the risk of devaluation of value of guarantee by determining a policy on collateral valuation. This collateral valuation is required to review on a regular basis over the asset classification period such as pass, special mention, substandard, doubtful and doubtful loss, including appraised value of real estate acquired from repayment or purchase from the auction. The review period will be in accordance with the Notification of the Bank of Thailand for reflecting the true value of collateral based on current conditions.

### 3. Market Risk

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

#### 3.1 Price Risk

Price risk is a risk where damage may occur as a result of changes in prices of securities which will result in income fluctuations of the bank. At present, the bank is exposed to minimal price risk since it has no policy to invest in high-risk securities.

To manage price risk in compliance with the Bank of Thailand's notification, the bank uses the Value-at-Risk (VaR) Model to measure the maximum loss at each different level of confidence if the securities are held within a specified period. The bank uses the calculated risk values as a guideline in determining the risk appetite. In addition, the bank has set the event simulations that may cause security prices to plunge sharply are simulated or stress tests are conducted to estimate the potential damages from the crisis and emergency risk.

#### 3.2 Interest Rate Risk

Interest rate risk refers to risk arisen from movements of interest rates which may result in changes in the value of financial instruments value or volatilities of earnings or shareholders' equity value, both on and off-balance sheets. Interest rate risk is a result of the structure, characteristic items of assets and liabilities, and shareholders' equity which refer to the bank's interest rates and a timing mismatch in fixing new interest rates for assets, debts and off-balance sheet items. The bank has appointed the Asset and Liabilities Committee to take charge of interest rate risk management that arising from the mismatches in the interest rate structure by designing an appropriate interest rate structure for each period. It also supervises to ensure the interest rate structure is working as planned and controls the proportions of asset and liabilities with interest rate in maturity period with the risk appetite.

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

### 3.3 Exchange Rate Risk

The bank has provided the currency exchange service in Thai Baht both of buying and selling and also set standard for currency balance at the end of the day under the approved condition by the Bank of Thailand, thus, the bank has no significant exchange rate risk.

### 4. Liquidity Risk

Liquidity risk means risk resulting from the bank's failure to pay its debts and obligations when due because of its inability to convert assets into cash, or its failure to procure enough fund by schedule and at appropriate costs, a scenario which could cause damage income and capital of the bank. Sources of liquidity risk include internal and external factors. Internal factors hinge on the structures of assets and liabilities and reserve requirement to support demand. External factors include market liquidity and a lack of depositors' confidence. The bank has the tools for measuring and observing the risk in the liquidity and specifying the appropriate warning level, review the policy and develop the tools and methods to measure risk continuous to be consistent with guidelines of the Bank of Thailand and the principles of international risk management.

The bank set efficiently plan and manage its liquidity risk at an appropriate and adequate level, enabling it to repay its debts both at present and in the future should the need arise. In addition, the bank launched the new products for raise funds both in the short and long terms in line with market conditions.

### 5. Operational Risk

Operational risk refers to risk arising from damages which is the result of inadequacies or mistake of the internal working processes, human resources, systems or external factors including legal risk but not including the strategic risk and reputation risk. The operational risk is an unavoidable risk and it is one part of banking business. The bank has clearly defined the framework of its operational risk management policy. It also has good internal control system and has published an operating manual so that every employee understands the workflow and can perform their duties efficiently. Procedures have been laid down for business analysis, risk evaluation and risk monitoring, etc.

Moreover, the bank has developed its processes and tools to manage operational risk such as incident report including financial and non-financial loss, near-missed and other incident report, have been collected and used for improving the operation and guideline control to prevent them from risks.

The bank allocated all departments to perform risk and control self-assessment (RCSA). Each department have to identify its risky points of the operation and assess whether the Bank's existing internal control system is adequate and appropriate for the control of those risks. The data are also processed to determine key risk indicators to monitor on the risks as well as risk assessment of fraud in the units with high corruption opportunities. This is used as the information to set the guideline for preventing and managing risk from corruption.

Moreover, the bank determined the outsourcing policy and new product policy by assigning the units that need to use the outsourcing or launch the new products to do the data analysis and risk assessment regard to the value of new product. The Operational and Market Risk Management Department is responsible for consenting before using the outsourcing or launch the new products.

The bank has business continuity plan for emergency use such as in the event of contingent losses and disasters for the continuity of the bank's operations or reduced disruption to the operations of the bank with the risk appetite. All departments have been involved in the preparation of the plan and revised the plan including BCP testing annually. Moreover, the bank has rehearsed the banking system restoration and the operations on important transaction every year for ensure the bank can operate under crisis condition efficiently.

The bank regularly develops its employees to enhance the efficiency of their performances by developing communication channels to educate about the operational risk management in the form of E-Learning so that the executives and employees will understand and aware of the operational risk. The employees also have an opportunities to attend external trainings. However, internal trainings are also held as needed by inviting conductors with expertise and knowledge to educate and enhance the skills of the employees.

## 6. Information Technology Risk

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

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

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

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

## THE EXECUTIVE COMMITTEE'S REPORT



The Executive Committee consists of 4 directors as follows:

1. Mr. Sirichai	Sombutsiri	Chairman of the Executive Committee
2. Mr. Naporn	Sunthornchitcharoen	Member of the Executive Committee
3. Mr. Wu,	Kuo-Chin	Member of the Executive Committee
4. Mrs. Sasitorn	Phongsathorn	Member of the Executive Committee and President

And Mr. Vichian Amornpoonchai, Executive Vice President, Corporate Affairs and Legal Group is the secretary

The Executive Committee has performed duties under the scope of responsibilities assigned by the Board of Directors. In 2018, the Executive Committee arranged 24 meetings times and reported the result of each meeting along with suggestions to the Board of Directors every time. The summary is as follows:

- Propose the strategies and directions of the bank's operations in the year 2018 and the 3 years plan to the Board of Directors and operate conform with the approved plans.
- Delegate work and coordinate with the executives, monitor and evaluate the operations to ensure they are in line with the strategic plans. And analyze the operating results to determine strengths and weaknesses, as well as solutions.
- Consider any task prior to proposing to the Board of Directors.
- Consider the performance evaluation of the Chief Executive Officer and the President propose to the Nomination and Remuneration Committee and propose to the Board of Directors

(Mr. Sirichai Sombutsiri)  
Chairman of the Executive Committee

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Overview

#### 2018 Economic Overview and Outlook in 2019

##### 2018 Economic Overview

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

##### Economic Outlook for 2019

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

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

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

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

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

##### Overview of Commercial Banking Industry and Competition in 2018

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

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

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

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

(Unit : Million Baht)

	2018	2017	2016	Growth (YoY)		Growth (YoY)
				2018	2017	Average The past 2 years
<b>Commercial Banking System</b>						
Asset	18,489,768	17,835,277	16,927,740	3.7%	5.4%	4.5%
Loan	12,734,956	12,072,440	11,490,828	5.5%	5.1%	5.3%
Deposit	12,687,379	12,198,916	11,454,019	4.0%	6.5%	5.2%
<b>Land and Houses Bank PLC</b>						
Asset	238,658	230,396	209,695	3.6%	9.9%	6.7%
Loan	161,893	154,020	141,145	5.1%	9.1%	7.1%
Deposit	168,171	143,742	149,639	17.0%	-3.9%	6.0%
<b>Market Share of LH BANK</b>						
Asset (%)	1.29	1.29	1.24		-	
Loan (%)	1.27	1.28	1.23		-	
Deposit (%)	1.33	1.18	1.31		-	

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

**Trend of Commercial Banking Industry and Competition in 2019**

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

## 2. Operating Results

2.1 Land and Houses Bank Public Company Limited had the operating results as follows:

Financial Ratio	Separate Financial Statements		
	2018	2017	2016
<b>Profitability Ratio</b>			
Gross profit margin (%)	49.29	49.53	45.86
Net profit margin (%)	42.41	39.90	38.65
Return on equity (%)	7.27	8.79	14.93
Yield on interest income (%)	3.96	4.18	4.34
Yield on interest expense (%)	1.93	1.97	2.10
Net interest margin (%)	2.03	2.21	2.24
Return on investment (%)	4.34	3.96	6.28
<b>Efficiency Ratio</b>			
Net interest income to assets ratio (%)	2.09	2.26	2.37
Return on assets (%)	1.10	1.05	1.23
Total assets turnover (%)	0.03	0.03	0.03
<b>Financial Ratio</b>			
Debt to equity ratio (time)	5.70	5.56	10.98
Loans to borrowings ratio (%)	84.60	87.19	83.07
Loans to deposits ratio (%)	96.40	107.33	94.48
Deposits to total liabilities ratio (%)	82.82	73.61	77.86
Dividend payout ratio (%)	91.08	64.87	37.26
Total capital funds to risk assets ratio (%)	20.045	21.857	13.706
<b>Asset Quality Ratio</b>			
Loan loss reserve ratio (%)	2.33	2.20	2.19
Non-performing loan to total loans ratio (%)	1.94	1.90	1.78
Accrued interest receivables to total loans ratio (%)	0.14	0.17	0.16
<b>Comparing per Share</b>			
Book value per share (Baht)	17.802	17.561	12.499
Earnings per share (Baht)	1.285	1.399	1.787

### Overall Performance

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

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

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

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



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

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

**Table: Operating Results**

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

### 1. Structure of Operating Income

Structure of operating income of the bank was as follows:

#### Operating Income

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

**Table: Operating Income**

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

Operating Income	Separate Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
<b>Interest income</b>					
Loans to customers	6,343.58	6,395.74	6,459.89	(52.16)	(0.82)
Investments in debt securities	1,547.17	1,626.91	1,664.67	(79.74)	(4.90)
Interbank and money market items	659.65	583.59	607.36	76.06	13.03
Hire purchase	24.27	47.45	84.41	(23.18)	(48.85)
Fees and service income	356.25	400.58	336.90	(44.33)	(11.07)
Fees and service expenses	(73.14)	(74.86)	(75.75)	(1.72)	(2.30)
<b>Net fees and service income</b>	<b>283.11</b>	<b>325.72</b>	<b>261.15</b>	<b>(42.61)</b>	<b>(13.08)</b>
Gains on investments	191.74	65.77	1,135.62	125.97	191.53
Dividend income	658.74	392.83	210.63	265.91	67.69
Other operating income	20.88	29.65	28.85	(8.77)	(29.58)
<b>Total other income</b>	<b>871.36</b>	<b>488.25</b>	<b>1,375.10</b>	<b>383.11</b>	<b>78.47</b>
<b>Total operating income</b>	<b>6,058.07</b>	<b>5,794.19</b>	<b>6,474.29</b>	<b>263.88</b>	<b>4.55</b>

#### Net Interest Income

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

Interest expenses were Baht 3,671.07 million, decreased by Baht 2.40 million or down to 0.07%, reflect good efficiency of cost management.

#### Net Non-Interest Income

Net non-interest income consisted of net fees and service income and other income (which comprised gains on investments, dividend income and other operating income). The bank had net non-interest income were Baht 1,154.47 million, increased by Baht 340.50 million, or up to 41.83% compared to the year 2017, with the following details:

##### - Net Fees and Service Income

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

##### - Other Income

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

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

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

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

## Bad Debts, Doubtful Accounts and Impairment Loss

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

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

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

## Other Operating Expenses

Other operating expenses consisted of employee's expenses, directors' remuneration, premises and equipment expenses, tax and duties, advertising and promotion expenses, amortisation and intangible assets, and other expenses. In 2018, the bank had other operating expenses were Baht 2,362.08 million, increased by Baht 16.14 million or up to 0.69% compared to the year 2017, mainly from an increase in employee's expenses. The operating expenses to total operating income ratio in 2018 was 38.99%, decreased from 2017 which was 40.49%, as the following:

Table: Other Operating Expenses

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

#### - Employees' Expenses

The bank had employees' expenses were Baht 1,200.88 million, increased by Baht 33.04 million or up to 2.83% compared to the year 2017, resulting from an increase in salary and compensation of employees.

As of 31 December 2018, the Bank had 1,436 employees, decreased by 68 employees compared to the end of 2017.

**Table: Number of Employee**

	31 December 2018	31 December 2017	31 December 2016
The number of employee	1,436	1,504	1,692

#### - Premises and Equipment Expenses

The bank had premises and equipment expenses were Baht 671.06 million, decreased by Baht 1.91 million or down to 0.28% compared to the year 2017.

#### - Other Expenses

The bank had other expenses was Baht 122.16 million, increased by Baht 3.01 million or up to 2.53% compared to the year 2017.

### 1. Asset Management Efficiency

#### An Analysis of Financial Positions

An analysis of financial positions of Land and Houses Bank Public Company Limited were a comparison of financial positions as of 31 December 2018 and 31 December 2017.

**Table: Total Assets**

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

## Total Assets

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

## Investments - Net

As of 31 December 2018, investments – net which had book value were Baht 55,312.91 million, increased by Baht 76.34 million or up to 0.14% compared to the year 2017, mainly increase from invested in available-for-sale investments.

Table: Investment Classified by Type of Investment at Book Value

Net Investment	Separate Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
<b>Available-for-sale investments</b>					
Government and state enterprise securities	180.52	-	-	180.52	N/A
Private sector debt securities	1,033.76	-	-	1,033.76	N/A
Domestic marketable equity securities	10,852.52	8,085.41	4,169.39	2,767.11	34.22
<b>Total available-for-sale investments</b>	<b>12,066.80</b>	<b>8,085.41</b>	<b>4,169.39</b>	<b>3,981.39</b>	<b>49.24</b>
<b>Held-to-maturity debt investments</b>					
Government and state enterprise securities	17,308.65	18,221.11	18,313.43	(912.46)	(5.01)
Private sector debt securities	20,467.77	23,952.94	22,417.37	(3,485.17)	(14.55)
Other securities	5,464.44	4,971.86	5,072.68	492.58	9.91
<b>Total held-to-maturity debt investments</b>	<b>43,240.86</b>	<b>47,145.91</b>	<b>45,803.48</b>	<b>(3,905.05)</b>	<b>(8.28)</b>
<b>General Investments</b>					
Domestic non-marketable equity securities	5.28	5.28	5.28	-	-
Less: Allowance for impairment	(0.03)	(0.03)	(0.03)	-	-
<b>General investments - net</b>	<b>5.25</b>	<b>5.25</b>	<b>5.25</b>	<b>-</b>	<b>-</b>
<b>Investments - net</b>	<b>55,312.91</b>	<b>55,236.57</b>	<b>49,978.12</b>	<b>76.34</b>	<b>0.14</b>

## Loans to Customers

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

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

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

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

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

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

### Quality of Assets

As of 31 December 2018, classified assets consisted of interbank and money market items and accrued interest receivables, investments, loans and accrued interest receivables and other assets. Assets categorized in compliance with the regulations of the Bank of Thailand as follow:

Table: Assets Classified by Type of Asset

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

## Allowance for Doubtful Accounts

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

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

Loans to Customers and Accrued Interest Receivables and Allowance for Doubtful Accounts Classified by Debtor Classification	Separate Financial Statements								Change (2018 compared to 2017) Increase (Decrease)	
	2018				2017					
	Loans to customers and accrued interest receivables		Allowance for doubtful accounts		Loans to customers and accrued interest receivables		Allowance for doubtful accounts			
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Pass	156,792.81	96.72	857.78	22.80	149,492.38	96.90	758.69	22.39	99.09	13.06
Special - mention	1,804.38	1.11	1.78	0.05	1,521.18	0.98	156.99	4.63	(155.21)	(98.87)
Sub - standard	314.81	0.19	109.91	2.92	169.47	0.11	77.55	2.29	32.36	41.73
Doubtful	26.57	0.02	3.89	0.10	211.45	0.14	111.11	3.28	(107.22)	(96.50)
Doubtful of loss	3,178.81	1.96	755.42	20.07	2,882.84	1.87	593.23	17.51	162.19	27.34
Total	162,117.38	100.00	1,728.78	45.94	154,277.32	100.00	1,697.57	50.10	31.21	1.84
Additional provision for specific debtors			1,180.62	31.37			750.00	22.13	430.62	57.42
General provision			853.83	22.69			941.12	27.77	(87.29)	(9.28)
Total	162,117.38	100.00	3,763.23	100.00	154,277.32	100.00	3,388.69	100.00	374.54	11.05

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

Table: Loans to Customers Classified by Periods to Maturity

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

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

## Revaluation Allowance for Debt Restructuring

The bank recorded revaluation allowance for debt restructuring were Baht 11.99 million, decreased by Baht 2.03 million or down to 14.48% compared to the year 2017.

## Debt Restructuring

As of 31 December 2018, The bank had 10,523 debtors, which 278 debtors are under debt restructuring and had an outstanding debt for Baht 6,356.71 million.



Table: Debt Restructuring

Debtors	Separate Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
<b>Debtors</b>					
- Number of debtors	10,523	12,138	12,870	(1,615)	(13.31)
- Interest and principal on debt obligations	162,117.38	154,277.32	141,374.09	7,840.06	5.08
<b>Debtor under debt restructuring</b>					
- Number of debtors	278	284	287	(6)	(2.11)
- Interest and principal on debt obligations	6,356.71	4,092.41	3,622.18	2,264.30	55.33

### Non-Performing Loans

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

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

### Total Liabilities

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

Table: Liabilities Classified by Type of Liabilities

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

### Deposits

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



Table: Deposits Classified by Type of Deposits

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

### Owners' Equity

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

### 3. Capital Adequacy

#### Sources and Uses of Fund

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

#### Relations of Sources and Uses of Fund

As of 31 December 2018, loans to customers (before deducting deferred revenue) were Baht 161,927.06 million. Loans to deposits ratio was 96.40%. The bank invested remaining liquidity in liquid assets such as interbank and money market items, investments and loans to customers.

Significant sources and uses of fund as of 31 December 2018 could be classified by contract maturity date. Deposits less than 1 year were Baht 158,912.97 million, or 94.49% of total deposits. Loans less than 1 year were Baht 71,629.33 million, or 44.24%. Deposits more than 1 year were Baht 9,258.03 million, or 5.51%. Loans more than 1 year were Baht 90,297.73 million, or 55.76%.

Table: Sources and Uses of Fund

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

#### 4. Change of Cash Flow

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

- Net cash used in operating activities were Baht 4,006.96 million, which was from the profits from operation before changes in operating assets and liabilities were Baht 1,090.68 million and significant change of assets and liabilities were loans to customers increased by Baht 8,060.42 million, deposits increased by Baht 24,429.08 million, interbank and money market items (liabilities) decreased by Baht 6,138.55 million and short-term debts issued and borrowings decreased by Baht 14,684.61 million.
- Net cash provided by investing activities were Baht 1,696.03 million, mainly from invested in available-for-sale investments - net were Baht 1,661.10 million, invested in held-to-maturity investments were Baht 1,368.26 million and cash received on interest income on investments were Baht 1,615.32 million.
- Net cash provided by financing activities were Baht 2,155.95 million, which was from issue long-term debts issued and borrowings were Baht 4,995.95 million and dividends paid were Baht 2,840.00 million.

#### 5. Adequacy of Liquidity

Liquid assets which consisted of cash, interbank and money market net (assets) and net investments continuously increased from Baht 62,826.27 million in the year 2017 to Baht 63,882.63 million in the year 2018, increased by Baht 1,056.36 million or up to 1.68%.

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

#### 6. Liquidity Assets Ratio

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

As of 31 December 2018, cash at the cash center and cash at Bank of Thailand totalled Baht 1,936.90 million.

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

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

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

Table: Capital Fund to Risk Assets Ratio

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

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

### Off-Balance Sheet Commitments

As of 31 December 2018, the bank had off-balance sheet commitments were Baht 44,344.01 million, increased by Baht 8,951.26 million or up to 25.29% compared to the year 2017.

Table: Off-Balance Sheet Commitments

Off-Balance Sheet Commitments	Separate Financial Statements			Change (2018 compared to 2017) Increase (Decrease)	
	2018	2017	2016		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Avals to bills	135.52	149.60	23.95	(14.08)	(9.41)
Under unmatured import bills	-	-	8.02	-	-
Guarantee - others	5,408.22	3,642.23	4,020.78	1,765.99	48.49
Letters of credit	-	10.82	6.93	(10.82)	(100.00)
Undrawn bank overdrafts	4,623.40	4,773.90	4,901.75	(150.50)	(3.15)
Other commitments	34,176.87	26,816.20	18,260.40	7,360.67	27.45
<b>Total</b>	<b>44,344.01</b>	<b>35,392.75</b>	<b>27,221.83</b>	<b>8,951.26</b>	<b>25.29</b>

### Credit Rating

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

### 7. Factors Influencing Future Operating Results

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



### 3. New and revised financial reporting standards

#### 3.1 Financial reporting standards that became effective in the current year

The bank adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on these financial statements.

#### 3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The bank's management believes that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

##### **TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The bank's management already assessed that this standard will not have any significant impact on the bank's financial statements in the year when it is initially applied.





### 3.3 Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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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 Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The bank's management is currently evaluating the impact that may have from this of TFRSs to the financial statements in the year when they are initially applied.



## THE CORPORATE GOVERNANCE COMMITTEE'S REPORT

The Corporate Governance Committee consists of 4 members as follows:

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

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

In addition, Mr. Pradit Sawattananond have been appointed to be the member of the Corporate Governance Committee on March 21, 2018.

The Corporate Governance Committee has performed duties under the scope of responsibilities prescribed in the Corporate Governance Committee appointment announcement assigned by the Board of Directors. During the year 2018, the Corporate Governance Committee had total 10 meetings and reported the result of the meeting to the Board of Directors. The summary is as follows:

1. Review the good corporate governance policy for appropriateness and compliance with the corporate governance code of the Securities and Exchange Commission to build the confidence to the shareholders, the investors, the stakeholders and all related persons that the company conducts its business with integrity, efficiently, transparency and trustworthy.
2. Review the corporate social responsibility policy for sustainable business development by the directors, the executives and all employees in the financial business group to adhere the guideline in practical, participating, volunteering, and cultivating social responsibility for sustainable business development.
3. Review the anti-corruption policy to enable the directors, the executives and the employees holding it as an operational guideline in business operation to promote effective management, business code of conduct and ethics.
4. Review the prevention of conflict of interest policy to adhere as the good management, transparency, and fairly as well as all employees in the financial business group operate with the principle for accuracy, discreteness, public benefits and consider the benefits of shareholders and all related persons.
5. Review the whistleblower policy for protecting persons who identify clues or make a complaint to the bank in order to ensure that the persons will not be suffered by damage or treated unfairly which the bank support the whistleblower efficiently and pays attention the protection.
6. Review the internal trading policy to ensure that there is no information of the bank which is not yet publicly seeking to personal benefits from directors, executives and employees of the bank.
7. Represent the bank in communicating, supervising and promoting to comply with the good corporate governance policy and the anti-corruption policy.

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



(Mr. Phairoj Hengsakul)

Chairman of the Corporate Governance Committee

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER AND THE PRESIDENT



Land and Houses Bank Public Company Limited is committed to conducting business in accordance with good corporate governance principles along with adhering to the code of conduct and business ethics, in order to build confidence among all stakeholders continuously, which is considered a part of business operation, especially, the good corporate governance at all of work contexts. In addition, all performances must be based on the standards, honesty, transparency and accountability as well as the corporate social responsibilities, such as, fair business operation, anti-corruption, respect of human rights, fair treatment of labors, responsibility on the consumers, cooperation in the development of community and society, environmental management, and innovation and dissemination of innovative. Including, all together leads the bank to achieve the sustainable growth. In addition, the bank has provided the business sustainability report and the 2018 annual report for communication in the social responsibility to all stakeholder.

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

Land and Houses Bank Public Company Limited sincerely hope that the business sustainability report will be available for reaching our intention to take part of carrying forward and support in developing the business operation growth together with the world changing in financial system stability and sustainability. Finally, we would like to thank shareholders, business partners, customers, all stakeholder and employees that have provided us a good continuous support. Additionally, we will maintain the intention and insist on the social responsibility for the stability and sustainable growth.

(Mrs. Sasitorn Phongsathorn)

President

## BUSINESS SUSTAINABILITY REPORT

Land and Houses Bank Public Company Limited has the intention in operating the business in conformity with the good corporate governance principle as the guideline along with the operation on social responsibility focusing on the code of conduct and ethics, business etiquette, and good corporate governance in response to the satisfaction of stakeholders in all dimensions. The company realizes that the sustainable and stable growth need the business operation with the visioning and competence in managing business to achieve the mission with morality, ethics, and participation in social responsibility in affecting of the great value creation to the organization and shareholders including the confident creation to shareholders.

### Guidelines for the Operation in Social Responsibility for Sustainable Business Development

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

The Board of Directors has determined the social responsibility for sustainable development following the guidelines of the Corporate Social Responsibility Institute, the Securities and Exchange Commission, and the Stock Exchange of Thailand for the directors, the executives and all employees adhere as guidelines in operation and review annually.

**Corporate social responsibility** means operating the business with the focus on the stakeholders, economics, society, and environment with morals, ethics and corporate governance in order to make the activities be held with honesty, transparency, and fairness. There is the awareness on negative impact to the economy, society, and environment with the readiness to solve the problems for mitigating the mentioned impact. The philosophy of sufficient economy is integrated to create the operation to the achievement and benefits in increasing the competitiveness in all trade forums which will be really advantageous for the sustainability of the business, stakeholders, economy, society, and environment.

### The Logo of Corporate Social Responsibility





## The Business Operation Sustainability Strategy

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

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

## The Operation in Social Responsibility

The social responsibility is one of the principles considered to be very important. The company perceives the importance of “dependence”. As all businesses have people in the society as the target group in offering products and services, no matter what direction the development of organization is, people in the society will give some support. The regulation of such policy and guideline for the practice will be able to guide the way for the personnel in the organization.

The company operates the social responsibility in the CSR-in-process and CSR-after-process by encouraging the executives and all levels of employees to participate and voluntary for implanting the conscious mind of social responsibility. In addition, it is also to make the strong base of sustainable development and lead to society and country development to be truly stable.

### CSR-in-Process

CSR-in-Process means operating business with social responsibility by implementing the code of practice following the policy of social responsibility with the national and international standards to be applied for creating the business innovation which will become the activities in operating and developing the products as well as the standard of services for the main objective in reducing the negative impact possibly occur with the stakeholders during the work process. It is also to create the conscious mind in social responsibility with the directors, the executives, and all levels of employees for building the same attitude in the organization and for indicating the intention to be the strong financial institution with the highest corporate social responsibility.

### CSR-after-Process

CSR-after-Process means the activities operate apart from normal business operation by playing the role in promoting the social activities in each time and occasion. This is for the highest benefits to the society, communities, both in public and private sector for leading to lay the foundation for vigorous society and country permanently.

## Received the Certificate of Collective Action Coalition Against Corruption

The bank aims for operating under the principles of law, integrity and ethical following the good corporate governance guidelines and code of conduct and ethics. Therefore, the directors, the executives and the employees are required to work under the cited principle. The company has provided to participate the activities in Thailand's Private Sector Collective Action Coalition Against Corruption project in addition, the company has determined the anti-corruption policy, practice guidelines for the directors, the executives and the employees for acknowledge and adhere as the practical guideline. However, on October 16, 2014, the company has been awarded the certification from Thailand's Private Sector Collective Action Coalition Against Corruption by Institute of Directors first time and second time, the company renewal the certificate on June 7, 2018.



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

Economic	Social	Environment
The ratio of satisfaction level of customers who received services from the branches in 2018 was 89.68, increased by 8.15% when compared to the year 2017 was 81.53%.	The ratio of complaints of employees regarding labor operation in 2018 was 0.00 which same the year 2017.	The amount of credit limit gave to the companies which is related to the energy in 2018 were 16,000 million, increased by 23.08% when compared to the year 2017 at Baht 13,000 million.
The amount of credit limit gave to the listed companies which were chosen to be in the ESG100 stock market group in 2018 were Baht 23,530 million, increased 3.20 % when compared to the year 2017 at Baht 22,800 million.	In the year 2018, the ratio of employees who got injured while working was 0.00 which same the year 2017.	The volume of releasing greenhouse gas decreased because <b>Water management</b> The usage of water in 2018 decreased 33.22% compared to 2017 <b>Used paper management</b> number of trees that replace to cut-down trees for making papers per old papers amount 1 ton, in the year 2018 replace to 131 trees, increased 106 trees from the year 2017.
	The amounts of social, community and environment development in 2017 valued Baht 3.5 million.	

## Social Responsibility for Sustainable Business Development Policy

The bank is aware of operating business under the social responsibility making the business to be sustainable. This focuses on paying attention to the stakeholders, economy, society, and environment with morality, ethics, and business operation along with the honesty, transparency, and fairness. The negative impact on the economy, society, and environment must be well-aware. The company regulates the policy on social responsibility for the sustainably business development for the practice so that the directors, the executives and the employees adhere as the practical guideline 9 following areas:

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

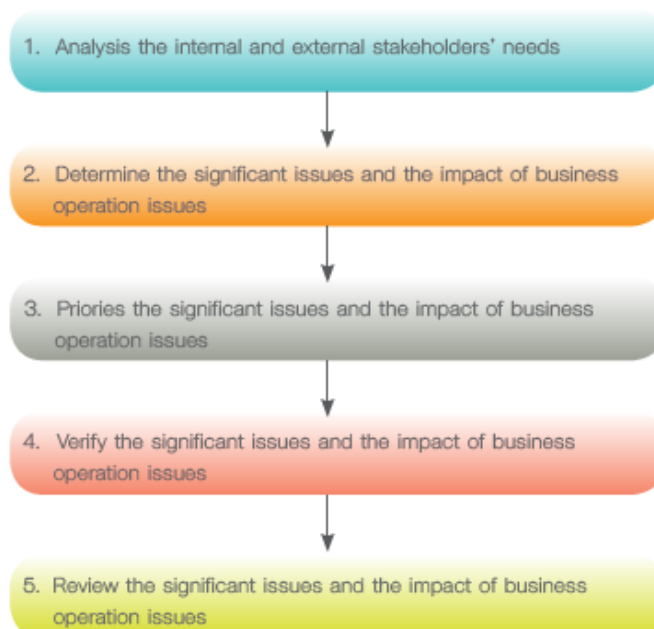


The company reveals the details of Corporate Social Responsibility for Business Sustainability Policy are published on the bank's website ([www.lhbank.co.th](http://www.lhbank.co.th))

### The Guideline of Sustainable Business Development Report

The bank pays attention the sustainable business development report as a part of the annual report for communicating with all groups of stakeholders to acknowledge the policy guidelines, management guidelines and the outcome of social and environmental responsibilities clearly under the report framework of Corporate Social Responsibility Institute, the Securities and Exchange Commission, and the Stock Exchange of Thailand. The content of the report covers the whole business by collecting data from the direct responsibility department from 1 January to 31 December 2018.

The bank has proposed the content of the sustainable business development report that has passed analysis the needs both of the internal and external stakeholders and arranges to important issues and affect to business operation following the social responsibility for sustainable business development policy as follows:



## 1. Analysis the Stakeholders' Needs

The bank pays attention to the rights of all groups of stakeholders by providing the process and procedure to analyze the requirements of both internal and external stakeholders. This process operates through various activities and many communication channels. The company also determines the frequency of operation clearly such as arranging the meeting and surveying the employees' relationship toward the company. In addition, the company will use these information

determine the practice guidelines consistent with practical guideline of the good corporate governance policy and social responsibilities for sustainable business development policy. In addition, the company operates with fairness and appropriate in identify and selection of stakeholder process would to consider from the important of all groups of stakeholders and affected of business operation for stakeholders.



### Practical Guideline for Stakeholders

The bank has determined the practical guideline for stakeholders in writing in the Code of Business Conduct and the Code of Employee Conduct. The company pays attention to the rights of all group of stakeholders which separated the stakeholders into 2 groups for acknowledge their needs and response for each group of stakeholders correctly, including encourages participation of the stakeholders.

The stakeholders group consists of:

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

### Analysis of Stakeholders' Needs

Stakeholders	Needs Analysis	Practical Guidelines that Operate Following the Policies	Implementation
1. Shareholders	<ul style="list-style-type: none"> <li>- Appropriate compensation and sustainable growth.</li> <li>- Good business performance under appropriate risk.</li> <li>- Work with transparency, fairness, and accountability.</li> </ul>	<ul style="list-style-type: none"> <li>- Perform business under good corporate governance principle.</li> </ul>	<ul style="list-style-type: none"> <li>- Organize the Annual General Meeting of Shareholders for 1 time/year.</li> <li>- Organize the press conference and analyst meeting for 1 times/year.</li> <li>- Present information through all channels with correctness, equality, and transparency.</li> <li>- Receive suggestions and petitions through channels provided by the bank.</li> </ul>

Stakeholders	Needs Analysis	Practical Guidelines that Operate Following the Policies	Implementation
2. The Board of Directors	<ul style="list-style-type: none"> <li>- Working with transparency following the corporate governance principle for sustainable growth of the organization.</li> <li>- Treat all stakeholders on the basis of fairness.</li> <li>- Evaluation of the performance for working improvement</li> </ul>	<ul style="list-style-type: none"> <li>- Perform business under good corporate governance principle.</li> </ul>	<ul style="list-style-type: none"> <li>- Organize the Board of Directors meeting every month.</li> <li>- Provide sufficient, complete, and timely information.</li> <li>- Participate in good corporate governance.</li> <li>- Encouragement, support and development knowledge related the duties of the directors and the bank's business.</li> <li>- Orientation program for new directors.</li> <li>- Self-assessment for the Board of Directors and the sub-committees, the self-assessment for individual of good corporate governance to improve more efficient working.               <ol style="list-style-type: none"> <li>1. Self-assessment of the Board of Directors and all sub-committees</li> <li>2. Self- Assessment of the Board of Directors and the sub-committees as individual basis</li> <li>3. Cross- Assessment of directors</li> <li>4. Good Corporate Governance Self-Assessment</li> </ol> </li> </ul>
3. Employees	<ul style="list-style-type: none"> <li>- Appropriate remuneration, positions and benefits</li> <li>- Prepare good hygiene workplace which is clean and safe.</li> <li>- Arrangement the seminars for knowledge and potential development.</li> </ul>	<ul style="list-style-type: none"> <li>- Non-discrimination recruitment without any concern regarding ethnic, race, gender, status, religion, political views, or age used for recruitment consideration and decision making.</li> <li>- Promote employment for vulnerable labors, such as provide opportunities by employing people with disability.</li> <li>- Develop human resources by providing skill training and capacity building by creating learning and promotion opportunities for career progress.</li> <li>- Do not dismiss or terminate any employment which is solely based on the management's decision or based on discrimination.</li> <li>- Promote and respect human right protection by not supporting labor coercion, as well as promote employees' work-life balance.</li> <li>- Respect right to express opinions of employees, covering their independence in providing comments without intervention, their right to received information or opinions through media, as well the provision of channels to hear employees' opinions.</li> </ul>	<ul style="list-style-type: none"> <li>- Arrange welcome activity for new employees.</li> <li>- Orientation program for new Employees.</li> <li>- Encourage to PRO-Active value for employees.</li> <li>- Develop employees' potential by arranging capacity building learning for all levels of employees including increasing the learning channels via the company's intranet which the employees can learning from the channel all time.</li> <li>- Succession plan replacement executives and key positions.</li> <li>- Activities for communicate and build stronger teams.</li> <li>- Survey market rate of compensation on regular basis every year for improve accordance with proper industrial or living standard.</li> <li>- Provide channels to receive complaint, opinions and suggestions.</li> <li>- Protect and do not treat or punish any disciplinary proceedings against an employee who reports with integrity to executives or public agencies, in relation to any wrongdoings done within the bank.</li> <li>- Establish the Environment, Health and Safety Committee for driving the policy and the plan for Occupational Safety, Health and Environment during working.</li> <li>- Support and promote career opportunity for people with disability to live in the society with pride.</li> </ul>

Stakeholders	Needs Analysis	Practical Guidelines that Operate Following the Policies	Implementation
		<ul style="list-style-type: none"> <li>- Fair employment condition which allows employees to receive proper compensation based on their competency or agreement made between the employer and each employee in accordance with proper industrial or living standard.</li> <li>- Properly arrange working environment for work safety and dignity, allowing employees to work with full capacity and to have time for their family.</li> <li>- Protect and do not treat or punish any disciplinary proceedings against an employee who reports with integrity to the executives or public agencies, in relation to any wrongdoings done within the bank.</li> <li>- Prepare policy on safety and occupational health, as well as analyze and determine measures for controlling risks on safety and occupational health at work.</li> </ul>	
4. Customers	<ul style="list-style-type: none"> <li>- Relationship management with customers.</li> <li>- Market Conduct</li> <li>- Satisfaction of various products, full, quality and excellent services.</li> <li>- Promptness in hearing and responding to customers' requirements.</li> <li>- Customer confidentiality.</li> <li>- Equality of each customer group.</li> </ul>	<ul style="list-style-type: none"> <li>- Survey the Customers' satisfaction of branch service.</li> <li>- Focus on presenting products which can satisfy customers' requirements, develop employees' competency to be able to offer customers with well-integrated products and services meets all of their requirements, as well as determine customer confidentiality as one of the company's code of conducts which must be strictly complied and communicated to employees on regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>- Apply the survey results of customers' satisfaction of branch service for service improvement.</li> <li>- Understand customers by meeting for support relations.</li> <li>- Organize activities/information on product.</li> <li>- Receive suggestion or petition for improvement.</li> <li>- Initiate and create products and services satisfying consumers' requirements.</li> <li>- Promote complete products and services information based on reality to support customers' decision making and to publish through various channels easily accessible by consumers.</li> <li>- To provide assistance and answer customers' questions to understand our products and services.</li> <li>- Collect complaints and opinions from customers and manage to correct within time limit.</li> <li>- Arrange My Bank My Love activity for create good relationship between customers and bank annually.</li> </ul>

Stakeholders	Needs Analysis	Practical Guidelines that Operate Following the Policies	Implementation
5. Community, Environmental and Social	<ul style="list-style-type: none"> <li>- Support communities activities.</li> <li>- Encouragement and development in knowledge.</li> <li>- Encouragement and supporting to governance department policies.</li> <li>- Preserving environment.</li> </ul>	<ul style="list-style-type: none"> <li>- Perform business with ethics in parallel with environmental and social responsibilities.</li> <li>- Support social activities benefiting communities and encourage employees to participate in activities.</li> <li>- Support and promote education, as well as participation in improving educational quality and accessibility.</li> <li>- Promote cultural activities in accordance with local culture, tradition, and religion.</li> <li>- Promote effective use of resources by concerning capability in maximizing value of resources.</li> <li>- Prepare emergency plan suitable for reducing losses.</li> <li>- Promote and facilitate benefits to all stakeholders on creativity which is the root of abilities in creating innovation causing the continuous creation of innovation.</li> <li>- Promote and cooperate with the stakeholders, such as trade partners, to develop innovation with social responsibilities.</li> <li>- Regularly review business procedure whether it causes any risk or adverse effects to society and environment or not. If any, it must be resolved promptly.</li> </ul>	<ul style="list-style-type: none"> <li>- Survey community and social requirements and allow communities to participate in activities operation.</li> <li>- Provide support for cultural activities suitable for local culture, tradition, and religion.</li> <li>- Provide appropriate emergency plan to serve for loss and damages against environment.</li> <li>- Green Office project to reduce electricity and paper use, as well as change to use environmental-friendly office supplies.</li> <li>- Development to learning of youth for support lecturer in financial literacy for young people via the project “Be happy by saving and using wisely”</li> <li>- Project “LH Bank Support Scholarship”</li> <li>- Participate with the project “Soft-Loan Program for SMEs”.</li> <li>- Project “Train the Trainer”</li> <li>- Donate the used computers project</li> <li>- Lend a hand by giving consumer goods, money and also providing restructuring debt for customers who are affected by natural disaster.</li> </ul>
6. Trade Partners	<ul style="list-style-type: none"> <li>- Perform business with transparency.</li> <li>- Facility and Process Sharing: Forward to customers in Land and Houses financial business group.</li> <li>- Information Sharing: Information exchange for business performance.</li> <li>- Network Extension: Extend bank networks with partners.</li> </ul>	<ul style="list-style-type: none"> <li>- Comply with trade conditions and agreements.</li> <li>- Creating partnerships with potential customers</li> <li>- Fair business</li> <li>- No barrier for partners</li> </ul>	<ul style="list-style-type: none"> <li>- Meet with trade partners.</li> <li>- Take marketing together with the trade partners of Land and Houses financial business group.</li> <li>- Create partnerships with customers to recommend other customers to receive the bank’s services.</li> <li>- Receive suggestion or complaint.</li> <li>- Appoint Purchase Committee in order to manage appropriate procurement process and fair business to partners</li> </ul>
7. Trade Competitors	<ul style="list-style-type: none"> <li>- Perform business with transparency.</li> </ul>	<ul style="list-style-type: none"> <li>- Operate following the good competition rules and do not use any dishonest method.</li> </ul>	<ul style="list-style-type: none"> <li>- Determine mutual fair competition conditions.</li> </ul>
8. Creditors	<ul style="list-style-type: none"> <li>- Pay interest and payback as determined.</li> <li>- Continuously communications.</li> </ul>	<ul style="list-style-type: none"> <li>- Operate following the agreement or conditions in the agreement and their duties.</li> </ul>	<ul style="list-style-type: none"> <li>- To perform following the contract or any conditions agreements and duties.</li> <li>- Receive suggestion or complaint.</li> </ul>



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

The bank applied issues, opinions, suggestions and expect in sustainable operation which important and affect to the business operation, the company received the analysis from internal and external stakeholders demand comply with social responsibilities for sustainable business development policy for determine the important issues and affect to the business as follows:

- **Internal stakeholder group:** consists of Board of Directors, executives and employees. The company has brainstorming such as the discussion in small groups and holding the meeting. Such activities were held to acknowledge the sustainable issue which the stakeholders give an important.

- **External stakeholder group:** consists of shareholders, customers, community, social and environment, trade partners, trade competitors and creditors. The company has been assembled issues and suggestions in discussion and meeting in order to acknowledge the sustainable issue which the stakeholders give an important.

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

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

### Materiality Matrix





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

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

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

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

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

## Quality Inspection of Report

The bank has disclosed the sustainable business development report and the bank's website which has been audited and reviewed from competent authority with accuracy, completeness and to comply with the practical guideline of social responsibilities for sustainable business development policy in business guidelines.

## Invitation the Trade Partners to Join the Anti-Corruption Association

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

## Consider Credit Following the Issues of Environment, Social and Corporate Governance

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

## Customer Relationship Management

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

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

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

As a result, in the year 2018, the ratio for customers' satisfaction of branches' services was 89.68%, increased 10% when compared to the year 2017 was 81.53%.

## Supply Chain Management

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

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

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

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

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

1. Provide the lists of suppliers and facilitators to meet the needs of buyers.
2. Select the suppliers and the facilitators according to the selection criteria of business stability, product qualification, service and pricing which conform to the procurement guideline of the company. The bank also provided the good quality products, appropriate price, sellers without history of corruption or operate illegal business, without illegal labor policy, treat the trade partners with transparency, fairness, take care of occupational safety in the workplace and saving environment in order to create a supply chain for mutual business operations which will benefits to employees, community, society and environment as well.
3. When received a list of suppliers or facilitators which passed from selection, the next step is evaluation to find suppliers or facilitators for good quality, appropriate cost and appropriate price.

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

#### **Monitoring, Auditing and Result Evaluating of the Trade Partners**

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

#### **Tax Management**

The bank operates the business with transparency and stability according to the corporate governance principle. The company is committed to operate the business conform to the regulations and the rules of tax law.

##### **Tax Management Strategy**

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

##### **Tax Risk Management**

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

## 1. Good Corporate Governance

Land and Houses Bank Public Company Limited has the determination in operating business in conformity with the good corporate governance principle as the guideline along with the sustainably social and environmental development and also emphasizes on creating the culture of good governance in the organization. The bank established the Corporate Governance Committee in 2013 which had the duties in determine and review the corporate governance policy, and to be the bank's representative in communicate and operate the corporate governance activities as the same standard in organization. The bank had the ethics in business operation for creating the competitiveness and trust worthy among the shareholders, investors, stakeholders, and all related parties. This will be the important main factor in the operation of the company with the efficiency, transparency, and trustworthy. This includes the stable and promotion on management with honesty, increase of value in business, security, and sustainable growth as well as placing the importance on internal control systems, internal auditing, equitable treatment of shareholders and stakeholders, ethics in business operation, supervision to prevent conflicts of interest, adequate disclosure of information while considering risks and appropriate risk management.

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

1. The Executive Committee
2. The Audit Committee
3. The Corporate Governance Committee
4. The Nomination and Remuneration Committee
5. The Risk Oversight Committee

Each sub-committee will supervise the bank's operation following the vision, the mission, the business operation plan and good corporate governance as well as indicating the roles and responsibilities clearly in written form. The good corporate governance of the bank consists of the main principle which the board of directors, the executives, and all employees consider as the guideline on the operation following 4 principles as follows;

1. Transparency : Transparency in the operation and the disclosure of information to related parties
2. Integrity : Honesty
3. Accountability : Responsibility on the performance in the duty
4. Competitiveness : Competitiveness in the competition

### Good Corporate Governance Policy

The good corporate governance policy is based on the principle of the Corporate Governance Code (CG Code) of the Office of the Securities and Exchange Commission. It consists of the principles and guidelines in relation to the good corporate governance for the bank's board of directors, the executives, and the employees to use as the guidelines for the operation to ensure that the bank operate the business with responsibilities, transparency and treat the stakeholders with equity and also support the management with honesty efficiency and effectiveness. It is classified into 8 categories as follows:

The bank reviewed the good corporate governance annually which approved from the Board of Directors on November 12, 2018.

The good corporate governance divided into 8 principles as follows:

Principle 1	Establish clear leadership role and responsibilities of the board
Principle 2	Define objectives that promote sustainable value creation
Principle 3	Strengthen board effectiveness
Principle 4	Ensure effective CEO and people management
Principle 5	Nurture innovation and responsible business
Principle 6	Strengthen effective risk management and internal control
Principle 7	Ensure disclosure and financial integrity
Principle 8	Ensure engagement and communication with shareholders

*The company reveals the details of the good corporate governance policy are published on the bank's website ([www.lhbank.co.th](http://www.lhbank.co.th))*

## Compliance with the Good Corporate Governance Principle

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

### Principle 1 Establish clear leadership role and responsibilities of the board

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

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

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

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

4. The Board of Directors Meeting

- The bank has determined the meeting schedule for the Board of Directors and the sub-committees in advance for a one-year period for the special meetings, we will arrange the additional meetings with appropriately and necessity. The bank has informed all directors in advance so that they can schedule and attend the meeting and disclose the meeting schedule on Intranet system of the bank. For each meeting, the company secretary will inform to the departments for acknowledge the meeting date in advance at least 14-21 days and propose the matters to put as the agenda.

- The directors are responsible for attending the meetings at least 75% of all Board of Directors meeting each year except in case of having appropriate reasons and necessities. In the meeting, the directors will explain for significant matters and for some agenda, the directors will invite the executives to attend the meeting for explain the details as direct related of each agenda.

- The Board of Directors meeting agenda shall be determined by the Chairman, and the Chief Executive Officer and the President to jointly consider the matters to be included in the agenda. The agenda shall be clear specified that for acknowledgement, for consenting or for approval depends on each agenda such as approval the financial statements or acknowledgement the operation report etc.

- The Board of Directors assigned the company secretary to submit the notice of the meeting not less than 7 days before the meeting date and submitted the supporting documents at least 5 days before the meeting date with accuracy, completely, and sufficiently information for the directors to have the time to study the agenda and the supporting documents.

- The quorum of the Board of Directors Meeting must be not less than half of the total number of the directors in accordance with the Articles of Association and the decision of the meeting requires a majority vote, if the votes are equal, the chairman of the meeting can exercise his casting vote. In the event that there is an agenda requires a resolution with a vote of not less than two-thirds of the total number of the directors and the directors who interested in the agenda shall abstain from voting, refrain from giving comments on that agenda or leave the meeting.

The Board of Directors meeting takes about 2.30 - 2 hours for each meeting. The Chairman allocates sufficient time for each agenda, after completed meeting, the company secretary has duties to provide the meeting minutes in written covered details, opinions and significant information completely within the appropriate time when the meeting certified by the Board of Directors, the company secretary will keep the minutes and the meeting document systematically for accountability and convenience in reference.

- The directors can arrange the meeting between the Non-Executive Directors only.

The Chairman supports the Non-Executive Directors have the opportunities for meeting as necessary to discuss any issues and performances of the Chief Executive Officer and President for suggestions and improving of working efficiency. And inform the meeting result to the Chief Executive Officer and President for acknowledgement. In 2018, we have the non-executive directors meeting 1 time.

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

6. The Chairman supported the Non-Executive Directors are able to hold the meetings to discuss the issues or the problem about the management is interesting and find the ways to improve or provide the useful suggestions to the management and report the resolutions and summarize the comments received from the meeting to the Executive Director for acknowledgement.

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

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

- The performance appraisal of the Chief Executive Officer and the President were evaluated by the Chairman following the guidelines of the Nomination and Remuneration Committee against the indicators which are aligned with the vision, mission and long-term goal of the bank. It also considered the responsibilities, achievement of objectives and the situation, as well as the business environment during that period. The appraisal was divided into 2 parts which consist of financial key performance indicators (Financial KPI) and non-financial key performance indicators (Non-Financial KPI).

- The Chairman evaluated the annual performance appraisal of the Chief Executive Officer and the President and proposed the assessment result to the Nomination and Remuneration Committee meeting to consider the remuneration and bonus. After the Nomination and Remuneration Committee considered and assessed such performance, the assessment results were proposed to the Board of Directors meeting for approval.

## Principle 2: Define the objectives that Promote Sustainable Value Creation

1. The Board of Directors shall define the company's objectives and main goals for the sustainable growth comply with creating value to the bank, customers, stakeholders and the whole society.
2. The Board of Directors supervise and review the business plan, the budget and the strategies are semi-annual to ensure that the business plan, the budget and the strategies for each time correspond to the objectives, the core goals, the economic conditions and the competitiveness.

## Principle 3: Strengthen Board Effectiveness

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

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

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

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

The structure of the Board of Directors consists of:

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

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

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

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



- The Board of Directors required the qualifications of the Independent Directors are in line with the good corporate governance guideline as prescribed in notifications of the Capital Market Supervisory Board and the Bank of Thailand. The Board of Directors consists of at least 3 independent directors or at least one-third of the total number of the directors, whichever is higher. The independent directors must be the directors who are not the employees or the employees who receive salary from the bank. The bank is independent from the major shareholders of the bank. They can also take care of the interests of minority shareholders.

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

- The nomination of directors and independent directors must passed and considered by the Nomination and Remuneration Committee which have the qualifications conform to the related laws, the regulations of supervisory agencies, and the articles of association regard to director and good corporate governance principle by considered from their knowledge, experience, skill, various expertise, honestly and ability that benefits to the bank, ability to share opinions independently, understanding the business of the financial business group and not deprive them of their sexuality.

#### **1. Director appointment**

The Board of Directors has set the term of the director position in accordance with the Act of the Public Company Limited. The articles of association with transparency and clearly for proposing the persons or proposing the existing directors re-elect as director by disclose their profile and details sufficiency including criteria and method of nomination for benefits of shareholders voting.

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

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

#### **2. The determination for the number of companies that the directors will hold the positions in other companies**

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

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

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



#### 4. The determination of independent director's term office

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

#### 5. Determination the number of directors retiring by rotation

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

#### 6. The sub-committees

The management structure of the bank consists of the Board of Directors who has decentralized the effective management and transparency in management. The Board of Directors has appointed the subcommittees to help to study the details and screen the work so as to ease the burden of the Board of Directors and have the committees for considering in various matters by report their performance to the Board of Directors, the sub-committee consists of:

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

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

*The bank reveals the details of sub-committees and the scope of authority and duties of each sub-committee in the Management Structure part.*

*The bank reveals the details of the audit committee with knowledge and experiences in the verification of the financial statements in the Management Structure part, No.2 The Audit Committee.*

#### 7. The company secretary

- The Board of Directors has appointed Mr. Vichian Amornpoonchai, the Executive Vice President, Corporate and Legal Affairs, Land and Houses Bank Public Company Limited to be the Company Secretary since March 21, 2008 which has the duties to advice regarding laws and regulations that the Board of Directors should be acknowledge and perform their duties in activities monitoring of the Board of Directors. Including, the Company Secretary shall cooperate for the performing following the resolution of the Board of Directors and the shareholders' meeting. In addition, the Company Secretary has the scope of duties and responsibilities according to the laws with responsibility, carefully and honestly.

- The Board of Directors has encouraged and has supported the Company Secretary for training and development of skill and knowledge in law, accounting, or corporate secretarial duties.

## 8. The remuneration of the directors and the executives

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

## 9. Self-assessment of the Board of Directors

The Board of Directors provided the performance self-assessment for the Board of Directors and the sub-committees in form of committee assessment, individual assessment and cross assessment at least 1 year to review the performance and the trouble last year and provide more efficiency performance because the Boards of Directors are clearly aware of their responsibilities. The self-assessment is essential to assess the appropriateness of the Board of Directors' composition and performance. The Board of Directors shall analyze the assessment results and recommendations from the Board of Directors shall bring to improve for operate their duties by using form of self-evaluation of the Stock Exchange of Thailand and consider applying according to the company's business environment and operations. The self-assessment are as follows:

- Self- Assessment of the Board of Directors and all sub-committees
- Self- Assessment of the Board of Directors and the sub- committees as individual basis
- Cross- Assessment of directors
- Good Corporate Governance Self-Assessment

### - Self-assessment of the Board of Directors and all Sub-Committees

**Self-assessment** divided into 6 areas as follows:

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

**Scoring** To ensure year-to-year comparison, scoring can be marked in different methods but standardized. Here is the sample of scoring system from 0 to 4.

- 0 = Strongly disagree or never conducted
- 1 = Disagree or seldom conducted
- 2 = Fair or moderately conducted
- 3 = Agree or well conducted
- 4 = Strongly agree or excellently conducted

**Evaluation Method and Results**, at the meeting of the company's board of directors and the sub-committees, the directors thereof jointly conducted an evaluation by giving score in each assessment item. In a 2018 whole team self-evaluation, most assessment items were given the score of 4.

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

**The Assessment** divided into 3 areas as follows:

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

**Scoring** To ensure year-to-year comparison, scoring can be marked in different methods but standardized. Here is the sample of scoring system from 0 to 4.

- 0 = Strongly disagree or never conducted
- 1 = Disagree or seldom conducted
- 2 = Fair or moderately conducted
- 3 = Agree or well conducted
- 4 = Strongly agree or excellently conducted

**Evaluation Method and Results**, the company secretary and the secretaries of sub-committees sent the self-assessment of the individual to the members of committees in which they hold an office, for their self-assessment, the completed forms were then returned to the company secretary.

#### - Cross-Assessment of Directors

**Cross-Assessment** is the assessment to evaluate the responsibilities, the roles, and the duties of the Chairman and the directors.

**Scoring** To ensure year-to-year comparison, scoring can be marked in different methods but standardized. Here is the sample of scoring system from 0 to 4.

- 0 = Strongly disagree or never conducted
- 1 = Disagree or seldom conducted
- 2 = Fair or moderately conducted
- 3 = Agree or well conducted
- 4 = Strongly agree or excellently conducted

**Evaluation Method and Results**, the company secretary sent the cross-assessment of directors to the Chairman for evaluate individually and the individual directors evaluate the Chairman. The completed forms were then returned to the company secretary for report to the directors

#### - Good Corporate Governance Self-Assessment

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

The Assessment divided into 4 areas as follows:

1. Right of Shareholders and equitable treatment of shareholders
2. Roles of stakeholders
3. Disclosures and transparency
4. Responsibilities of the Board of Directors

No score levels are specified in the evaluation form; only check boxes are provided for ticking off whether a particular practice had been followed or not:

- Put a check mark (✓) in a Yes field for a practice that had been followed
- Put a check mark (✓) in a No field for a practice that hadn't been followed or completed

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

#### Principle 4: Ensure Effective CEO and People Management

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

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

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

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

Name of Directors	Training and Seminar Program
1. Mr. Rutt Phanijphand Chairman	- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited

<p>2. Mr. Phairoj Hengsakul Independent Director</p>	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> <li>- <b>Shaping the Future of Central Banks</b> Arranged by the Bank of Thailand Date: October 9, 2019 Venue: Pattara Ruamjai Room, The Bank of Thailand</li> <li>- <b>2018 Academic Seminar</b> Subject: The Future of Money, Finance, and Central Banking Arranged by the Bank of Thailand Date: September 24-25, 2018 Venue: Centara Grand at Central World</li> </ul>
<p>3. Mr. Pradit Sawattananond Independent Director</p>	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> </ul>
<p>4. Dr. Supriya Kuandachakupt Independent Director</p>	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> <li>- <b>Advance Audit Committee Program (AACP) 31/2018</b> Arranged by Thai Institute of Directors Association Date: November 2, 9, 16, 23, 2018 Venue: Thai Institute of Directors Association</li> </ul>
<p>5. Mr. Naporn Sunthornchitcharoen Director</p>	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> </ul>
<p>6. Mr. Li, Ming-Shieh Director</p>	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> </ul>

<p>7. Mr. Shih, Jiing-Fuh Director</p>	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> <li>- <b>Director Accreditation Program (DAP) 146/2018</b> Arranged by Thai Institute of Directors Association Date: March 12, 2018 Venue: Thai Institute of Directors Association</li> </ul>
<p>8. Mr. Wu, Kuo-Chin Director</p>	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> <li>- <b>Director Accreditation Program (DAP) 146/2018</b> Arranged by Thai Institute of Directors Association Date: March 12, 2018 Venue: Thai Institute of Directors Association</li> </ul>
<p>9. Mrs. Sasitorn Phongsathorn Director</p>	<ul style="list-style-type: none"> <li>- <b>Information and Technology Securities Seminar</b> Arranged by Land and Houses Bank Public Company Limited Date: June 18, 2018 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited</li> </ul>

## 2. The remuneration and welfare of employees

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

## 3. Provident fund

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

#### 4. Orientation program for new directors

The bank holds orientation meeting for new directors. In these meetings, the Chief Executive Officer and the President, and the top executives give briefings on the vision, mission, performance, strategies and key business targets including nature of business and documents are also provided to new directors, including roles and responsibilities of directors, laws and regulations related to the business, annual report and other information of the bank.

#### 5. Succession Plan for Top Executive

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

##### Succession Plan for Replacement of Executives and Key Positions

On the purpose of preparing the bank for the importance position in the future. The bank has developed successors by provided programs for top executives, provided the successors to attend the Board of Directors and the Management Committee assigned as the bank's representative for operations to ensure stability and continuity of the bank business operation and to ensure that the bank has the preparation of staff for the importance position of the bank business operation. The Nomination and Remuneration Committee will consider to select and scrutinize the qualified persons who have knowledge, abilities and various experiences including sufficient understanding in business, economic, laws and other knowledge by considered the organization's necessity and the good corporate governance. The bank has provided the Management Development Program Workshop for developing the executives in the future plan. The program has learned in 4 dimensions, namely, Visionary Leadership, Leadership Role & Situational Leadership, Change Leadership and Management & Developing People.

##### Nomination of the Directors and the Top Executives

The criteria in the nomination of the directors, the Nomination and Remuneration Committee will propose the Board of Directors to consider the appointment of directors and/or independent directors, in case of vacancy from other cause rather than completing the term or for proposing to the shareholder's meeting in order to elect the directors and/or independent directors in case of completion the term or election of the new directors.

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

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

*The bank reveals the criteria in the nomination of independent directors and the qualification of independent directors of the bank in the Management Structure part, No. 1 Nomination of Directors and Independent Directors.*

Regarding to the criteria in nominating the top executives, the Nomination and Remuneration Committee will consider nominating the persons with the proper competence and qualification by considering the ethics and the honesty in the positions of the top executives. The basic factors that used for consideration are the qualification, the knowledge, and the experience. The nomination and remuneration committee will propose the selected persons to the Board of Directors for considering the appointment.

#### Remuneration of the Directors and the Executives

- The Nomination and Remuneration Committee chaired by the independent directors, to lay down the policies, methods and criteria in remunerating the directors, and the Chief Executive Officer and the President in fairness, reasonable and transparency which links to the bank's operating results and the performance of each director in line with industry's standards. The remuneration, which must be high enough to retain the directors.

- Directors' remuneration is fixed by the shareholders' meeting in pecuniary and other forms considered and proposed by the Nomination and Remuneration Committee. Remuneration consideration was taken on the basis of general practices of the industry taking in account work experience, knowledge and competencies, duties and responsibilities, including directors' contributions made towards the company, in comparison to SET listed companies in similar industries and businesses and to a listed companies average according to a survey report on remuneration rates for directors of listed companies by the Thai Institute of Directors. The rates of remuneration for the directors approved by the 2018 Annual General Meeting held on March 19, 2018 and remuneration amounts and other compensation for the directors in 2018 are disclosed in the annual report.

*The rates of compensation for the directors approved by the shareholders' meeting and remuneration amounts and other compensation for the directors are disclosed in Management Structure, Section 9 Remuneration of the Directors and the Executives.*

#### Principle 5: Nurture Innovation and Responsible Business

##### 1. Taking into account the rights of stakeholders

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

##### 2. Determination the treatment of stakeholder policy

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



- Establish the ethics of directors and employees which includes the promotion of ethical, honest, moral and considerate principles and practices and prevent any acts that violate the rules and regulations or which may have a negative impact to bank's reputation.

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

## Section 1 Intention

The purpose of the code of conduct of the bank, and the ethics of directors and employees are to provide good practice guidelines as a working's standard for all employees and directors.

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

In addition, the bank intends to operate its business under the principles of maintaining the honesty and reliability as well as provides beneficial to customers. The bank also performs its business with regard to the corporate governance principle to ensure the balance between the bank and the stakeholders. The Bank's Code of Conduct, Directors' Code of Ethics and Employees' Code of Ethics can be categorized into 4 sections as follows:

Section 1: Intention

Section 2: The Bank's Code of Conduct

Section 3: Directors' Code of Ethics

Section 4: Employees' Code of Ethics

## Definitions

“Code of Conduct”

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

“Ethics”

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

“Bank”

Refers to LH Financial Group Public Company Limited

“Director”

Refers to the Company's Directors

“Employee”

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

## Section 2 The Bank's Code of Conduct

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

### 2.1 Code of Business Ethics

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

- 2.1.1 Perform duties with honesty, morality and responsibility conform to the laws, the government agencies' regulations and related rules strictly, including Anti-Corruption policies, and Anti-Money Laundering and Combating the Financing of Terrorism policies.
- 2.1.2 Prevent and avoid any action that may lead to the conflict of interests
- 2.1.3 Perform duties as the professional who has knowledge, abilities and skills cautiously
- 2.1.4 Keep confidentiality and shall not use the internal information or the confidential information to seek benefits for his/herself or others improperly

### 2.2 Director and Executive's Roles

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

- 2.2.1 Directors and executives shall perform their duties and operate a good corporate governance with honesty, fairness, morality, responsibility and ethics in business operations for the maximum benefit of the company and stakeholders under the framework and guidelines of Business Judgment Rule, including considering and maintaining the bank's benefits by paying attention to the incidents that occur to the bank or its operations.
- 2.2.2 Directors and executives will play an important role in creating the good corporate governance, which will enable the confidence for shareholders, customers, regulators and all stakeholders. It also makes maximum benefits to the bank, industry and the nations. For this reason the good corporate governance policies and ethnics has been set clearly in writing, as well as ethics to communicate with employees and executives to utilize effectively.
- 2.2.3 Directors shall follow the principle of good corporate governance and shall be the link between shareholders and management team by determining policies that relevant to business operations and directions. They are also responsible for setting the good corporate governance and supervise executives and management team to perform their duties in accordance with the defined policies efficiently and effectively.
- 2.2.4 The bank operates its business under the laws, regulations, standard rules and practices of the government agencies as well as many other related rules.

Consequently, directors as the representatives of shareholders shall set policies while executives as the representatives of management team shall carry forward the policies to be implemented properly, efficiently and effectively. The bank shall provide the effective internal control system for governing the bank to operate its business appropriately in accordance with laws, rules and regulations strictly.

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

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

## 2.3 Service Standards

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

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

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

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

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

## 2.4 Employees and Work Environment

In order to support the employees to work effectively, the bank will provide them the following facilities:

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

2.4.2 Pay attention to treat all employees fairly and honorably.

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

2.4.4 Compensate employees fairly according to their performance evaluation.

- 2.4.5 Keep employees' personal information confidential and do not take their information to find other benefits.
- 2.4.6 In case of employee investigation on his/her operations, the bank will supervise its employee to cooperate both internal and external compliance and audit office to ensure fairness.
- 2.4.7 Do not discriminate on the differences of gender, race, age, religion or disability.
- 2.4.8 Supervise to prevent threat by word and behavior that may affect the honor or human dignity of others in the workplace.
- 2.4.9 Provide the appropriate communication channels for complaints and clues.

## 2.5 Customer Responsibility

The bank will pay attention to and treat responsible for treat the customers as follows:

- 2.5.1 Deliver products and services that meet the customers' needs and capabilities.
- 2.5.2 Disclose the information of the bank's products and services covering the relevant conditions and risks, as well as inform the service fee and interest rate correctly, clearly and timely to help customers for more understanding and provide them with the sufficient information for making decisions, moreover, the advertising and public relations must be communicated transparently with clear messages without misleading.
- 2.5.3 Protect the confidential information of customers, except in case that receiving the permission from those customers or in case that the bank has to abide by laws.
- 2.5.4 Provide a complaint process and handle the customers' complaint issues clearly and properly.
- 2.5.5 Keep a sustainable relationship with customers and do not take a bribe and/or benefits, gifts, assets and any reception parties arranged with the intention that could be implied to incorrectly benefit customers incorrectly.

## 2.6 Conflicts of Interest

The bank will provide measures to manage conflicts of interest in operating the business as follows:

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

## 2.6.2 Transaction with Related Persons and Connected Transaction

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

## 2.6.3 Receiving and giving gifts, receptions and other benefits

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

## 2.7 Information Management

The bank has appropriately managed and communicated its information as follows:

### 2.7.1 Information Management

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

### 2.7.2 Communication

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

## 2.8 The overall supervision

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

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

- 2.8.2 Establish the department that responsible for compliance according to laws and regulations. The department shall perform its duties independently from the bank's management, including allocating human resources and other resources for the department appropriately and sufficiently.
- 2.8.3 Provide the supervision to regularly verify the compliance with the laws, regulations of the related government agencies, policies and regulations of the bank by managing and finding solutions and measurement under the framework of laws, principles, good governance, policies and procedures of the bank.
- 2.8.4 Provide a disciplinary action against those who do not comply with the laws and regulations appropriately by considering the effect and nature of the offense and the fairness to all parties without discrimination.
- 2.8.5 Provide communication channels for receiving clues or reporting suspicions about honesty or any action that not comply to the related laws and regulations.

## 2.9 Trade Competition and Dispute resolution

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

- 2.9.1 The bank shall operate its business freely and compete fairly without making agreement between the companies to determine the purchase price, selling price, or terms of service that are unfair to customers.
- 2.9.2 The bank shall provide products and services that benefit customers worthily so that customers are able to select products and services freely and shall not obstruct them when they change to use other bank's services.
- 2.9.3 The bank shall not attack its competitors or perform any action that considered a monopoly or reduce competition or restrict competition in the market.
- 2.9.4 In case of dispute, the bank will provide the appropriate process to settle or mediate a dispute.

## 2.10 Society and Environment

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

## Section 3 Code of Ethics for the directors

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

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

#### 3.1 Business Management

- 3.1.1 Supervise the bank to operate its business without security risks
- 3.1.2 Perform the duties with integrity, transparency, morality and justice to ensure that the maximum benefits of the bank has been taken into consideration when making any decision or taking any action without discrimination or abstention by upholding the principle of equality
- 3.1.3 Perform the duties as professionals, with knowledge, skills, determination and caution and apply the existing knowledge and skills to manage duties for the bank properly
- 3.1.4 Refrain from seeking the personal and related persons' interests by disclosing or exploiting internal information which has not yet been disclosed to the public, or doing any act that may constitute conflicts of interest both intentionally and unintentionally with a third party. Information gained from their positions is not used for the personal and other person's interests
- 3.1.5 Supervise the bank's operations to in compliance with related laws, regulations and the government's policies, including handling to ensure that no facts are concealed and the information is reported accurately, completely, timely and regularly
- 3.1.6 Perform the duties according to the laws and regulations relating to the business operations

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

- 3.2.1 Directors have responsibilities to shareholders such as the information disclosing, accounting practices, using the internal information and conflicts of interest.
- 3.2.2 Protect customers' interests, pay attention and take responsibility to them, including providing them with a best and quality products as well as keeping products' standards
- 3.2.3 Behave within the rules of good competition by refraining from tarnishing the reputation of competitor and do not seek their information dishonestly and unfairly
- 3.2.4 Supervise to ensure the equal employment opportunities and establish other employee-related principles to build confidence that the employees have the knowledge and skills necessary for the operations.

#### 3.3 Social and Environmental Responsibilities

- 3.3.1 Operates the business with the responsibilities to the society and the environment.
- 3.3.2 Take precaution and pay attention to any operations that may affect to the public.
- 3.3.3 Promoting the environmental awareness and responsibility.

## Section 4 Code of Ethics for Employees

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

### 4.1 Integrity

Integrity is a fundamental quality of the employees and the executives of all levels of the bank. The employees and the executives at all levels have opportunities to provide gains or incur damages to the customers, colleagues, shareholders, financial systems and the whole society. As a consequence, in order to win trust and credibility among the customers, shareholders and regulators, all employees and all executives must be honest, mentally strong and ethical and perform their duties with justice. They may not succumb to bribery or personal gains and have to act in the best interests of the customers, as well as the public.

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

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

#### B. Code of Conducts for the Bank's Employees

- (1) Understand that honesty is the foundation of building trust and confidence for customers to achieve the success in operating business and to develop a higher ethics
- (2) Perform duties with honesty and maintain the bank's benefits as his/her own business
- (3) Provide the services to customers with a purpose to maximize their benefits on the basis of honesty and legitimacy
- (4) Shall not pay attention to personal interests over responsibility to the bank and shall not seek to benefits or embezzle the assets that should belong to the bank or its customers
- (5) Shall not disclose the information about the customer's project to another person or shall not run a business as the competitor of the customer
- (6) Shall be honest with the customers and shall not use the customer's trust to find personal benefits



- (7) Avoid receiving valuable things or gifts but in case of unavoidable situation, the employee shall receive the gift as a service provider who is the bank's representative and shall not hold it for his/her own benefit
- (8) Shall not use his/her bank's position for personal benefits and shall not allow another person to seek benefits from his/her own name or position
- (9) Shall not ask for any other assets from customers, except expenses, and fee charged by the bank
- (10) Approve loan in line with the scope of authority delegated and uphold the bank's regulations
- (11) Give priority to the supervision and follow up of the loan agreement to comply with the agreement and shall not conceal the problem when it arises
- (12) Analyze loan under trusted data and shall not report false statements
- (13) Analyze loan with the concept of equality and without bias by realizing that the bank's business and customer's business depend on each other and have mutual benefits
- (14) Shall not give hope or pledge to customers with regard to the particular subject that he/she has no authority delegated
- (15) Attempt to resolve customer problems and be ready to assist as much as possible if the case does not contrary to the bank's benefits and it shall not cause damage to the bank
- (16) When receiving money from customers to pay to the bank, he/she shall submit and deliver the receipt to the customer promptly

## 4.2 Confidentiality

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

- Financial information about financial, name and address of customers
- Information about the company's assets
- Information about the internal management of the bank, including statistical figures and various reports
- Information on the bank's former and existing employees
- Information about the bank's trade partners
- Information about business communications with the government or its agencies

Keeping the confidentiality of the bank is very important for any financial and banking business, of which businesses are closely linked. Due to the nature of the business, the employees are privy to the confidential information of customers, which, if disclosed, can cause damage to the customers or other parties. Therefore, a guideline has been laid down to protect the reputation and avoid damage to the bank, the customers and the public.

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

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

#### B. Code of Conducts for the Bank's Employees

- (1) Keeping the confidentiality of the bank and its customers is a fundamental principle of the bank's business. The bank's employees shall maintain customer confidentiality and they shall not disclose the bank's information that have not yet been disclosed to the public, except when get permission from the customer or in accordance with the laws or get permission from top executives
- (2) The bank's employees shall not use the information obtained or has been prepared by their assigned duties to make personal benefits or other persons' benefits.
- (3) The bank's employees shall be aware of the defined procedures, in case of any obstacle or opinion and suggestion, the employees shall consult with the supervisors and executives to adjust the procedures to suit with the bank's operations
- (4) The bank's employees shall keep the confidentiality of the customers' information strictly and shall not use customers' information for their own benefits
- (5) In some cases, the bank's employees shall not disclose customers' information to other employees or other departments because it may lead to conflicts of interest
- (6) Employees who are responsible for the personal information of all employees such as salary and benefits are able to disclose the information to the internal and external persons when necessary with carefulness and it must be strictly confidential
- (7) The bank's employees shall not take personal matters or the customers' information and colleagues' information to criticize in the way

#### C. Exceptions

The bank may disclose confidential information in some case as follows:

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

### 4.3 Professional Ethics

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

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

- (1) Set a guideline or work manuals concisely and clearly as the standards in operating business consistent with ethics, ethics and justice
- (2) Supervise the operations of employees who are controlled and / or in departments related to their duties to comply with the bank's guidelines
- (3) Executives shall place themselves and act as role models to employees at level
- (4) Executives shall develop its employees to have knowledge and expertise in products and services for maximum benefit to customers.
- (5) Shall not induce customers to use the bank's products or services through fraudulent propaganda or information that exaggerate facts which will lead to the misunderstanding among customers

#### B. Code of Conducts for the Company's Employees

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

#### 4.4 Service to Community

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

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

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

##### B. Code of Conducts for the Bank's Employees

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

#### Whistleblower Policy

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

##### 1. Whistleblowing / complaints of fraud and corruption

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

- The employees must collaborate with any investigation process and provide the facts of any cases of corruption which have been seen.

## 2. Issues for whistleblowing / complaints about corruption

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

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

## 3. Channels for whistleblowing / complaints of fraud and corruption

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

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

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

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

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

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

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

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

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

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

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

### Informational and Complaints

The bank provided various channels allowing the stakeholders to express their opinions complaints or other significant information directly to the independent directors. The company secretary is responsible for the investor relation to receive the opinions and complaints from the shareholders and investors in selecting and reporting the important subjects to related bureaus for operating the correction and/or reporting to the Audit Committee for the consideration following the appropriateness. The Audit Committee will report to the Board of Directors later for acknowledgement.

### The Complaint via Independent Directors

The bank has channels for shareholders, investors, customers, and public can complaint via independent directors of the company which consists of 4 members as follows:

#### Complaints via the independent directors

Mr. Phairoj Hengsakul	Chairman of the Audit committee
Tel. 08 1990 7448	
Email: phairojh@lhbank.co.th	
Mr. Pradit Sawattananond	Member of the Audit committee
Tel. 08 1868 1487	
Email: pradits@lhbank.co.th	
Dr. Supreeya Kuandechakupt	Member of the Audit Committee
Tel. 08 5901 5888	
Email: supriyak@lhbank.co.th	
Mr. Somsak Assavapokee	Member of the Audit Committee
Tel. 08 5485 4269	
Email: somsaka@lhbank.co.th	

**The Company's Website** [www.lhbank.co.th](http://www.lhbank.co.th)

**The Company's Email Address** [presidentoffice@lhbank.co.th](mailto:presidentoffice@lhbank.co.th)

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

The bank has a policy for cooperative social responsibility (CSR) for sustainable business development by applying the business ethnics together with good corporate governance which is concentrated on placing CSR as the main process of business operations (CSR-in-Process) and outside the main process of business operations (CSR-after-Process). It is focused on the executives and staff in all levels to participate and share voluntary spirit to build a sense of social responsibility. Besides, it is to build the strong foundation of sustainable development which leads to the sustainability of the social and national development.

## The Social Responsibility Policy for Sustainable Business Development

The bank realizes the business operation under the social responsibility for the sustainability in the business with the focus on supervising the stakeholders, economy, society and environment with morality and ethics as well as corporate governance. The business operations must be conducted with honesty, transparency, and fairness with the awareness of negative impact to the economy, society, and environment. The company regulates the policy of social responsibilities for sustainably developing the business in written form following the guideline of Corporate Social Responsibility Institute, the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand. The bank regulates the policy and guideline for the practice as the bank sees the importance of “dependence”. In all businesses, people in the society are the target group in offering the products and services. Therefore, no matter how the business organization develops their organization in any direction, people in the society will give some support. The regulation on the policy and guideline for the practice will lead the way for people in the organization to operate in relation with social responsibility which are the responsibility in and out the society in the main process of business operation or CSR-in-process and CSR-after-process by focusing on the participation of the executives and all employees in having the consciousness on the social responsibilities.

The policy on social responsibilities for sustainably developing the business consists of the principle and guideline for the practice so that the Board of Directors, the executives and all employees can conform to as the practice in 9 following areas:

1. Good Corporate Governance
  2. Fair Business Operation
  3. Anti-Corruption
  4. Respect to Human Rights
  5. Fair Treatment of Labor
  6. Responsibility on the Consumers
  7. Cooperation in the Development of Community and Society
  8. Environmental Management
  9. Innovation and Dissemination of Innovative Corporate Social Responsibilities
- **Disclosure for the Practice Following the Policy and Conducting the Report on Social Responsibility**

The bank discloses the practice following the policy of social responsibility in the annual report and the bank’s website, including the participation of employees in conforming to the policy and creating the awareness of social responsibility. The bank conducts the sustainable report on the social responsibility and publishes in the annual report and the bank’s website.

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

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

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

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

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

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

### **5. Encouragement Fair Treatment for Stakeholders**

#### **Fair Treatment for Employees**

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

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

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

### **Principle 6: Strengthen Effective Risk Management and Internal Control**

#### **1. The internal control and the internal audit**

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

- Environmental
- Internal control in the organization
- Risk assessment
- Information technology operation control and communication activities
- Monitoring and evaluating system



## 2. Risk Management

The Board of Directors pays attention to risk management across the organization and monitor the financial business group having the risk governance framework and the risk culture. The Board of Directors determined to provide the risk management policy and the risk management procedure which consists of risk identification, risk assessment, risk monitoring and controls, and risk reporting, with adequacy of the risk management and risk management effectiveness regularly considered and reviewed.

## 3. Compliance with Regulations

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

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

### Head of Compliance

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

### Duties and Responsibilities of the Head of Compliance

1. Compliance tasks
2. Information technology compliance tasks

### Profile of the Head of Compliance

<b>Name</b>	Mr. Weeravej Sirichatchai
<b>Position</b>	Executive Vice President, Compliance Group
<b>Age (Years)</b>	46
<b>Education</b>	<ul style="list-style-type: none"> <li>- Master of Laws (LL.M.), University of Illinois, Urbana-Champaign, USA</li> <li>- Bachelor of Laws, Thammasat University</li> <li>- Graduate Diploma in Business Law, Thammasat University</li> </ul>
<b>Training</b>	<ul style="list-style-type: none"> <li>- Practical Knowledge for Compliance Head on Securities Business</li> <li>- Regulation Compliance and Law Enforcement on Money and Capital Market</li> <li>- Compliance Certificate on Debt Instrument</li> <li>- AML/CFT Basic Knowledge</li> <li>- Compliance Officer, Chulalongkorn University and the Thai Bankers' Association</li> </ul>

## Work experiences in the past 5 years

### ❖ None Current Position in Listed Company on the Stock Exchange of Thailand

Period	Position	Organization/Company
2008	VP, Head of Compliance Department	Kasikornbank PLC
2008 - 2009	FVP, Head of Compliance Department	
2010 - 2012	FVP, Department Head, Compliance	
2012 - 2013	FVP, Department Head, Legal	
2013 - 2018	SVP, Consolidated Supervision & Foreign Banking Regs. Div.	The Siam Commercial Bank PLC

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

Period	Position	Organization/Company
Jul. 2018 - Present	Executive Vice President, Compliance Group	Land and Houses Bank PLC

#### Duties and Responsibilities of Compliance and Information Technology Compliance

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

#### Information Technology Compliance

- To regulate and oversee bank operations under the Financial Action Task Force (FATF) standards regarding Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), Foreign Account Tax Compliance Act (FATCA) and information systems to ensure compliance with applicable laws, policies, rules, manuals and procedures and to be the center of official information concerning those matters and to evaluate compliance with relevant policies, rules, manuals and procedures and report to the superior based on the level of hierarchy.
- To perform random reviews on operations concerning AML/CFT, FATCA and information system to ensure compliance (Control and Monitor) and follow up on identified defects and suggest improvement approaches to the management and the Audit Committee.

- To inspect financial transactions according to the letters and orders of government organizations and courts delivered to the banks and through electronic data transmission system of government organizations.
- To develop electronic data transmission system based on the orders of government organizations under the applicable laws such as Financial Information System (FIS) of Office of the National Anti-Corruption Commission (NACC), FinXML of Department of Special Investigation (DSI) and AMFICS of the Anti-Money Laundering Office (AMLO) etc.
- To prepare and develop database system for inspection according to the government orders such as data of specified persons and persons having high risk of money laundering obtained from AMLO.
- To regularly provide knowledge and training regarding compliance with the Anti-Money Laundering Act, B.E. 2542 (1999) and the amendments, the Counter-Terrorism Financing Act, B.E. 2556 (2013) and the amendments as well as relevant government rules and regulations.
- To identify risks and risk management for clients/products/services/service channels and risk geography in accordance with the Anti-Money Laundering Act, B.E. 2542 (1999) and the Counter-Terrorism Financing Act, B.E. 2556 (2013) and the amendments.
- To prepare and propose the annual report to the Bank of Thailand and the Office of Securities and Exchange Commission.
- To develop compliance data and systems concerning information system, AML/CFT and FATCA in conformity with relevant international standards.

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

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

#### **4. Conflicts of Interest Prevention**

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

##### **Conflicts of Interest Policy**

The Board of Directors realizes to establish trust and build credibility in business operation and benefits of shareholders and all stakeholder groups including protecting them from damages and affect the reputation and the image of the bank. The bank has determined the conflicts of interest prevention policy for the operational guideline as follows:

##### **The Principle of Conflict of Interest Prevention**

1. The transaction of the bank shall avoid the conflict of interests deliberately and reasonably. Moreover, the transaction should conduct independently under the good ethical framework for benefits of the bank, the shareholders and all the stakeholder groups. Therefore, the directors or executives who may have benefits related the bank's transaction shall not be permitted to join in considering and approving the transaction.

2. In conducting transactions between the bank and the companies within the financial business group, the transaction should follow the same rules and conditions which similar to those applied to other persons in the normal course of business at a similar level of risk including disclosures required by the policy, regulations and related laws.

3. The related party transactions, transactions with connect to a related party and an information disclosure shall being in line with all regulations, rules and laws.

4. The directors and the executives shall follow the use of inside information using policy strictly.

5. The directors and the executives shall disclose the information about the transaction which making with the bank or the companies within the financial group properly and adequately for the benefit in making decision, considering and approving the bank's transaction or the companies within in the financial group's transaction.

6. Trading of the securities must be in accordance with the rules and regulations of trading securities for directors and employees.

### **The Practical Guidelines for Conflicts of Interest Prevention**

The bank pays attention to conflicts of interest prevention. The guidelines are as follows:

1. To determine the working process and the measures to prevent the conflicts of interest as the criteria following:
  - Treat all customers with fairly and best benefits such as not making transactions for any customer or contractor more often than necessary.
  - Prevent the information usage or the opportunities from service with unlawful
  - Separate the departments and the employees that may have the conflicts of interest or separate the working space such as Private Banking Office and Bank Operation Department.
  - Determine the rules for prevention the behavior that may have the conflicts of interest.
2. To determine the measures of monitoring, controlling and auditing the operation in order to comply with the measures and the working process of the bank.
3. To determine the reviewing of appropriate measures and the working process regularly by at least reviewing immediately when there are any situations that may affect and report the reviewing following the bank determined.

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

- The company has disclosed details of the conflicts of interest or the connected transactions according to the regulations of the Office of the Securities and Exchange Commission and Capital Market Supervisory Board, in the Annual Reporting Form (56-1 Reporting Form), and the annual report. This also includes disclosures of information on connected transactions to the Stock Exchange of Thailand including disclosures of related transactions are shown in the Notes to the Financial Statements.

- The directors must quickly inform the company when have the conflicts of interest both directly and indirectly in any contracts of the company or any doubt as to whether a conflicts of interest
- At the meeting of the Board of Directors or the shareholders' meeting, the company has determined the Board of Directors, the executives, or shareholders with the stake holding in any agenda must reveal the information about their stakes and related persons to the meeting. They have no rights to vote in such agenda in order to make the meeting be able to consider the transaction with the possible interest conflict and make the decision for the company's benefits and also cannot join to consider such agenda. The company secretary will record the interest in the resolution in the meeting's minutes.
- Directors or persons who may have the conflicts or the conflict of interest, that director does not have to consider and not have the authority to approve the operations of the company and also cannot cast their vote such agenda as required by the Office of the Securities and Exchange Commission and / or the Stock Exchange of Thailand including recorded the interest in the resolution of such agenda.
- Directors are responsible for reporting the securities trading and changes in the securities holding of the company to the Board of Directors.
- The Board of Directors pays attention the conflict of interest transactions or connected transactions or inappropriate connected transactions which the related transactions should set prices and conditions as making transactions with external persons as well as information disclosure according to the rules, the regulations and the laws.

## 5. Report on the Changing of Securities and Derivatives Holding

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

- (1) Spouse or others who live together as husband and wife
- (2) Underage child
- (3) Juristic person in which the individual in (1) and the individual in (2) hold the shares more than 30 percent of all rights to vote for such juristic persons. Such shareholdings have the highest proportion in the juristic person.

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

## Anti-corruption policy

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

### The practical guidelines

1. The bank determined the Board of Directors, the executives and the employees must be careful to operate for corruption as follows:

#### 1.1 Gifts, presents, entertaining customers and benefits

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

#### 1.2 Bribes and incentives

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

#### 1.3 Charitable donations and financial support

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

#### 1.4 Activities and Political Participation

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

2. The directors and the executives of the bank must be good models and honest to perform the duties, follow the anti-corruption policy and promote to the employees adhere the anti-corruption policy pragmatically and continuously as well as promote to be a part of the organizational culture.

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

4. The bank provided the fairness and protected the employees who reject the corruption or who informed the corruption to the head of departments as well as the persons who give the information about corruption. Although those actions will cause the bank to lose business opportunities which will not reduce the position, punishment or give negative effect to the employees who reject corruption and compliments of employees who report clues.

5. The bank provides business supervision and operations of the bank under the standard internal control mechanisms; assesses for significant risks; arranges efficient control activities; and also delegates

responsibilities appropriately. Besides, there are duties for arranging the system for reliable and sufficient information and monitoring the internal control regularly.

6. The bank pays attention the human resources management for working development with responsibilities efficiency and effectiveness, communicate, educate and train about the anti-corruption and practical guidelines regularly for promote the related persons to understand and practice concrete.

7. The bank provides the channels to receive the notifications, suggestions and complaints to the Board of Directors by assigned the independent department has the duties for auditing the adequacy and the appropriateness in considering the facts to ensure that the complaints will operate with transparency and fairness as well as protect the complaints and the whistleblowers with fairness.

8. The bank published the anti-corruption policy through internal and external media such as the bank's intranet and the bank's website as well as annual reports. This policy is under Thailand's anti-corruption law.

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

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

## Principle 7: Ensure Disclosure and Financial Integrity

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

### 1. Disclosure of financial information and non-financial information

- The bank has disclosed the important information to the shareholders, investors and public with transparency, accuracy, completeness, timeliness and accountability comply with the related laws and the regulations both in Thai and English version via various channels which convenience to search, easy to search, fairness and regular update the information as follows:

1. The bank's website ([www.lhbank.co.th](http://www.lhbank.co.th)) information available in 2 languages: Thai and English
2. IR/PR news of the bank
3. Analyst meetings
4. Press conferences
5. Send the Notice to shareholders by post mail
6. Newspaper announcement

- The Board of Directors places emphasis on the quality of financial statements and adequately disclosed important information. The disclosures were in line with regulations of the Bank of Thailand, the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission and the Financial Reporting Standards. The financial statements were reviewed / audited by certified the public accountants and were endorsed by the Audit Committee and the Board of Directors before disclosure.

In addition, the bank has disclosed unreviewed/unaudited quarterly financial statements, Capital Requirement Disclosure (Pillar 3 Report) of the financial business group for investors to acknowledge information and the changing of financial position and operation result which could be benefits for the shareholders, investors and the general public.



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

- The bank published the 2017 annual report within 120 days from the end of the fiscal year through the SET website on March 9, 2018 and the bank's website.

The bank has the channels of information and contract at:

Address : 1 Q. House Lumpini Building, 5<sup>th</sup> Floor, South Sathorn Rd.,  
Thungmahamek, Sathorn, Bangkok 10120

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

Fax : 0 2677 7223

Email : presidentoffice@lhbanks.co.th

Website : www.lhbanks.co.th

- The bank discloses the shareholding structure and shareholding information of directors and executives, including both direct shareholding and shareholding by a spouse and children under legal age in the annual report.

- The bank has assigned the department which is responsible for disclosing information, receive requests, coordinate for information provision and build good relationships between the bank and shareholders, investors, analysts, and other related organizations to be aligned with good cooperative governance.

- The bank produces just reports for publishing that are simple to understand with the explanations of the annual work performance and important events to the shareholders and provide assessment of the sufficiency of the internal control system. This is assessed by the Control Group which is its subsidiary company and reviewed by the Audit Committee.

- The Board of Directors has assigned the Audit Committee to review the financial report of the bank to ensure that they follow the financial report standards and disclose the information adequately.

- The bank disclosed the Audit Committee's report, the cooperative governance committee reports, the Nomination and Remuneration Committee reports, and certified public accountant reports in the annual report. In addition, the list of names and the authority of the Board of Directors as well as sub-committees; the number of meetings; the number of directors attended the meeting; the director's remuneration as well as the information of the directors and the executives and the bank are disclosed on the annual report and the bank's website.

- The bank reports meeting details and documents of the shareholders' meetings in Thai and English. These are also released for investigators to note in advance of meeting through the bank's website. It is to allow the shareholders to be able to study the information sufficiently before meeting. Besides, the bank announces the meeting notification via newspapers for 3 consecutive days not less than 3 days in advance of the meeting date. The meeting agenda clearly states that there will be topics to be acknowledged, topics to be approved or topics to be considered including opinions of the Board of Directors of such matters.



## 2. Investor Relations Function

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

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



## 3. The Appointment of Auditors and Determination of Audit Fee

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

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

The bank paid for the remuneration of the auditor and other inspection expenses to EY Office Limited as follows:

### 1. The Auditor Fee

Table: The remuneration of the auditor in 2018 and 2017

Scope of Work	Audit Fee (Baht)		Changes Increase (Decrease)	
	2018	2017	Amount (Baht)	%
<b>1. Fee for reviewing</b>				
- The 1 <sup>st</sup> quarter ended 31 March	700,000	660,000	40,000	6.06
- The 3 <sup>rd</sup> quarter ended 30 September	700,000	660,000	40,000	6.06
<b>2. Fee for auditing</b>				
- The six-month period ended 30 June	1,500,000	1,480,000	20,000	1.35

Scope of Work	Audit Fee (Baht)		Changes Increase (Decrease)	
	2018	2017	Amount (Baht)	%
- The fiscal year ended 31 December	1,500,000	1,480,000	20,000	1.35
- The impact assessment of TFRS 9	500,000	n/a <sup>(2)</sup>	500,000	100
<b>3. Special audit fee as required by the Bank of Thailand</b>				
- Electronic funds transfer service assessments	200,000	220,000	(20,000)	(9.09)
- Liquidity Coverage Ratio (LCR) disclosure verification (2 times per year)	300,000	n/a <sup>(2)</sup>	300,000	100
<b>Total*</b>	<b>5,400,000</b>	<b>4,500,000</b>	<b>900,000</b>	<b>20</b>
<b>Note</b> * The audit fee not included the employees benefits review fee by actuarial expert testimony which the fee will be charged to the bank based on actual costs incurred, estimated not to exceed Baht 200,000 per year. The audit fee for review or audit to report the auditor of CTBC. <sup>(2)</sup> n/a				

## 2 Other Service Fees

-None-

## Principle 8: Ensure Engagement and Communication with Shareholders

### 1. Rights of Shareholders

This means not to conduct any act which is the infringement or derogation of the rights of shareholders and encourage all shareholders to use their fundamental rights as regulated by law.

### 2. Protection of Shareholders Rights and Fair Treatment of Shareholders

- In recognition of the significance of the basic shareholders' rights, the bank committed to ensure their equitable treatment for all shareholders. The shareholders' basic legal rights include buying, selling or transferring shares; receiving their rightful portion of company profits, rights to receive the dividend, rights to appoint a proxy to attend the meeting and vote, rights to attend and vote for the election of appointment, resignation or removing the directors and determining the director's remuneration, appointment the auditors and determining audit fees, rights of proposing an opinion and question in the shareholders' meeting and rights to obtain relevant and adequate information in time via easy communication channels and in the appropriate time.
- The Boards of Directors have given the importance to the rights of all groups of stakeholders, whether they are internal stakeholders such as the directors, the executives and the employees of the bank or external stakeholders such as all groups of shareholders, competitors, government agencies and other related agencies. The bank has a policy to conduct its business transparently with good corporate governance, including supporting the cooperation between the bank and its stakeholders for mutual benefits and to ensure that the stakeholders are well protected and good treated.

- The Board of Directors has given the importance to disclose the company's information and news which is accurate, complete, timely and transparent. The information and news has been disclosed on the bank's website which is [www.lhbank.co.th](http://www.lhbank.co.th) for all stakeholders in order to perceive the information. The website covered both in Thai and English versions and can be easily accessed and shows the information about Financial Statement Report, management discussion and analysis, newsletters to the shareholders, activities for social aid, Annual Report (Form 56-2), invitation letters for shareholders meeting, and the bank's activities.
- The bank also encourages shareholders to fully exercise their rights by providing them with convenient access to exercise of the right to participate in the Annual General Meeting of shareholders and voting and not restrict attending and voting opportunities and the voting process has a hassle-free way such as a relevant information via its website, setting up a dedicated company secretary function for direct communication with shareholders, give an opportunity for shareholder to propose shareholder's meeting agenda and qualified candidates for directors positions and facilitation attendance in shareholders' meetings.

### 3. Shareholder's Meeting

- Before the Annual General Meeting of Shareholders, to encourage and support all group shareholders and institutional shareholders place the importance to attend the meeting, the company provide the invitation letter of shareholders meeting to inform the meeting schedule, the agenda and the supporting documents both in Thai and English which clearly specifying whether the matters is for acknowledgement, approval or consideration including directors' opinions, fact and reason of each agenda for sufficiency to make decision and disclose to public before the meeting via SET Portal and the company's website at [www.lhbank.co.th](http://www.lhbank.co.th) 7 days prior to the shareholder's meeting day for giving the shareholders enough time of considering. Including, the company submitted the invitation letter and the supporting documents not less than 7 days before the shareholders' meeting according to the laws and the company promulgates in the daily Thai newspaper for 3 consecutive days at least 3 days prior to the meeting and the sent documents are the same information consists of:

1. The notice of the meeting including the explanation and the reasons for each agenda and the Board of Directors opinions.
2. The annual report
3. The profile of the directors who retires by rotation and is proposed for re-election by the shareholder for another term.
4. The guidelines for registration, identification documents required to attend the meeting and the proxy eligible to register, voting and the vote counting at the meeting.
5. Articles of Association of the company, only for those related to the shareholders' meeting.
6. Proxy form A, form B, and form C
7. The profile of the independent directors to be a proxy to attend the meeting on behalf of the shareholders.
8. Definition of the independent directors
9. Map of the venue of the shareholders' meeting

#### 10. Requesting form for the annual report

- With regard to the shareholder meeting, in addition to the annual general meeting of shareholders which must be convened within 4 months of the date ending the accounting period, the Board of Directors may summon an Extraordinary General Meeting at such date, time and place as determined by the board. Shareholders who hold an aggregate number of shares not less than 10% of total paid-up shares capital may also request that the board of directors convene an Extraordinary General Meeting by listing the matter in a notice and submitting the reasons. And the Board of Directors must hold an Extraordinary General Meeting within 45 days from the date of receiving the notice.

- The bank also encourages and promotes all groups of shareholders and the institutional shareholders to attend the shareholders' meeting as the shareholders have right as the company's owners appointed by the Board of Directors to act on behalf and have right in making the decision on the significant changes of the bank.

#### Operation on the Date of the Shareholders' Meeting

- The bank conducts the shareholders' meeting in order to make the meeting proceed quickly and convenience, which starting from the process of preparation of the information of attendance, registration of attendants, process of voting results following the agenda and the summarized report of the shareholders' meeting result.
- On the date of the shareholders' meeting, the shareholders can register 1 hour before the meeting start. The bank provides the convenience for the shareholders prior to the meeting such as preparing place and staffs in order to run the registration smooth and fast.

#### Meeting Attendance

- During the meeting, the shareholders can register to attend the meeting and can exercise to voting in the agenda that is not yet available to vote.
- For the 2018 annual general meeting of shareholders, the company proposed 2 independent directors, Chairman of the Audit Committee and member of the Audit Committee. The bank has sent the notice and attached Proxy Form B and Proxy Form C to the shareholders whom they can determine the direction of voting. In addition, the shareholders can download other types of proxy forms from the bank's website both in Thai and English.
- In the 2018 Annual General Meeting of Shareholders, all directors attended the meetings and the top executives of the companies in the financial business group also attended the meeting.

#### 4. Shareholders' Opportunity for Queries and Comments

- In the shareholders' meeting, the Chairman of the meeting shall allocate appropriate time and encourage equal opportunity for shareholders to express their opinions and raise their queries.

#### Conduct of the Meeting and Voting

- **Before the meeting starts** the Chairman opens the meeting and welcomes the shareholders. The Chairman will inform about number and proportion of shareholders or proxies attended the meeting and will clarify the rules of voting rights of each agenda, voting process and vote counting.

## ■ The Conduct of Meetings

- The bank accommodates the shareholder's meeting by keeping the process correctly following the related law and regulations and following the good corporate governance principle.
- The bank has allocated the appropriate time. The meeting is conducted in accordance with the order of agenda as arranged in the notice of the meeting, unless the shareholders holding total number of shares not less than two-third of total number of shareholders attending the meeting resolve to change the order of the agenda. In addition, the shareholders holding a total number of shares not less than one-third of the total number of paid-up shares may request that the meeting consider other matters in addition to those specified in the notice of the meeting.
- The 2018 Annual General Meeting of Shareholders was conducted according to the Articles of Association and arranged as identified in agenda, no changes in important information without prior notification to shareholders.

## ■ The Voting Process

- For each agenda, the shareholders who attended the meeting present in person or being represented by proxy is entitled to one vote per share, especially the agenda of appointing the directors to replace those retiring by rotation that the voting shall be one by one vote for the purpose of equitable treatment of the shareholders in the voting process, the company shall utilize voting forms for all agenda. After the vote count is completed, voting results of each agenda will be announces to the meeting, by specifying the vote results as "Approved", "Disapproved", "Abstained" and "Voided Ballot".

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

### ■ After the Shareholders' Meeting

- The bank created the minutes of shareholders' meeting both in Thai and English versions by recording the minutes of the meeting in its entirety, contain the important information such as name list of the attending directors and absent directors, the resolution of the meeting, result of votes in each agenda divided by "Approved", "Disapproved", "Abstained" and "Voided Ballot", the issues of queries and answers and opinion of the meeting.
- The bank submitted the copy of the 2018 minutes of Annual General Meeting of Shareholders to the Stock Exchange of Thailand and Department of Business Development, Ministry of Commerce within the duration of 14 days from the date of shareholders' meeting and published the minutes of shareholders' meeting on the bank's website on 30 March, 2018.

## 6. Equitable Treatment of Shareholders

The bank ensures that the shareholder are treated and protected in their fundamental rights equally and fairly as well as the measures to prevent the interest conflicts or the use of internal data for taking advantages for their own and other people dishonestly.

## 7. Protection of Rights of the Minorities

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

## 8. Protection of Internal Information Usage

### • The Insider Trading Policy

The Board of Directors realizes to keep and protect the internal information usage, the company has set up a policy to supervise the use of inside information as a guideline for maintaining confidentiality of the company to ensure equal information disclosure and to prevent the use of internal information for the benefit of directors, executives and employees, including spouses and minor children to perform their duties with honesty, fairness, compliance with laws and regulations and also not giving priority to self-interest over the responsibilities towards the company including the employees not use the information for personal gain and for good corporate governance, the insider trading are as follows:

1. The directors, the executives and the employees including their spouses and minor children who are privy to sensitive information and financial statements which have not been disclosed to the public may not propagate or disclose them to other persons, both inside and outside the company, especially, regard to insider information and non-public information prohibited to premature revelation unless it is necessary for a department to acknowledge it in which case it will protect the information in the same manner as the owning department does. This does not include the disclosure of information to governing government agencies; namely, the Bank of Thailand, and the Securities and Exchange Commission.

2. The directors, the executives and the employees including their spouses and minor children who are privy to sensitive information and the financial statements of the company may not buy, sell, transfer or accept the transfer of the company's shares 30 days before the disclosure of the financial statements to the public.

## 2. Fair Business Operation

Land and Houses Bank Public Company Limited operates the business adhering to good corporate governance principles specified in writing in order to be used as guidelines for the directors, the executives and all levels of employees for consistency with the law and fair business operation without prioritizing other interest, and by avoiding operation which may cause conflict of interest, taking into consideration the utmost interest of the bank, the customers and stakeholders.

The bank is confident that the fair business operation would bring about confidence of relevant sectors, which will in turn long-term benefit of the business. The bank operates its activities in accordance with the fair business operation principles for sustainable business development. In this regard, the bank conducts activities consistent with the law and fair competition and coordinate with the government officers such as by making employees aware of the importance of compliance with the law on trade competition, fair competition, supporting free trade under the scope of law, creating awareness of employees in keeping trade secrets, and refraining from obtaining information of partners and trade competitors unfairly in bad faith.

The bank promotes fair treatment for stakeholders both in terms of cost and returns, such as purchasing and procurement, determining appropriate the delivery period, fair trade agreements and provision of property right, refrains from any activity which infringes property and intellectual property rights, and settles utilization fees or acquisition fees fairly such as by making payment to the creditors in a timely manner every month.

The bank determines the purchasing and procurement method, and other outsources service method for receiving quality products and services at the appropriate price by specifying the methods in 6 ways as follows; agree on prices method, check prices method, bidding method, continued method, special method and urgent method. The appropriate method depends on financial amounts of the operation in each time. In addition, the bank determines the criteria for selecting suppliers and service providers in order to have fairness and equity by selecting from the stability of their businesses, the quality of products and services and prices considered by the Procurement Committee.

### 3. Anti-Corruption

Land and Houses Bank Public Company Limited has the termination in operating the business under the principles of law which are honesty and morality following the good corporate governance guideline, code of conduct and business ethics practices of the directors, the executives and the employees. The bank also promotes the participation in the activities of the anti-corruption project of private sector of Thailand in order to maintain the ethical reputation of the company. The bank regulates the anti-corruption policy of being the guidelines for the directors, the executives, and the employees of the company to be acknowledged and strictly comply.

#### Roles and Responsibilities

The Board of Directors approved the anti-corruption policy and responsible for operating the bank's business with honesty, carefulness, and protection on the entire benefits of the organization.

The Corporate Governance Committee monitors and promotes the implementation of the anti-corruption policy and also communication with the executives and the employees to acknowledge.

#### Practical Guidelines

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

1. Must not give or accept gifts and benefits that motivate to perform or refrain to perform duties wrongfully causing the compromise in the inappropriate business agreement. It should follow the code of conduct and business ethics practices for the directors, the executives and the employees.
2. Must not give or receive bribes and inducements of any form, including prohibiting to assign other person to give or receive bribes and incentives on their own behalf.
3. Donation to charity and contribution must be transparent and in accordance with the law and morality.
4. Not use the fund or the resources of the bank in political promotion to the candidates of a politician or political party for political campaign or political activities except that such promotion is legally permitted and entirely promote the permission by law and support the democracy. This must be approved by the Board of Directors before starting the operation.
5. Providing the bank's business operation in corporate governance under better control where there are assessments of significant risks, effective control activities and appropriate segregation of duties. Moreover, the bank has provided adequate and reliable information system as well as evaluating the internal control regularly.
6. Providing the channel in receiving the information, suggestion, or claims through the independent directors or the bank's website at [www.lhbank.co.th](http://www.lhbank.co.th), or e-mail at [presidentoffice@lhbank.co.th](mailto:presidentoffice@lhbank.co.th)

The bank signed the Collective Action Coalition of Thai private sector in anti-corruption for presenting the intention in anti-corruption and business operation with the principle in against corruption in all its forms with the following details:

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



- The policy prohibited all types of bribe in every activity under the control. Moreover, it must be ensured that the donation to charity and the donation given to political parties, business gift giving, and sponsoring any activity must be transparent without the intention to convince the government / private officials to operate inappropriately.
- The policy will be announced and publicized in the organization in the form of “code of business conduct” in order to be the guidelines for the executives and employees to practice with ethics and responsibilities in all occasions as well as specifying the punishment in case of infringement.
- The policy provided the training for the employees to enhance the honesty and responsibility in the conformity to the duties and responsibilities, including presenting the determination of organization in conforming to the good corporate governance guideline.
- The policy provided the proper system of internal control for preventing the employees to misconduct and elevating the value of integrity and responsibilities to be the organization’s culture.
- The policy provided the mechanism in reporting the financial status transparency and accurately.
- The policy provided the communicating channel so that the employees and related persons can notify the suspected clue with the certainty for being protected and the inspecting officers are appointed to inspect all notified clues.

2. Disclosing and exchanging the internal policies, experience, good practice, and ways to success in promoting the business transaction with morality, accuracy, and transparency in Thailand

- Supporting the initiation of the national project for creating the conditions in fair and transparent competition in business operation including ensuring the good corporate governance.
- Participating in the seminar and discussion for expressing the opinion in the meeting in order to create the understanding of the concerns and problems occurring nowadays affecting the private business on the honesty and transparency in business operation.

3. Cooperating with other companies in the same type of industry, trade partners, and other groups of stakeholders by creating the practice and participating in the activities of anti-corruption

- Sharing the good practice and frameworks as we hope all organization can implement for achieving the goal of the project.
- Participating in the Integrity Pacts with other organizations and government agencies in auctions and purchasing the raw materials, equipment and the construction.
- Cooperating in thinking of developing the code of business conduct that can be applied to all organizations and are acceptable among all organizations participating in the project.
- Cooperating in regulating the measures and audit system for promoting the transparency and integrity in business operation.
- Cooperating with the society and mass media in creating the awareness and giving the education to public for changing the value to the anti-corruption in all types.
- Supporting the audit and certifying project as well as arranging the training for the consultant officers and auditors in order to be the guideline for the companies participating in the project by operating the business following the ethics and elevates this process to be the organization’s culture for enhancing the stability of the project.
- Willing to be audited and certified by the committee of Thailand's Private Sector Collective Action Coalition Against every 3 years.

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

The bank has determined the anti-corruption policy as the framework and direction of sustainable development which reflected the importance of commitment and dedication of transparency organization and without corruption. The company aims to provide participation of the related persons with good supporting including pays attention that the executives and the employees must be strictly comply following the anti-corruption policy such as not give or accept gifts and benefits in new year occasion or communicate via any occasion according to the employees Code of Conduct strictly by communicate via any bank's channel.

#### 4. Respect of Human Rights

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

The bank pays attention to all levels of employees to ensure employees obtain fair return and benefits. It also provides opportunities for the employees to improve their capacity for occupational progress, and encourages participation of employees by providing various channels for accepting complaints and submitting reports of inappropriate behaviors. The employees are open to provide opinions, reports, or complaints regarding unfair, corrupted or incorrect action through supervisors or other channels. In this regard, the company has determined the process for accepting complaints which has the independence in inspection and decision-making by seeing the results. Any remedy shall be in accordance with the human right principles. The company also encourages and allows employees to participate in sharing opinions on whether any acts of the business or personnel may violate human rights for the purpose of reflecting the problem and finding the solution.

The bank has supported and respected the protection of human dignity with no forced labor and child labor that effect on confidence of external shareholders.

The bank pays attention to the respect of human rights as a basic practical guideline, by determining the best practical guidelines as follows:

- Arranging vacation leaves and holidays in accordance with the requirements of the law or more than the requirements of the law for some holidays, so employees can manage the balancing of working life and private life plan.
- Determining the criteria for investigation and disciplinary action clearly for fair punishment along with the similarly practical guidelines standard.
- Supporting the learning for develop the employees' potential.
- Supporting the departments in the bank set the staff activity according to the bank's policy for promote and support the relationship, connection and harmony in coordinate their activities such as:
  - **Change for Health Project** is the project considered the health teachers and students at Nikhomsangtonang-Lengkonon, Muak Lek, Saraburi which the school used the chalkboard as the instructional media for the students. This's the causes for chalk dust which may affect to the health of students and teachers in long term. Therefore, the company operated the changing of blackboard to whiteboard for good health of the teachers and the students, and provided the recreational activities, lunch, and ice-cream to the students.



## 5. Fair Treatment of Labor

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

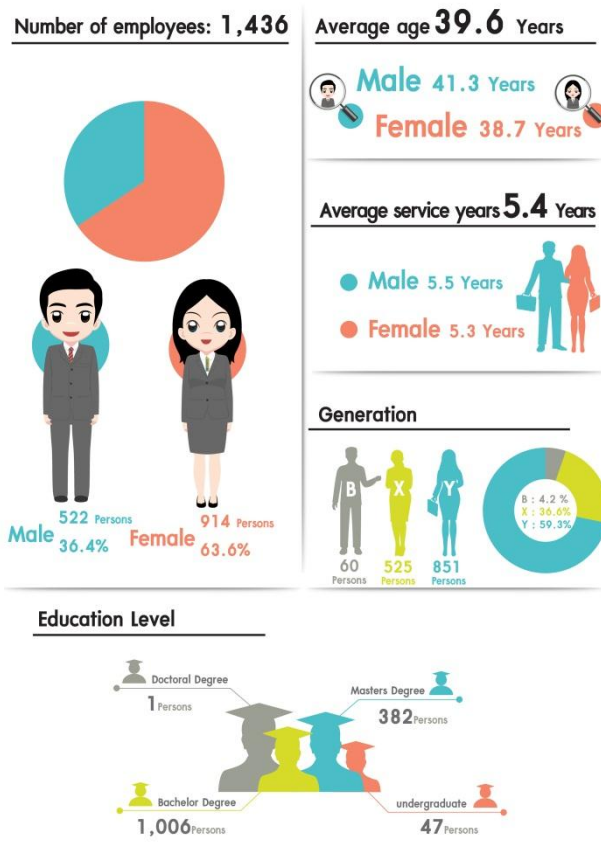
### Important Principle of Human Resource Management and Development

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

For sustainable growth, the bank focused on taking care of the employees in various ways. The bank believes that the skills of development, competences, motivation, positive work environment, good occupational health and good welfare benefits will help the employees to perform their duties with full potential which will have an effect with customers and stakeholders.

The number of employees of the bank as of 31 December 2018 was 1,436 persons.

### Employee data in 2018



## Employee Recruitment

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

## Employees Selection Criteria

The bank recruit employees, besides considering knowledge, competences and other required criteria, the bank also realizes the importance of recruitment the employee who has the same beliefs and values that conform to the bank's direction. All candidates have to do the behavioral test which is developed from PRO-Active values, and adopt the test results as one part of recruiting employees to hire the appropriate employees for each department and the bank.

## Equality and Diversity

The bank has the regulations to treat employee fairly, such as operating in accordance with the labor law and human rights without discrimination by race, skin color, sex, religion, political views, revocation of citizenship, social background and any other discrimination related to both of internal and external stakeholders. The bank does not use illegal labor and child labor. These guidelines are applied to all levels of employees from the executives to operational employees. Moreover, the bank gives work opportunities for people with disabilities.

- **Hiring Employee with Disabilities**

**Coordinate the project for supporting and developing disabilities people**

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

- **Disable Person Hiring**

**Coordinate the project for supporting and developing disable person**

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

**Retired Employee Hiring**

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

**Table: Number of Retired Employee Hiring**

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

## Sustainable Growth and Human Resources Development

The bank has supported and developed its employees with PRO-Active value, which is a core value, by operating the master plan which including creating recognition and perception attitude through communication channels, the Practice Believe & Individual Mindsets activity and the Group Habit Norm & Corporate Value. The bank has continuously encouraged the value to both new employees and existing employees.

### Welcome Newcomer Activity

All new employees have to join the “Welcome Newcomer activity” which aim to build a sense of well-being, the bank’s core values knowledge and everyday life in the bank such as introduce a newcomer to colleagues, recommend a canteen nearby the office so the new employees could have a good understanding and awareness that will help them to adapt themselves to working life in the bank.

### Employee’s Potential Development

The bank pays attention to human resource development and all employees’ learning such as the executives, managements, middle managements, supervisors and officers by supporting the development of knowledge, abilities and skills to suit with job functions. The bank also gives an opportunity for the employees to develop their full potential abilities, including self-development and various training courses. In addition, the principles of human resource development played a significant role in considering the career path of the employees.

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

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

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

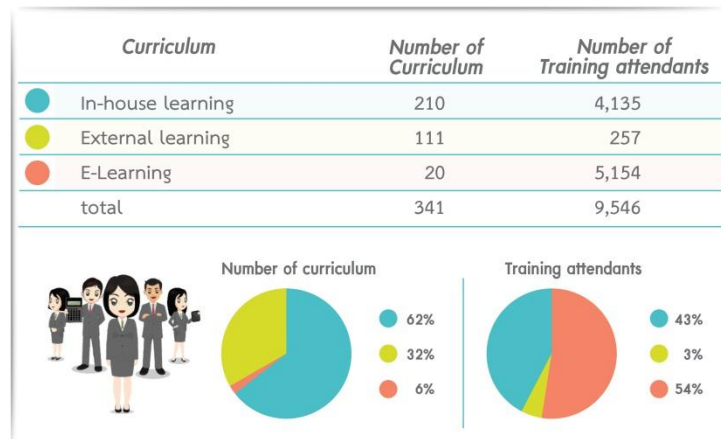
Furthermore, the bank also has provided the executive development course under the Leadership Development Program category consists of;

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

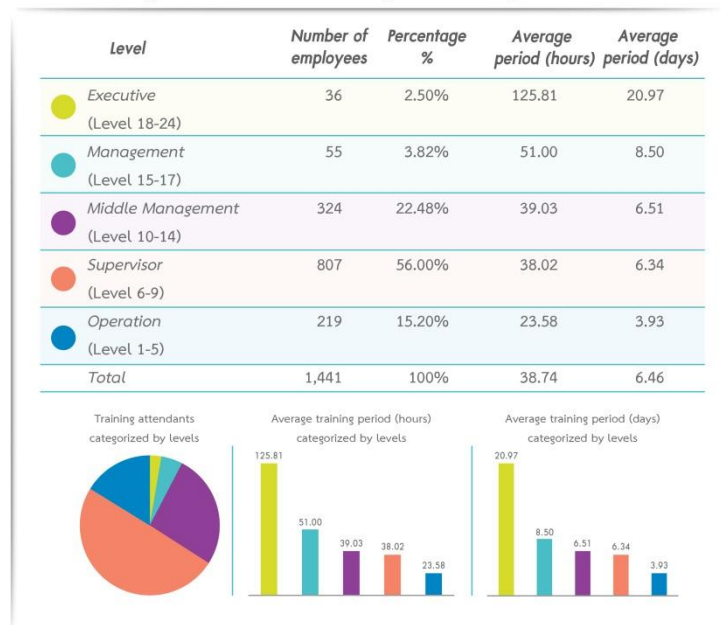
All 3 courses are the course to develop employees from supervision to executive level which starting from department manager, section manager, assistant vice president and vice president to top executives. The learning formats are a combination of Lecture, Workshop, Best Practice, Problem Based, Company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



## Training data in 2018



## Training attendants categorized by levels



## Human Resources Development - Executive Development and Development of Key Successors

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



### Annual Performance Appraisal

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

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

### Determining and Managing the Remuneration

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

### Using Technology for Resources Management

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

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

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

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



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

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

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

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

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

### Communication and Pride Building in the Organization

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

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

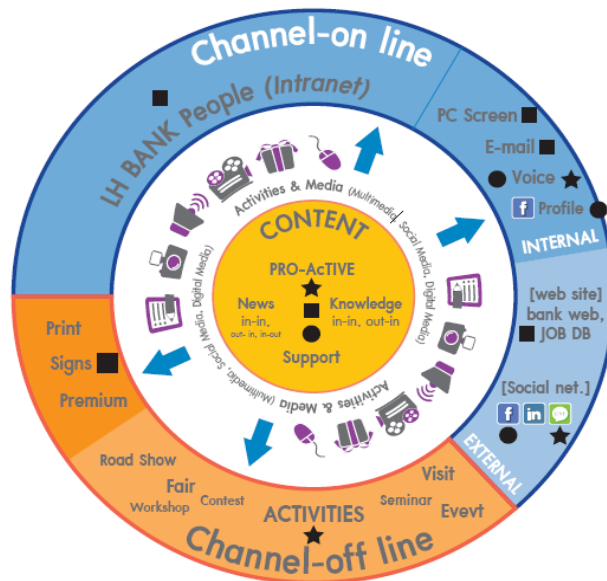


**Table: Number of employees who injured by working**

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



The bank adhere the communication as the main factor of driving organization making a unity and creating the participation for sustainability of the organization. The bank has also provided the strategies and communication plans covering both of internal and external communications as shown in the figure below:



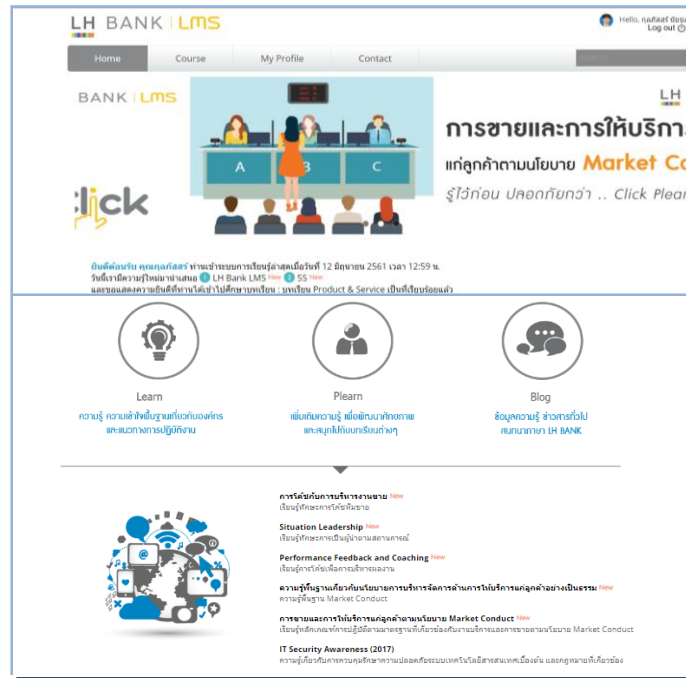
### Creating Awareness Knowledge through Communication Channels

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

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

- **LH BANK People Intranet:** is an information source accessible to employees. The source includes general knowledge, various news announcements, and opinion center of the employees in sharing any issue opinions for analysis and further development such as clicking Like, Comment and Vote.
- **LH BANK People Voice:** is a radio broadcast for internal communication to ensure that the employees have perceived the information effectively by encouraging the employees' involvement as moderators.
- **Social Media:** Line and Facebook is another communication channel relating to personnel recruitment and various news within the bank, which is a suitable method to build good image for the outsiders to recognize the organization.
- **Digital Handbook** is a staff manual consisting of vision, mission, corporate values, service standards and business ethics in the form of a Digital Handbook.
- **Digital Learning** the bank has developed channels and develop / improve the learning curriculum to allow employees to learn through the up-to-date digital learning system with various online course wear.

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



## Welfare and Employee Participation

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

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



## Good Remuneration and Benefits

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

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

## Good Environment and Work Safety

The bank emphasizes the good working environment and safety for the employees. The bank established the Safety Healthy Environment committee (SHE) in order to promote the policies, the safety plan and the occupational health for safety in working as follows:

- Communication of knowledge and understanding of occupational safety through various communication channels
- Annual fire drill
- Establishing the SHE Hotline that receives reports on unsafe conditions and coordinates with the divisions concerned in order to provide immediate help. However, in 2017 no employees injury while working.

**Table: Number of employees who injured by working**

	2018	2017
Number of employees who injured by working	-	-

- CARE project, the activity to support health.

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

## 6. Responsibilities to the Consumers

As the financial business is the business depending on the economics and financial conditions of the country, the impact on business operation can also affect the economics driving and investment in a wider area than other types of business. Land and Houses Bank Public Company Limited has the determination in regulating the standard of operation of the bank to be efficient along with the social responsibility, especially for the responsibility of the stakeholders which is the priority of the bank.

The bank mainly considered the benefits and satisfaction of the customers by offering the products and services with quality that can respond to the demands of customers. We improve the process for creating the convenience in services used by the customers. The information on the products and services is presented accurately for using in making decisions through various channels and can be easily accessed. The information will be provided for the customers to clearly understand products and services.

### Fundamental Rights of Consumers

The bank announces the fundamental rights of consumers in order to make them aware about the rights deserved to receive from using the service of the bank via the bank's website.

Rights of Consumers	Products	Personnel or Processes
1. Right in receiving correct information	<ul style="list-style-type: none"> <li>● The consumers must receive clearly explained about the difference between the main products of commercial banks and products of securities and insurance.</li> <li>● The consumers must receive the information of product details, risks, conditions, benefits such as in the form of APR (Annual Percentage Rate) or IRR (Internal Rate Return) and related hypotheses.</li> <li>● The consumers must receive the information of an advertisement or the use of marketing media in promoting the sale correctly and appropriately.</li> </ul>	<ul style="list-style-type: none"> <li>● The consumers must receive the documents summarizing the main information for offering the sale of products of securities and insurance (fact sheet) indicated the characteristics and risks of the products with the concise and easy to be understood words following the form required by the Office of The Securities and Exchange Commission (SEC) and Office of Insurance Commission (OIC) supplementary for making the decision in buying the products.</li> </ul>
2. Right in choosing the financial products and services freely		<ul style="list-style-type: none"> <li>● The consumers have right to freely invest and can deny buying the products of securities and insurance.</li> <li>● The consumers have right to deny buying the products of securities and insurance together with the products of commercial banks. The commercial banks must give the right to the consumers in choosing to buy or not to buy such products.</li> <li>● The consumers have right to give the consent or deny revealing the information following the letter of consent separated from the contract of product purchase</li> </ul>

3. Right in claiming for fairness		<ul style="list-style-type: none"> <li>● The consumers have right to claim to all branches of commercial banks selling the products of securities and insurance (point of sale) with the evidence to prove that the commercial banks acknowledge the claims.</li> <li>● The consumers must be able to ask for the information for the understanding in the products from the call center of the seller's bank.</li> </ul>
4. Right in being considered on the compensation in case of damage		<ul style="list-style-type: none"> <li>● The consumers have right to be compensated appropriately if it is proved that the commercial bank does not conform to the policy of good product selling with intention or negligence causing damage to the consumers.</li> </ul>

### Fair Treatment of Consumers

The bank continually operates the social responsibility in CSR-in-Process by implementing the code of practice following the policy of social responsibility to create the business innovation until it becomes the process occurring in the procedure of work and product development as well as the standard of services for the main objective in reducing the impact possibly occurring to the stakeholders during the procedure of work. This includes creating the awareness of social responsibility among the board of directors, the executives and the employees.

The bank has developed a working process following the social responsibility for sustainable business development policy by determining the regulation and the standard operating manual, focusing on dividing the duties of employees suitably with clear process of operation, quick system, accuracy, and control of the operation. The transaction evidences can be kept in the safely stored with important documents for service provision. The employees and related persons can have the correct understanding, reduce the error in service provision, can be audited, observed, and evaluated efficiently for the highest benefits of the customers who use the services, for example:

- For managing the savings and current accounts without contractual transaction for more than 1 year, the Bank will notify the balance and conditions in deducting the account preservation cost to the customers 30 days in advance.
- For the collection of debt, the collectors must introduce themselves to the customers by telling their names and objective in communication to the customers correctly and appropriately. In case of face to face communication, the documents must be shown to prove that they are permitted by the bank for the collection of debt. The bank specifies the time and frequency of collection of the debt which is proper and does not disturb personal time as follows:

- Monday - Friday                      8.00 AM - 8.00 PM
- Official holidays                      8.00 AM - 6.00 PM



- The bank focuses on publicizing the data of products and services in full details following the real supplementary for the decision making of consumers with details and conditions easily to understand. The terms and conditions must not be confused and must be revealed to the customers with the practice that make the customer accept in the terms and conditions before making decision to use the service.

- The bank publicizes the announcement on the interest rates and fees in advance before the change in order to let the customers know and make the decision by using the service. The publication will be done by announcing in all departments via our [www.lhbank.co.th](http://www.lhbank.co.th) website. Moreover, the interest rate is clearly indicated in the announcement following the financial budget, type of customers, details and conditions of such products so that the customers can use for the decision making.

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

- Off-Line media consists of many types of publication media at the branches of the bank and outside media including the Direct Mail directly sent to the customers
- On-Line media consists of via ATM machines, LCD, Website, Line, Facebook, Youtube, radio, television including SMS Alert service for inform the movement of customer accounts

The bank provides the employees with the knowledge in products and services in order to be able to give the information of the bank correctly and quickly. This is for the convenience in using service and also provided the Call Center Department that advisory service all 24 hours, telephone number 0 2359 0000 or 1327

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

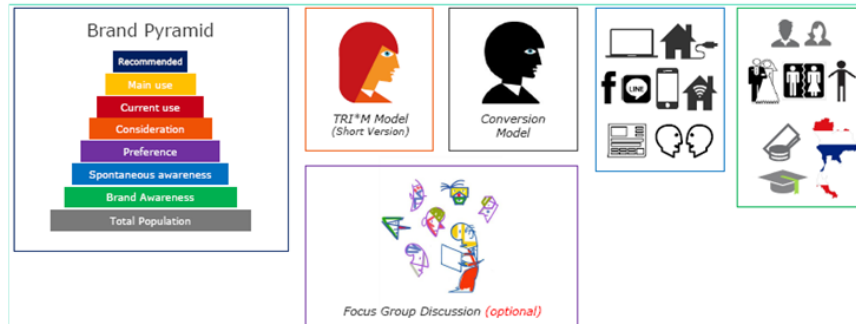
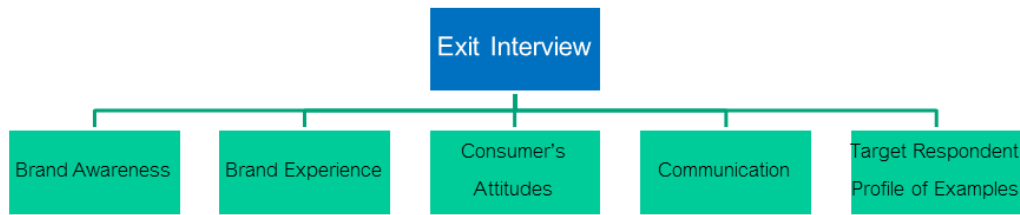
- Head Office / The Bank's Branches
- Contact Center: Calling 0 2359 0000 or 1327
- Website: [www.lhbank.co.th](http://www.lhbank.co.th)
- Official Facebook Fanpage

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

### **The Research and Customers' Satisfaction Measurement**

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





## Opening the Account for Blind Persons

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

### 1. Service Types

1. Providing to open the deposit account, deposit/withdrawal from deposit account and closing the deposit account only.
2. Opening the deposit account, savings and fixed deposit account only.
3. Withdrawal and closing the deposit account, the account owner's branch only.

## Participation in Opening the Baht Zero Deposit Account Project

As the National e-Payment Committee agreed to provide the social welfare data base integration and the payment of social welfare through electronics project. The bank pays attention the responsibility to consumers, so the bank participated in opening the Baht zero deposit account project for social security benefit payments and other expenses similar to the Comptroller General's Department, Ministry of Finance. The bank provided the in opening the Baht zero deposit account and waiver of account maintenance fee for eligible persons

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

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

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

However, the bank has disclosed the Service Level Agreement on the bank's website at [www.lhbank.co.th](http://www.lhbank.co.th), which consists of the following 5 financial services:

**1. Receiving and Taking Care of Complaints** consists of

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

**2. Loan for Retail Individual Customers** consists of

- Redemption of warranty
- Ownership transfer of cars/motorcycle to borrower when debt is completely paid.
- Consideration of revising debt structure and issuing a written confirmation of complete debt payment.
- Issuing the debt settlement confirmation letter
- Checking request of credit account status

**3. Deposits** consists of

- Banking transactions such as deposit/withdraw cash through ATM/CDM of the same bank or different bank, but an error occurred, did not receive money or the amount did not match with the account.
- Banking transactions, transferring, through e-wallet such as ATM/CDM/Internet/ Mobile Banking but an error occurred and the system malfunctioned causing the money not to be received, the bank will check the error information, result informing, and improving the information correctly.
- Request to check list of transfers to wrong account in the case of transfers to the same bank or other bank or e-wallet, the bank will check the error information and inform the information to the customers. However, this case not include suspected fraud.

**4. Electronic Cards** consists of

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

**5. General Services** consists of

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

## Market Conduct

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

- Receiving sincere and fair services
- Receiving the appropriate suggestions
- Receiving the fair prices and conditions
- Receiving the convenience in services and properly method of solutions
- Receiving the knowledge and understanding of their own rights and duties

## 7. Cooperation in the Development of Community and Society

Land and Houses Bank Public Company Limited plays the role in promoting the social activities in the occasions with the expectation for the highest benefits to the society and community. The creative and beneficial activities are conducted for promoting the activities of public and private sectors as well as supporting the scholarship, donating books or drinking water to non-profit organizations. The bank operates the activities for helping and enhancing the quality of life of young people and Thai society with the hope to enhance and strengthen Thai society for sustainable development.

The bank operated the social activities in 3 areas as follows:

1. Education
2. Society and Environment
3. Art and Culture

### 1. Education

Education is the foundation of every kind of success. The bank realizes the importance of giving the educational support to develop knowledge, abilities and quality of young Thai people. For example, our employees and customers participated in donating books to prisoners in the project “Give Books and Learning Materials to the Department of Corrections”. The bank also supports the scholarship program throughout the country. The purpose is to promote young people who are well-educated and capable to study at a higher level, but lacking of the money to have the opportunity to study.



Donated books to the Department of Corrections

### • Scholarship Project

Land and Houses Bank Public Company Limited realizes the importance of education and the development of youth which will be the country’s main strengths and power moving forward in the long-term future. Therefore, the bank has created the scholarship project which offers 18 scholarships across the country to the youths for the third consecutive year with the high academic performance, capability, and determination to further study to the end of high school level. The project’s goal is to cultivate youths with values and the importance of education as well as providing a sustainable way of improving the quality of the human resources.

### Project Objectives

- To create the stability of education for youths with high academic performance but lack of money for the youths in the Grade 1 can study to the end of Grade 6.
- To cultivate youths with values and the importance of education.
- To increase the quality and performance of human resources to the society.
- To carry out activities that benefits and help society and the country overall (Corporate Social Responsibilities).

### The Nature of Scholarship

- To offer the scholarships from the junior high school to high school students that have excellent academic record and good behavior.
- To divide the scholarship area through branch networks of the bank in 6 regions.
- To offer the scholarships total of 18 scholarships.

### Scholarship Qualifications

- Thai nationality and hometown is located in Thailand.
- Age between 11 – 18 years old.
- A person who lacks of the opportunities due to the poverty, or a person who is orphan and look after by a guardian that is poor, or a person who is under the care of a foster home or various foundations.
- Good behavior and discipline person.

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

### List of schools in the scholarship project of 2018 are as follows:

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

### Scholarship's Activity Pictures



Anurajaprasit School, Bangkok





Phuketwittayalai School, Phuket



Sankamphaeng School, Chiang Mai

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



#### Donating Used Computers Project

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



Donating Used Computers and Notebooks Project to Suanlumpinee School

## 2. Society and Environment

The bank promotes the project to continuously give the support in society and environment. The bank supports the projects and activities with associations and foundations by charitable donations made through the bank's ATM and all branches. In addition, the bank has invited the employees and the customers to participate in donating money to help the victims including the bank supports anti-corruption activities to encourage Thai society to resist all kinds of corruptions and also the bank supports the services with market conduct.

### • Society

The bank welcomes the donation via the bank's ATM for supporting public organizations such as Thammasat Chalermpkrakiat Hospital, the Foundation for Employment Promotion for the Blind and Phrakhruba Noi Khemmapunyo Foundation, and e-Donation project participating for encourage and provide the convenience to donators as well as Land and Houses Bank Public Company Limited has joined the Soft Loan Project to help SMEs established by Ministry of Finance to support the entrepreneurs for small and medium enterprises which encounter the business development and financial problems to increase the opportunities for SMEs to access more loans including strengthen the investment climate and creating money circulating in Thailand's economy.



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





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

#### • Volunteering Social Development Activity

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



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

#### • Encouraging and Developing the Education of the Thai Youth

The bank realized about the Thai youth as the future of the nation and how to make the youth to be smart and good. The bank joined the Thai Bankers Association and the members providing the project “Train the Trainer” which is the prototype project of the Financial Literacy plan for develop the financial knowledge of the country. The target of the project is the university students which have the banking officers is the trainer to teach the knowledge via activities for activate the recognition and the understanding to change the financial behavior appropriately.

**Train the Trainer project** has the 3 objectives as follows:

1. Developing the skill of financial knowledge for the speakers of the bank to the youth.
2. Creating the core of students to have the basic knowledge in personal financial planning and can extend the effect to the community.
3. Developing the curriculum for provide the knowledge of financial to the youth to create the understanding and to practice for real changing the financial behavior.

### Project Implementation Model

1. Providing the training for develop the trainer skill of 10 member banks in basic financial knowledge, financial knowledge providing and financial threat.
2. The lecturer who passed the training in number (1) went to the universities in Bangkok and boundary for give the basic knowledge of financial plan to the university students.

### "Saving for Change" Project Portfolio

1. Improve the financial skills and financial discipline of the 10 banks members, total 230 persons.
2. Training for 2,553 students from 8 universities.
3. Improve the attitudes of the youth target towards the bank in a better way.

Land and Houses Bank Public Company Limited is the 1 of the member of the Thai Bankers Association has continuously cooperated in the implementation of the project "Saving for Change" and being aware of the importance of cultivating the knowledge of planning, financial discipline and the moral of anti-corruption integrated into the society from the youth. This is a great way to build a strong and sustainable foundation for the society in the future.

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



The bank provided the knowledge and encouraging the Financial Literacy to the public in the Project "Train the Trainer"

### Employment the Elderly to be the Lecturer

The bank arranged the activity "Work Shop My Bank My Love" which is an annual event that aims to build up the good relationship between the customers and the bank on a regular basis. The bank provided the worth and benefit activities to the customers such as making flowers activity at Thai royal court, and D.I.Y My Bag activity etc.





## Products and Services for the Elderly

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

## Encouragement and Development of the Quality Life for the Disabled

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



### 3. Art and Culture

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



Supporting Children's Day Activities



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

## 8. Environmental Management

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

### • ECO Friendly

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



## Green Office Project

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

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

### Implementation of the Green Office Project

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

## Encourage the Employees to Participate the Value Using of Resources

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

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

## Vehicles Service Management

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

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

## Energy Management

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

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

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

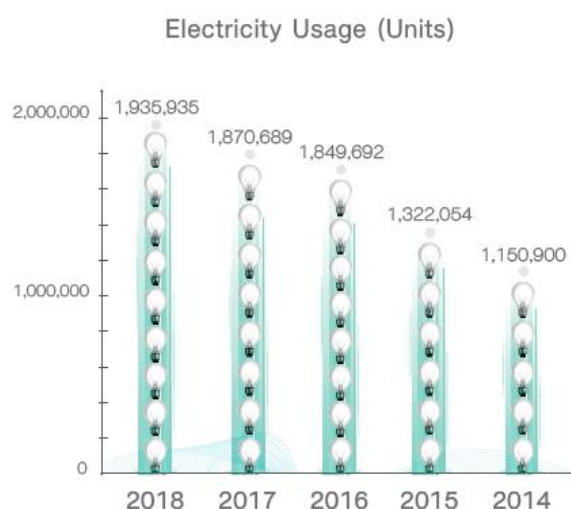
The bank provided employees training in various institutes both of government and private sector for creating the knowledge in this matter such as:

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

## Electricity Management

The bank has focused on environmental, economic and society, management of operation cost decreasing especially energy cost. The bank operated the business for financial service which using high energy such as light system, air conditioning and computer system. Therefore, the bank has determined the power operation guidelines in the operation plan of the related department and has monitored the effect of environmental management regularly as well as has evaluated the effectiveness continuously.

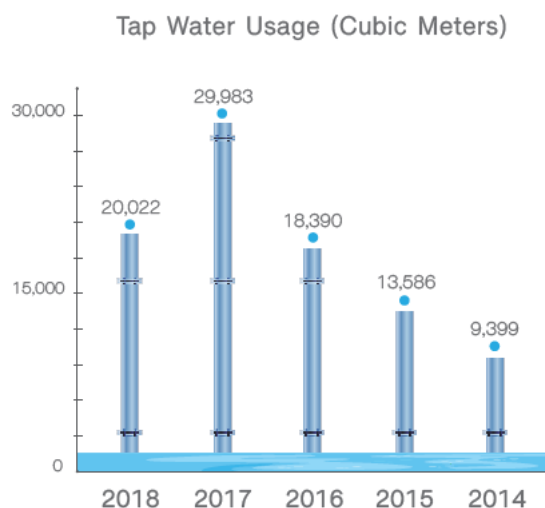
In the year 2018, the bank improved spaces to support the business expansion, used the meeting room and multi-purpose area for training, seminar and activities which high increased as a result for the year 2018, the bank had the electricity usage totaled 1,935,935 kWh, increased 3.49% when compared to the year 2017.



## Water Management

The bank used water from waterworks authority for business operation which the most usage in office, washing and tree watering. The bank try to reduce water usage which the bank determined regularly checking of pipe, water meter and equipment and also used sanitary ware, tap and bidet with water saving.

In the year 2018, the tap water usage totaled 20,022 units, decreased 33.22% when compared to the year 2017. The water usage reducing due to the bank has campaigned for cooperation from employees in water saving.





## Paper Management

The bank is fully aware that paper is office consumable as well as key office consumable which is needed for different stages of operations in financial service business, such as printing internally reports, document for customers, receipts, cheques, bank account books, and contract documents. As known that producing the paper is needed natural resources which are tree while there are massive rubbishes from used paper. Therefore, a campaign and awareness raising for employees on using paper save and worthwhile have been set as well as paperless operations model have been adapted continuously by reducing the quantity of the important paper of the bank as follows:

### Pool Printer Management Project

The bank has changed the printers from the single-function printers to the multi-function (4 in 1) printers which one printer is shared among a pool of departments. The result is the lower usage of paper, electricity, and space.

### Changing the Invitation Letter in Paper Form to iPad

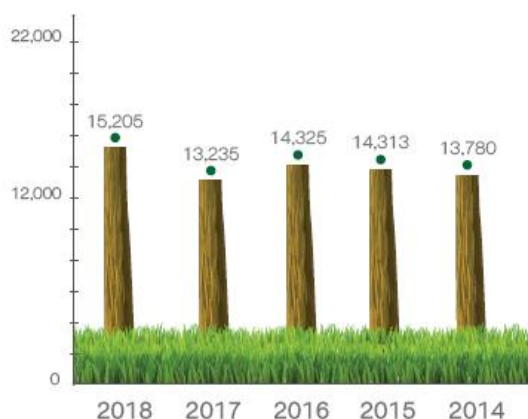
The bank has changed the process of preparing the meeting's materials of the Board of Directors, the Executive Committee, the Audit Committee, the Corporate Governance Committee, the Nomination and Remuneration Committee, and the Risk Oversight committee by changing the meeting's materials from paper to e-documents which recorded in iPad. As a result, this process can help to reduce paper consumption by approximately 5,000 pieces a month.

**Internet Banking (LH Bank Speedy)** is a service available for convenience in conducting financial transactions every day, everywhere, anytime. LH Bank Speedy has double security system to assure security with easy-to-use menu and to make sure for financial transactions. It provides services of fund transfer within the bank, fund transfer to the account of other bank, PromptPay fund transfer and payment for commodities and services, loan payment, checking the cheque status, stop cheque, insurance checking that purchase through the bank, account status checking and searching the bank branches. The bank immediately send message (SMS) to confirm results of all transactions to the customers for increasing security. This service helped to reduce the cost, paper quantity, ink, quantity of waste generated from the use of paper and increase of potential working due to save time for document preparing, and sending documents by mail.

### Paper Usage

The amount of paper used in operation for the year 2018 was 15,205 reams and increased by 14.88% when compared to the year 2017 which was 13,235 reams due to the business expanded in the year 2018.

Paper Usage (Reams)



## Paperless Guidelines

The bank provided the paperless guidelines aim to ensure that saving the papers and reducing the paper usages are systematic and concrete by consider on the guideline as follows:

1. Surveying and planning
2. Applying the use of technology by increasing electronic channels in operations instead of papers
3. Using paper worthwhile
4. Monitoring and evaluation
5. Behavioral adaptation of employees

### 1. Surveying and Planning

The bank surveyed the data of paper usage in each year with consider the numbers of employee, departments, and work supports as well as the clear paper usage plan by reducing the paper usage 5-10% of total amount of papers used each year. It is also to advocate employees to apply their operation by using more information or information technology system.

### 2. Technology Applying Usage

The bank supported and encouraged to use the more information technologies in the operations such as sending letter, dissemination information and knowledge through electronic channels. There are push forward activities to ensure that the implementations are in line of paperless plan as follows:

- Meeting tasks which changes from paper invitation letter of each committee to iPad recording, for the trainings which have enormous training document suggested to send the information by email, written on CD-ROMs or flash drives for attendees.
- Receiving and sending documents such as urgent circular letters by email.
- Collect the copies of documents from external agencies and internal documents by scanned file instead of copying documents. The bank applied the method by share file within the departments instead of printing and copying.

### 3. Using Papers Worthwhile

To save the papers more effective, it can be started from basic step by separated the one-side used papers or separate the color papers after that it is operated in these steps:

- Establish and set up storage points for one-side used papers in the common areas and advocate employees to take these papers to be reused of the remained side.
- Publicize to all employees in the department to aware of the one side used paper storage areas or locations.
- Reused the paper to be the notice papers or note book instead of using the post-it notes paper.
- Note the informal messages or record internally messages to coordinate among the department for inform to use the reuse papers.

### 4. Monitoring and Evaluation

To support paperless process are more effective and concrete, the bank has monitored and verified the information of paper usage in each department. The information was analyzed to be used in developing plan for the efficient paperless operations.

## 5. Behavioral Adaptation

The most important of the most effective in paperless operations must begin with behavioral adaptation of employees in the departments to have supportive attitudes and collaborate in practice highly such as:

- Separating types of used papers (colors/white) divided into 3 R principles as follows:
  1. Reduce amount and size
  2. Reuse
  3. Recycle by substituted or sell
- Printing document for verification is suggested to reused one-side used paper instead of new paper and used economy mode for printing.
- Reviewing the implemented activities and analyze points which needed to be improved or adapted the criterion of paper usage of each department in order to be more relevant to real operation and the most useful.

### Used Paper Management

The Thai people used papers in average 3.9 million ton or about 60 kilogram per person per year. Thus, to response to this need, the trees need to be cut up to 66.3 million trees per year or it can be referred that 126 trees must be cut down every minute.

The used paper 1 ton can substitute 15 trees to be cut down to produce paper. If all Thai people used paper prudently by using both sides of paper, the trees life will be protected up to 1.3 million trees. If all Thai people changed to use handkerchiefs instead of paper napkin, it will save life of 3,315,000 trees.

In general, almost 50% of the pile of garbage is the garbage that can be recycled which can be separated as 19% paper, 13% plastic, 8% glass and 5% metal. It can be seen that paper is the largest amount which considered as 2.47 million ton from all over the country. These used papers must be collected and sent to the paper factories in order to be used as raw material to produce recycled paper as the paper factories needed pieces of papers 2.5 million-ton per year. Therefore, the good method to increase the recycled papers from used papers is that collecting used papers from offices and households by separated these papers from other garbage types which is convenient to storage and deliver to be recycled. This is to create the most benefit to the economy, environment and natural resources.

Source: Green Science Project. Paperless Manual, Faculty of Science, Srinakharinwirot University.

The bank realizes and pays attention to the reducing of paper garbage. As a result, there were the recycle of the used paper, consequently, the bank has determined the operation regulations of document storage and destruction by taking document that due date to destroy to be recycled as follows:

	2018	2017	2016
The amount of document which due to date to destroy (Box)	721	599	1,701
The weight of document (Kilogram)	8,712	7,037	19,048
The trees that can substitute the cutting trees to produce paper per used papers 1 ton <sup>/1</sup> (Tree)	131	106	286

Remark<sup>/1</sup> The used paper 1 ton can substitute the cutting trees to produce paper up to 15 tons

Source: Green Science project. Paperless Manual, Faculty of Science, Srinakharinwirot University.

Calculation formula: Tree cutting replacement = 15 ton per a tree multiply the weight of the weighing document.

## Measurement of Intensity of Light in Workplace

The bank pays attention to the dangers of light that may impact to the employees. In case of insufficient illumination, it will cause negative symptoms to the eyes and may cause simple accidents like failing to catch an object or touching the dangerous part of the tools by mistake including affects the mental health, slow performance and lower motivation to work.

Since 2014, the bank has measured the intensity of light in all areas of the office to ensure the working area has a proper light and also conducts the light measurement every 3 years.

### Measurement Data and Data Collection Process

1. Measure at working area points: focus on the intensity of light on the spots that operators need to perform sight-specific work
2. Measure and average of the general area: measure the intensity of light in general areas such as walkways and working areas.

**The results of measurement of intensity of light in workplace:** After the actual measurement of the intensity of light in lux unit, it was found that illumination in the office was sufficient and compliant with the standard of not less than and not more than 400 lux.

## 5S Activity

The bank has applied the 5S activity which consists of sort, set in order, shine, standardize and sustainable. The activity is the neater workplace and environment free of dirt and unnecessary objects, healthier and more disciplined staff. This in turn results in saving of resources and costs. In addition, it contributes to a quality and efficient work which the 5S activity gained well cooperation from the employees and the bank has a continuous implementation of the activity.

### 5S Activity Results

1. Result of **Sort**
  - Cutting down the waste of resources
  - Having spare space for other purposes
  - Have a more spacious workplace and spacious clean resulting in a better mood of the employees
2. Result of **Set in order**
  - Settling the common and troublesome searches
  - Increased work efficiency
  - Creating good image for the bank
3. Result of **Shine (Cleaning)**
  - A pleasant working environment
  - Cutting down the waste of resources
  - Increased efficiency of tools and equipment and decreased breakdown of office supplies
4. Result of **Standardize**
  - Neat and tidy workplace
  - Employees in a good mood and willing to work better
5. Result of **Sustain**
  - All employees have a good habit and attitude toward work
  - Customers receive quality and fast service



## LH BANK ATM Stops Global Warming

The bank has played a part in helping slow down global warming constantly by reducing usage of electricity and printing of the transaction receipt from using ATM machines. This can be said that we save the environment through our ATM machines. As of 31 December 2018, the bank has totally 199 ATM machines and 5 automatic cash deposit machines including reduce the usage of electricity especially those in shopping malls which is accomplished by setting the switch of electricity and illumination according to operating hours of the mall.

## The Communication of Social Responsibilities Campaign

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

- Easy ways to save water, saving several liters of water
- 10 ways to reduce waste
- Easily saving energy for office man/women
- Save water methods to fight with drought crisis and having awareness, but don't panic for the situation
- Knowing tissue before using it via a topic “the new way in conserving the environment from recycle paper”



## 9. Innovation and Dissemination of Innovative Corporate Social Responsibilities

Land and Houses Bank Public Company Limited has committed in business innovation to create the highest benefits for the business and society. Moreover, financial products and services are being promoted continuously to facilitate and meet customers' needs. We are also preparing for the government's policy that aims toward Digital Transformation and Digital Economy which the bank aware to promote the product innovation development and digital financial service for helping customers' save traveling time, reduce their expenses and have more convenient service.

**Banking Service on Mobile Vans** is similar to a mobile branch, increasing channels of financial service for customers in several places. This service also allows customers to save time and expense in traveling to make transactions at the bank branches.

**No Slip Deposit – Withdrawal and Transfer Service** is another way to provide more convenient and faster transactions to customers.

**Internet Banking on Mobile (LH Bank M Choice)** is a service to convenience for conducting financial transactions via mobile phones, fund transfer, balance checking and bill payment at anywhere and anytime. Nowadays, mobile phones have become a part of life. This new service channel is not limited to places and time but still maintains the same form and safety standard as transactions at the bank branches.

**Internet Banking (LH Bank Speedy)** is a service available for convenience in conducting financial transactions every day, anywhere, anytime. LH Bank Speedy has double security system to assure security with easy-to-use menu and to make sure for financial transactions. It provides services of fund transfer within the bank, fund transfer to the account of other bank, PromptPay fund transfer and payment for commodities and services, loan payment, checking the cheque status, stop cheque, insurance checking that purchase through the bank, account status checking and searching the bank branches. The bank immediately send message (SMS) to confirm results of all transactions to the customers for increasing security.



**LH Bank Debit Chip Card** is a card to apply via all ATM of all bank with securities by Chip Card information recording, the customer trust in their financial transactions and the customers can use to inquire the balance account and withdrawal at the UnionPay International (UPI) ATM and also stuffs and services purchasing at the stores or online shopping conveniently including special promotion offering from the stores participated with UPI.



**LH Bank Premium** is a personal accident protection card highest Baht 300,000 which guaranteed by CHUBB, the customers just inform their health profile in the application form without health checking, this service will be effective immediately by covered medical expenses from the accident. The customers must show the LH Bank Premium card together with the identification card at infirmary following the contract.

**LH Bank PromptPay Service** is a new service to transfer funds for decreasing cash transactions by linking the citizen ID card and mobile phone numbers with LH Bank's account number.



In addition, money transfers easily by using their Identification card number or mobile phone number without using their account number which the bank provides the LH Bank PromptPay service via 4 channels as follows;

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

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

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

**Mobile Payment Service** is a service for stores that want to have bill payment service by using QR Code via E-Wallet in nationwide.

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

The bank has supported creativity and development of new innovations which will result in continuity of the bank improvement. At the same time, social responsibility and regular observations on the business operation are ensured to avoid risks or negative impacts to the society and environment. However, if such risks or negative impacts are found, the bank will try to seek for proper solutions immediately.

#### **Certification of information security management system standards (ISO/IEC 27001:2013)**

Land and Houses Bank Public Company Limited received a certificate of the information security management system standards (ISO/IEC 27001:2013) to enhance the management of information security of payment infrastructure to international standard consists of BAHTNET system and ICAS system for preventing the cyber threats that may cause financial loss and reputational damage which may affect the people and the wider economy.





## INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors and Executives of the bank emphasize the importance of good internal control and the significance of risk management and also sufficient internal controls in every aspect of the bank's operations, especially market conduct, banking product and cross selling, by requiring every unit of the bank to adhere to the internal control management as a good principle for business operation and employee performance. Moreover, the bank provides the unit responsible for risk management and risk management policy as the guideline for operation.

The bank determines that review of the efficiency and adequacy of the risk management process and internal control system by the Audit Committee is required. The essence consists of considering the appropriateness of scope of responsibilities, operation plan, including the results of the evaluation of adequacy and quality of risk management process, internal control system, corporate governance process and compliance with the rules and regulations of the bank and government authorities. This is reported to the Board of Directors in the case that a significant deficiency is found so that improvement and correction can be carried out and suggestions can be provided.

The bank emphasizes good corporate governance and internal control, provides the written policy and procedure manual, and arranges training to educate its people in order to develop the operational skills of the employees. This is to encourage them to be able to perform their work properly and effectively.

The bank has developed an employee handbook, discipline, professional code of ethics, code of conduct and ethics of the Thai Bankers' Association, and measures of disciplinary actions to make their performance effective, transparent and fair for the stakeholders, to continuously promote the strength of the good corporate governance and internal control in accordance with all levels of the bank<sup>contin</sup>, and to comprise the aforementioned matters into training programs for all level of employees.

The bank has determined the internal control activities as a part of the operational processes and control structures to be appropriate for all bank units. The bank divides the responsibilities between the operators and persons responsible for monitoring and evaluating in order to balance and check each other appropriately. The activities that may have a conflict of interest will be identified and implemented in compliance with the rules, business conditions and regulations in relation to the bank.

The information system of the bank has been developed continuously, including the financial information system, the operations in compliance with the principle of good corporate governance regarding information technology risk of the bank and other regulations. This is to follow up and evaluate the internal control system of the bank and for promptly correcting significant deficiencies to have accurate, complete and up-to-date information which will be useful for the Board of Directors and Executives to make decisions, and to have a quality channel of communications to ensure that all of the Executives and employees truly understand the policy and operational processes in relation to their responsibilities.

Monitoring and following up of the bank operations are carried out by the control group, which is independent in performing their work, and reports directly to the Audit Committee, by using a working principle that focuses on risk management which covers compliance with the laws, government regulations, policy, rules, operational procedures and code of conduct, in order to evaluate the adequacy of internal control, the appropriateness of the risk management, the effectiveness of resource management and the accuracy and reliability of the data.

Control group is obligated to consult on the implementation of the units responsible for verifying and monitoring according to the characteristic and scope of work. The objective is to add value and improve the operation of the bank by applying the principle of continuous audit and integrated audit.

In 2018, the control group provided the internal audit quality assessment of the bank from EY Corporate Services Limited, the independent external auditors, which the result of the internal audit quality assessment of audit department found that the operation was in line with the international Standards for the Professional Practice of Internal Auditing and some issues the audit department should be improve according to the external auditors' suggestions to ensure for quality internal control, operation according to the international Standards for the Professional Practice of Internal Auditing and related regulations.

The bank is always aware that its internal control is a significant procedure of business operations which can provide effective performance, confidence that the bank's operation can achieve the objectives and create long-term benefit, financial reports, reliable operations, compliance with the laws, rules and regulations, and prevention of activities which may cause damage to the bank's assets and reputation. Therefore, the bank has provided the monitoring and evaluation of internal control during operations and regular follow-up evaluation to ensure that the internal controls of the bank still conform and the changing risks during the period can be managed. The deficiencies of internal control will be reported to the Executives responsible for such work, and the significant deficiencies will also be reported to the Top Executives, the Audit Committee and the Board of Directors as appropriate.

#### **Appointment and Remuneration of the Auditor**

The Audit Committee has the role of appointing the auditors by proposing the auditors and the Audit Committee will consider the qualifications and performance of the auditors before proposing to the Board of Directors each year. This includes the auditor's remuneration in order to propose to the Shareholders' Meeting for approval. In this regard, the name list of the auditors will be approved by the Bank of Thailand.

In 2018, the auditors of the bank which was EY Office Limited, the auditor of the financial statements in the fiscal year 2018, proposed the financial statement report based on unconditional opinion.

#### **Internal Control Monitoring**

- **General Audit Department, Branch Audit Department and Information Technology Audit Office**

The mentioned departments and the office have the duty of auditing and monitoring the operations in compliance with policy, regulations, operational process, code of conduct, as well as the requirements under the laws and government regulations, auditing the internal control system to evaluate the efficiency of resource management, the validity and reliability of the data, and proposing guidelines for improving operations to reduce risk. In addition, the bank has determined the audit system and internal control to strictly maintain the customer information in accordance with the laws and regulations specified by the bank.

- **Fine Penalty Money Information Significantly under the Laws Governing**

In the year 2019, Land and Houses Bank Public Company Limited is the subsidiary of LH Financial Group Public Company Limited without fine penalty money significantly under the laws governing.

## RELATED PARTY TRANSACTIONS

Related party transactions are defined as transactions which are similar to or competitive with one another or have any other relation that may constitute conflicts of interest between the bank and a party with potential conflicts of interest. In considering related party transactions with related persons/companies, the bank applies normal policies, trade terms, and conditions in accordance with predefined processes in an appropriate, transparent, and accurate manner, taking into consideration the utmost benefits of the bank and its shareholders.

Related party transactions which the bank had transactions with persons or related parties, the bank has policies and procedures to prevent conflict of interest and comply with the Bank of Thailand's notification and the bank's regulators. The related party transaction was considered by the same policies with general customers and normal trade terms through the transparent approval process regarding to the advantages of the bank and its shareholders.

The person or related party of the bank has defined as a person or company that has the authorities to control the bank or under the same control directly or indirectly with the bank. Moreover, person or related parties comprise of enterprises and person who have significant influence to the bank, whether directly or indirectly to the bank which their related party transactions are disclosed in the notes to the financial statements under the subject "Related party transactions".

### Necessities and Rationales of the Transactions

The bank conduct the related party transactions with care and take into account the maximum benefit to be received by the bank and its shareholders. All related party transactions conducted by the bank with the person who has conflicts of interest are either normal business operation or reasonable and appropriate to support the normal business of the bank. The terms and conditions of the related party transactions use the normal trade terms, the regular market prices. Including the bank has operated follow the regulation and has disclosed the information completely.

Furthermore, the Audit Committee shall examine related party transactions that may occur in the future with persons who have potential conflicts of interest or stakeholders, and gives opinions on the necessity and rationale of such transactions. In the case where the audit committee does not have the expertise in considering such transactions, the bank will assign independent experts or its auditors to give opinions on the transactions on which the bank its shareholders, whichever is applicable, will base their decisions. In any case, the bank will always disclose such transactions in its audited financial statements.

### Measures for Approving Related Party Transactions

In approving the related party transactions, the bank takes into consideration the interests of the bank, and its shareholders. Such transactions are subjected to due procedures based on the regulations of the bank and scrutinized by responsible committees and price them based on comparable trade terms with a third party. The bank has sought approval in principle for the bank to conduct transactions with normal trade terms with their directors, executives and related persons. In addition, the audit committee shall examine related party transactions that may occur in the future with persons with potential conflicts of interest or stakeholders and gives opinions on the necessity and rationale of such transactions. In the case where the audit committee does not have the expertise in considering such transactions, the bank will assign independent experts or its auditors to give opinions on the transactions on which the bank or the shareholders, whichever is applicable, will base their decisions. In any case, the bank will always disclose such transactions in its audited financial statements.

## Policies and Trends for Future Related Party Transactions

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

For related party transactions which may occur in the future, the Board of Directors and the Audit Committee of the bank shall comply with the law on equities and the stock exchange, as well as related regulations, notifications, and orders.

## The Director with Vested Interest in Any Contract of the Bank during the Fiscal Year

- None -

## Information Disclosure

The bank discloses related party transactions and connected transactions in the annual report.

## Related Party Transactions

Significant business transactions with their related parties, including transactions with directors, executive or other persons with equivalent position, including entities that the persons or related persons have management authorities, or entities in which the Bank or directors or such executives hold in aggregate of more than 10 percent of the paid-up share capital of those entities, which were disclosed in the Note No. 38 to the financial statements of the bank. The details were as follows:



## The Outstanding Balances

As at 31 December 2018, the outstanding balances of transactions between the bank and their related parties can be summarized as follows:

(Unit: Million Baht)

Relationship <sup>1</sup>	Interbank and money market items (assets)	Investments - Cost	Loans to customers	Accrued interest receivables on loans to customers	Other assets	Deposits	Interbank and money market items (liabilities)	Debts issued and borrowings	Accrued interest payables	Other liabilities	Commitments – letters of bank guarantee
1. Parent company	-	-	3,388.01	0.24	0.30	2.08	-	84.10	0.48	-	-
2. Subsidiaries of the Bank's parent company	2,627.02	-	-	-	3.29	4.90	45.93	-	-	-	-
3. The major shareholders of the Bank's parent company	-	-	-	-	6.16	5,366.81	250.87	-	2.40	0.13	-
4. Related companies	-	357.71	460.00	4.49	30.60	9,510.87	-	-	7.77	1.28	21.19
5. Directors and executives	-	-	13.86	-	-	99.03	-	34.00	0.23	-	-
6. Related persons	-	-	39.74	0.01	-	740.21	-	41.20	1.44	-	-
<b>Total</b>	<b>2,627.02</b>	<b>357.71</b>	<b>3,901.61</b>	<b>4.74</b>	<b>40.35</b>	<b>15,723.90</b>	<b>296.80</b>	<b>159.30</b>	<b>12.32</b>	<b>1.41</b>	<b>21.19</b>

Notes <sup>1</sup> The nature of the relationships are described in the Note No. 38 to the financial statements "Related party transactions"

## Transactions during the year 2018

During the year 2018, the bank had significant business transactions with its related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the bank and their related parties are as follows:

(Unit: Million Baht)

Relationship <sup>1</sup>	Interest income	Fees and service income	Dividend income	Other operating income	Dividends paid	Interest expenses	Other operating expenses
1. Parent company	56.49	0.23	-	-	1,840.00	5.18	1.45
2. Subsidiaries of the Bank's parent company	66.37	80.71	-	1.15	-	6.92	-
3. The major shareholders of the Bank's parent company	-	-	-	-	-	32.59	27.52
4. Related companies	16.73	-	25.34	-	-	57.35	110.43
5. Directors and executives	0.31	-	-	-	-	3.06	-
6. Related persons	1.08	-	-	-	-	13.35	-
<b>Total</b>	<b>140.98</b>	<b>80.94</b>	<b>25.34</b>	<b>1.15</b>	<b>1,840.00</b>	<b>118.45</b>	<b>139.40</b>

Notes <sup>1</sup> The nature of the relationships are described in the Note 38 to the financial statements "Related party transactions"

## THE AUDIT COMMITTEE'S REPORT

The Audit Committee consists of 4 independent directors as follows:

- |                 |               |                                 |
|-----------------|---------------|---------------------------------|
| 1. Mr. Phairoj  | Hengsakul     | Chairman of the Audit Committee |
| 2. Mr. Somsak   | Assavapokee   | Member of the Audit Committee   |
| 3. Dr. Supreeya | Kuandechakup  | Member of the Audit Committee   |
| 4. Mr. Pradit   | Sawattananond | Member of the Audit Committee   |

Mrs. Wilawan Sutthibutr, Executive Vice President, Control Group is the Secretary.

In addition, the Board of Directors has appointed Mr. Pradit Sawattananond to be the member of the Audit Committee on March 19, 2018.

The Audit Committee has performed duties under the scope of responsibilities prescribed in the Audit Committee Charter assigned by the Board of Directors. During the year 2018, the Audit Committee had total 13 meetings and reported the result of the meeting to the Board of Directors, the summary is as follows:

### 1. Financial Report Reviewing

Verifying the financial statements prepared under the financial reporting standards to consider the accuracy and completeness of information, adequacy of disclosure information, auditing results, and significance risk.

In addition, the committee has reviewed the company's performance quarterly and has arranged the meeting with the auditors for discussing that they should perform their duties and giving opinion independently and the auditors should report the issues that have been identified to the Audit Committee completely.

### 2. Internal Control and Internal Audit

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

### 3. External Auditor

Selecting the auditor by consider their knowledge, ability, experience, reliability, sufficiency of resources, and the assessment results of the independent and working quality for the auditors in the previous year. For the auditor's fee has been set by considering the scope of auditor's responsibilities.

In the year 2018, the auditor of the company was EY Office Limited audited the financial statements for the year 2018 and presented the financial statements in accordance with Thai Financial Reporting Standards.



#### 4. Related Party and Conflict of Interest

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

#### 5. Risk Management

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

#### 6. Anti-Corruption Measurement

Acknowledgement the renewal of Thailand's Private Sector Collective Action Coalition Against Corruption's member.

#### 7. Self – Assessment

Evaluating the performance self-assessment by compared the important activities of the Audit Committee with the Audit Committee charter, the relevant rules and good practices. The assessment results reveal that the Audit Committee had performed its duties and responsibilities adequately and efficiently as specified in the Audit Committee Charter, relevant rules and as assigned by the Board of Directors.

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



(Mr. Phairoj Hengsakul)  
Chairman of the Audit Committee



## THE NOMINATION AND REMUNERATION COMMITTEE'S REPORT

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

- |               |               |                               |
|---------------|---------------|-------------------------------|
| 1. Mr. Somsak | Assavapokee   | Member of the Audit Committee |
| 2. Mr. Shih,  | Jiing-Fuh     | Member of the Audit Committee |
| 3. Mr. Pradit | Sawattananond | Member of the Audit Committee |

Mr. Ruangsak Vitavaskarnvej, First Senior Vice President, Human Resource Group is the Secretary.

In the year 2018, the Nomination and Remuneration Committee arranged 6 meetings, the committee had considered the core agendas for propose to the Board of Directors as follows:

- Nominating the additional director and nominating the new director replace the resigned director.
- Reviewing the duties and responsibilities scope of the Nomination and Remuneration Committee conform to the Bank of Thailand's notification regarding the criteria for approval the appointment of director, manager, authority, or consultant of the financial institutional, the corporate governance of the financial institutional consists of determination of the policies, the criteria, the qualifications, and the nomination method of directors and top executives that required the official agencies approval, selection and nomination the qualified candidate for director, authority, and consultant, supervision the disclosure of policies and details of the director and the authority nomination procedure in the annual report, determination the guidelines of performance assessment for director and authority, and disclosure the policies of remuneration determination and disclosure the remuneration in various forms.
- Considering the special case for employment of the retired officer that over the rules.
- Nominating and selecting the person to be the authority.
- Acknowledging the progress and provide the suggestions for the succession plan and development the executives in significant position.
- Considering the annual performance and proposing the bonus rate for the year 2018 and salary adjustment for the year 2019 for the Chief Executive Officer and President to propose the Board of Directors for approval.
- Considering the budget of annual bonus payment for the year 2018, the budget of salary adjustment for the year 2019 for the employees to propose the Board of Directors for approval.
- Considering the performance self-assessment of the Nomination and Remuneration Committee for the year 2018 according to the corporate governance principle.



(Mr. Somsak Assavapokee)

Chairman of the Nomination and Remuneration Committee

## REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENT

The Board of Directors of Land and Houses Bank Public Company Limited are responsible for the separated and consolidated financial statements and the financial information presented in this annual report. The aforementioned financial statements were prepared in accordance with the generally accepted accounting principles, applying appropriate and consistent accounting policies and with careful judgments. The important information is adequately and transparently disclosed for shareholders and other investors in the notes to financial statements.

The Board of Directors has established and maintained the appropriate and effective risk management and internal control system in order to rationally assure that the accounting information is correctly and completely recorded and adequate to sustain assets of the bank.

The Board of Directors has appointed the Audit Committee comprised of independent directors responsible for the quality of the financial statements and an internal control. The Audit Committee's comments in these issues are included in the Audit Committee Report in this annual report.

The separated and consolidated financial statements of the bank were audited by the certified public accountant of EY Office Limited. In the audit, the bank has supported all information, data and documents in order that the auditor would be able to audit and address opinions to the auditing standards. The auditor's opinions were included in the Report of independent Auditor in this annual report.

In the Board of Directors' point of view, the bank has an appropriate and adequate internal audit control system for the credibility of the separated and consolidated financial statements of the bank as of December 31, 2017.



(Mr. Rutt Phanijphand)  
Chairman



(Mrs. Sasitorn Phongsathorn)  
President

## Independent Auditor's Report

To the Shareholders of Land and Houses Bank Public Company Limited

### Independent Auditor's Report

To the Shareholders of Land and Houses Bank Public Company Limited

#### Opinion

I have audited the accompanying financial statements of Land and Houses Bank Public Company Limited (the Bank), which comprise the statement of financial position as at 31 December 2018, the related statements of comprehensive income, changes in owners' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Land and Houses Bank Public Company Limited as at 31 December 2018, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

#### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Bank 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.

#### 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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank'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 Bank'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 Bank'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 Bank 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.

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



Rachada Yongsawadvanich

Certified Public Accountant (Thailand) No. 4951

EY Office Limited

Bangkok: 25 February 2019

Land and Houses Bank Public Company Limited

Statements of financial position

As at 31 December 2018 and 2017

(Unit: Thousand Baht)

	Note	2018	2017
<b>Assets</b>			
Cash		1,839,570	1,994,550
Interbank and money market items - net	6	21,566,859	20,928,063
Derivative assets	7	111,046	103,651
Investments - net	8	55,312,914	55,236,564
Loans to customers and accrued interest receivables	9		
Loans to customers		161,927,057	154,067,279
Accrued interest receivables		224,142	257,014
Total loans to customers and accrued interest receivables		162,151,199	154,324,293
Less : Deferred revenue		(33,824)	(46,971)
Allowance for doubtful accounts	10	(3,763,230)	(3,388,686)
Revaluation allowance for debt restructuring	11	(11,994)	(14,023)
Loans to customers and accrued interest receivables - net		158,342,151	150,874,613
Properties foreclosed - net	13	87,949	102,137
Premises and equipment - net	14	216,421	258,313
Intangible assets - net	15	345,068	170,134
Deferred tax assets	16.1	260,773	210,002
Accrued interest receivables on investments		290,818	308,023
Other assets - net	17	284,409	210,220
<b>Total assets</b>		<b>238,657,978</b>	<b>230,396,270</b>

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

Land and Houses Bank Public Company Limited

Statements of financial position (continued)

As at 31 December 2018 and 2017

(Unit: Thousand Baht)

	Note	2018	2017
<b>Liabilities and owners' equity</b>			
Deposits	19	168,171,003	143,741,919
Interbank and money market items	20	9,277,424	15,415,970
Liabilities payable on demand		172,822	219,784
Debts issued and borrowings - net	21	23,290,463	32,979,124
Interest payables		549,441	434,648
Accrued expenses		478,783	476,004
Provisions for liabilities	22	131,827	117,942
Tax payable		319,670	325,786
Revenue received in advance		287,586	269,013
Accounts payable on securities trading		-	40,741
Dividend payable		-	1,000,000
Other liabilities	23	374,720	253,018
<b>Total liabilities</b>		<b>203,053,739</b>	<b>195,273,949</b>
<b>Owners' equity</b>			
Share capital	24		
Registered Issued and paid-up			
2,000,000,000 ordinary shares of Baht 10 each		20,000,000	20,000,000
Share premium	24	10,598,915	10,598,915
Other component of owners' equity			
Revaluation surplus (deficit) on available-for-sale investments			
- net of income taxes	8.3	(102,215)	145,098
Retained earnings			
Appropriated - statutory reserve	25	717,200	588,700
Unappropriated		4,390,339	3,789,608
<b>Total owners' equity</b>		<b>35,604,239</b>	<b>35,122,321</b>
<b>Total liabilities and owners' equity</b>		<b>238,657,978</b>	<b>230,396,270</b>

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



Land and Houses Bank Public Company Limited

Statements of comprehensive income

For the years ended 31 December 2018 and 2017

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

	Note	2018	2017
<b>Profit or loss:</b>			
Interest income	28	8,574,667	8,653,690
Interest expenses	29	(3,671,063)	(3,673,471)
<b>Net interest income</b>		4,903,604	4,980,219
Fees and service income	30	356,247	400,579
Fees and service expenses	30	(73,143)	(74,856)
<b>Net fees and service income</b>		283,104	325,723
Gains on trading and foreign exchange transactions		1,308	989
Gains on investments	31	191,735	65,774
Dividend income		658,742	392,829
Other operating income		19,572	28,659
<b>Total operating income</b>		6,058,065	5,794,193
<b>Other operating expenses</b>			
Employees' expenses		1,200,878	1,167,839
Directors' remuneration	32	20,834	17,414
Premises and equipment expenses		671,062	672,973
Taxes and duties		217,486	220,086
Advertising and promotional expenses		78,668	89,708
Amortisation on intangible assets		50,986	58,770
Other expenses		122,159	119,149
<b>Total other operating expenses</b>		2,362,073	2,345,939
<b>Bad debts, doubtful accounts and impairment loss</b>	33	570,163	617,142
<b>Profits before income tax expenses</b>		3,125,829	2,831,112
Income tax expenses	16.2	(556,598)	(519,047)
<b>Profits for the years</b>		2,569,231	2,312,065

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

Land and Houses Bank Public Company Limited  
Statements of comprehensive income (continued)  
For the years ended 31 December 2018 and 2017

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

	Note	2018	2017
<b>Other comprehensive income (loss):</b>	<b>34</b>		
Items to be recognised in profit or loss in subsequent periods:			
Gains (losses) on revaluation of available-for-sale investments			
- net of income taxes		(247,313)	227,349
Total items to be recognised in profit or loss in subsequent periods		(247,313)	227,349
Items not to be recognised in profit or loss in subsequent periods:			
Actuarial losses - net of income taxes		-	(14,086)
Total items not to be recognised in profit or loss in subsequent periods		-	(14,086)
<b>Other comprehensive income (loss) for the years</b>		<b>(247,313)</b>	<b>213,263</b>
<b>Total comprehensive income for the years</b>		<b>2,321,918</b>	<b>2,525,328</b>
<b>Earnings per share:</b>	<b>35</b>		
Basic earnings per share			
Profits for the years (Baht per share)		1.285	1.399
Weighted average number of shares (Thousand shares)		2,000,000	1,653,151

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

Land and Houses Bank Public Company Limited  
Statements of changes in owners' equity  
For the years ended 31 December 2018 and 2017

(Unit: Thousand Baht)

	Note	Issued and paid-up share capital	Share premium	Other component of owners' equity - Revaluation surplus (deficit) on available-for-sale investments - net of income taxes	Retained earnings		Total
					Appropriated - statutory reserve	Unappropriated	
<b>Balance as at 1 January 2017</b>		14,000,000	-	(82,251)	473,000	3,107,129	17,497,878
Issuance of additional ordinary shares		6,000,000	10,598,915	-	-	-	16,598,915
Appropriated to statutory reserve	25	-	-	-	115,700	(115,700)	-
Dividends paid	26	-	-	-	-	(1,499,800)	(1,499,800)
Profit for the year		-	-	-	-	2,312,065	2,312,065
Other comprehensive income (loss) for the year		-	-	227,349	-	(14,086)	213,263
Total comprehensive income for the year		-	-	227,349	-	2,297,979	2,525,328
<b>Balance as at 31 December 2017</b>		<b>20,000,000</b>	<b>10,598,915</b>	<b>145,098</b>	<b>588,700</b>	<b>3,789,608</b>	<b>35,122,321</b>
<b>Balance as at 1 January 2018</b>		20,000,000	10,598,915	145,098	588,700	3,789,608	35,122,321
Appropriated to statutory reserve	25	-	-	-	128,500	(128,500)	-
Dividends paid	26	-	-	-	-	(1,840,000)	(1,840,000)
Profit for the year		-	-	-	-	2,569,231	2,569,231
Other comprehensive loss for the year		-	-	(247,313)	-	-	(247,313)
Total comprehensive income (loss) for the year		-	-	(247,313)	-	2,569,231	2,321,918
<b>Balance as at 31 December 2018</b>		<b>20,000,000</b>	<b>10,598,915</b>	<b>(102,215)</b>	<b>717,200</b>	<b>4,390,339</b>	<b>35,604,239</b>

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

Land and Houses Bank Public Company Limited

Statements of cash flows

For the years ended 31 December 2018 and 2017

	(Unit: Thousand Baht)	
	2018	2017
<b>Cash flows from operating activities</b>		
Profits before income tax expenses	3,125,829	2,831,112
Adjustments to reconcile profits before income tax expenses to net cash provided by (paid from) operating activities		
Depreciation and amortisation	148,422	183,964
Bad debts, doubtful accounts and impairment loss	570,163	617,142
Provisions for employee benefits	22,154	22,595
Losses on impairment of properties foreclosed	38	1,660
Losses on disposals/write-offs of leasehold improvements and equipment	98	87
Gains on sales of investments	(191,735)	(65,774)
Net interest income	(4,903,604)	(4,980,219)
Dividend income	(658,742)	(392,829)
Cash received on interest income	7,069,152	7,025,600
Cash paid on interest expenses	(3,532,002)	(3,827,292)
Cash paid on income taxes	(559,096)	(525,132)
<b>Profits from operation before changes in operating assets and liabilities</b>	<b>1,090,677</b>	<b>890,914</b>
(Increase) decrease in operating assets		
Interbank and money market items	(642,642)	(2,990,992)
Loans to customers	(8,060,422)	(13,145,499)
Properties foreclosed	14,150	3,525
Other assets	(83,089)	(21,265)
Increase (decrease) in operating liabilities		
Deposits	24,429,084	(5,897,580)
Interbank and money market items	(6,138,546)	(4,637,856)
Liabilities payable on demand	(46,962)	143,793
Short-term debts issued and borrowings	(14,684,608)	12,504,485
Accrued expenses	(21,490)	2,387
Provisions for liabilities	(8,509)	(21,315)
Other liabilities	145,401	37,604
<b>Net cash used in operating activities</b>	<b>(4,006,956)</b>	<b>(13,131,799)</b>

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

Land and Houses Bank Public Company Limited

Statements of cash flows (continued)

For the years ended 31 December 2018 and 2017

(Unit: Thousand Baht)

	2018	2017
<b>Cash flows from investing activities</b>		
Proceeds from sales of available-for-sale investments	1,765,264	430,321
Proceeds from held-to-maturity investments	5,073,412	2,646,200
Cash received on interest income on investments	1,615,321	1,669,620
Cash received on dividend income on investments	658,742	392,829
Invested in available-for-sale investments	(3,426,363)	(3,975,080)
Invested in held-to-maturity investments	(3,705,151)	(4,130,000)
Proceeds from disposals of equipment	131	462
Cash paid for purchases of leasehold improvements and equipment	(58,913)	(67,794)
Cash paid for purchases of intangible assets	(226,414)	(58,434)
<b>Net cash provided by (used in) investing activities</b>	<b>1,696,029</b>	<b>(3,091,876)</b>
<b>Cash flows from financing activities</b>		
Increase in long-term debts issued and borrowings	4,995,947	9,979
Dividends paid	(2,840,000)	(499,800)
Proceeds from issuance of additional ordinary shares	-	16,598,915
<b>Net cash provided by financing activities</b>	<b>2,155,947</b>	<b>16,109,094</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(154,980)</b>	<b>(114,581)</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>1,994,550</b>	<b>2,109,131</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>1,839,570</b>	<b>1,994,550</b>

Supplemental cash flows information

Non-cash related items:

Purchases of assets on credit	14,975	18,849
Bad debts written-off	63,199	14,509
Decrease in loans to customers due to debt forgiveness	41,533	-
Dividend payable	-	1,000,000

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

## Land and Houses Bank Public Company Limited

### Notes to financial statements

For the years ended 31 December 2018 and 2017

#### 1. The Bank's information

Land and Houses Bank Public Company Limited (“the Bank”) was incorporated as a public limited company under Thai laws and has been operating a commercial bank business in Thailand. LH Financial Group Public Company Limited is the parent company, holding 99.99% of the issued and paid-up share capital of the Bank.

The Bank's registered office is located at No. 1, on the G, 1st, 5th, 6th and 32nd floors of Q-House Lumpini Building, South Sathorn Road, Thungmahamek Sub-district, Sathorn District, Bangkok. As at 31 December 2018, the Bank has 1 head office and 127 branches in Thailand (31 December 2017: 1 head office and 132 branches in Thailand).

#### 2. Basis for preparation of financial statements

These financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and with reference to the principles stipulated by the Bank of Thailand (“BoT”). The presentation of the financial statements has been made in compliance with the Bank of Thailand's regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 4 December 2015.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 4 to the financial statements regarding a summary of significant accounting policies.

The financial statements in Thai language are the official statutory financial statements of the Bank. The financial statements in English language have been translated from the financial statements in Thai language.

#### 3. New and revised financial reporting standards

##### 3.1 Financial reporting standards that became effective in the current year

The Bank adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on these financial statements.

### 3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The Bank's management believes that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

#### TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The Bank's management already assessed that this standard will not have any significant impact on the Bank's financial statements in the year when it is initially applied.

### 3.3 Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:



Financial reporting standards:

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

Accounting standard:

TAS 32 Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

TFRIC 16 Hedges of a Net Investment in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The Bank's management is currently evaluating the impact that may have from this of TFRSs to the financial statements in the year when they are initially applied.

#### 4. Summary of significant accounting policies

##### 4.1 Revenue recognition

###### (a) Interest and discount on loans to customers

The Bank 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 Bank 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 Bank recognises interest income from hire purchase as revenue over the period of the contracts, using the effective interest rate method. If hire purchase receivables default on installments and are overdue more than three months from the due date, the Bank ceases accrual of revenue and reverses the revenue previously recorded from its accounts.

The Bank 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 Bank 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.

(b) Fees and service income

Fees and service are recognised as revenues on an accrual basis, taking into account the stage of completion.

(c) Gains (losses) on investments

Gains (losses) on investments are recognised as revenues or expenses on the transaction dates.

(d) Interest and dividends

Interest is recognised as revenues on an accrual basis. Dividends are recognised as revenues when the right to receive the dividends is established.

#### 4.2 Expense recognition

(a) Interest expenses

Interest expenses are recognised on an accrual basis. Interest on notes payable included in the face value is recorded as deferred interest expense, which will be amortised as expenses evenly throughout the term of the notes.

(b) Commission and direct expenses charged on hire purchase

Commission and direct expenses incurred at the inception of a hire purchase contract i.e. commission expenses, are to be gradually amortised, using the effective interest rate method, to be presented net of interest income on hire purchase.

(c) Fees and service expenses and other expenses

Fees and service expenses and other expenses are recognised as expenses on an accrual basis.

#### 4.3 Cash and cash equivalents

Cash and cash equivalents are the amounts included in the statements of financial position under the caption of “Cash”, which consists of cash on hand and cheques in transit.

#### 4.4 Securities purchased under resale agreements/securities sold under repurchase agreements

The Bank enters into agreements to purchase securities or to sell securities that include agreements to sell or purchase the securities back at certain dates in the future at fixed prices. Amounts paid for securities purchased subject to resale commitments are presented as assets under the caption of “Interbank and money market items” in the statements of financial position, and the underlying securities are treated as collateral to such receivables, while securities sold subject to repurchase commitments are presented as liabilities under the caption of “Interbank and money market items” in the statements of financial position at the amounts received from the sale of those securities, and the underlying securities are treated as collateral.

The differences between the purchase price and the sale considerations are recognised as interest income or expenses, as the case maybe, over the transaction periods.

#### 4.5 Investments

Available-for-sale investments are stated at fair value. Changes in the fair value of these investments are recognised in other comprehensive income (loss), and will be subsequently recognised in profit or loss when the investments are sold.

Held-to-maturity investments are presented at amortised cost less allowance for impairment (if any). The premium/discount on debt securities is amortised by the effective interest rate method with the amortised amount presented as an adjustment to interest income.

Investments in non-marketable equity securities, which are classified as general investments, are stated at cost less allowance for impairment (if any).

The fair value of marketable equity securities is based on the last bid price of the last working day of the reporting periods on the Stock Exchange of Thailand. The fair value of debt securities is based on the yield rates quoted by the Thai Bond Market Association.

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 Bank records purchases and sales of investments on the transaction date. On disposal of an investment, the difference between net disposal proceeds and the cost of an investment is recognised in profit or loss. The Bank uses the weighted average method for computation of the cost of an investment when it is sold.

#### 4.6 Loans to customers

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.

#### 4.7 Allowance for doubtful accounts

The Bank provides allowance for doubtful accounts in accordance with the BoT's guidelines, using the minimum rates stipulated by the BoT, based on loan classification as follows:

For loans classified as “pass” (including restructured loans) and “special-mention”, the minimum rates stipulated by the BoT are 1% and 2%, respectively, of the loan balances net of deferred revenue (excluding accrued interest receivables) after deducting collateral value in accordance with criteria stipulated by the BoT.

For non-performing loans, which are loans classified as “sub-standard”, “doubtful” and “doubtful of loss”, the minimum rate stipulated by the BoT is 100% of the excess of the loan balances over the present value of expected future cash flows from debt collection or from collateral disposal. The discount rates and expected durations required to dispose collateral used in determining the present value are in accordance with criteria stipulated by the BoT.

Moreover, the Bank sets up, in addition to aforementioned minimum rates, an additional allowance for doubtful accounts to reflect the amounts that are not expected to be collectible from debtors, based on evaluation of the probability of default and loss given default. The evaluation takes into consideration debtors' collection history, default experience and the value of the underlying collateral.

Allowance for doubtful accounts additionally set up or reversed is charged to increase or reduce bad debts and doubtful accounts expenses for each year.

Amounts written off as bad debts are deducted from allowance for doubtful accounts. Write offs are only made for loans which the Bank 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.

#### 4.8 Troubled debt restructuring and loss from debt restructuring

The Bank 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 Bank 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 Bank will calculate discounted cash flows from the disposal of collateral or expected future cash flows from repayment using the original

contract rates. The excess of the recorded outstanding loans to customers balances over the determined present value of future cash flows is accounted for as revaluation allowance for debts restructuring and is recognised as expenses in profit or loss on the debt restructuring date (only if the determined revaluation allowance for debts restructuring exceeds the allowance for doubtful debts already provided for such loans to customers). After restructuring troubled debt, the Bank will review allowance based on present value of remaining future cash flows and adjusts allowance against allowance for doubtful account.

In cases where the troubled debt restructuring involves assets swap and/or equity swap, the Bank 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 Bank 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 Bank is entitled legally.

In cases where the troubled debt restructuring involves reduction of principal and/or accrued interest receivables, the Bank recognises the reduced amounts immediately as expenses.

#### 4.9 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 Bank is entitled to such properties foreclosed to settle debt. Net realisable value is determined with reference to the latest appraisal value less estimated selling expenses.

Gain (loss) on disposal of properties foreclosed is recognised as revenue (expense) in profit or loss when sold. Impairment loss is recognised as expenses in profit or loss.

#### 4.10 Premises and equipment and depreciation

Land is stated at cost less allowance for impairment (if any). Buildings and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Depreciation is calculated by reference to their costs on the straight-line basis over the following estimated useful lives.

Buildings	-	20 years
Leasehold improvements	-	3 and 5 years
Furniture and fixtures	-	5 years
Office equipment	-	5 years
Vehicles	-	5 years

Depreciation is recognised in profit or loss.

No depreciation is provided on land and assets in progress.

An item of land, buildings and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### 4.11 Intangible assets and amortisation

Intangible assets are measured at cost upon initial recognition and subsequently measured at cost less any accumulated amortisation and allowance for impairment (if any).

Intangible assets with finite useful lives are amortised on a systematic basis over their economic useful lives and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and method for such intangible assets are reviewed at least at the end of year. The amortisation expense and impairment loss are charged to expenses in profit or loss.

Intangible assets with finite useful lives are computer softwares and deferred membership and license fee, which have estimated useful lives of 5 and 10 years, respectively. No amortisation is provided on computer softwares under development.

#### 4.12 Impairment of assets

At the end of each reporting period, the Bank performs impairment reviews in respect of assets whenever events or changes in circumstances indicate that an asset may be impaired. The Bank recognises impairment loss in profit or loss when the recoverable amount of asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, the calculations are based on the amount that they could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

#### 4.13 Provisions for liabilities

Provisions for liabilities are recognised when the Bank has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### 4.14 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 Bank and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

###### Defined benefit plan

The Bank treats the severance payments they must make to employees upon retirement under labor law as a defined benefit plan.

The Bank's obligation under the defined benefit plan is determined by a professionally qualified independent actuary, using the Projected Unit Credit Method.

Actuarial gains or losses arising from the defined benefit plan are recognised in other comprehensive income (loss) and directly charged to retained earnings.

#### 4.15 Derivatives

The Bank enters into derivative transactions for its banking book whereby the Bank records them as off-balance items, which are presented on an accrual basis. The foreign exchange components of those derivatives are recognised based on exchange rates ruling at the end of the reporting periods in the same manner as the hedged items. Unrealised gains or losses on exchange rates are recognised in profit or loss whereas the interest components of those derivatives are recognised on an accrual basis, in the same manner as the hedged assets and liabilities, as a part of interest income or expense over the term of the contracts.

#### 4.16 Foreign currencies

The financial statements are presented in Baht, which are also the Bank'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 rates ruling at the end of the reporting periods.

Gains or losses on exchange are recognised as revenues or expenses in profit or loss and are presented as a part of gains (losses) on trading and foreign exchange transactions.



#### 4.17 Income taxes

Income taxes represent the sum of income taxes currently payable and deferred income taxes.

##### (a) Current income taxes

Current income taxes are provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### (b) Deferred income taxes

Deferred income taxes are provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting periods.

The Bank recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences and tax loss carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax loss carried forward can be utilised.

At each reporting date, the Bank 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 Bank records deferred taxes directly to owners' equity if the taxes relate to items that are recorded directly to owners' equity.

#### 4.18 Long-term leases

Leases that do not transfer substantially all the risks and rewards of ownership to the Bank, as being the leasees, are classified as operating leases. Operating leases are recognised as expenses in profit or loss on the straight line basis over the lease periods.

#### 4.19 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 Bank 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 Bank measures fair value using a valuation technique that is appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of inputs to be used in fair value measurement as follows:

Level 1 Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 Use of unobservable inputs such as estimations of future cash flows

At the end of each reporting period, the Bank determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting periods that are measured at fair value on a recurring basis.

#### 4.20 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by the Bank, whether directly or indirectly, or which are under common control with the Bank.

They also include individuals which directly or indirectly own a voting interest in the Bank that give them significant influence over the Bank, key management personnel, directors, and officers with authority in the planning and direction of the Bank's operations, together with closed family members of such persons and companies which are controlled or significantly influenced by them, whether directly or indirectly.

#### 5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgments and estimates are as follows:

##### 5.1 Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statements of financial position or disclosed in note to financial statements that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, using valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these variables could affect the fair value reported in the statements of financial position and disclosed in their disclosure notes of the fair value hierarchy.

##### 5.2 Allowance for impairment on investments

The Bank considers setting up an allowance for impairment on investments whenever there is an indication of impairment when there has been a significant and prolonged decline in fair value below their costs. The management is required to use judgment in loss estimation of each item, based on analysis of current status or consideration of what is significant and prolonged to conclude that impairment is incurred.

### 5.3 Allowance for doubtful accounts

Allowance for doubtful accounts on loans to customers and accrued interest receivables are intended to adjust the value of loans to customers for probable credit loss. The management follows the BoT's guidelines regarding setting up allowance for doubtful accounts, including the use of judgment to estimate losses expected to be incurred on loans and/or accrued interest receivables, taking into consideration an analysis of status of each individual debtor and group of debtors, probability of default, loss given default, debtors collection history, values of collateral, and economic conditions.

### 5.4 Premises and equipment and depreciation

In determining depreciation of buildings and equipment, the management is required to make estimate of the useful lives and residual value of buildings and equipment and to review estimated useful lives and residual value when circumstances change.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and records impairment loss when it is determined that their recoverable amounts are lower than their carrying values. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

### 5.5 Intangible assets

The initial recognition and measurement of intangible assets, including subsequent impairment testing, require management to make estimates of cash flows to be generated by the assets or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

### 5.6 Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which those temporary differences and tax loss carried forward can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimated future taxable profits.

### 5.7 Provisions for employee benefits

Provisions for employee benefits are determined using actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary incremental rate, staff turnover rate and mortality rate, based on their best knowledge of current events and arrangement.

### 5.8 Litigation

The Bank has contingent liabilities as a result of claim litigation. The management has used judgment to assess the outcome of the litigation cases and believe that loss will not be incurred. Therefore no contingent liabilities are recognised at the end of reporting periods.

## 5.9 Recognition and derecognition of assets and liabilities

In considering whether to recognise or derecognise assets and liabilities, the management is required to make judgment on whether risks and rewards of those assets and liabilities have been transferred, based on their best knowledge of current events and arrangements.

## 6. Interbank and money market items (assets)

	31 December 2018			31 December 2017		
	At call	Term	Total	At call	Term	Total
<b>Domestic:</b>						
Bank of Thailand	1,358,280	-	1,358,280	1,413,580	318,000	1,731,580
Commercial banks	136,635	935,000	1,071,635	150,509	-	150,509
Other financial institutions	14,194,021	5,120,000	19,314,021	13,959,211	5,260,000	19,219,211
Total domestic items	15,688,936	6,055,000	21,743,936	15,523,300	5,578,000	21,101,300
Add: Accrued interest receivables	12,369	4,038	16,407	12,602	6,353	18,955
Less: Allowance for doubtful accounts	(133,440)	(60,050)	(193,490)	(139,592)	(52,600)	(192,192)
Total domestic items	15,567,865	5,998,988	21,566,853	15,396,310	5,531,753	20,928,063
<b>Foreign:</b>						
US Dollars	6	-	6	-	-	-
Total foreign items	6	-	6	-	-	-
Total interbank and money market items - net	15,567,871	5,998,988	21,566,859	15,396,310	5,531,753	20,928,063

## 7. Derivative assets

As at 31 December 2018 and 2017, the carrying values and the notional amounts of derivatives held for banking book of the Bank were classified by type of risk as follows:

	31 December 2018			31 December 2017		
	Carrying value		Notional amounts	Carrying value		Notional amounts
Types of risk	Assets	Liabilities	*	Assets	Liabilities	*
Foreign exchange rate and interest rate	111,046	-	1,038,394	103,651	-	1,045,789
Total	111,046	-	1,038,394	103,651	-	1,045,789

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

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

## 8. Investments

### 8.1 Classified by investment classification

	(Unit: Thousand Baht)	
	31 December	
	2018	2017
<b><u>Available-for-sale investments - fair value</u></b>		
Government and state enterprise securities	180,517	-
Private sector debt securities	1,033,761	-
Domestic marketable equity securities		
- Stocks	-	304,325
- Investment units	10,852,519	7,781,075
Total available-for-sale investments	12,066,797	8,085,400
<b><u>Held-to-maturity investments - amortised cost</u></b>		
Government and state enterprise securities	17,308,652	18,221,113
Private sector debt securities	20,467,773	23,952,936
Other debt securities	5,464,436	4,971,859
Total held-to-maturity investments	43,240,861	47,145,908
<b><u>General investments - cost</u></b>		
Domestic non-marketable equity securities		
- Stocks	5,281	5,281
Less: Allowance for impairment	(25)	(25)
General investments - net	5,256	5,256
Investments - net	55,312,914	55,236,564

## 8.2 Classified by remaining periods to maturity of the debt securities

(Unit: Thousand Baht)

	31 December 2018				31 December 2017			
	Due within				Due within			
	Within 1 year	1 - 5 years	Over 5 years	Total	Within 1 year	1 - 5 years	Over 5 years	Total
<b>Available-for-sale investments</b>								
Government and state enterprise securities	179,982	-	-	179,982	-	-	-	-
Private sector debt securities	-	1,000,000	-	1,000,000	-	-	-	-
<b>Total</b>	<b>179,982</b>	<b>1,000,000</b>	<b>-</b>	<b>1,179,982</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Add: Allowance for revaluation	535	33,761	-	34,296	-	-	-	-
<b>Total available-for-sale investments</b>	<b>180,517</b>	<b>1,033,761</b>	<b>-</b>	<b>1,214,278</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Held-to-maturity investments</b>								
Government and state enterprise securities	948,735	12,849,380	3,510,537	17,308,652	3,915,613	9,803,814	4,501,686	18,221,113
Private sector debt securities	2,420,730	12,557,043	5,490,000	20,467,773	182,425	15,065,511	8,705,000	23,952,936
Other debt securities	-	2,426,043	3,038,393	5,464,436	-	1,926,070	3,045,789	4,971,859
<b>Total held-to-maturity investments</b>	<b>3,369,465</b>	<b>27,832,466</b>	<b>12,038,930</b>	<b>43,240,861</b>	<b>4,098,038</b>	<b>26,795,395</b>	<b>16,252,475</b>	<b>47,145,908</b>
<b>Total investments in debt securities</b>	<b>3,549,982</b>	<b>28,866,227</b>	<b>12,038,930</b>	<b>44,455,139</b>	<b>4,098,038</b>	<b>26,795,395</b>	<b>16,252,475</b>	<b>47,145,908</b>

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

As at 31 December 2018 and 2017, revaluation surplus (deficit) on available-for-sale investments consisted of:

(Unit: Thousand Baht)

	31 December	
	2018	2017
<b>Revaluation surplus on the reclassified investments</b>		
Debt securities	66,973	533
<b>Total</b>	<b>66,973</b>	<b>533</b>
<b>Revaluation deficit on the reclassified investments</b>		
Debt securities	(123,083)	(136,729)
<b>Total</b>	<b>(123,083)</b>	<b>(136,729)</b>
<b>Revaluation surplus on investments</b>		
Equity securities	212,093	336,910
<b>Total</b>	<b>212,093</b>	<b>336,910</b>
<b>Revaluation deficit on investments</b>		
Debt securities	(32,504)	-
Equity securities	(251,248)	(19,341)
<b>Total</b>	<b>(283,752)</b>	<b>(19,341)</b>
Revaluation surplus (deficit) on available-for-sale investments	(127,769)	181,373
Add (less): Income taxes	25,554	(36,275)
<b>Revaluation surplus (deficit) on available-for-sale investments - net of income taxes</b>	<b>(102,215)</b>	<b>145,098</b>

For the years ended 31 December 2018 and 2017, changes in revaluation surplus (deficit) on available-for-sale investments were as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2018	2017
Balances - beginning of the years	145,098	(82,251)
Unrealised gains (losses) on revaluation of available-for-sale investments during the years	(389,228)	338,865
Realised gains from sales transferred to be recognised in profit or loss	(97,947)	(67,383)
Gains from reclassification of investments	164,746	-
Amortisation of revaluation deficit on the reclassified investments	13,287	12,704
Total gains (losses) on revaluation of available-for-sale investments	(309,142)	284,186
Add (less): Income taxes	61,829	(56,837)
Gains (losses) on revaluation of available-for-sale investments - net of income taxes	(247,313)	227,349
Balances - end of the years	(102,215)	145,098

#### 8.4 Investments of 10% or more held by the Bank

As at 31 December 2018 and 2017, the following investments of 10% or more held by the Bank, that were not treated as investments in subsidiaries and associates, were as follows:

	(Unit: Thousand Baht)	
	31 December	
	2018	2017
Infrastructure Fund (presented at fair value)	346,500	371,000
	346,500	371,000

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

	(Unit: Thousand Baht)				(Unit: Thousand Baht)			
	31 December 2018				31 December 2017			
	Number of companies	Cost	Fair value	Allowance for impairment	Number of companies	Cost	Fair value	Allowance for impairment
<b>General investments</b>								
Companies which auditors' report indicating going concern issues	1	25	-	25	1	25	-	25
	1	25	-	25	1	25	-	25



## 8.6 Reclassification of investment types

During the year ended 31 December 2018, the Bank reclassified its investments from held-to-maturity investments to be available-for-sale investments, as approved by the resolution of the meeting of its Board of Directors, whereby the fair value and the cost of the reclassified investments as at the reclassification date amounted to Baht 2,660 million and Baht 2,495 million, respectively, and the difference of Baht 165 million was recognised as a part of “Revaluation surplus on available-for-sale investments” in owners’ equity.

## 9. Loans to customers and accrued interest receivables

### 9.1 Classified by loan types

	(Unit: Thousand Baht)	
	31 December	
	2018	2017
Overdrafts	4,736,544	4,856,319
Loans	107,244,192	104,330,635
Bills	49,590,754	44,267,046
Hire purchase receivables	355,567	613,279
Total loans to customers	161,927,057	154,067,279
Less: Deferred revenue	(33,824)	(46,971)
Loans to customers net of deferred revenue	161,893,233	154,020,308
Add: Accrued interest receivables	224,142	257,014
Total loans to customers and accrued interest receivables	162,117,375	154,277,322
Less: Allowance for doubtful accounts	(3,763,230)	(3,388,686)
Revaluation allowance for debt restructuring	(11,994)	(14,023)
Loans to customers and accrued interest receivables - net	158,342,151	150,874,613

### 9.2 Classified by currency and residency of debtors

	(Unit: Thousand Baht)		
	31 December 2018		
	Domestic	Overseas	Total
Baht	161,893,233	-	161,893,233
Total	161,893,233	-	161,893,233

### 9.3 Classified by business types and loan classification

(Unit: Thousand Baht)

	31 December 2018					Total
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	
Agricultural and mining	859,759	-	-	-	8,156	867,915
Manufacturing and commerce	38,781,096	172,750	114,794	-	841,210	39,909,850
Real estate and construction	21,928,186	161,848	23,962	-	779,777	22,893,773
Public utilities and services	38,534,068	1,173,549	89,397	1,438	728,514	40,526,966
Housing loans	21,933,311	252,481	84,576	24,921	588,214	22,883,503
Financial intermediation	32,916,986	-	-	-	197,375	33,114,361
Others	1,622,737	36,265	2,084	214	35,565	1,696,865
Loans to customers net of deferred revenue	156,576,143	1,796,893	314,813	26,573	3,178,811	161,893,233

(Unit: Thousand Baht)

	31 December 2017					Total
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	
Agricultural and mining	183,267	-	-	-	-	183,267
Manufacturing and commerce	32,310,410	459,631	40,881	162,568	628,693	33,602,183
Real estate and construction	20,549,393	217,654	-	-	822,979	21,590,026
Public utilities and services	38,800,549	524,411	73,946	17,580	828,856	40,245,342
Housing loans	26,449,373	240,532	45,054	24,534	582,917	27,342,410
Financial intermediation	29,067,918	38,231	-	-	-	29,106,149
Others	1,886,855	28,328	9,582	6,769	19,397	1,950,931
Loans to customers net of deferred revenue	149,247,765	1,508,787	169,463	211,451	2,882,842	154,020,308

## 9.4 Classified by loan classification

(Unit: Thousand Baht)

31 December 2018				
	Loans to customers and accrued interest receivables	Net amount used for setting allowance for doubtful accounts <sup>(1)</sup>	Minimum rates	Allowance for doubtful accounts
			(Percent)	
Provision at BoT's minimum required rates				
Pass	156,792,805	85,777,874	1	857,779
Special-mention	1,804,373	88,783	2	1,776
Sub-standard	314,813	109,908	100	109,908
Doubtful	26,573	3,890	100	3,890
Doubtful of loss	3,178,811	755,424	100	755,424
Total	162,117,375	86,735,879		1,728,777
Additional provision for specific debtors				1,180,620
General provision				853,833
Total				3,763,230

<sup>(1)</sup> For loans classified as pass and special-mention, net amount used for setting allowance for doubtful accounts means principal balance excluding accrued interest receivables and net of collateral. For loans classified as sub-standard, doubtful and doubtful of loss, it means the principal balance after deduction of the present value of future cash flows expected to be received from debt collection or from the disposal of collateral.

(Unit: Thousand Baht)

31 December 2017				
	Loans to customers and accrued interest receivables	Net amount used for setting allowance for doubtful accounts <sup>(1)</sup>	Minimum rates	Allowance for doubtful accounts
			(Percent)	
Provision at BoT's minimum required rates				
Pass	149,492,387	75,868,885	1	758,689
Special-mention	1,521,179	210,670	2	156,988
Sub-standard	169,463	77,545	100	77,545
Doubtful	211,451	111,115	100	111,115
Doubtful of loss	2,882,842	525,999	100	593,225
Total	154,277,322	76,794,214		1,697,562
Additional provision for specific debtors				750,000
General provision				941,124
Total				3,388,686

<sup>(1)</sup> For loans classified as pass and special-mention, net amount used for setting allowance for doubtful accounts means principal balance excluding accrued interest receivables and net of collateral. For loans classified as sub-standard, doubtful and doubtful of loss, it means the principal balance after deduction of the present value of future cash flows expected to be received from debt collection or from the disposal of collateral.

## 9.5 Non-performing loans

As at 31 December 2018 and 2017, the Bank had the following non-performing loans:

	31 December	
	2018	2017
Non-performing loans (Thousand Baht)	3,520,197	3,263,756
Percentage of non-performing loans to total loans <sup>(1)</sup>	1.93%	1.88%

<sup>(1)</sup> The denominator base included interbank and money market items

Non-performing loans calculated based on the notification of the BoT. Those included sub-standard, doubtful and doubtful of loss, and exclude outstanding loans for which debt restructuring agreements had been made and which have already met the conditions for upgrading to pass or special-mention under the BoT's criteria.

## 9.6 Non-accrued loans to customers

As at 31 December 2018 and 2017, the Bank had the following loans to customers on which interest income recognition was ceased on an accrual basis:

	31 December	
	2018	2017
Non-accrued loans (Thousand Baht)	3,540,246	3,288,689
Percentage of non-accrued loans to total loans <sup>(1)</sup>	1.94%	1.90%

<sup>(1)</sup> The denominator base included interbank and money market items

## 9.7 Loans to customers that have repayment problems or defaulted payments

As at 31 December 2018 and 2017, the Bank had loans to customers and accrued interest receivables due from companies and persons, which had repayment problems or defaulted payments, against which allowance for doubtful accounts, were made as follows:

	(Unit: Thousand Baht)			
	31 December 2018			
	Number of debtors	Debt balances	Collateral value	Allowance for doubtful accounts/Revaluation allowance
Companies and persons that have repayment problems or defaulted payments	381	5,324,570	4,359,084	871,370

(Unit: Thousand Baht)

	31 December 2017			
	Number of debtors	Debt balances	Collateral value	Allowance for doubtful accounts/Revaluation allowance
Companies and persons that have repayment problems or defaulted payments	330	4,784,935	3,847,214	951,044

The Bank has 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 Bank has taken into accounts the guidelines of the BoT in classification and provision for doubtful accounts.

## 9.8 Troubled debt restructuring

For the years ended 31 December 2018 and 2017, the Bank had completed restructuring of troubled debts, which were summarised as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2018				
	Number of debtors	Debt balances (principal and accrued interest receivables)		Debt hair-cut loss per agreements	Losses on debt restructuring
		Before restructuring	After restructuring		
Modification of terms of payments	71	3,876,567	3,835,034	41,533	11,294
Total restructured debts	71	3,876,567	3,835,034	41,533	11,294

(Unit: Thousand Baht)

	For the year ended 31 December 2017			
	Number of debtors	Debt balances (principal and accrued interest receivables)		Losses on debt restructuring
		Before restructuring	After restructuring	
Modification of terms of payments	63	1,504,204	1,504,204	1,437
Total restructured debts	63	1,504,204	1,504,204	1,437

For the years ended 31 December 2018 and 2017, the debts restructured as referred to above can be classified by terms of repayment under the restructuring agreements as follows:

(Unit: Thousand Baht)

Term of repayment under restructuring agreements	For the years ended 31 December			
	2018		2017	
	Number of debtors	Debt balances after restructuring	Number of debtors	Debt balances after restructuring
Less than 5 years	38	2,601,554	25	722,955
5 - 10 years	15	1,164,534	18	711,877
10 - 15 years	4	31,039	3	11,518
More than 15 years	14	37,907	17	57,854
Total	71	3,835,034	63	1,504,204

Supplemental information for the years ended 31 December 2018 and 2017, relating to the restructured debts, were as follows:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
Interest income recognised in profit or loss	190,338	132,779
Cash settlement by debtors	777,633	757,189
Losses on debt restructuring	11,294	1,437
Debt hair-cut loss per agreements	41,533	-

As at 31 December 2018 and 2017, the Bank had restructured debtors with outstanding debt balances as follows:

(Unit: Thousand Baht)

	Total debts		Restructured debts	
	Number of debtors	Debt balances (principal and accrued interest)	Number of debtors	Debt balances (principal and accrued interest)
31 December 2018	10,523	162,117,375	278	6,356,713
31 December 2017	12,138	154,277,322	284	4,092,409

As at 31 December 2018 and 2017, the Bank had no outstanding commitments to provide additional loan facilities after restructuring.

## 9.9 Hire purchase receivables

As at 31 December 2018 and 2017, the Bank had hire purchase receivables, on which the terms of the agreements were generally between 2 and 8 years and they carried interest at fixed rates stipulated in the agreements.

(Unit: Thousand Baht)

	31 December 2018			
	Amounts due under the contracts			
	Less than	More than		Total
	1 year	1 - 5 years	5 years	
Aggregate initial investments under the hire purchase agreements	195,051	152,669	7,847	355,567
Less: Deferred revenue	(14,270)	(9,747)	(372)	(24,389)
Present value of minimum lease payments	180,781	142,922	7,475	331,178
Less: Allowance for doubtful accounts				(44,927)
Hire purchase receivables - net				286,251

(Unit: Thousand Baht)

	31 December 2017			
	Amounts due under the contracts			
	Less than	More than		Total
	1 year	1 - 5 years	5 years	
Aggregate initial investments under the hire purchase agreements	351,346	261,933	-	613,279
Less: Deferred revenue	(25,869)	(14,479)	-	(40,348)
Present value of minimum lease payments	325,477	247,454	-	572,931
Less: Allowance for doubtful accounts				(57,270)
Hire purchase receivables - net				515,661



## 10. Allowance for doubtful accounts

(Unit: Thousand Baht)

	For the year ended 31 December 2018							
	Provision at BoT's minimum required rates					Additional provision for specific debtors	General provision	Total
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss			
Balances - beginning of the year	758,689	156,988	77,545	111,115	593,225	750,000	941,124	3,388,686
Increase (decrease) during the year	99,090	(155,212)	32,363	(83,966)	326,438	430,620	(89,320)	560,013
Bad debts written off	-	-	-	-	(63,007)	-	-	(63,007)
Decrease as a result of disposals	-	-	-	(23,259)	(54,073)	-	-	(77,332)
Transfer from (to) revaluation allowance for debt restructuring	-	-	-	-	(41,533)	-	2,029	(39,504)
Transfer to allowance for doubtful accounts for other assets	-	-	-	-	(5,536)	-	-	(5,536)
Others	-	-	-	-	(90)	-	-	(90)
Balances - end of the year	<u>857,779</u>	<u>1,776</u>	<u>109,908</u>	<u>3,890</u>	<u>755,424</u>	<u>1,180,620</u>	<u>853,833</u>	<u>3,763,230</u>

(Unit: Thousand Baht)

	For the year ended 31 December 2017							
	Provision at BoT's minimum required rates					Additional provision for specific debtors	General provision	Total
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss			
Balances - beginning of the year	812,374	168,479	202,312	49,614	320,919	571,544	953,385	3,078,627
Increase (decrease) during the year	(43,765)	27,332	(114,278)	71,247	473,186	178,456	(13,470)	578,708
Bad debts written off	-	-	-	-	(14,509)	-	-	(14,509)
Decrease as a result of disposals	(9,920)	(38,823)	(10,489)	(9,746)	(181,527)	-	-	(250,505)
Transfer from revaluation allowance for debt restructuring	-	-	-	-	-	-	1,209	1,209
Transfer to allowance for doubtful accounts for other assets	-	-	-	-	(5,084)	-	-	(5,084)
Others	-	-	-	-	240	-	-	240
Balances - end of the year	<u>758,689</u>	<u>156,988</u>	<u>77,545</u>	<u>111,115</u>	<u>593,225</u>	<u>750,000</u>	<u>941,124</u>	<u>3,388,686</u>

## 11. Revaluation allowance for debt restructuring

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
Balances - beginning of the years	14,023	15,232
Increase during the years	65,132	4,633
Decrease during the years	(25,997)	(6,001)
Debt hair-cut loss during the years	(41,533)	-
Adjustment during the years	369	159
Balances - end of the years	11,994	14,023

## 12. Disposals of non-performing loans

For the years ended 31 December 2018 and 2017, the Bank entered into the sale and purchase agreements, as a seller, to sell non-performing loans, were summarised as follows:

(Unit: Million Baht)

For the year ended 31 December 2018				For the year ended 31 December 2017			
Batch	Month sold	Outstanding balances (including relevant other assets)	Selling price	Batch	Month sold	Outstanding balances (including relevant other assets)	Selling price
1	March	144	112	1	November	515	259
2	November	210	159				
		<u>354</u>	<u>271</u>			<u>515</u>	<u>259</u>

The Bank already received full payments under such non-performing loans sale and purchase agreements. Under the agreements, the buyer can cancel the transfer of any particular asset by no later than March 2019 (for sale in March 2018) and no later than November 2019 (for sale in November 2018) in the event that the rights over the debt and the collateral of the sold assets cannot be transferred to the buyer because the documentation with respect to the debt and collateral is absent or incomplete, the collateral is evicted, or the courts do not permit the buyer to assume the rights of litigant from the Bank. Should the transfer of any assets be cancelled, the buyer is to receive the money back equivalent to the purchase price as settled on the settlement date while the Bank is to receive any income generated on such assets, after deducting any costs, during the period of cancellation.

During the year ended 31 December 2018, the buyer has yet to cancel any assets sold up to the authorisation date of these financial statements.

### 13. Properties foreclosed

(Unit: Thousand Baht)

	For the year ended 31 December 2018				
	31 December			Change of	31 December
	2017	Increase	Disposal	appraisers	2018
<b>Properties foreclosed - Immovable assets</b>					
Appraised by external appraisers:					
Cost	9,424	37	-	-	9,461
Allowance for impairment	-	-	-	-	-
Net book value	9,424	37	-	-	9,461
Appraised by internal appraisers:					
Cost	90,813	3,816	(18,003)	-	76,626
Allowance for impairment	-	-	-	-	-
Net book value	90,813	3,816	(18,003)	-	76,626
Properties foreclosed -					
Immovable assets	100,237	3,853	(18,003)	-	86,087
<b>Properties foreclosed - Movable assets</b>					
Appraised by external appraisers:					
Cost	3,560	-	-	-	3,560
Allowance for impairment	(1,660)	(38)	-	-	(1,698)
Net book value	1,900	(38)	-	-	1,862
Properties foreclosed -					
Movable assets	1,900	(38)	-	-	1,862
<b>Total properties foreclosed</b>	<b>102,137</b>	<b>3,815</b>	<b>(18,003)</b>	<b>-</b>	<b>87,949</b>

(Unit: Thousand Baht)

	For the year ended 31 December 2017				
	31 December 2016	Increase	Disposal/ decrease	Change of appraisers	31 December 2017
<b>Properties foreclosed - Immovable assets</b>					
Appraised by external appraisers:					
Cost	24,487	36	(2,614)	(12,485)	9,424
Allowance for impairment	-	-	-	-	-
Net book value	24,487	36	(2,614)	(12,485)	9,424
Appraised by internal appraisers:					
Cost	79,275	5,231	(6,178)	12,485	90,813
Allowance for impairment	-	-	-	-	-
Net book value	79,275	5,231	(6,178)	12,485	90,813
Properties foreclosed -					
Immovable assets	103,762	5,267	(8,792)	-	100,237
<b>Properties foreclosed - Movable assets</b>					
Appraised by external appraisers:					
Cost	3,560	-	-	-	3,560
Allowance for impairment	-	(1,660)	-	-	(1,660)
Net book value	3,560	(1,660)	-	-	1,900
Properties foreclosed -					
Movable assets	3,560	(1,660)	-	-	1,900
<b>Total properties foreclosed</b>	<b>107,322</b>	<b>3,607</b>	<b>(8,792)</b>	<b>-</b>	<b>102,137</b>

As at 31 December 2018 and 2017, the Bank's properties foreclosed were not obligated under the agreements to sell to the former debtors at fixed prices and within the specified periods and were not subject to the first refusal rights granted to the former debtors.

## 14. Premises and equipment

(Unit: Thousand Baht)

	Land	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicles	Assets in progress	Total
<b>Cost</b>								
1 January 2017	40,589	10,211	414,504	143,577	551,904	19,977	-	1,180,762
Additions	-	-	7,431	7,117	49,494	-	1,910	65,952
Written-offs/disposals	-	-	(3,315)	(903)	(39,796)	(1,435)	-	(45,449)
Transferred in (out)	-	-	1,904	6	-	-	(1,910)	-
31 December 2017	40,589	10,211	420,524	149,797	561,602	18,542	-	1,201,265
Additions	-	-	10,838	5,520	27,118	-	12,057	55,533
Written-offs/disposals	-	-	(9,385)	(1,400)	(4,680)	-	-	(15,465)
Transferred in (out)	-	-	5,055	-	2,574	-	(7,629)	-
31 December 2018	40,589	10,211	427,032	153,917	586,614	18,542	4,428	1,241,333
<b>Accumulated depreciation</b>								
1 January 2017	-	1,988	315,916	112,448	424,068	8,465	-	862,885
Accumulated depreciation on written-offs/disposals	-	-	(2,840)	(809)	(39,778)	(1,435)	-	(44,862)
Depreciation charged for the year	-	510	47,248	14,925	58,537	3,709	-	124,929
31 December 2017	-	2,498	360,324	126,564	442,827	10,739	-	942,952
Accumulated depreciation on written-offs/disposals	-	-	(9,231)	(1,327)	(4,677)	-	-	(15,235)
Depreciation charged for the year	-	510	32,131	10,791	50,461	3,302	-	97,195
31 December 2018	-	3,008	383,224	136,028	488,611	14,041	-	1,024,912
<b>Net book value</b>								
31 December 2017	40,589	7,713	60,200	23,233	118,775	7,803	-	258,313
31 December 2018	40,589	7,203	43,808	17,889	98,003	4,501	4,428	216,421
<b>Depreciation for the years</b>								
2017								124,929
2018								97,195

As at 31 December 2018 and 2017, the Bank 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 754 million and Baht 610 million, respectively.

## 15. Intangible assets

(Unit: Thousand Baht)

	Computer softwares	Deferred membership and license fee	Computer softwares under development	Total
<b>Cost</b>				
1 January 2017	553,642	35,261	31,386	620,289
Additions	22,795	-	25,864	48,659
Transferred in (out)	11,629	-	(11,629)	-
31 December 2017	588,066	35,261	45,621	668,948
Additions	86,911	1,309	137,700	225,920
Transferred in (out)	20,136	-	(20,136)	-
31 December 2018	695,113	36,570	163,185	894,868
<b>Accumulated amortisation</b>				
1 January 2017	423,426	16,618	-	440,044
Amortisation charged for the year	55,244	3,526	-	58,770
31 December 2017	478,670	20,144	-	498,814
Amortisation charged for the year	47,397	3,589	-	50,986
31 December 2018	526,067	23,733	-	549,800
<b>Net book value</b>				
31 December 2017	109,396	15,117	45,621	170,134
31 December 2018	169,046	12,837	163,185	345,068
<b>Amortisation for the years</b>				
2017				58,770
2018				50,986
<b>Remaining amortisation periods (years)</b>	0 - 5	2, 6, 7 and 10	-	

As at 31 December 2018 and 2017, the Bank 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 414 million and Baht 384 million, respectively.

## 16. Deferred tax assets and income taxes

### 16.1 Deferred tax assets

The components of deferred tax assets included deferred income taxes arose from the following transactions:

		(Unit: Thousand Baht)		
		Changes in deferred income taxes for the years ended		
		31 December		
	31 December	2018	2017	
	2018	2017	2018	2017
Deferred tax assets (liabilities) arose from:				
Allowance for doubtful accounts				
- general provision	170,767	188,225	(17,458)	(2,452)
Allowance for doubtful accounts				
- other assets	13,952	12,182	1,770	1,947
Losses on impairment of properties				
foreclosed	340	-	340	-
Non-accrued interest income	12,276	10,409	1,867	719
Assets written off	-	152	(152)	(787)
Bad debts written off	11,505	11,505	-	-
Provisions for employee benefits	25,144	22,415	2,729	3,777
Vacation leave accruals	1,200	1,200	-	-
Revaluation (surplus) deficit on available-				
for-sale investments	25,554	(36,275)	61,829	(56,837)
Others	35	189	(154)	189
Deferred tax assets	260,773	210,002		
Total			50,771	(53,444)
Changes in deferred income taxes:				
Recognised in profit or loss			(11,058)	(128)
Recognised in other comprehensive income (loss)			61,829	(53,316)
Total			50,771	(53,444)



## 16.2 Income taxes

Income tax expenses reported in profit or loss for the years ended 31 December 2018 and 2017 were as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2018	2017
<b>Current income taxes:</b>		
Corporate income taxes for the years	(545,540)	(518,919)
<b>Deferred income taxes:</b>		
Deferred income taxes from temporary differences and reversal of temporary differences	(11,058)	(128)
Income tax expenses reported in profit or loss	(556,598)	(519,047)

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2018 and 2017 multiplied by the applicable tax rate were as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2018	2017
Accounting profits before income tax expenses	3,125,829	2,831,112
Applicable tax rate	20%	20%
Income taxes calculated based on accounting profits	(625,166)	(566,222)
Tax effects of:		
Tax-exempted revenues	61,795	33,529
Expenses with additional privilege for more tax-deductible	8,011	7,739
Non-tax deductible expenses	(1,050)	(1,387)
Others	(188)	7,294
Income tax expenses reported in profit or loss	(556,598)	(519,047)

The amounts of income tax recognised in other comprehensive income (loss) for the years ended 31 December 2018 and 2017 were summarised below:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2018	2017
Deferred income taxes relating to:		
(Gains) losses on revaluation of available-for-sale investments	61,829	(56,837)
Actuarial losses	-	3,521
Income taxes reported in other comprehensive income (loss)	61,829	(53,316)

#### 17. Other assets

	(Unit: Thousand Baht)	
	31 December	
	2018	2017
Suspense accounts - debtors	161,940	62,987
Deposits and guarantees	93,334	84,925
Prepaid expenses	30,341	28,696
Deferred expenses	26,384	32,804
Token money	26,328	26,328
Accrued income	8,693	21,840
Receivables on disposals of properties foreclosed through auctions	3,104	9,244
Others	4,044	4,303
Total	354,168	271,127
Less: Allowance for doubtful accounts/allowance for impairment	(69,759)	(60,907)
Other assets - net	284,409	210,220

## 18. Quality of assets

As at 31 December 2018 and 2017, the Bank had assets categorised in compliance with the regulations of the BoT as follows:

(Unit: Thousand Baht)

31 December 2018					
	Interbank and money market items and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets	Total
<u>Classification of assets</u>					
Pass	20,265,428	-	156,792,805	-	177,058,233
Special-mention	-	-	1,804,373	-	1,804,373
Sub-standard	-	-	314,813	-	314,813
Doubtful	-	-	26,573	-	26,573
Doubtful of loss	-	285,570	3,178,811	69,759	3,534,140
Total	20,265,428	285,570	162,117,375	69,759	182,738,132

(Unit: Thousand Baht)

31 December 2017					
	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	19,238,140	-	149,492,387	-	168,730,527
Special-mention	-	-	1,521,179	-	1,521,179
Sub-standard	-	-	169,463	-	169,463
Doubtful	-	-	211,451	-	211,451
Doubtful of loss	-	21,159	2,882,842	60,907	2,964,908
Total	19,238,140	21,159	154,277,322	60,907	173,597,528

## 19. Deposits

### 19.1 Classified by type of deposits

(Unit: Thousand Baht)

	31 December	
	2018	2017
Demand deposits	6,072,796	3,623,020
Savings deposits	74,918,468	72,563,329
Time deposits	55,585,078	49,775,132
Fixed deposit receipts	31,594,661	17,780,438
Total deposits	168,171,003	143,741,919

### 19.2 Classified by currency and residency of depositors

(Unit: Thousand Baht)

	31 December 2018			31 December 2017		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	168,171,003	-	168,171,003	143,741,919	-	143,741,919
Total	168,171,003	-	168,171,003	143,741,919	-	143,741,919

## 20. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	31 December 2018			31 December 2017		
	At call	Term	Total	At call	Term	Total
<b>Domestic:</b>						
Bank of Thailand	-	-	-	-	359,985	359,985
Commercial banks	468	1,000	1,468	1,364	3,501,000	3,502,364
Specialised financial institutions	-	3,044,216	3,044,216	-	7,304,577	7,304,577
Other financial institutions	4,030,393	1,950,477	5,980,870	1,637,543	2,611,501	4,249,044
Total domestic items	4,030,861	4,995,693	9,026,554	1,638,907	13,777,063	15,415,970
<b>Foreign:</b>						
Baht	250,870	-	250,870	-	-	-
Total foreign items	250,870	-	250,870	-	-	-
Total interbank and money market items	4,281,731	4,995,693	9,277,424	1,638,907	13,777,063	15,415,970

## 21. Debts issued and borrowings

(Unit: Thousand Baht)

	31 December 2018					31 December 2017				
	Interest rate per annum	Matured in year	Domestic	Overseas	Total	Interest rate per annum	Matured in year	Domestic	Overseas	Total
Bills of exchange	1.50%-1.85%	2019	14,298,000	-	14,298,000	1.35%- 1.625%	2018	29,011,000	-	29,011,000
Subordinated debentures <sup>(1)</sup>	5.125%	2025	4,000,000	-	4,000,000	5.125%	2025	4,000,000	-	4,000,000
Unsubordinated and unsecured debentures	1.70%-1.75%	2019-2020	5,000,000	-	5,000,000	-	-	-	-	-
Borrowings from Department of Alternative Energy Development and Efficiency	0%	2021- 2022	12,324	-	12,324	0%	2021-2022	16,377	-	16,377
Total			23,310,324	-	23,310,324			33,027,377	-	33,027,377
Less: Deferred expenses			(19,861)	-	(19,861)			(48,253)	-	(48,253)
Debts issued and borrowings - net			23,290,463	-	23,290,463			32,979,124	-	32,979,124

<sup>(1)</sup> Counted as a part of Tier 2 capital, which is determined under the conditions as specified in the BoT's Notification.

### 21.1 Subordinated debentures

On 21 May 2015, the Bank issued 4 million units with a par value of Baht 1,000 each, totaling Baht 4,000 million of the subordinated debentures No.1/2558, to be counted as Tier 2 Capital. The subordinated debentures have a term of 10-year period, which matures in 2025 and carry interest at a fixed rate of 5.125% per annum, payable quarterly in February, May, August and November of every year. The Bank can early redeem the subordinated debentures after 5 years from the issuing date or under certain conditions.

## 22. Provisions for liabilities

(Unit: Thousand Baht)

	For the year ended 31 December 2018			
	Provisions for employee benefits	Provisions for decommissioning cost	Provisions for other liabilities	Total
As at 1 January 2018	112,077	5,625	240	117,942
Increase during the year	22,154	-	240	22,394
Paid during the year	(8,509)	-	-	(8,509)
As at 31 December 2018	125,722	5,625	480	131,827

(Unit: Thousand Baht)

	For the year ended 31 December 2017			
	Provisions for employee benefits	Provisions for decommissioning cost	Provisions for other liabilities	Total
As at 1 January 2017	93,190	5,360	240	98,790
Increase during the year	40,202	265	-	40,467
Paid during the year	(21,315)	-	-	(21,315)
As at 31 December 2017	112,077	5,625	240	117,942

## 22.1 Provisions for employee benefits

Movements of provisions for employee benefits were as follows:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
Provisions for employee benefits at the beginning of the years	112,077	93,190
Current service costs	19,419	19,816
Interest costs	2,735	2,779
Actuarial losses arose from:		
Demographic assumption changes	-	2,379
Financial assumption changes	-	6,046
Other changes	-	9,182
Benefits paid during the years	(8,509)	(21,315)
Provisions for employee benefits at the end of the years	125,722	112,077

Employee benefit expenses recognised in profit or loss are as follows:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
Current service costs	19,419	19,816
Interest costs	2,735	2,779
Total employee benefit expenses	22,154	22,595

As at 31 December 2018 and 2017, the Bank expected to pay approximately Baht 7.0 million and Baht 11.3 million, respectively, on employee benefits payable within the next 1-year period.

As at 31 December 2018 and 2017, the Bank's weighted average durations of employee benefit payments were estimated to be 10 years.

The principal assumptions used in actuarial valuation as at the revaluation dates were summarised below.

	31 December	
	2018	2017
	(% per annum)	(% per annum)
Future salary incremental rates	5.00	5.00
Turnover rates	0 - 30	0 - 30
Discount rates	2.44	2.44

The impacts from changes in significant assumptions on provisions for employee benefits as at 31 December 2018 and 2017 were summarised below.

	(Unit: Thousand Baht)			
	31 December 2018		31 December 2017	
	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	7,098	(6,641)	5,830	(5,463)
Discount rates	(6,205)	6,686	(5,569)	6,011

On 13 December 2018, the National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefit plan amendment and resulted in the Bank having additional provisions for employee benefits of approximately Baht 19.6 million. The Bank will reflect the impact from such change by recognising such past services costs as expenses in the having statement of income for the accounting period in which the law becomes effective.



## 23. Other liabilities

(Unit: Thousand Baht)

	31 December	
	2018	2017
Suspense accounts - creditors	347,769	222,936
Accounts payable on acquisition of equipment and intangible assets	14,975	18,849
Deposits received	6,405	6,495
Account payable - Revenue Department	1,996	3,733
Others	3,575	1,005
Total other liabilities	374,720	253,018

## 24. Share capital/share premium

On 12 July 2017, the Board of Director's Meeting No. 8/2560 of the Bank passed a resolution approving the allotment of additional 600,000,000 ordinary shares at a par value of Baht 10 per share to LH Financial Group Public Company Limited for Baht 27.664858254 per share, amounting to Baht 16,598,914,952.40 and the determination of the date for capital call to be on 27 July 2017. The Bank already received payment of the additional shares in full and registered the increase in its issued and paid-up capital with the Ministry of Commerce on 31 July 2017. This allotment of additional ordinary shares was in accordance with the resolution of the 2012 Annual General Meeting of shareholders of the Bank.

Reconciliation of issued and paid-up share capital and share premium during the years ended 31 December 2018 and 2017 as follows:

	For the year ended 31 December 2018		
	Share capital		Share premium
	Number of shares	Baht	Baht
<u>Issued and paid-up share capital</u>			
Ordinary share capital at beginning of the year	2,000,000,000	20,000,000,000	10,598,914,952
Ordinary share capital at end of the year	2,000,000,000	20,000,000,000	10,598,914,952

	For the year ended 31 December 2017		
	Share capital		Share premium
	Number of shares	Baht	Baht
<u>Issued and paid-up share capital</u>			
Ordinary share capital at beginning of the year	1,400,000,000	14,000,000,000	-
Add: Issuance of additional ordinary shares			
during the year	600,000,000	6,000,000,000	10,598,914,952
Ordinary share capital at end of the year	2,000,000,000	20,000,000,000	10,598,914,952

## 25. Statutory reserve

Pursuant to Section 116 of the Public Company Limited Act B.E. 2535, the Bank is required to set aside to a statutory reserve at least 5 percent of its net profits for the year, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of its registered share capital. This statutory reserve is not available for dividend distribution.

## 26. Dividends paid

During the years ended 31 December 2018 and 2017, the Bank paid dividends as follows:

Dividends	Approved by	Dividends paid (Thousand Baht)	Dividends paid per share (Baht per share)
The interim dividends for the three-month period ended 31 March 2017	Board of Directors' Meeting of the Bank held on 23 May 2017	499,800	0.357
The interim dividends for the nine-month period ended 30 September 2017	Board of Directors' Meeting of the Bank held on 18 December 2017	1,000,000	0.500
Total dividends paid in 2017		1,499,800	0.857
The interim dividends for the six-month period ended 30 June 2018	Board of Directors' Meeting of the Bank held on 20 August 2018	1,200,000	0.600
The interim dividends for the nine-month period ended 30 September 2018	Board of Directors' Meeting of the Bank held on 12 November 2018	640,000	0.320
Total dividends paid in 2018		1,840,000	0.920

## 27. Capital funds

The primary objectives of the Bank's capital management are to maintain its ability to continue as a going concern and to maintain a capital adequacy ratio in accordance with the Act on Undertaking of Banking Business B.E. 2551.

As at 31 December 2018 and 2017, capital funds of the Bank calculated under Basel III consisted of the following:

	(Unit: Thousand Baht)	
	31 December 2018	31 December 2017
<u>Common Equity Tier 1 capital fund</u>		
Issued and fully paid up share capital	20,000,000	20,000,000
Share premium	10,598,915	10,598,915
Statutory reserve	717,200	588,700
Retained earnings after appropriation	3,789,608	3,107,128
Revaluation surplus (deficit) on available-for-sale investments	(155,655)	166,890
Deduction items on Common Equity Tier 1 capital fund	(605,841)	(360,194)
Total Common Equity Tier 1 capital fund	34,344,227	34,101,439
Total Tier 1 capital fund	34,344,227	34,101,439
<u>Tier 2 capital fund</u>		
Subordinated debentures	3,936,200	3,922,200
Reserve for assets classified as pass and general reserve	1,905,102	1,892,005
Total Tier 2 capital fund	5,841,302	5,814,205
Total capital funds	40,185,529	39,915,644

	(Unit: Percentage)			
	31 December 2018		31 December 2017	
	Minimum and additional rates required		Minimum and additional rates required	
	The Bank	by law *	The Bank	by law *

The ratio of Common Equity Tier 1

capital fund to risk assets	17.131	6.375	18.673	5.750
The ratio of Tier 1 capital fund to risk assets	17.131	7.875	18.673	7.250
The ratio of total capital fund to risk assets	20.045	10.375	21.857	9.750

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

The Bank disclosed capital adequacy and capital risk exposure information as of 31 December 2017 through the Bank's website at [www.lhbank.co.th](http://www.lhbank.co.th) on 30 April 2018 and will disclose capital adequacy and capital risk exposure information as of 31 December 2018 within April 2019.

## 28. Interest income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
Interbank and money market items	659,647	583,593
Investments in debt securities	1,547,171	1,626,905
Loans to customers	6,343,575	6,395,743
Hire purchase	24,274	47,449
Total interest income	8,574,667	8,653,690

## 29. Interest expenses

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
Deposits	2,130,374	2,154,870
Interbank and money market items	113,928	98,216
Contributions to the Deposit Protection Agency and the Bank of Thailand	840,448	807,513
Debts issued		
- Subordinated debentures	205,608	205,578
- Unsubordinated and unsecured debentures	65,250	42,312
Borrowings	315,455	364,982
Total interest expenses	3,671,063	3,673,471

### 30. Fees and service income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
<b>Fees and service income</b>		
Acceptances, avals and guarantees	42,400	41,109
Commission income	200,711	245,438
Others	113,136	114,032
Total fees and service income	356,247	400,579
<b>Fees and service expenses</b>		
Fees and charges	60,268	58,852
Others	12,875	16,004
Total fees and service expenses	73,143	74,856
Net fees and service income	283,104	325,723

### 31. Gains on investments

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
Gains on sales:		
Available-for-sale investments	188,485	64,149
Held-to-maturity investments	3,250	1,625
Total gains on investments	191,735	65,774

During the years ended 31 December 2018 and 2017, the Bank sold held-to-maturity investments with amortised costs of Baht 1,300 million and Baht 650 million, respectively, because the issuer exercised its call option to early redeem debentures prior to the maturity date, and incurred net realised gains on sales of investments of Baht 3 million and Baht 2 million, respectively.

### 32. Directors' remuneration

Directors' remuneration represents the benefits, exclusive of salaries and related benefits payable to executive directors, paid to the directors of the Bank in accordance with Section 90 of the Public Company Limited Act.

### 33. Bad debts, doubtful accounts and impairment loss

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
<b>Bad debts and doubtful accounts</b>		
Loans to customers <sup>(1)</sup>	560,013	578,708
Interbank and money market items	1,298	28,700
Other assets	8,852	9,734
<b>Total bad debts, doubtful accounts and impairment loss</b>	<b>570,163</b>	<b>617,142</b>

(1) For the year ended 31 December 2018, such amount included a debt hair-cut loss per agreements of Baht 41.5 million.

### 34. Components of other comprehensive income (loss)

Components of other comprehensive income (loss) for the years ended 31 December 2018 and 2017 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
(a) Items to be recognised in profit or loss in subsequent periods:		
Gains (losses) on revaluation of available-for-sale investments		
Unrealised gains (losses) on revaluation of investments during the years	(389,228)	338,865
Gains transferred to be recognised in profit or loss for the years due to		
- Sales of available-for-sale investments	-	(67,383)
- Sales of available-for-sale investments, reclassified from other types	(97,947)	-
Gains from reclassification of investments	164,746	-
Amortisation of revaluation deficit on the reclassified investments	13,287	12,704
<b>Total gains (losses) on revaluation of available-for-sale investments</b>	<b>(309,142)</b>	<b>284,186</b>
Add (less): Income taxes	61,829	(56,837)
<b>Gains (losses) on revaluation of available-for-sale investments - net of income taxes</b>	<b>(247,313)</b>	<b>227,349</b>
(b) Items not to be recognised in profit or loss in subsequent periods:		
Actuarial losses	-	(17,607)
Add: Income taxes	-	3,521
Actuarial losses - net of income taxes	-	(14,086)
<b>Other comprehensive income (loss) for the years</b>	<b>(247,313)</b>	<b>213,263</b>

### 35. Earnings per share

Basic earnings per share is calculated by dividing profits for the years (excluding other comprehensive income (loss)) by the weighted average number of ordinary shares in issue during the years.

### 36. Provident fund

The Bank and its employees have jointly established provident funds as approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. The fund is monthly contributed to by employees at the rate of 3 - 15% of basic salaries, and the Bank contributes at rates ranging from 3 - 7%, depending on the number of years of service of each employee. The fund will be paid to employees upon termination in accordance with the rules of the funds. During the years ended 31 December 2018 and 2017, the Bank contributed Baht 38.6 million and Baht 37.3 million, respectively, to the provident fund.

### 37. Commitments and contingent liabilities

#### 37.1 Commitments

(Unit: Thousand Baht)

	31 December 2018			31 December 2017		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	135,516	-	135,516	149,598	-	149,598
Guarantee - others	5,408,217	-	5,408,217	3,642,226	-	3,642,226
Letters of credit	-	-	-	10,823	-	10,823
Undrawn bank overdrafts	4,623,402	-	4,623,402	4,773,906	-	4,773,906
Other commitments	34,176,876	-	34,176,876	26,816,197	-	26,816,197
Total	44,344,011	-	44,344,011	35,392,750	-	35,392,750

#### 37.2 Commitments under long-term lease agreements

(a) As at 31 December 2018 and 2017, the Bank entered into a number of long-term leases and service agreements for office building, equipment and motor vehicles. The terms of the agreements were between 1 and 7 years, which future minimum rental and service fees, which are to payable by the Bank, can be summarised as follows:

(Unit: Million Baht)

Payable within	31 December	
	2018	2017
Up to 1 year	315	319
Over 1 and up to 5 years	289	328
Over 5 years	2	3



As at 31 December 2018 and 2017, the above commitments of the Bank included rental and service agreements with related parties amounted to Baht 184 million and Baht 277 million, respectively.

- (b) The Bank entered into various consultancy service agreements relating to software development and installation services. As at 31 December 2018 and 2017, the Bank is obligated to pay further Baht 57 million and Baht 47 million, respectively.

### 37.3 Obligation under the Employee Joint Investment Program (EJIP)

On 21 October 2013, the Board of Director's Meeting No. 11/2556 of the Bank passed a resolution approving the Employee Joint Investment Program (EJIP) for its employees, with the following details:

Period of EJIP	1 January 2014 to 31 December 2018, with a total duration of 5 years
Eligible employees	Management of Land and Houses Bank Public Company Limited with level of assistant vice president or equivalent onwards, who have passed probation periods and are not functioning in an acting capacity.
EJIP arrangement	Employee contribution at no more than 5 percent of the employee's basic salary. The Bank's contribution at 5 percent of the employees' basic salary.
Execution	Every month
Conditions for holding the securities	Within the first three years, employees cannot sell any shares. After 3 years, employees can sell 25% of accumulated shares. After 4 years, employees can sell 50% of accumulated shares. After 5 years, employees can sell all shares. Upon resignation from the Program in any circumstances, employees can sell all of the shares immediately.

The Program was approved by the Office of the Securities and Exchange Commission on 7 January 2014 and the Bank contributed to the Program members and recognised these contributions as employee expenses during the years ended 31 December 2018 and 2017 of Baht 6.5 million and Baht 6.8 million, respectively.

### 37.4 Litigation

As at 31 December 2018 and 2017, the Bank was sued in many litigation cases being claimed for compensations totaling Baht 1,193 million and Baht 1,195 million, respectively. Final judgments have not yet been reached in respect of these cases. The management of the Bank has exercised judgment to assess the outcome of the cases and is confident that it will not incur any significant loss and therefore contingent liabilities on such litigation cases are not provided.

### 38. Related party transactions

The Bank had significant business transactions with its related parties, including transactions with directors, executive or other persons with equivalent position, including entities that the persons or related persons have management authorities, or entities in which the Bank 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 Bank's parent company is LH Financial Group Public Company Limited.
2. The subsidiaries of the Bank's parent company are as follows:
  - 2.1 Land and Houses Securities Public Company Limited
  - 2.2 Land and Houses Fund Management Company Limited
  - 2.3 Land and Houses Advisory Company Limited (the subsidiary of the company as stated in No. 2.1 above)
3. Any persons or companies who hold more than 10 percent of shares in the Bank's parent company ("the major shareholders of the Bank's parent company") are as follows:
  - 3.1 CTBC Bank Company Limited
  - 3.2 Land and Houses Public Company Limited
  - 3.3 Quality Houses Public Company Limited
  - 3.4 Ms. Piengjai Harnpanich
4. Related companies include companies related by way of the following:
  - 4.1 The subsidiaries of the major shareholders of the Bank's parent company (shareholders as stated in No. 3 above).
  - 4.2 The associates of the major shareholders of the Bank's parent company (shareholders as stated in No. 3 above).
  - 4.3 The companies that are related to the Bank's directors.
  - 4.4 The companies that are related to the major shareholders of the Bank's parent company (shareholders as stated in No. 3 above).
  - 4.5 The companies that are controlled by the Bank's related persons.
5. Directors and executives who are the Bank's directors, president, senior executive vice president, first executive vice president, executive vice president, first senior vice president and equivalent.
6. Related persons who are the directors of the parent company, the directors of the major shareholders of the parent company (shareholders as stated in No. 3 above) and persons with close relationship with related persons and directors and executives.

### 38.1 Transactions during the years

During the years, the Bank had significant business transactions with its related parties. Such transactions, which were summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Bank, and its related parties.

(Unit: Thousand Baht)

	For the years ended 31 December		Pricing policy
	2018	2017	
<b>Interest income</b>			
Parent company	56,490	14,239	The same rates as charged to general customers
Subsidiary of the Bank's parent company	66,369	26,789	The same rates as charged to general customers
Related companies	16,730	175,052	The same rates as charged to general customers and as specified in the prospectus
Directors and executives	305	420	The same rates as charged to general customers
Related persons	1,084	1,173	The same rates as charged to general customers
	<u>140,978</u>	<u>217,673</u>	

(Unit: Thousand Baht)

	For the years ended 31 December		
	2018	2017	Pricing policy
<b>Fees and service income</b>			
Parent company	233	265	The same rates as charged to general customers
Subsidiaries of the Bank's parent company	80,704	53,531	The same rates as charged to general customers and as specified in the agreements
	<u>80,937</u>	<u>53,796</u>	
<b>Dividend income</b>			
Related companies	25,342	19,635	As announced by the funds
	<u>25,342</u>	<u>19,635</u>	
<b>Other operating income</b>			
Subsidiary of the Bank's parent company	1,146	881	As mutually agreed and as specified in the agreements
	<u>1,146</u>	<u>881</u>	
<b>Dividends paid</b>			
Parent company	1,840,000	1,499,800	As announced by the Bank
	<u>1,840,000</u>	<u>1,499,800</u>	
<b>Interest expenses</b>			
Parent company	5,176	7,631	The same rates as paid to general depositors and as specified in the prospectus
Subsidiaries of the Bank's parent company	6,920	2,952	The same rates as paid to general depositors
The major shareholders of the Bank's parent company	32,590	38,366	The same rates as paid to general depositors
Related companies	57,355	58,311	The same rates as paid to general depositors
Directors and executives	3,062	6,513	The same rates as paid to general depositors and as specified in the prospectus
Related persons	13,350	13,826	The same rates as paid to general depositors and as specified in the prospectus
	<u>118,453</u>	<u>127,599</u>	

(Unit: Thousand Baht)

	For the years ended 31 December		Pricing policy
	2018	2017	
<b>Other operating expenses</b>			
Parent company	1,452	1,342	As specified in the agreements
The major shareholders of the Bank's parent company	27,523	24,734	As specified in the agreements
Related companies	110,425	106,121	As specified in the agreements
	<u>139,400</u>	<u>132,197</u>	

### 38.2 The outstanding balances

As at 31 December 2018 and 2017, the outstanding balances of significant transactions between the Bank and its related parties can be summarised as follows:

	(Unit: Thousand Baht) 31 December	
	2018	2017
<b>Interbank and money market items (assets)</b>		
<u>Subsidiaries of the Bank's parent company</u>		
Land and Houses Securities Public Company Limited	2,600,000	1,900,100
Land and Houses Fund Management Company Limited	27,021	-
	<u>2,627,021</u>	<u>1,900,100</u>
<b>Investments - cost</b>		
<u>Related companies/persons</u>		
Related companies	357,706	1,787,154
	<u>357,706</u>	<u>1,787,154</u>
<b>Accrued interest receivables on investments</b>		
<u>Related companies/persons</u>		
Related companies	-	15,806
	<u>-</u>	<u>15,806</u>
<b>Loans to customers</b>		
<u>Parent company</u>		
LH Financial Group Public Company Limited	3,388,007	1,398,000
<u>Related companies/persons</u>		
Related companies	460,000	5,557,200
Directors and executives	13,856	18,976
Related persons	39,742	27,828
	<u>3,901,605</u>	<u>7,002,004</u>

(Unit: Thousand Baht)

31 December

**Accrued interest receivables on loans to customers**

Parent company

LH Financial Group Public Company Limited	234	160
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Related companies/persons

Related companies	4,490	3,840
Directors and executives	3	23
Related persons	13	10
	<u>4,740</u>	<u>4,033</u>

**Other assets**

Parent company

LH Financial Group Public Company Limited	300	300
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Subsidiaries of the Bank's parent company

Land and Houses Securities Public Company Limited	16	44
Land and Houses Fund Management Company Limited	3,270	7,178

The major shareholder of the Bank's parent company

Quality Houses Public Company Limited	6,164	6,145
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Related companies/persons

Related companies	30,602	28,612
	<u>40,352</u>	<u>42,279</u>

**Deposits**

Parent company

LH Financial Group Public Company Limited	2,075	6,100
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Subsidiary of the Bank's parent company

Land and Houses Advisory Company Limited	4,900	5,134
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The major shareholders of the Bank's parent company

Land and Houses Public Company Limited	3,838,504	1,400,753
Quality Houses Public Company Limited	1,343,978	1,972,397
Ms. Piengjai Hampanich	184,330	105,471

Related companies/persons

Related companies	9,510,874	5,093,924
Directors and executives	99,026	96,241
Related persons	740,213	1,002,382
	<u>15,723,900</u>	<u>9,682,402</u>

(Unit: Thousand Baht)

	31 December	
	2018	2017
<b>Interbank and money market items (liabilities)</b>		
<u>The major shareholder of the Bank's parent company</u>		
CTBC Bank Company Limited	250,870	-
<u>Subsidiaries of the Bank's parent company</u>		
Land and Houses Securities Public Company Limited	25,223	27,826
Land and Houses Fund Management Company Limited	20,710	41,999
	<u>296,803</u>	<u>69,825</u>
<b>Debts issued and borrowings</b>		
<u>Parent company</u>		
LH Financial Group Public Company Limited	84,100	84,100
<u>Related companies/persons</u>		
Directors and executives	34,000	48,000
Related persons	41,200	41,200
	<u>159,300</u>	<u>173,300</u>
<b>Accrued interest payables</b>		
<u>Parent company</u>		
LH Financial Group Public Company Limited	484	484
<u>The major shareholders of the Bank's parent company</u>		
Land and Houses Public Company Limited	1,667	128
Quality Houses Public Company Limited	-	93
Ms. Piengjai Harnpanich	731	224
<u>Related companies/persons</u>		
Related companies	7,768	3,940
Directors and executives	232	320
Related persons	1,442	1,447
	<u>12,324</u>	<u>6,636</u>
<b>Accounts payable on securities trading</b>		
<u>Subsidiary of the Bank's parent company</u>		
Land and Houses Securities Public Company Limited	-	40,741
	<u>-</u>	<u>40,741</u>
<b>Dividend payable</b>		
<u>Parent company</u>		
LH Financial Group Public Company Limited	-	1,000,000
	<u>-</u>	<u>1,000,000</u>



(Unit: Thousand Baht)

	31 December	
	2018	2017
<b>Other liabilities</b>		
<u>Subsidiary of the Bank's parent company</u>		
Land and Houses Fund Management Company Limited	3	3
<u>The major shareholder of the Bank's parent company</u>		
Quality Houses Public Company Limited	130	118
<u>Related companies/persons</u>		
Related companies	1,276	2,233
Directors and executives	3	39
	<u>1,412</u>	<u>2,393</u>
<b>Commitments - letters of bank guarantees</b>		
<u>Related companies/persons</u>		
Related companies	21,186	196,887
	<u>21,186</u>	<u>196,887</u>

### 38.3 Movements of related party balances

The movements of interbank and money market items (assets), loans to customers, deposits, interbank and money market items (liabilities), and debts issued and borrowings having with their related parties for the year ended 31 December 2018 were as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2018			
	Beginning balances	Increase	Decrease	Ending balances
<b>Interbank and money market items (assets)</b>				
<u>Subsidiaries of the Bank's parent company</u>				
Land and Houses Securities Public Company Limited	1,900,100	10,855,000	(10,155,100)	2,600,000
Land and Houses Fund Management Company Limited	-	30,102	(3,081)	27,021
	<u>1,900,100</u>	<u>10,885,102</u>	<u>(10,158,181)</u>	<u>2,627,021</u>
<b>Loans to customers</b>				
<u>Parent company</u>				
LH Financial Group Public Company Limited	1,398,000	8,518,108	(6,528,101)	3,388,007
<u>Related companies/persons</u>				
Related companies	5,557,200	-	(5,097,200)	460,000
Directors and executives	18,976	-	(5,120)	13,856
Related persons	27,828	61,842	(49,928)	39,742
	<u>7,002,004</u>	<u>8,579,950</u>	<u>(11,680,349)</u>	<u>3,901,605</u>

(Unit: Thousand Baht)

For the year ended 31 December 2018

	Beginning balances	Increase	Decrease	Ending balances
<b>Deposits</b>				
<u>Parent company</u>				
LH Financial Group Public Company Limited	6,100	15,404,008	(15,408,033)	2,075
<u>Subsidiary of the Bank's parent company</u>				
Land and Houses Advisory Company Limited	5,134	326	(560)	4,900
<u>The major shareholders of the Bank's parent company</u>				
Land and Houses Public Company Limited	1,400,753	116,211,271	(113,773,520)	3,838,504
Quality Houses Public Company Limited	1,972,397	51,126,303	(51,754,722)	1,343,978
Ms. Piengjai Harnpanich	105,471	686,185	(607,326)	184,330
<u>Related companies/persons</u>				
Related companies	5,093,924	238,712,966	(234,296,016)	9,510,874
Directors and executives	96,241	646,017	(643,232)	99,026
Related persons	1,002,382	6,633,774	(6,895,943)	740,213
	<u>9,682,402</u>	<u>429,420,850</u>	<u>(423,379,352)</u>	<u>15,723,900</u>
<b>Interbank and money market items (liabilities)</b>				
<u>The major shareholder of the Bank's parent company</u>				
CTBC Bank Company Limited	-	250,870	-	250,870
<u>Subsidiaries of the Bank's parent company</u>				
Land and Houses Securities Public Company Limited	27,826	19,002,893	(19,005,496)	25,223
Land and Houses Fund Management Company Limited	41,999	24,525,480	(24,546,769)	20,710
	<u>69,825</u>	<u>43,779,243</u>	<u>(43,552,265)</u>	<u>296,803</u>
<b>Debts issued and borrowings</b>				
<u>Parent company</u>				
LH Financial Group Public Company Limited	84,100	-	-	84,100
<u>Related companies/persons</u>				
Directors and executives	48,000	-	(14,000)	34,000
Related persons	41,200	-	-	41,200
	<u>173,300</u>	<u>-</u>	<u>(14,000)</u>	<u>159,300</u>

### 38.4 Directors' and executives' compensation

During the years ended 31 December 2018 and 2017, compensations incurred on directors and executives of the Bank, which were recognised in profit or loss, were classified as follows.

	(Unit: Million Baht)	
	For the years ended 31 December	
	2018	2017
Short-term employee benefits	148	118
Post-employment benefits	8	12
Total	156	130

Directors and executives of the Bank are directors, president, senior executive vice president, first executive vice president, executive vice president, first senior vice president and equivalent.

### 39. Operating segments

The Bank has two principal operating segments: lending segment and other segments and they operate their businesses in Thailand. For management purposes of the banking business, the Executive Board of Directors of the Bank 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.

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 Bank 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 (if any) is reported on a basis consistent with external customers.

Operating segment information of the Bank was as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2018			
	Lending		Other segments	Total
	Housing and retail	Commercial loans		
Interest income from external customers	1,200,626	5,814,429	1,559,612	8,574,667
Net interest income				4,903,604
Net fees and service income				283,104
Gains on trading and foreign exchange transactions				1,308
Gains on investments				191,735
Dividend income				658,742
Other operating income				19,572
Other operating expenses				(2,362,073)
Bad debts, doubtful accounts and impairment loss				(570,163)
Income tax expenses				(556,598)
Profit for the year				2,569,231

(Unit: Thousand Baht)

	For the year ended 31 December 2017			
	Lending		Other segments	Total
	Housing and retail	Commercial loans		
Interest income from external customers	1,357,767	5,665,312	1,630,611	8,653,690
Net interest income				4,980,219
Net fees and service income				325,723
Gains on trading and foreign exchange transactions				989
Gains on investments				65,774
Dividend income				392,829
Other operating income				28,659
Other operating expenses				(2,345,939)
Bad debts, doubtful accounts and impairment loss				(617,142)
Income tax expenses				(519,047)
Profit for the year				2,312,065

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(Unit: Thousand Baht)

As at 31 December 2018

	Lending		Other segments	Total
	Housing and retail	Commercial loans		
Loans to customers/interbank and money market items	23,982,061	158,160,193	-	182,142,254
Cash				1,839,570
Interbank and money market items - net				21,566,859
Investments - net				55,312,914
Loans to customers and accrued interest receivables - net				158,342,151
Other assets				1,596,484
Total assets				238,657,978
Deposits				168,171,003
Interbank and money market items				9,277,424
Debts issued and borrowings - net				23,290,463
Other liabilities				2,314,849
Total liabilities				203,053,739

(Unit: Thousand Baht)

As at 31 December 2017

	Lending		Other segments	Total
	Housing and retail	Commercial loans		
Loans to customers/interbank and money market items	28,667,723	144,571,796	-	173,239,519
Cash				1,994,550
Interbank and money market items - net				20,928,063
Investments - net				55,236,564
Loans to customers and accrued interest receivables - net				150,874,613
Other assets				1,362,480
Total assets				230,396,270
Deposits				143,741,919
Interbank and money market items				15,415,970
Debts issued and borrowings - net				32,979,124
Other liabilities				3,136,936
Total liabilities				195,273,949

The Bank operates in Thailand only. As a result, all of the revenues, profits and assets as reflected in these financial statements pertain to the aforementioned geographical reportable. Moreover, during the years ended 31 December 2018 and 2017, the Bank had no major customer with revenue of 10 percent or more of total revenues.

#### 40. Financial instruments

Financial instruments are any contracts which give rise to both a financial asset of one enterprise and a financial liability or equity security of another enterprise.

The Bank's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items, derivative assets, investments, loans to customers, deposits, liabilities payable on demand, debts issued and borrowings and accounts payable on securities trading.

The Bank's risk management policies, principally the Bank's manages and controls risk to be within an acceptable level. These policies are annually reviewed for reflecting of the risk from environmental change and the risk from internal and external factors as follows:

##### 40.1 Credit risk

Credit risk is the chance or probability that debtors or counterparties will not be able to meet their obligations including from chance in credit risk of counterparties is downgraded and the risk of deterioration of investment or credit quality and unable to adjust the price to compensate for the additional risk, which may affect the revenues and capital funds of the Bank.

Credit risk is recognised as highly significant to financial institutions, especially those associated with credit transactions, which are the core transactions of the Bank, both in terms of loans, investments and commitments and transactions which similar loans. Maximum exposure to credit loss of the Bank is the carrying value of loans to customers, including commitments in respect of provisions of guarantees, avals or other types of guarantee with similar characteristics.

The Bank manages credit risk by imposing on credit granting in order to control, detect and reduce the risk of credit transactions. Criteria of credit granting must be considered from various conditions such as target market, business type, loan type, transaction type, loan limit to each debtor to reduce the risks of concentration of credit, collateral to decrease credit risk and person or corporate that the Bank doesn't support. Moreover, the Bank has key risk management measurements, include the following:

##### (a) Risk identification

The Bank considers factors that are relevant to a borrower and the borrower/ counterparty's business, and external factors that may adversely impact the revenues and the operations of the borrower/counterparty. It also monitors changes in credit quality and historical payment trends,

which help provide the picture of asset quality and credit risk. In addition, the Bank conducts reviews of borrower risk level and their alignment with the identified risk factors.

(b) Risk measurement

The Bank has developed tools to measure credit quality. These are a Credit Rating Model, which is used to assign credit ratings to corporate banking customers, and a Credit Scoring Model which is used for personal banking customers. Both tools were developed by the Credit Risk Management and Capital Department in order to reduce the use of judgment by credit approvers during the credit approval process.

(c) Risk monitoring and reporting

The Bank has developed a process of monitoring counterparties' credit risk, so that it is aware of the current size and level of risk associated with its borrowers. Financial reviews and customer visits are required to be carried out at least annually, and the value and liquidity of collateral is appraised, the status of borrowers and their compliance with conditions are reported to executives on a regular basis.

(d) Risk control and mitigation

The Bank sets credit concentration limits at the industry level, and individual client level, in order to ensure the Bank's risk exposure to a particular industry or client is not excessive. If a limit is reached, the responsible department is to investigate the reason of an abnormal circumstance, in order to maintain risk exposure within acceptable parameters. The Bank also has internal control and audit procedures in place to ensure that its risk management is in accordance with the frameworks and processes laid down by the Bank.

Furthermore, the Bank conducts stress testing that covers credit risk at least annually, in order to forecast potential losses on individual accounts or counterparties and on different types of credit in its portfolio, and consider whether the resulting deterioration in credit quality within its portfolio would affect its capital adequacy and its current loan provisions, so the Bank will be able to take timely action to mitigate the risk.

## 40.2 Market risk

Market risk is the risk that changes in interest rate, foreign exchange rate and securities prices in money market/equity market which may negative affect the revenues and capital funds of the Bank. The Bank's market risk consists of interest rate risk, foreign exchange risk and equity position risk.

(a) Interest rate risk

Interest rate risk is the risk that volatility in market interest rates will result in changes in the value of financial instruments, or fluctuations in income or the value of financial assets and liabilities.



Interest rate risk is a consequence of the structure and the nature of the items in assets, liabilities, and equity, and mismatches between the maturities and the repricing terms of assets and liabilities.

Most of the Bank's assets consist of deposit at financial institutions, loans to customers and held-to-maturity debt securities, and its liabilities mainly consist of deposits from individuals. These key items may be affected by interest rate fluctuations, and whenever such fluctuations occur the Bank is exposed to the risk that its income, expenses and/or economics value (equity value) may be affected. The Bank therefore needs to manage interest rate risk in its banking books in order to mitigate the impact.

Interest rate risk in its banking books adversely affects the income or capital adequacy of the Bank as fluctuations in interest rates impact all rate-sensitive assets, liabilities and commitments. The cause is maturity mismatch and repricing risk for assets and liabilities in the Bank's statements of financial position.

The nature of the Bank's exposures to interest rate risk in the banking book are as follows:

(1) Repricing Risk

This arises due to mismatches between the maturities of assets and liabilities, or when interest rate reset dates are not matched.

(2) Basis Risk

This arises because change of reference interest rates of assets and liabilities are not matched.

(3) Option Risk

The Bank has option risk in financial contract both debtor and creditor that counterparties have right to change payment plans or redemption from the original plan when the market rate is changed. Rights holders will exercise when it is in an unfavorable position as the original payment plan. So it makes cost of interest, return or net interest income including assets and liabilities' structure in statements of financial position changed for the worse.

The Bank has developed interest rate risk measurement tools to evaluate interest rate risk in the banking books. The Bank sets risk limits in order to keep risk levels within stipulated parameters and to report risk levels to Asset and Liability Committee on a monthly basis.

Moreover, the Bank performs stress tests by simulating an interest rate crisis, using simulations provided by the BoT and/or appropriate simulations it has established itself.

As at 31 December 2018 and 2017, financial assets and liabilities, classified by types of interest rate, were as follows:

(Unit: Thousand Baht)

Descriptions	31 December 2018			
	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<b><u>Financial assets</u></b>				
Cash	-	-	1,839,570	1,839,570
Interbank and money market items	907,025	19,342,000	1,494,917	21,743,942
Derivative assets	-	-	111,046	111,046
Investments	1,038,394	43,416,745	10,857,800	55,312,939
Loans to customers <sup>(1)</sup>	88,024,482	70,380,029	3,522,546	161,927,057
<b><u>Financial liabilities</u></b>				
Deposits	78,792,437	89,192,050	186,516	168,171,003
Interbank and money market items	3,978,789	5,020,693	277,942	9,277,424
Liabilities payable on demand	-	-	172,822	172,822
Debts issued and borrowings	-	23,298,000	12,324	23,310,324

<sup>(1)</sup> In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates. In addition, non-interest bearing loans include non-performing loans.

(Unit: Thousand Baht)

Descriptions	31 December 2017			
	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<b><u>Financial assets</u></b>				
Cash	-	-	1,994,550	1,994,550
Interbank and money market items	350,004	19,187,211	1,564,085	21,101,300
Derivative assets	-	-	103,651	103,651
Investments	1,045,789	46,100,119	8,090,681	55,236,589
Loans to customers <sup>(1)</sup>	88,959,506	61,840,479	3,267,294	154,067,279
<b><u>Financial liabilities</u></b>				
Deposits	76,191,355	67,429,968	120,596	143,741,919
Interbank and money market items	1,474,877	13,837,063	104,030	15,415,970
Liabilities payable on demand	-	-	219,784	219,784
Debts issued and borrowings	-	33,011,000	16,377	33,027,377
Accounts payable on securities trading	-	-	40,741	40,741

<sup>(1)</sup> In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates. In addition, non-interest bearing loans include non-performing loans.

The remaining periods counting from 31 December 2018 and 2017 to the repricing dates or maturity dates (whichever are sooner) of financial instruments carrying interest at fixed rates were as follows:

(Unit: Thousand Baht)

	31 December 2018						
	Remaining periods to repricing dates or maturity dates						
Descriptions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
<b><u>Financial assets</u></b>							
Interbank and money market items	14,067,000	5,275,000	-	-	-	19,342,000	1.75 - 5.25
Investments	-	639,799	2,910,183	28,866,227	11,000,536	43,416,745	1.83 - 5.35
Loans to customers	10,638,050	24,851,044	9,355,235	25,282,070	253,630	70,380,029	1.90 - 6.50
<b><u>Financial liabilities</u></b>							
Deposits	4,563,927	34,199,925	42,196,577	8,231,621	-	89,192,050	0.60 - 2.45
Interbank and money market items	25,000	3,455,283	580,555	914,917	44,938	5,020,693	0.1 <sup>(1)</sup> , 0.50 - 1.75
Debts issued and borrowings	-	12,450,000	5,848,000	1,000,000	4,000,000	23,298,000	1.50 - 5.125

<sup>(1)</sup> The interest rate of 0.1% is charged on the balance of Baht 3,044 million obtained for financial assistance to SMEs' debtors that lack of liquidity.

(Unit: Thousand Baht)

	31 December 2017						
	Remaining periods to repricing dates or maturity dates						
Descriptions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
<b>Financial assets</b>							
Interbank and money market items	13,959,211	5,228,000	-	-	-	19,187,211	1.00 - 4.50
Investments	-	1,046,018	3,052,020	26,795,395	15,206,686	46,100,119	1.83 - 5.35
Loans to customers	9,896,256	22,041,518	9,297,688	19,639,824	965,193	61,840,479	1.80 - 5.75
<b>Financial liabilities</b>							
Deposits	2,340,435	19,361,225	36,716,337	9,011,971	-	67,429,968	0.80 - 3.00
Interbank and money market items	60,000	11,056,540	1,524,426	866,362	329,735	13,837,063	0.01 <sup>(1)</sup> , 0.1 <sup>(2)</sup> , 0.75 - 1.50
Debts issued and borrowings	-	20,777,000	8,234,000	-	4,000,000	33,011,000	1.35 - 5.125

<sup>(1)</sup> The interest rate of 0.01% is charged on the balance of Baht 360 million obtained for financial assistance to debtors affected by the floods in 2011.

<sup>(2)</sup> The interest rate of 0.1% is charged on the balance of Baht 3,305 million obtained for financial assistance to SMEs' debtors that lack of liquidity.

In addition, the average balances of the financial assets and liabilities of the Bank generating revenues/incurring expenses, calculated based on the average balances outstanding during the years, and the average interest rate for the years ended 31 December 2018 and 2017 were as follows:

(Unit: Thousand Baht)

	For the years ended 31 December					
	2018			2017		
	Average	Interest	Average	Average	Interest	Average
	balances	income/	rate	balances	income/	rate
		expenses	(% per annum)		expenses	(% per annum)
<b>Performing financial assets</b>						
Interbank and money market items	19,828,989	659,647	3.33	17,108,450	583,593	3.41
Investments in debt securities	44,849,474	1,547,171	3.45	46,711,562	1,626,905	3.48
Loans to customers	151,658,038	6,367,849	4.20	143,155,160	6,443,192	4.50
<b>Performing financial liabilities</b>						
Deposits	149,007,058	2,830,630	1.90	145,236,925	2,837,639	1.95
Interbank and money market items	12,817,247	143,515	1.12	13,418,863	112,062	0.84
Debts issued and borrowings	28,069,186	696,918	2.48	28,111,019	723,770	2.57

(b) Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates may result in changes in the value of financial instruments, and fluctuations in revenues or the values of financial assets and liabilities.

Since the Bank has foreign exchange transactions, it may be exposed to foreign exchange risk. The Bank operates Thai Baht currency exchange services, with both of buying and selling services. The Bank has determined foreign currency position at the end of day not more than amount permission by the BoT, so the Bank has insignificant foreign exchange risk.

As at 31 December 2018 and 2017, foreign currency positions of the Bank were as follows:

(Unit: Thousand Baht)

	31 December 2018				
	USD	EUR	JPY	HKD	Others
<b>Foreign currency in the statements of financial position</b>					
Cash	1,219	879	309	402	452
Interbank and money market items	6	-	-	-	-
Investments	1,038,394	-	-	-	-
Total assets	1,039,619	879	309	402	452

(Unit: Thousand Baht)

	31 December 2017				
	USD	EUR	JPY	HKD	Others
<b>Foreign currency in the statements of financial position</b>					
Cash	478	156	155	51	142
Investments	1,045,789	-	-	-	-
Total assets	1,046,267	156	155	51	142

In addition, the Bank had commitments in respect of cross currency and interest rate swap contracts held for banking book, which were to settle in foreign currencies as follows:

(Unit: Thousand Baht)

	31 December 2018				
	USD	EUR	JPY	HKD	Others
Cross currency and interest rate swap contracts					
- Sold	1,038,394	-	-	-	-

(Unit: Thousand Baht)

	31 December 2017				
	USD	EUR	JPY	HKD	Others
Cross currency and interest rate swap contracts					
- Sold	1,045,789	-	-	-	-

#### (c) Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities or stocks may result in changes in the value of investments, and fluctuations in revenue and the value of financial assets.

The maximum equity position risk exposure is the carrying value of investments in equity securities as presented in the statements of financial position.

### 40.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to liquidate their financial assets and/or procure sufficient funds to discharge their obligations in a timely manner, resulting in the Bank incurring a financial loss.

The Bank manages its liquidity risk by performing through net liquidity status report or liquidity gap analysis. The Bank's analysis has two components, which are a Contractual Liquidity Gap report and a Behavior Liquidity Gap report, that analyse the net liquidity status at each point in time and consider the cash flow adequacy over the next year. Moreover, the Bank assesses liquidity risk based on the

accumulated outstanding net liquidity by maturity, adjusted to reflect depositor behaviour, in order to maintain liquidity risk at the appropriate levels stipulated by the Bank.

The Bank conducts a study of the effect on liquidity of various factors, such as early deposit withdrawal and deposit rollover, by creating simulations incorporating normal scenarios and stress scenarios which cover the effect of liquidity management of the Bank. The Market and Liquidity Risk Management Division, Operational and Market Risk Management Department are responsible for carrying out the study and reporting the results to Asset and Liability Committee, which measures liquidity requirements under each scenario, and provides a framework for establishing contingency plans.

In addition, the Bank also monitors its liquidity risk relating to regulation of maintaining liquid assets for supporting crisis situation (Liquidity Coverage Ratio: LCR), which determines assumptions for total cash inflows and outflows to reflect withdrawal behavior of each counterparty and transaction type both on/off balance sheet items, which are affected by different cash flow indicators. The assumptions should also reflect the business group structure that the group's commercial banks may need to help their liquidity in a severe and continuous cash outflow crisis. Therefore, the Bank sets risk limits for monitoring its liquidity risk levels, which enable the Bank to maintain appropriate amounts of liquid assets and efficiently cope with fluctuations in cash inflows and outflows.

The periods to maturity, counting from the financial position dates, of financial instruments outstanding as at 31 December 2018 and 2017 were as follows:

(Unit: Thousand Baht)

Descriptions	31 December 2018					Total
	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	
<b><u>Financial assets</u></b>						
Cash	1,839,570	-	-	-	-	1,839,570
Interbank and money market items	15,688,942	5,275,000	780,000	-	-	21,743,942
Derivative assets	-	-	-	111,046	-	111,046
Investments	-	639,799	2,910,183	40,905,157	10,857,800	55,312,939
Loans to customers <sup>(1)</sup>	19,212,328	35,695,272	16,721,733	90,297,724	-	161,927,057
<b><u>Financial liabilities</u></b>						
Deposits	80,991,264	34,738,055	43,183,652	9,258,032	-	168,171,003
Interbank and money market items	4,281,730	3,455,283	580,556	959,855	-	9,277,424
Liabilities payable on demand	172,822	-	-	-	-	172,822
Debts issued and borrowings	-	12,450,000	5,848,000	5,012,324	-	23,310,324

<sup>(1)</sup> Loans to customers maturing at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)

	31 December 2017					
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
<b><u>Financial assets</u></b>						
Cash	1,994,550	-	-	-	-	1,994,550
Interbank and money market items	15,523,300	5,228,000	-	350,000	-	21,101,300
Derivative assets	-	-	-	103,651	-	103,651
Investments	-	1,046,018	3,052,020	43,047,870	8,090,681	55,236,589
Loans to customers <sup>(1)</sup>	18,854,553	32,627,077	16,150,213	86,435,436	-	154,067,279
<b><u>Financial liabilities</u></b>						
Deposits	76,186,349	19,942,663	37,598,670	10,014,237	-	143,741,919
Interbank and money market items	1,638,907	11,056,540	1,524,426	1,196,097	-	15,415,970
Liabilities payable on demand	219,784	-	-	-	-	219,784
Debts issued and borrowings	-	20,777,000	8,234,000	4,016,377	-	33,027,377
Accounts payable on securities trading	-	40,741	-	-	-	40,741

<sup>(1)</sup> Loans to customers maturing at call included defaulted loans and non-performing loans.

The Bank will disclose Liquidity Coverage Ratio as of 31 December 2018 through the Bank's website at [www.lhbank.co.th](http://www.lhbank.co.th) within April 2019.

Moreover, as at 31 December 2018 and 2017, the Bank had the following commitments from avals to bills, guarantee, letters of credit, undrawn bank overdrafts and other commitments as summarised by the periods to maturity, counting from the financial report dates, of the contracts:

(Unit: Thousand Baht)

	31 December 2018			31 December 2017		
	No more than 1 year	Over 1 year	Total	No more than 1 year	Over 1 year	Total
Avals to bills	134,498	1,018	135,516	149,598	-	149,598
Guarantee - other	4,753,473 <sup>(1)</sup>	654,744	5,408,217	2,861,132 <sup>(1)</sup>	781,094	3,642,226
Letters of credit	-	-	-	10,823	-	10,823
Undrawn bank overdrafts	4,623,402	-	4,623,402	4,773,906	-	4,773,906
Other commitments	-	34,176,876	34,176,876	-	26,816,197	26,816,197

(1) As at 31 December 2018 and 2017, these amount included contracts with no maturity date amounting to Baht 2,026 million and Baht 1,073 million, respectively.



#### 41. Fair value of financial instruments

##### 41.1 Financial assets and liabilities measured at fair value

As at 31 December 2018 and 2017, the Bank had financial assets that were measured at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	31 December 2018				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Assets</u>					
Available-for-sale investments					
Government and state enterprise securities	180,517	-	180,517	-	180,517
Private sector debt securities	1,033,761	-	1,033,761	-	1,033,761
Domestic marketable equity securities	10,852,519	10,852,519	-	-	10,852,519
Total available-for-sale investments	12,066,797	10,852,519	1,214,278	-	12,066,797

(Unit: Thousand Baht)

	31 December 2017				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Assets</u>					
Available-for-sale investments					
Domestic marketable equity securities	8,085,400	8,085,400	-	-	8,085,400
Total available-for-sale investments	8,085,400	8,085,400	-	-	8,085,400

During the current year, there was no transfer within the fair value hierarchy.

#### 41.2 Financial assets and liabilities for which fair values are disclosed

As at 31 December 2018 and 2017, the Bank 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)

	31 December 2018				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Cash	1,839,570	1,839,570	-	-	1,839,570
Interbank and money market items - net	21,566,859	1,494,921	-	20,070,145	21,565,066
Derivative assets	111,046	-	119,569	-	119,569
Investments - net	43,246,117	-	43,929,825	5,256	43,935,081
Loans to customers - net	158,342,151	-	-	158,465,848	158,465,848
<u>Liabilities</u>					
Deposits	168,171,003	78,978,953	89,570,274	-	168,549,227
Interbank and money market items	9,277,424	4,256,731	5,023,731	-	9,280,462
Liabilities payable on demand	172,822	172,822	-	-	172,822
Debts issued and borrowings	23,310,324	12,324	23,406,093	-	23,418,417

(Unit: Thousand Baht)

	31 December 2017				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Cash	1,994,550	1,994,550	-	-	1,994,550
Interbank and money market items - net	20,928,063	1,882,090	-	19,026,192	20,908,282
Derivative assets	103,651	-	110,418	-	110,418
Investments - net	47,151,164	-	48,594,517	5,256	48,599,773
Loans to customers - net	150,874,613	-	-	151,212,484	151,212,484
<u>Liabilities</u>					
Deposits	143,741,919	76,311,951	67,435,666	-	143,747,617
Interbank and money market items	15,415,970	1,578,907	13,846,457	-	15,425,364
Liabilities payable on demand	219,784	219,784	-	-	219,784
Debts issued and borrowings	33,027,377	16,377	33,067,430	-	33,083,807
Accounts payable on securities trading	40,741	-	40,741	-	40,741

The Bank estimates the level 2 and level 3 fair values for financial instruments as follow:

- (a) The fair values of investments in debt securities are determined based on the yield rates quoted by the Thai Bond Market Association.
- (b) The fair values of non-marketable equity securities 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 doubtful accounts and revaluation allowance for debts restructuring. The fair values of loans to customers and interbank and money market items (assets) that bear fixed interest rates are the present value of the expected future cash flows, discounted by the interest rates the Bank offers on similar loans. The fair values of non-performing loans are the present value of the expected future cash flows from the disposal of the loan collaterals, discounted by the rates and durations as referred in the BoT's guidelines regarding provision.
- (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 Bank's announced interest rates for instruments having similar characteristics.
- (e) The fair values of derivative assets are determined using fair values obtained from its counterparty banks.
- (f) The fair values of debts issued and borrowings that are both subordinated or unsubordinated debentures are determined using yield rates quoted by Thai Bond Market Association. The fair values of debts issued and borrowings that bear fixed interest rates are determined by discounting the expected future cash flows by market interest rates on borrowings with similar conditions.

#### 42. Events after the reporting period

On 25 February 2019, the Board of Directors' Meeting No.3/2562 of the Bank passed a resolution to propose to the Annual General Meeting of the Bank's shareholders for approval of the 2018 dividend payments in cash of Baht 1.17 per share, or a total of Baht 2,340 million from its operating results for the year ended 31 December 2018.

However, during the years, the Bank already paid interim dividends as follows;

1. On 20 August 2018, the Board of Directors' Meeting No.8/2561 of the Bank passed a resolution approving an interim dividend payment from its operating results for the six-month period ended 30 June 2018, at Baht 0.60 per share or a total of Baht 1,200 million. The Bank paid dividends on 19 September 2018.
2. On 12 November 2018, the Board of Directors' Meeting No.11/2561 of the Bank passed a resolution approving an interim dividend payment from its operating results for the nine-month period ended 30 September 2018, at Baht 0.32 per share or a total of Baht 640 million. The Bank paid dividends on 4 December 2018.

Hence, the Bank will pay the remaining cash dividend of Baht 0.25 per share or a total of Baht 500 million.

#### 43. Approval of financial statements

These financial statements were authorised for issue by the Bank's Board of Directors on 25 February 2019.



## REFERENCE INFORMATION

Auditor	:	EY Office Limited
Auditors		Miss Ratana Jala Certified Public Accountant (Thailand), registration No. 3734 and/or Miss Somjai Khunapasut Certified Public Accountant (Thailand), registration No. 4499 and/or Miss Rachada Yongsawadvanich Certified Public Accountant (Thailand), registration No. 4951
Address:		193/136-137, 33 <sup>rd</sup> Floor, Lake Rajada Office Complex, Rajadapisek Road, Klongtoey, Bangkok 10110
Tel:		0 2264 0777
Fax:		0 2264 0789-90
Website		<a href="http://www.ey.com/th">www.ey.com/th</a>
Financial Advisor	:	Asia Plus Advisory Company Limited
Address:		175, 11 <sup>th</sup> Floor, Sathorn City Tower, South Sathorn Road, Thungmahamek, Sathorn , Bangkok 10120
Tel:		0 2680 4000
Fax:		0 2670 9291-2
Website		<a href="http://www.asiaplus.co.th">www.asiaplus.co.th</a>



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