

ANNUAL REPORT 2016

รายงานประจำปี ๒๕๕๙

LH BANK



ธนาคารแลนด์ แอนด์ เฮาส์
LAND AND HOUSES BANK

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MESSAGE FROM THE CHAIRMAN



Overall, the Thai economy in the year 2016 slightly grew more than estimated. The main supporting factors were the government stimulus package, the government investment and expenditure and all positive factors that carry forward and increase the car sales summary. The 2016 economy was also driven primarily by the tourism sector. However, the export sector was affected by the fragile global economic recovery and the unrecovery of the private investment sector. Moreover, the household debt that remained relatively high led to the decrease of household expenditure.

In the year 2016, Land and Houses Bank Public Company Limited had well expanded, the bank's total asset were Baht 209,695 million or 5.9% growth from the previous year, total loans were Baht 157,494 million or 5.7% growth from the previous year, with a good quality of loan and low ratio of NPL were 1.76% of total loans. The bank developed services and products to provide good services and customer satisfaction and also increased the service channels via the bank branches which increased from 126 branches in the year 2015 to 133 branches in the year 2016 and the bank's branches has located in Bangkok boundary and other regions across the country. In addition, the bank satisfied the young generation needs that prefer to conduct the transactions via digital channel and the bank has opened the transaction services via smartphone or LH Bank M-Choice to provide the convenient and fast services that can be used every day at anytime and anywhere.

The bank's 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 and manages the business with honesty to enrich the ability of competition and to be a base of sustainable growth of the bank.

Finally, on behalf of the bank, I would like to thank all shareholders, investors, customers, public and private financial institutions and government agencies for trust and continued support that have been placed in Land and Houses Bank Public Company Limited. The bank will commit to develop new business opportunities with offering the products and services to satisfy customers needs and wants and be confident that the bank will grow with high quality.

A handwritten signature in blue ink, belonging to Mr. Anant Asavabhokhin.

(Mr. Anant Asavabhokhin)

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 & 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 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 an upgrade 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 shares.



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 st , 5 th , 6 th and 32 rd Floor, South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120
Registered Capital	:	20,000,000,000 Baht
Paid-up Capital	:	14,000,000,000 Baht
Par Value	:	10 Baht
All Type of Share and Issued Share Capital	:	Consists of Ordinary Shares 1,400,000,000 Shares Preferred Shares -None-
Accounting Period	:	1 January – 31 December
Contract	:	Head Office Telephone 0 2359 0000, 0 2677 7111 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 : phairoj@lhbank.co.th
	:	Mr. Adul Vinaiphat Member of the Audit Committee Telephone 08 1834 0104 Email : adul@lhbank.co.th
	:	Mr. Somsak Asavapokee Member of the Audit Committee Telephone 08 5485 4269 Email : somsaka@lhbank.co.th
	:	Mr. Sun Vithespongse Member of the Audit Committee Telephone 09 8262 4549 E-mail : sunv@lhbank.co.th

Auditor :

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

:

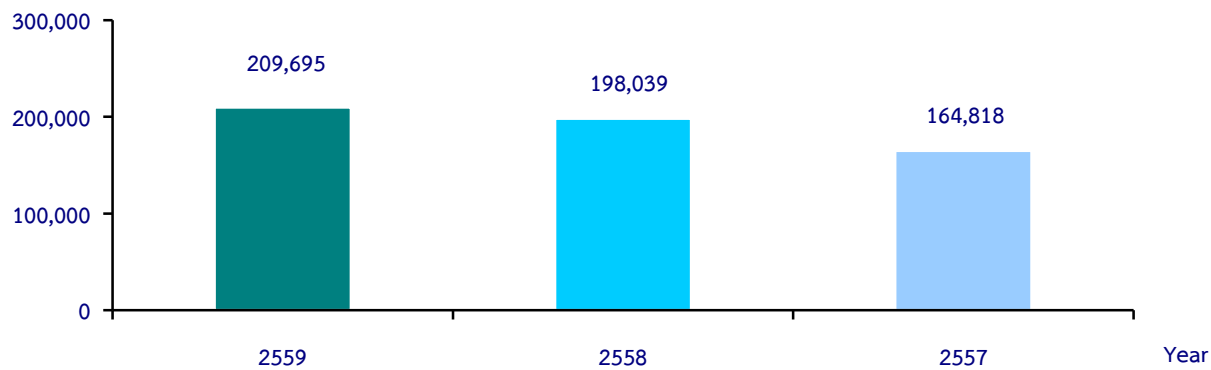
EY Office Limited
193/136-137, 33rd Floor, Lake Rajada Office Complex,
Rajadapisak Road, Klongtoey, Bangkok 10110
Telephone : 0 2664 0777
Fax : 0 2664 0789-90

FINANCIAL HIGHLIGHTS

Items	Separate Financial Statement		
	2016	2015	2014
Statements of financial position : Million Baht			
Total assets	209,695	198,039	164,818
Investments	49,978	46,222	33,438
Loans to customers	141,145	132,727	116,020
Allowance for doubtful debts	3,094	2,564	2,076
Non-performing loans (Gross NPLs)	2,766	2,815	2,449
Debts issued and borrowings	20,465	21,814	1,000
Deposits	149,639	137,300	123,662
Total liabilities	192,197	182,026	150,454
Total owners' equity	17,498	16,013	14,364
Registered share capital	20,000	20,000	20,000
Paid-up share capital	14,000	14,000	13,000
Statements of comprehensive income : Million Baht			
Interest income	8,816	8,485	7,481
Interest expenses	(3,978)	(4,141)	(4,098)
Net interest income	4,838	4,344	3,383
Non-interest income	1,636	984	765
Total operating income	6,474	5,328	4,148
Non-interest expenses	(2,333)	(2,211)	(1,950)
Bad debts and doubtful accounts	(1,025)	(1,090)	(710)
Profits before income tax expenses	3,116	2,027	1,488
Net profits	2,502	1,631	1,203
Comparing per share : Baht			
Basic earnings per share	1.79	1.24	0.95
Dividend rate per share	0.666	0.769	0.650
Book value per share	12.499	11.438	11.049
Financial ratio (%)			
Return on average assets (ROA)	1.23	0.90	0.77
Return on average shareholders' equity (ROE)	14.93	10.74	8.63
Dividend payout ratio	37.26	61.33	70.23
Loans to deposit and borrowing	83.07	83.46	93.18
Non-interest income to total income	25.27	18.47	18.45
Non-interest expenses to total income	36.04	41.49	47.00
Total capital fund to risk assets ratio	13.750	14.01	12.41
Tier 1 capital fund to risk assets ratio	10.239	10.18	11.32
Capital fund : Million Baht			
Tier 1 capital fund	16,628.92	15,202.82	13,895.82
Total capital fund	22,330.75	20,936.11	15,231.93

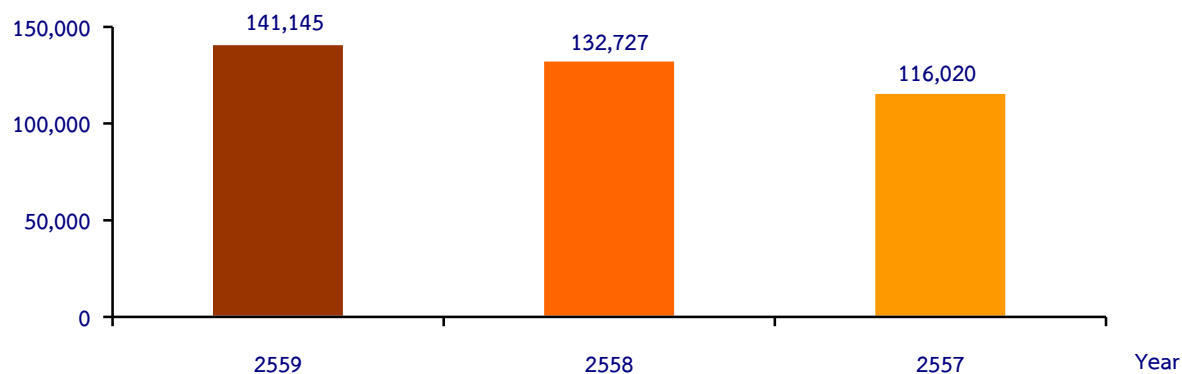
Total Assets

(Million Baht)



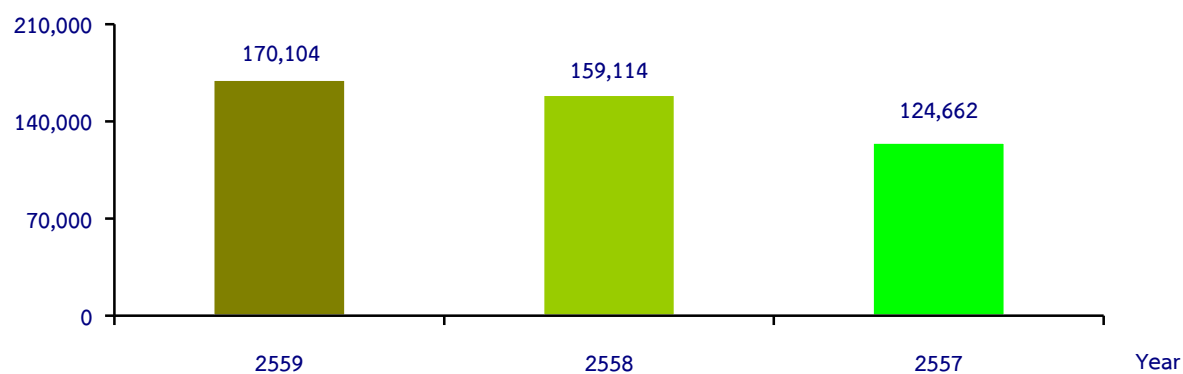
Loans to Customers

(Million Baht)



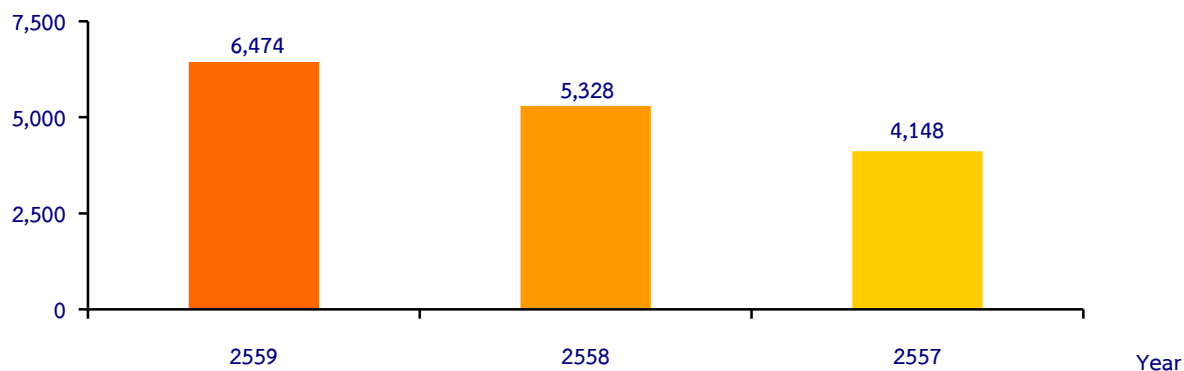
Deposits & Debts Issued and Borrowings

(Million Baht)



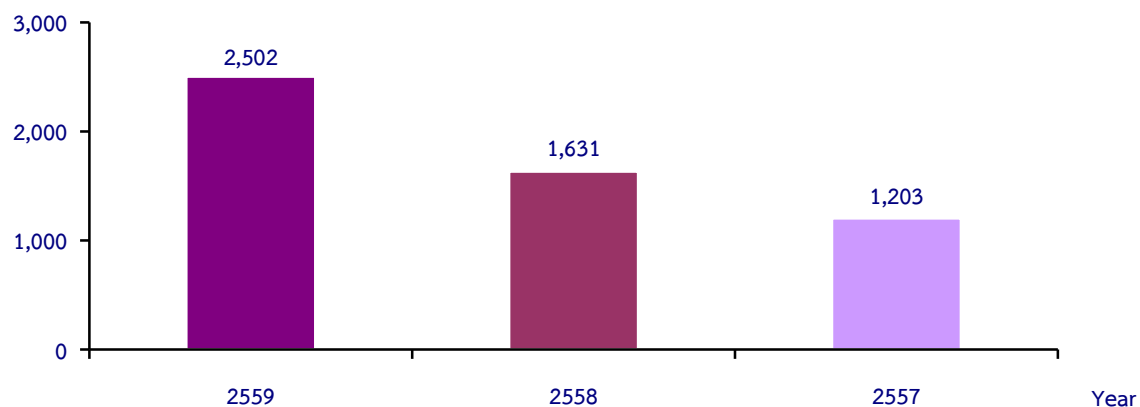
Total Operating Income

(Million Baht)



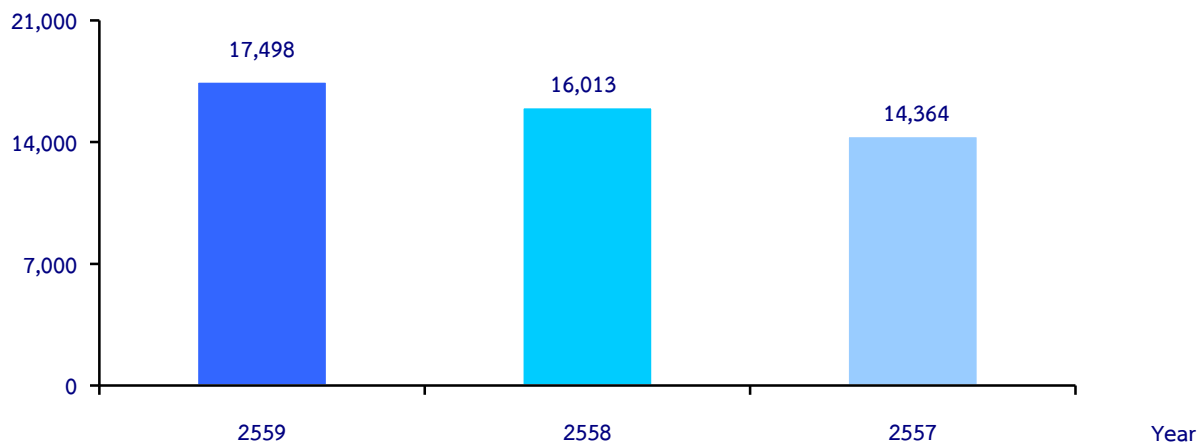
Net Profits

(Million Baht)



Total Owners' Equity

(Million Baht)



BOARD OF DIRECTORS



Name: Mr. Anant Asavabhokhin

Position: Chairman

Age: (Years) 66

Education:

- M.B.A., Thammasat University
- M.S. Industrial Engineering, Illinois Institute of Technology, Chicago, USA
- B.Eng. (Civil Engineering), Chulalongkorn University
- Director Certification Program (DCP) 52/2004 : IOD

Number of direct holding of shares:

- None

Number of indirect holding of shares:

- 2016 hold by Land and Houses PLC = 4,634,761,967 shares : Shareholding 33.982%
- 2015 hold by Land and Houses PLC = 4,634,761,967 shares : Shareholding 33.982%

Relationship with executives:

- None

Work experiences in the past 5 years

❖ Current Position in 4 Listed Companies

Period	Position	Organization/Company
Apr. 2009 - Present	Chairman	LH Financial Group PLC
1995 - Present	Chairman	Home Product Center PLC
1985 - Present	Chairman and Chairman of the Executive Board	Land & Houses PLC
1988 - Apr. 2013	Chief Executive Officer	
1983 - Present	Director	Quality Houses PLC
2005 - Mar. 2011	Chairman	Bangkok Chain Hospital PLC
1994 - Feb. 2010	Chairman	Quality Construction Products PLC
Aug. - Dec. 2005	Chairman	Book Club Finance PLC

❖ Current Position in 13 Non-Listed Companies

Period	Position	Organization/Company
2005 - Present	Chairman	Land and Houses Bank PLC
2005 - Present	Director	L&H Property Co., Ltd.
2004 - Present	Director	LH Real Estate Co., Ltd.
2004 - Present	Director	LH Asset Co., Ltd.
2002 - Present	Director	Land & Houses Property Fund 2
2000 - Present	Director	Land & Houses Property Fund 1
2000 - Present	Director	Asia Asset Advisory Co., Ltd.
1995 - Present	Director	QH International Co., Ltd.
1993 - Present	Director	Siam Tanee Real Estate Co., Ltd.
1990 - Present	Director	Siam Tanee Property Co., Ltd
1988 - Present	Director	Atlantic Real Estate Co., Ltd.
1986 - Present	Director	LH Mall & Hotel Co., Ltd.
1980 - Present	Director	Plaza Hotel Co., Ltd.
2005 - Jan. 2015	Director	L&H Sathon Co., Ltd.
1991 - Aug. 2014	Director	Boonchai Holding Co., Ltd.
2001 - Mar. 2010	Director	Q-CON Eastern Co., Ltd.
1994 - Dec. 2009	Director	Centerpoint Management Co., Ltd.
Jun. - Dec. 2005	Chairman	Land and Houses Credit Foncier PLC





Name: Mr. Rutt Phanijphand
Position: Chairman of Executive Director
Age: (Years) 69
Education:

- M.S. in Business Ad., Fort Hays Kansas State University, Hays, Kansas, USA
- B.S., Kasetsart University
- National Defense College Class 388
- Director Accreditation Program (DAP) 4/2003: IOD
- Director Certification Program (DCP) 61/2005: IOD
- Financial Institutions Governance Program (FGP) 1/2010: IOD
- Corporate Governance For Capital Market Intermediaries Program (CGI) 14/2016 : IOD

Number of direct holding of shares: - None

Number of indirect holding of shares: - None

Relationship with executives: - None

Work experiences in the past 5 years

❖ **Current Position in 3 Listed Companies**

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

❖ **Current Position in 3 Non-Listed Companies**

Period	Position	Organization/Company
Dec. 2013 - Present	Chairman	Land and Houses Securities PLC
Oct. 2010 - Present	Chairman	Land and Houses Fund Management Co., Ltd.
Dec. 2005 - Present	Chairman of Executive Director	Land and Houses Bank PLC
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
Member of the Corporate Governance Committee

Age: (years) 69

Education:

- Executive M.B.A., Thammasat University
- Barrister at Law
- LL.B., Thammasat University
- B.Acc., Thammasat University
- Bank Examiner Course, Federal Deposit Insurance Corporation, Washington DC., USA
- Senior Executive Program, Sasun Graduate Institute of Business Administration of Chulalongkorn University
- Executive Program for Central Banker, Harvard University, BOT - Chiangmai
- Media and Public Relations Course, Ogilvy (Thailand)
- Director Certification Program (DCP) 121/2009 : IOD
- Financial Institutions Governance Program (FGP) 1/2010 : IOD

Number of direct holding of shares:

- 2016 = 5,606,797 shares : Shareholding 0.041%
- 2015 = 6,606,797 shares : Shareholding 0.048%

Number of indirect holding of shares:

- None

Relationship with executives:

- None

Work experiences in the past 5 years

❖ **Current Position in 1 Listed Company**

Period	Position	Organization/Company
Feb. 2013 - Present	Member of the Corporate Governance Committee	LH Financial Group PLC
Apr. 2009 - Present	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 and Chairman of the Audit Committee	
2007 - Present	Member of the Audit Committee	Prince of Songkla University
Sep. - 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. Adul Vinaiphat
Position: Independent Director
 Chairman of the Corporate Governance Committee
 Chairman of the Nomination and Remuneration Committee
 Member of the Audit Committee
Age: (Years) 70
Education:
 - M.A. (ECON) University of Texas at Austin, Texas, USA
 - B.Econ., Thammasat University
 - Senior Administrator Course, Office of the Civil Service Commission
 - National Defense College Class 388
 - Capital Market Academy Leadership Program, CMA 14
 - Director Certification Program (DCP) 25/2002 : IOD
 - Audit Committee Program (ACP) 7/2005 : IOD
 - Role of the Compensation Committee (RCC) 2/2007 : IOD
 - Financial Institutions Governance Program (FGP)1/2010 : IOD
Number of direct holding of shares: - None
Number of indirect holding of shares: - None
Relationship with executives: - None

Work experiences in the past 5 years

❖ **Current Position in 3 Listed Companies**

Period	Position	Organization/Company
May 2010 - Present	Director	The Thai Packaging and Printing PLC
Jan. 2012 - Apr. 2016	Chairman of the Executive Committee	
Feb. 2013 - Present	Chairman of the Corporate Governance Committee	LH Financial Group PLC
Apr. 2009 - Present	Independent Director, Chairman of the Nomination and Remuneration Committee and Member of the Audit Committee	
May 2015 - Present	Consultant	Quality Houses PLC
Dec. 2010 - Apr. 2015	Member of the Nomination and Remuneration Committee	
Jul. 2008 - Apr. 2015	Chairman of the Audit Committee	
Aug. 2001 - Apr. 2015	Independent director	
Jul. 2008 - Dec. 2010	Chairman of the Nominating and Remuneration Committee	
Aug. - Dec. 2005	Member of the Audit Committee	Book Club Finance PLC

❖ **Current Position in 5 Non-Listed Companies**

Period	Position	Organization/Company
Jul. 2016 - Present	Independent Director and Chairman of the Audit Committee	Land and Houses Fund Management Co., Ltd.
Apr. 2009 - Present	Director and Chairman of the Executive Committee	Evergreen Plus Co., Ltd.
2007 - Present	Director	I.G.S. PLC
Dec. 2005 - Present	Independent Director, Chairman of the Nomination and Remuneration Committee, Member of the Corporate Governance Committee and Member of the Audit Committee	Land and Houses Bank PLC
2002 - Present	Director	The Thai Tapioca Development Institute Foundation (TTDI)
2002 - 2014	Vice President	
Oct. 2014 - Jun. 2016	Independent Director, Chairman of the Audit Committee	Land and Houses Securities PLC
2008 - Oct.2013	Director	The Tapioca Development Institute (Huay Bong)
Mar. - Jul. 2010	Director	Thai Airline Holding Co., Ltd.
2005 - Dec. 2009	Director	Smart Collector Co., Ltd.
Jun. 2004 - Dec. 2005	Independent Director and Member of the Audit Committee	Land and Houses Credit Foncier PLC
2003 - 2008	Director	The Activities Promotion Committee, Kasetsart University
2002 - 2007	President and Chief Executive Officer	Panjapol Paper Industry Co., Ltd.
2002 - 2007	President and Chief Executive Officer	Panjapol Pulp Industry PLC



Name: Mr. Somsak Assavapokee
Position: Independent Director
Member of the Audit Committee
Member of the Corporate Governance Committee
Member of the Nomination and Remuneration Committee
Age: (Years) 64
Education:
- M.B.A., New York University, USA
- 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**

Period	Position	Organization/Company
Oct. 2014 - Present	Independent Director, Member of the Audit Committee, Member of the Corporate Governance Committee and Member of the Nomination and Remuneration Committee	LH Financial Group PLC

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

Period	Position	Organization/Company
Oct. 2012 - Present	Independent Director, Member of the Audit Committee, Member of the Corporate Governance Committee and Member of the Nomination and Remuneration Committee	Land and Houses Bank PLC
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. Sun Vithespongse
Position: Independent Director
 Member of the Audit Committee
 Member of the Corporate Governance Committee
Age: (Years) 62
Education: - Bachelor of Economic, University of Tasmania, Australia
 (Colombo Plan Scholarship)
 - National Defense College Class of 4616

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

❖ None Current Position in Listed Company

Period	Position	Organization/Company
Nov. 2015 - Mar. 2016	Independent Director and Chairman of the Audit Committee	Big C Supercenter PLC
Oct. 2012 - Sep. 2014	Independent Director, Member of the Audit Committee and Member of the Nomination and Remuneration Committee	LH Financial Group PLC

❖ Current Position in 2 Non-Listed Companies

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





Name: Mr. Naporn Sunthornchitcharoen

Position: Executive Director
Member of the Nomination and Remuneration Committee

Age: (Years) 58

Education:

- M.B.A., Thammasat University
- B.Eng. (Civil Engineering), Chiangmai University
- National Defense College Class of 2006
- Director Accreditation Program (DAP) 25/2004: IOD
- Director Certification Program (DCP) 53/2005: IOD
- Financial Institutions Governance Program (FGP) 2/2011: IOD

Number of direct holding of shares: - None

Number of indirect holding of shares: - None

Relationship with executives: - None

Work experiences in the past 5 years

❖ **Current Position in 4 Listed Companies**

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

❖ **Current Position in 17 Non-Listed Companies**

Period	Position	Organization/Company
Dec. 2013 - Present	Director	Land and Houses Securities PLC
2012 - Present	Director	Land and Houses USA, INC.
2005 - Present	Director	Phuket Future Plan Co., Ltd.
2005 - Present	Director	Double Three Co., Ltd.
2005 - Present	Director, Executive Director and Member of the Nomination and Remuneration Committee	Land and Houses Bank PLC
2004 - Present	Director	LH Real Estate Co., Ltd.
2004 - Present	Director	LH Asset Co., Ltd.
2002 - Present	Director	Land and Houses Property Fund 2
2001 - Present	Director	Muang Mai Guthrie PLC
2000 - Present	Director	Land and Houses Property Fund 1
1995 - Present	Director	Land and Houses Northeast Co., Ltd.
1995 - Present	Director	Land and Houses North Co., Ltd.
1995 - Present	Director	LH Muang Mai Co., Ltd.
1993 - Present	Director	Siam Tanee Real Estate Co., Ltd.
1991 - Present	Director	Siam Tanee Property Co., Ltd.
1988 - Present	Director	Atlantic Real Estate Co., Ltd.
1986 - Present	Director	LH Mall & Hotel Co., Ltd.
2001 - Feb. 2010	Director	Q-CON Eastern Co., Ltd.
1994 - Dec. 2009	Director	Saraburi Vechakij Co., Ltd.
1994 - Dec. 2009	Director	Sriburin Medical Co., Ltd.
Jun. - Dec. 2005	Director	Land and Houses Credit Foncier PLC
1995 - 2004	Director	Asset Plus Fund Management Co., Ltd.





Name: Mr. Khunawut Thumpomkul
Position: Executive Director
Age: (Years) 59
Education:

- M.B.A., National Institute of Development Administration
- Bachelor's Degree, Ramkhamhaeng University
- Director Certification Program (DCP) 8/2001 : IOD

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

- 2016 hold by spouse = 2,700,066 shares
: Shareholding 0.020%
- 2015 hold by spouse = 2,700,066 shares
: Shareholding 0.020%

Relationship with executives: - None

Work experiences in the past 5 years

❖ **Current Position in 2 Listed Companies**

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

❖ **Current Position in 5 Non-Listed Companies**

Period	Position	Organization/Company
Sep. 2013 - Present	Chairman	DC Service Center Co., Ltd.
Mar. 2012 - Present	Director and Executive Director	Land and Houses Bank PLC
2012 - Present	Chairman	Mega Home Center Co., Ltd.
2011 - Present	Chairman	Home Product Center (Malaysia) SDN. BHD
2005 - Present	Chairman	Market Village Co., Ltd
Jul. 2016 - Jan. 2017	Director	Land and Houses Fund Management Co., Ltd.





Name: Mr. Sirichai Sombutsiri
Position: Executive Director
Age: (Years) 63
Education:

- Advanced Management Program, Harvard Business School
- M.B.A. - Finance, University of Southern California
- Bachelor of Accountancy (Honour), Thammasat University
- 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
Sep. 2016 - Present	Independent Director	Pre-Built PLC
Jan. 2013 - Present	Independent Director and Member of the Audit Committee	Burirum 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
Jan. 2014 - Present	Director and Executive Director	Land and Houses Bank PLC
May 2009 - Sep. 2013	Director	Asean Finance Corporation Limited
Jun. 2005 - Aug. 2013	President	Phoenix Land Development Co., Ltd
Jun. 2005 - Aug. 2013	President	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: Mrs. Sasitorn Phongsathorn

Position: President
Executive Director
Chairman of the Risk Management Committee

Age: (Years) 59

Education:

- M.B.A., Nortre Dame de Namur University California, USA
- B.S., Chulalongkorn University
- Capital Market Academy Leadership Program, CMA 12
- Director Accreditation Program (DAP) 28/2004 : IOD
- Director Certification Program (DCP) 58/2005 : IOD
- Financial Institutions Governance Program (FGP) 3/2011: IOD
- Corporate Governance For Capital Market Intermediaries Program (CGI) 17/2016 (English Program) : IOD

Number of direct holding of shares: - None

Number of indirect holding of shares: - None

Relationship with executives: - None

Work experiences in the past 5 years

❖ **Current Position in 2 Listed Companies**

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

❖ **Current Position in 4 Non-Listed Companies**

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



NATURE OF BUSINESS OPERATION

Land and Houses Bank Public Company Limited officially operated business on 19 December 2005, with a permission from the Bank of Thailand to operate retail bank business.

On 16 December 2011, the Ministry of Finance, advised by the Bank of Thailand, has granted permission to Land and Houses Retail Bank Public Company Limited to change status from retail bank to commercial bank under the name of Land and Houses Bank Public Company Limited. The bank has operated full service of commercial bank on 19 December 2011.

Land and Houses Bank Public Company Limited is a subsidiary of LH Financial Group Public Company Limited and a core subsidiary company. The bank has established strategic and business plan for the next 3 years in accordance with the laid-down vision and mission, by considering business environments including economic condition, domestic and foreign politics. The Bank also considers other internal factors such as strengths, weaknesses, opportunities, risks, key success factors, and other significant issues that must be treated. The management team shall consider all factors to determine annual guidelines of the organization. Operational plan has constantly been reviewed to be updated with the changing situation and environment.

Land and Houses Bank Public Company Limited is assigned the company rating of “A-” (Single A Minus), affirms the rating of LH BANK’s hybrid Tier 2 capital securities at “BBB” and the results also affirmed the rating on credit alert with a “positive” by TRIS Rating. The rating reflects the bank’s continual improvements in its business and financial profiles and takes into consideration as the best asset quality and high capitalization.

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 2016, the board of directors of Land and Houses Bank Public Company Limited has reviewed the vision and the missions as follows;

VISION

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



Core Values

Not only the development of knowledge is important but also behavior of working and coexistence are important for developing organization. Therefore, the bank created the corporate value in order to appoint the same core value for employees to have the same understanding through communication, learning and working according to the PRO-Active so that employees can work and grow together with the bank sustainably.

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

PROfessional



PRO – Professional: “Potential development, proactive creativity ready for change”

The bank supports employees to have the ability of professionalism by knowing about the description of their jobs and the working system, continuous self-improvement, strictly following rule and regulations, being creative and flexible in order to change the working style to meet the needs of customers.

Accountability



Ac – Accountability: “Responsible for all aspects, adherence to truth and pursuit of success”

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

Teamwork



T – Teamwork: “Open up to each other, team work and working towards a common goal”

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

Integrity



I – Integrity: “Integrity, ethical and transparency”

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

Visioning



V – Visioning: “Thinking outside the box, visionary and adherence to the goal”

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

Excellence Service



E – Excellence Service: “Service mind, honor and volunteering spirit”

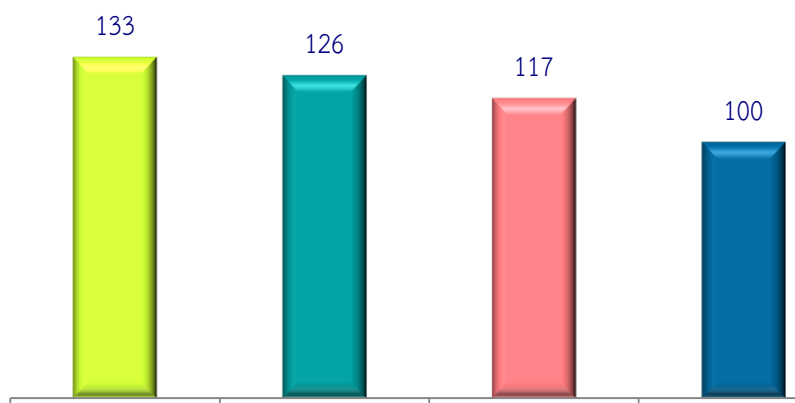
The bank encourages all employees to have the values of excellence service by devoting their mind for making an impression services to both internal and external customers. All employees must have the spirit of volunteering for helping colleagues, department and the bank. In addition, the bank supports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

Branches of the Bank

Land and Houses Bank Public Company Limited has created its branch networks to thoroughly provide services to the clients. Most of the branches opened in HomePro. The bank allies with Home Product Center Public Company Limited to expand branches in all provinces where HomePro is located. This is the bank's strategy for branch expansion to have service points covered in all areas nationwide and for client base expansion. Presently, the bank has 133 branches, as follows:

● Bangkok and Boundary	64	branches
● Central	10	branches
● North	7	branches
● North East	19	branches
● East	11	branches
● West	7	branches
● South	15	branches

Number of branches expanded in each year



Products and Services of the Bank

The bank has continuously developed products and services meet a variety of customer needs and wants. The bank's products and services can be divided into 4 main categories as follows;

1. Deposit Service

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

- **Saving Deposit**

- With its high interest rate and anytime unlimited deposits and withdrawals, this saving account is filled with convenience without compromise on interest income that is calculated every day for you.

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

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

- **Non-Fixed Deposit** is one type of saving deposit with high interest rate. Minimum deposit of 5,000 Baht must be maintained in this account at all times. This account is allowed for deposit and withdrawal anytime, providing more liquidity and convenience.
- **Current Deposit** is designed to certainly boost business liquidity, daily interest earnings and easy to make a deposit and withdrawal via cheques and ATM card.
- **Fixed Deposit and Fixed Deposit Receipt (FDR)** are a fixed deposit to assure customer's future financial stability through our offer of multiple tenors together with attractive interest rates. The deposit shall be repaid upon maturity.
- **Tax Free Deposit** needs to be deposited in equal amount every month. According determined period of the bank such as 24 months or 36 months and total deposit amount is not more than Baht 600,000.

Competitive Strategy of Deposit Service

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

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

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

2. Loan Service

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

1. Loan Service for Big Corporate & Corporate

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

2. Loan Service for SMEs & SSME

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

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

- Short-Term Loan

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

- Long-Term Loan

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

-Factoring Loan

is a financial services, one of the transaction is similar to a short-term loan for increase in liquidity and working capital management for entrepreneur. By the assignment of the receivable to the bank that agrees to purchase invoices from a business, customer must to send commercial documents to the bank such as a commercial invoice, purchase order, bill, payment receipt. The bank would be paid according to the agreed ratio such as the bank can provide 70-80% of the invoice value, purchase order, bill, payment receipt etc., without having to provide real estate or similar assets as security. Upon receipt of payment from your customers you receive the remaining balance back.

- Commercial Hire Purchase Loan

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

- Issuance of Bank Guarantee, Aval, and Acceptance

is a service for the issuance of bank guarantee, aval, and acceptance for customers requiring bank guarantee document to be placed with principal agencies or for bidding purpose, as follows;

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

- Consulting Service and Other Loans Services

Full provides consulting service and loan services in other areas such as financial structure consulting service, syndicated loan, facility agent, and security agent.

3. Retail Loan

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

- **Housing Loans**

- **Saen-Sabai Housing Loan** enables customers to get their new house through either buying a new one, purchasing a second-hand one for all projects, or even constructing a new one.
- **Housing Loan Refinance** is a loan for borrowers to refinance the loan from another bank (refinance), with the offer of additional loan for renovation, decoration, and furniture purchase with special offers.

- **Multi-Purpose Loan** is indeed applicable for many things from house repair and maintenance, house expansion, business matters, to several other purposes as you wish. The loan's collateral can be a wide range of freehold assets including detached houses, townhouses, twin houses, etc. Freedom belongs to the borrowers to choose which type of loan they want.

- **Personal Loan** is applicable for providing the convenience of modern living such as consumption loan and insurance loan for credit line coverage etc.

- **Education Loan** can be tailor-made to suit a variety of educational objectives from compulsory, fundamental levels to more advanced levels, from short-term courses to doctoral degree in both local and international educational institutions.

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

Strategy of housing loan extension is to get access to target groups by expanding branches into potential areas of housing loans and going into such areas by the bank's marketing officers, who will focus on customers of housing projects on potential locations and quality housing projects that can be resold at good prices and key marketing strategies of the bank include good and fast service quality, good relationship with business owners and salesperson of housing projects, and arrangement of promotional programs on special occasions.

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;

- **Automatic Teller Machine (ATM)** is a withdrawal services, fund transfer within the bank, fund transfer to the account of other bank, and payment for commodities and services. The bank's ATM can accept ATM card of all banks including Japan Credit Bureau and Union Pay International to provide service for businesspeople and traveler in Thai Baht cash withdrawal.

As of 31 December 2016, there are 203 Automatic Teller Machines, increasing by 13 machines from 2015.



- **Internet Banking (LH Bank Speedy)** is a service available for customers to provide convenience for conducting financial transactions every day, everywhere, at any time. LH Bank Speedy has double security system to assure security with easy-to-use menu and to make sure for financial transactions. It provides services of fund transfer within the bank, fund transfer to the account of other bank, and payment for commodities and services, loan payment, checking the cheque status, stop cheque, checking fundspurchase through the bank, account status checking and searching the bank branches. The Bank will send message to confirm results of all transactions with customers for increasing security.



- **Funds Transfer Service** is a domestic funds transfer service, allowing customers to transfer funds over the counter between one's own accounts, to other accounts of the bank, to the accounts of other banks and automatic transfer system (ATS). It also provides a third-party funds transfer service via BAHTNET.

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



• **LH Bank CDM Service** is a service that customers can make a deposit without ATM card and passbook everywhere and at any time including making fund transfers from their account within the bank and other banks.

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

1. Salary Payroll, to transfer large amounts items with single command.

2. Bulk Payment, to transfer large amounts items with single command.

3. Bill Payment

4. Direct Debit / Direct Credit and automatic transfer system (ATS)



• **Internet Banking on Mobile** is a service to convenience for conducting financial transactions **every day**, everywhere, at any time, via mobile phone, without network limitation. No need to change SIM card.



• **LH Bank SMS Alert** is an alerting service by send message via mobile phone due to any transaction in account balance. This is to inform account status and raise confidence in conducting financial transactions. Customers can set the amount of 500 Baht or more to trigger the alert. Just apply for the service of LH Bank SMS Alert at the bank's branches or call center 0-2359-0000 or at the bank's ATM.



• **Revenue Tax Payment Service** is a service to provide convenience and offer available various channels to customers and the general public in tax payment via any channels such as the network branches of the bank, the bank's ATM and internet banking service (LH Bank Speedy).

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



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 or national ID of the payee.
- The service provides direct receiving from the government agencies with national ID.

Security

- Risk decreasing from hold cash, cash delivering and auditing transaction items.

Saving

- Low service fee

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

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

4. Other Services

- **Insurances Service** is a service to provide various insurance products based on the needs of customers life insurance and insurance against loss, which the customer can choose the insurance companies as follows:
 - **Insurance Brokerage Services for:**
 - Muang Thai Life Assurance Co., Ltd.
 - Ocean Life Insurance Co., Ltd.
 - AIA Co., Ltd.
 - **Insurance Against Loss Brokerage Services for:**
 - Chubb Samaggi Insurance PLC
 - Charan Insurance PLC
 - SynMun Kong Insurance PLC
 - KrungthaiPanich Insurance PLC
 - Dhipaya Insurance PLC
 - Viriyah Insurance PLC

- **Mutual Fund Selling Agent Service** is a selling agent of the unit trusts for many asset management companies, which offer mutual funds of various types, from debt instruments, equity instruments, equity to retirement mutual funds (RMFs) and long-term equity funds (LTFs). The Bank is a selling agent for asset management companies, as follow:
 - Land and Houses Fund Management Co., Ltd.
 - Asset Plus Fund Management Co., Ltd.
 - CIMB-Principal Asset Management Co., Ltd.
 - MFC Asset Management PLC
 - SCB Asset Management Co., Ltd.
 - One Asset Management Co., Ltd.
 - Krungthai Asset Management PLC
 - TMB Asset Management Co., Ltd.
 - Solaris Asset Management Co., Ltd.
 - Krungsri Asset Management Co., Ltd.
 - Phatra Asset Management Co., Ltd.
 - UOB Asset Management (Thailand) Co., Ltd.
 - TiscoAsset Management Co., Ltd.
 - Kasikorn Asset Management Co., Ltd.

● **LH Bank Privilege Banking** is a new and privileged financial service for our premium customers. This service provides private and professional secretary for consulting and effective management portfolio to achieve high returns. This service also provides the emergency roadside and home assistance service.



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

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

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



- **Financial Products Services** such as cashier's cheque and gift cheque.
- **Goods and Services Payment Service** such as, utility bills, credit card payments, life insurance premiums, other expenses and automatic transfer system. The bank is also being an agent of Counter Service and True Money, accepting payments for more than 500 items of goods and services.
- **Agent Service for Securities Companies** consists of Land and Houses Securities Public Company Limited, Finansia-Syrus Securities Public Company Limited and UOB Kayhian Securities (Thailand) Public Company Limited.
- **Agent Service for Private Funds Companies** for Merchant Partners Securities Public Company Limited.
- **Miscellaneous services** such as safe deposit box service.

Factors Influencing Opportunities or Constraints to Business Operations

Customers, of Land and Houses Public Company Limited and Quality Houses Public Company Limited, being real estate development leader in Thailand, are beneficial for loan extension of the bank, especially housing loan. This provides an opportunity to present other financial products and services to such customers. Moreover, the bank has an opportunity to extend SME loans to business partners of Land and Houses Public Company Limited, Quality Houses Public Company Limited, and Home Products Center Public Company Limited.

Operational Targets for 2017

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

In addition to its target of business expansion, the bank emphasizes on operating business in accordance with good corporate governance, prevention of payment for corruption, strengthening of risk management coverage, and social responsibility. In October 2014 the bank has been recognized as a member of the Thailand Collective Action Coalition Against Corruption by the Private Sector Collective Action Coalition Against Corruption Council.

Income Structure

Income structure of Land and Houses Bank Public Company Limited for the year 2016, 2015 and 2014 had the details as follows;

(Unit: Million Baht)

Income Structure	Separate Financial Statements					
	2016		2015		2014	
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
Interest income						
Loans to customers	6,459.89	99.78	6,259.57	117.48	5,570.29	134.29
Investments in debt securities	1,664.67	25.71	1,470.79	27.60	1,476.58	35.60
Interbank and money market items	607.36	9.38	633.24	11.89	298.51	7.20
Hire Purchase	84.41	1.30	121.58	2.28	135.62	3.27
Total interest income	8,816.33	136.17	8,485.18	159.25	7,481.00	180.36
Interest expenses						
Deposits	(2,465.42)	(38.08)	(2,780.09)	(52.18)	(3,176.52)	(76.58)
Interbank and money market items	(206.89)	(3.19)	(280.31)	(5.26)	(333.18)	(8.03)
Contributions to the Deposit Protection Agency and Bank of Thailand	(761.97)	(11.76)	(691.93)	(12.99)	(587.73)	(14.17)
Debts issued	(234.19)	(3.62)	(126.69)	(2.38)	-	-
Borrowings	(309.82)	(4.79)	(262.10)	(4.92)	(1.12)	(0.03)
Total interest expenses	(3,978.29)	(61.44)	(4,141.12)	(77.72)	(4,098.55)	(98.81)
Net interest income	4,838.04	74.73	4,344.06	81.53	3,382.45	81.55
Fees and service income						
Brokerage fee	206.25	3.19	181.18	3.40	97.07	2.34
Acceptances, avals and guarantees	46.05	0.71	43.50	0.82	40.58	0.98
Others	84.60	1.30	70.28	1.32	69.57	1.68
Total fees and service income	336.90	5.20	294.96	5.54	207.22	5.00
Fees and service expenses						
Fees and charges	(56.68)	(0.88)	(50.67)	(0.95)	(41.67)	(1.00)
Others	(19.07)	(0.29)	(16.01)	(0.30)	(9.87)	(0.25)
Total fees and service expenses	(75.75)	(1.17)	(66.68)	(1.25)	(51.54)	(1.25)
Net fees and service income	261.15	4.03	228.28	4.28	155.68	3.75
Other income						
Gains on investments	1,135.62	17.54	659.74	12.38	485.59	11.71
Dividend income	210.63	3.25	78.08	1.47	100.54	2.42
Other operating income	28.85	0.45	17.93	0.34	23.58	0.57
Total other income	1,375.10	21.24	755.75	14.19	609.71	14.70
Total operating income	6,474.29	100.00	5,328.09	100.00	4,147.84	100.00

Income structure can be categorized into 3 types as follows;

1. Net Interest Income

Interest income consists of loans to customer income, investments in debt securities income, interbank and money market items income and hire purchase income. For the year ended December 31, 2016, the bank had interest income amounted of Baht 8,816.33 million, increased by Baht 331.15 million or up to 3.90% from year 2015 as a resulted from an increase of interest income on loans following the expansion of loans and interest income following the increasing of investments in debt securities.

Interest expenses consists of interest expenses from deposits, Interbank and money market items and contributions to the Deposit Protection Agency and the Bank of Thailand, debts issued and borrowings. In 2016, the bank had interest expenses amounted of Baht 3,978.29 million, decreased by Baht 162.83 million or down 3.93% from year 2015 which reflects the cost management efficiency and the ability to generate income of assets efficiently.

For the year ended December 31, 2016, the bank had net interest income had amounted of Baht 4,838.04 million or 74.73% of total operating income. Net interest income increased from year 2015 and 2014 were Baht 493.98 million and Baht 1,455.59 million, respectively.

2. Net Fees and Service Income

Fees and service income are mainly from fees on loan extension, consisting of brokerage fee, fees from acceptances, avals, guarantees, penalty fee, fees from fund management business, and registrar fee. For the year ended December 31, 2016, the bank had fees and service income amounted of Baht 336.90 million, increased by Baht 41-94 million or up to 14.22% from year 2015.

For the year ended December 31, 2016, the bank had fees and service expenses amounted of Baht 75.75 million, increased by Baht 9.07 million or up to 13.60% from year 2015.

For the year ended December 31, 2016, the bank had net fees and service income amounted of Baht 261.15 million or 4.03% of total operating income, increased by Baht 32.87 million from year 2015.

3. Other Income

Other income consists of gains on investments, dividend income and other operating income. For the year ended December 31, 2016, the bank had other incomes amounted of Baht 1,375.10 million, increased by Baht 619.35 million or up to 81.95% from year 2015.

SECURITIES AND SHAREHOLDERS INFORMATION

1. Securities Information

1.1 Ordinary shares

As of December 31, 2016 the bank has total registered capital 20,000,000,000 baht divided into 2,000,000,000 ordinary shares with the par value of Baht 10. It consisted of paid-up capital 14,000,000,000 baht divided into 1,400,000,000 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, 2016 as follows:

Shareholder Names	Number of Ordinary Shares	%
1. LH Financial Group Public Company Limited	1,399,999,900	99.99
2. 17 Minority Shareholders	100	0.01
Total	1,400,000,000	100.00

2.2 Major shareholders information

LH Financial Group Public Company Limited is major shareholder of the bank by holds 99.99% of the paid-up capital.

LH Financial Group Public Company Limited was established on 2009. For investment in bank, under the Financial Institutions Business Act B.E.2551 and announcement of the Bank of Thailand “Consolidated Supervision” On October 28, 2009, the Bank of Thailand allowed to set up a financial business group, with the company acting as the holding company and Land and Houses Bank Public Company Limited as the subsidiary under the solo consolidation group, and Land and Houses Fund Management Company Limited as a subsidiary outside the solo consolidation group.

On May 6, 2011, the Stock Exchange of Thailand has listed the company’s shares as securities listed and has begun to trade the first day on May 10, 2011 under the “LHBANK” abbreviation.

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 compliance with the bank's regulations, 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 No. Sor Nor Sor. 5/2559 (2016) 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 No. Sor Nor Sor. 21/2555 (2012) 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.

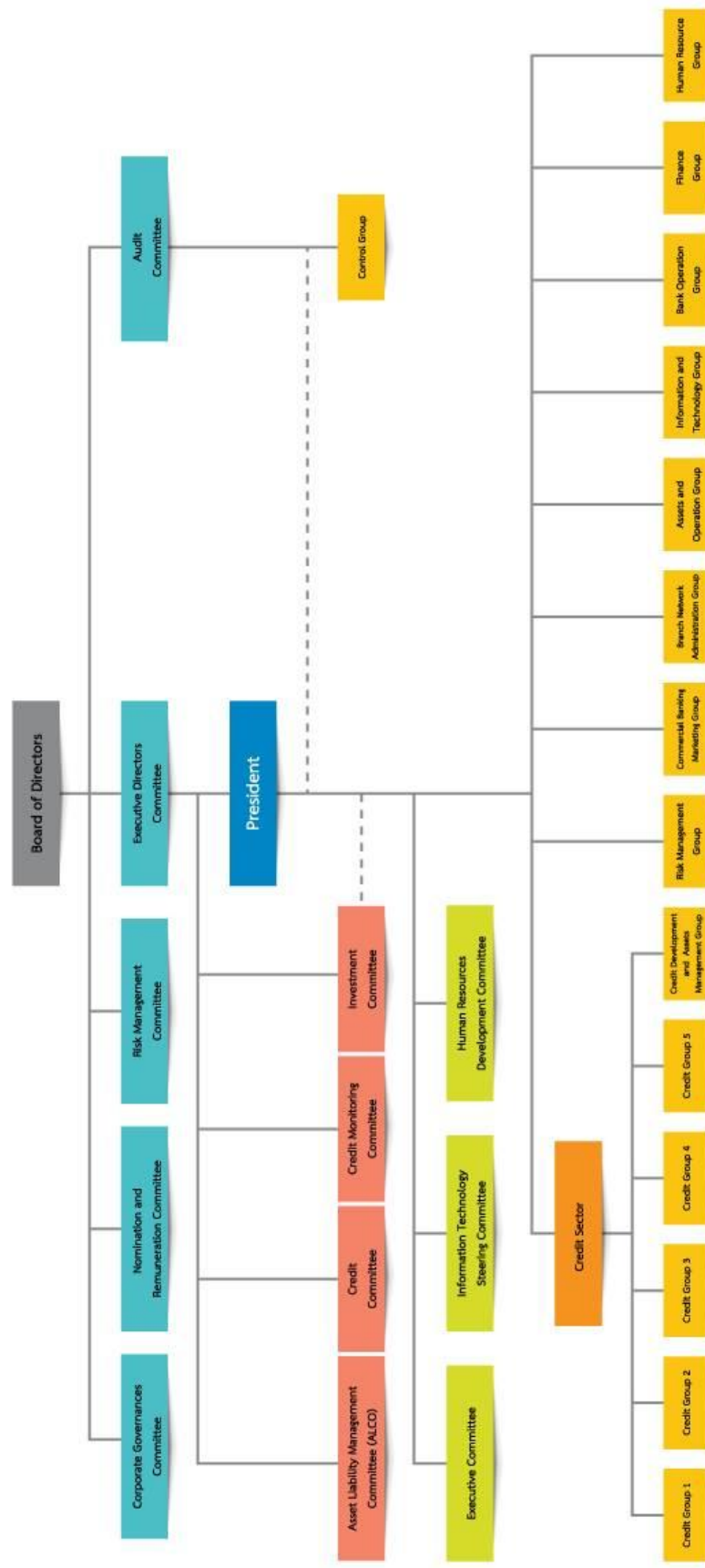
4. The number and type of shares the company holds in other companies or private companies since ten percent or higher and not exceeding fifty percent.

- 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 in turn appoints 5 sub-committees: the Executive Directors Committee, the Audit Committee, the Corporate Governance Committee, the Nomination and Remuneration Committee and the Risk Management 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

As at 31 December 2015, the board of directors consists of 9 directors as follows:

1.	Mr.	Anant	Asavabhokhin	Chairman
2.	Mr.	Rutt	Phanijphand	Director
3.	Mr.	Phairoj	Hengsakul	Independent Director
4.	Mr.	Adul	Vinaiphat	Independent Director
5.	Mr.	Somsak	Assavapokee	Independent Director
6.	Mr.	Sun	Vithespongse	Independent Director
7.	Mr.	Naporn	Sunthornchitcharoen	Director
8.	Mr.	Khunnawut	Thumpomkul	Director
9.	Mr.	Sirichai	Sombutsiri	Director
10.	Mrs.	Sasitorn	Phongsathorn	Director
	Mr.	Vichian	Amornpoonchai	Company Secretary

Authorized Signatory of the Company

Mr. Rutt Phanijphand, Mr. Naporn Sunthornchitcharoen, Mrs. Sasitorn Phongsathorn and Mr. Sirichai Sombutsiri, two of the following 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 and regulations of the bank and external related agencies, as well as the resolutions of the shareholders' meetings, with integrity and care in the interests of the bank.
- 2) Determine the overall direction and strategic goals for the bank, consider approving the policies and operational direction proposed by the management, supervise and oversee the management to ensure the effective and efficient execution of the approved policies and to protect the interests of the bank and its shareholders.
- 3) Provide provisions on the Code of Conduct and Ethics, as well as the Codes of Ethics for the directors, executives and employees as the organizational guidelines.



- 4) Follow up on the 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 to ensure that the management team is capable of managing the company's operations, including the nomination of high-ranking executives.
- 6) Take action to ensure the company has efficient internal control and internal audit.
- 7) Supervise to ensure that the management team reports important matters of the bank to the board of directors and that a procedure exists for the board of directors to receive adequate information to be able to perform the duties within its authority and responsibilities completely.
- 8) Supervise to ensure the management has laid down the policies, procedures and controls involving risk management and approve the policy including reviewing fact operation strategy and the policy regularly.
- 9) Consider approval the roles and duties of the various sub-committees and changes in their elements, including significant changes that may affect the operations of the sub-committee that was appointed.
- 10) Supervise to ensure that the company has determined the loans and investment policy with related persons of the bank.
- 11) Supervise to ensure that a procedure exists for the Management Letter from external auditors and the opinions of the management team to be submitted to the Board of Directors within an appropriate timeframe.
- 12) Provide check-and-balance mechanisms between the management team and / or major shareholders at appropriate levels by determining an appropriate composition or number of the independent directors in the board of directors.
- 13) Ensure that the directors attend the meeting at least half of all meetings held each year.

2. Executive Directors Committee

As of December 31, 2016, the executive directors committee consists of 5 directors as follows:

- | | | |
|------------------|---------------------|------------------------------------|
| 1. Mr. Rutt | Phanijphand | Chairman of the Executive Director |
| 2. Mr. Naporn | Sunthornchitcharoen | Executive Director |
| 3. Mr. Khunawut | Thumpomkul | Executive Director |
| 4. Mr. Sirichai | Sombutsiri | Executive Director |
| 5. Mrs. Sasitorn | Phongsathorn | Executive Director |
| Mr. Vichian | Amornpoonchai | Secretary |

Scope of Authorities and Duties of the Executive Directors Committee

The executive directors committee has the authorities and duties which were approved by 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 loan approvals within the scope of authority and duties assigned by the board of directors of the bank and screen the extension of loans before submitting it to the board of directors to consider.
- 4) Consider any issue/task prior to proposing to the board of directors.
- 5) Manage and develop the organization productively.
- 6) 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.
- 7) Report the significant issues of the bank to 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

As at 31 December 2016, the Audit Committee consists of 4 directors as follows:

- | | | | |
|----|--------------|----------------------------|---------------------------------|
| 1. | Mr. Phairoj | Hengsakul ^{/1} | Chairman of the Audit Committee |
| 2. | Mr. Adul | Vinaiphat | Member of the Audit Committee |
| 3. | Mr. Somsak | Assavapokee ^{/1} | Member of the Audit Committee |
| 4. | Mr. Sun | Vithespongse ^{/1} | Member of the Audit Committee |
| | Miss Chutima | Boonmee | Secretary |

Note: ^{/1} The director has the knowledge and experience in accounting and financial.

Scope of Authority and Duties of the Audit Committee

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

- 1) Review 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 and consider independent audit department including approval the appointment, transfer, dismissal the head of audit department or other agencies responsibility in auditing.
- 3) Reviews to ensure that the bank has complied with the law on the Securities and Exchange Commission, regulations of the Stock Exchange of Thailand or the laws governing in business of financial institution.
- 4) Consider, select, and propose the appointments of the bank's auditors which must be independent person and propose their remuneration including attending the meeting with the auditors and without management team at least 1 time a year.
- 5) Consider the accurate and comprehensive disclosures of the bank's information, especially where related to party or conflicts of interest regarding to the laws and regulations of the Stock Exchange of Thailand to ensure the transactions reasonably and most beneficial to the bank.
- 6) Prepare the corporate governance report of the audit committee and disclose this information in the company's annual report signed by the chairman of the audit committee. However, the information must be following the regulations of the Stock Exchange of Thailand.

- 7) Determines the Audit Committee's duty as well as the changes in composition including the significant changes to their operation as a statute which approved by the committee and disclosed to shareholders in the bank's annual report.
- 8) 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.
- 9) Perform any other duty as assigned by the board of directors with the approval of the audit committee.

4. Corporate Governance Committee

As at 31 December 2016, the Corporate Governance Committee consists of 4 directors as follows:

- | | | | | |
|----|-----|---------|--------------|--|
| 1. | Mr. | Phairoj | Hengsakul | Chairman of the Corporate Governance Committee |
| 2. | Mr. | Adul | Vinaiphat | Member of the Corporate Governance Committee |
| 3. | Mr. | Somsak | Assavapokee | Member of the Corporate Governance Committee |
| 4. | Mr. | Sun | Vithespongse | Member of the Corporate Governance Committee |
| | Ms. | Chutima | Boonmee | Secretary |

Scope of Authority and Duties of the Corporate Governance Committee

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

- 1) Determine and review the good corporate governance policy.
- 2) Determine and review the anti-corruption policy.
- 3) Monitor the compliance with the policies and to give recommendations and necessary supports to related work teams in order to achieve the set objectives of each plan.
- 4) Carry out the internal evaluation under the corporate governance criteria in order to determine areas for improvement.
- 5) Represent the company in communication and execution of corporate governance activities and anti-corruption with the executives, employees and external agencies.
- 6) Perform any other duties as assigned by the board of directors with consent from the corporate governance committee.

5. Nomination and Remuneration Committee

As at 31 December 2016, the Nomination and Remuneration Committee consists of 3 directors as follows:

- | | | | | |
|----|-----|----------|---------------------|---|
| 1. | Mr. | Adul | Vinaiphat | Chairman of the Nomination and Remuneration Committee |
| 2. | Mr. | Somsak | Assavapokee | Member of the Nomination and Remuneration Committee |
| 3. | Mr. | Naporn | Sunthornchitcharoen | Member of the Nomination and Remuneration Committee |
| | Mr. | Ruangsak | Vitavaskarnvej | Secretary |

Scope of Authority and Duties of the Nomination and Remuneration Committee

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

- 1) Determine criteria, qualification and procedures for nominating the bank's directors and/or high-ranking executives from the position of the president and higher when the director or the executive retire by rotation, vacancy or addition.
- 2) Select and propose the names of qualified candidates for the following positions to be proposed to the board of directors.
 - 2.1 Directors (addition/substitution/rotation)
 - 2.2 The top executives from the position of the senior executive vice president and higher
- 3) Propose the performance evaluation process of the bank's directors and the board of directors to be proposed to the board of directors for the guideline on evaluating the performance of the bank's directors and the board of directors.
- 4) Propose the guideline on compensation and other benefits including the budget for annual bonus payment process of the board of directors and sub-committees are appointed by the board of directors.
- 5) Consider the guideline on evaluating and acknowledge the performance of the president including determine the annual remuneration and the annual bonus for the performance based on his/her duties and responsibilities for the bank.
- 6) Consider the implementation of the remuneration structure framework, annual salary increases and annual bonus or other benefits as follows;
 - 6.1 Consider the implementation of the remuneration structure overview and framework, annual salary increases, annual bonus or other benefits for high-ranking executives and the bank's employees according to the proposal of the management team for appropriate, result of work as expected, fair and compensation for employees to helping the bank succeed.
 - 6.2 Consider the budget for annual salary increases, annual bonus or other benefits for the bank's employees.
- 7) Consider the policy, the guideline and process of succession plan for ensure the continuity of administration and systematically for high-ranking executives holding the positions of vice president or higher.
- 8) Consider the policy framework and rule for the special employment.
- 9) Review and propose a solution of scope of duties and responsibilities of the Nomination and Remuneration Committee in accordance with the situation.
- 10) Disclosure the Nomination and Remuneration Committee's operations report in the bank's annual report.
- 11) Perform other duties 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 guidelines for director appointment in accordance with the articles of association, which can be divided into 2 cases:

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

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

- **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 three or one third.

- **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 practices of good corporate governance policy, which is stricter than those policies notified by the Capital Market Supervisory Committee and the Bank of Thailand, with detailed qualifications of independent directors, as follows:

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

(1) Not hold shares more than 0.5% of the total number of voting shares of the company, parent company, subsidiary, associated company, or any juristic entity that may have conflict of interest with the company, whilst the number of shares held by any related person of such an independent director must also be counted.

(2) Not being and have not been a director participating in management role of the company, the employees or the advisors which receive regular salary from the company, and not be and have not been a person having controlling power over the company, subsidiary, or associated company, or a subsidiary in the same level of the company, or juristic entity with conflict unless such independent director has not been the person referred to above at present and for the past 2 years.

(3) Not being a person having relationship either through blood lineage or legal registration as father, mother, spouse, sibling and child, including a spouse of a child of the executives or major shareholders of the company or subsidiary, or of any person having relationship or being relatives of the top executives or major shareholders of the company.

(4) Not having and have not had any business relationship with the company, parent company, subsidiary, associated company, or juristic entity that may have conflict of interest, in the manner in which his/her independent discretion might be affected, and not be and have not been a major shareholder, a non-independent director or a management executive who has business relationship with the company, parent company, subsidiary, associated company and juristic entity with conflict of interest with the company, unless such an independent director has not been a person referred to above at present and for the past 2 years. Business relationship referred to in the first paragraph above shall mean to include any ordinary course of business or trade for business engagement purpose, any lease taking or lease out of any property, any transaction relating to asset or service, any financial support or acceptance of financial support by way of either borrowing, lending, guaranteeing or collateral providing or any other manner similar thereto that could result to an obligation required to be performed by the company or the party thereto in an amount of 3% or more of the net tangible asset value of the bank or 20 million Baht or more, whichever is less. In light of this, the method for calculation of the value of connected transaction pursuant to the Capital Market Supervising Committee's Notification, Re: Regulations in respect of an Entering into a Connected Transaction shall be applied mutatis mutandis for the purpose of calculation of such amount of debt of the applicant, provided that the amount of debt incurred during the past 1 year prior to the date on which such a business relationship with such person exists;

(5) Not being and have not been an auditor of the company, parent company, subsidiary, associated company, or juristic entity that may have conflict of interest, and not be a major shareholder, a non-independent director, a management executive or a partner of any auditing firm in which the auditor of the company, parent company, subsidiary, associated company, or juristic entity that may have conflict of interest is working, unless such an independent director has not been a person referred to above at present and for the past 2 years.

(6) Not being and have not been a professional advisor, including legal or financial advisor who obtains fee more than 2 million Baht a year from the company, parent company, subsidiary, associated company, or juristic entity with conflict of interest with the company. If such professional service provider is a juristic entity, it must not be or has not been major shareholder, a non-independent director, a management executive or a partner of any of such professional service provider firm, unless such an independent director has not been a person referred to above at present and for the past 2 years.

(7) Not being a director appointed as representative of the company's board of directors or a representative of a major shareholder, or a representative of a shareholder which is a related person of the major shareholder.

(8) 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 companies, associated companies, subsidiary company in the same rank, or a juristic entity that may have a conflict of interest by making a decision in the form of collective decision.

6. Risk Management Committee

As at 31 December 2016, the Risk Management Committee consists of 5 members as follow:

1. President
Chairman of the Risk Management Committee
 2. Senior Executive Vice President
Member of the Risk Management Committee
 3. Executive Vice President, Risk Management Group
Member of the Risk Management Committee
 4. Executive Vice President, Information and Technology Group
Member of the Risk Management Committee
 5. Executive Vice President, Assets and Operation Group
Member of the Risk Management Committee
- Senior Vice President, Risk Management Department
Secretary

Scope of Authorities and Duties of the Risk Management Committee

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

- 1) Determine policies and guidelines of the risk management of the bank.
- 2) Determine the strategy in line with the risk management policy of the bank.
- 3) Review the adequacy of the risk management policy and system of the bank.
- 4) Monitor, follow up, review and evaluate risk management and manage the bank to operate with the policies of the bank.
- 5) Report to all committees at least yearly or whenever there is any change regard to risk factors which will effect to the risk management significantly.

7. Other Committees

In addition to the sub-committees, the board of the directors of the bank sets up for the benefit of monitoring and supervising each area of the bank's operations as mentioned above, the executive directors committee has appointed more committees to supervise specific areas of the operations as follows:

7.1 The Credit Committee

It has the authority and duty of approving and screening the credit within the scope of authorization of the Executive Directors Committee.

7.2 The 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 executive directors committee

7.3 The 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.

8. The Company's 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 2016, the meeting of the board of directors and the subcommittees 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 2016

Name of Directors	Number of Meeting Attendance					
	Board of Directors	Executive Directors Committee	Audit Committee	Corporate Governance Committee	Nomination and Remuneration Committee	Risk Management Committee
<i>Total Meetings</i>	15	24	12	2	4	4
1. Mr. Anant Asavabhokhin	14	-	-	-	-	-
2. Mr. Rutt Phaniijphand	15	24	-	-	-	-
3. Mr. Phairoj Hengsakul	15	-	12	2	-	-
4. Mr. Adul Vinaiphat	15	-	12	2	4	-
5. Mr. Somsak Assavapokee	14	-	12	2	4	-
6. Mr. Napom Sunthomchitcharoen	14	24	-	-	4	-
7. Mr. Sun Vithespongse	15	-	12	2	-	-
8. Mr. Sirichai Sombutsiri	15	24	-	-	-	-
9. Mr. Khunnawut Thumpomkul	14	19	-	-	-	-
10. Mrs. Sasitorn Phongsathorn	15	23	-	-	-	4
11. Mrs. Suthamtip Phisitbuntoon	-	-	-	-	-	4
12. Mr. Thanee Phalawong	-	-	-	-	-	4
13. Mr. Kosol Kavayavong	-	-	-	-	-	4

9. The Executives

The bank has the executives of the ranks of executive vice president and higher as follows;

Name	Position in LH Bank	Position in LH Fund	Position in LH Securities	Position in LH Advisory
1. Mrs. Sasitorn Phongsathorn	President	Director	Director	Director
2. Mrs. Sutharntip Phisitbuntoon	Senior Executive Vice President, Credit Development and Risk Management Group	-	-	-
3. Mr. Nontachit Tulayanonda	First Executive Vice President, Credit Development and Asset Management Group	-	-	-
4. Ms. Chutamas Sombunyaviraj	First Executive Vice President, Commercial Banking Marketing Group	Director	-	-
5. Mr. Thanee Phalawong	Executive Vice President, Information and Technology Group	-	-	-
6. Ms. Chutima Boonmee	Executive Vice President, Compliance Group	-	-	-
7. Mr. Kosol Kavayavong	Executive Vice President, Assets and Operation Group	-	-	-
8. Mr. Pairath Trangarnrueng	First Senior Vice President, Branch Network Administration Group	-	-	-
9. Mrs. Ravewan Wattananukij	Executive Vice President, Finance Group	Director Member of the Audit Committee	Director	Director
10. Ms. Chintana Klaisuan	Executive Vice President 1 Credit Sector	-	-	-
11. Mr. Anucha Bupphaves	Executive Vice President 2 Credit Sector	-	-	-
12. Mr. Somsak Deemongkolsuk	Executive Vice President 3 Credit Sector	-	-	-
13. Mr. Paradorn Preyaprawat	First Senior Vice President, Bank Operation Group	-	-	-
14. Mr. Ruangsak Vitavaskarnvej	First Senior Vice President, Human Resource Group	-	-	-
15. Mr. Vichian Amornpoonchai	First Senior Vice President Office of the President	Company Secretary	Company Secretary	Director
16. Mrs. Pattaraporn Yeamsawat	First Senior Vice President, Commercial Banking Marketing Group	-	-	-
17. Mr. Sanchai Phanitcharoen	First Senior Vice President, Credit Group 2	-	-	-

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

10. The Remuneration of Directors and Executives

The Policy of Determination of the Directors and the Executives Remuneration

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 directors 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 2016, on 14 March 2016, had approved the director's remuneration as follows;

1. The director's remuneration amounted to not more than Baht 16,600,000, the board of director have right to consider in allocation of the director's remuneration to comply with appropriate their experiences, duties and responsibilities.
2. The director's meeting allowance for the year 2016 are as follows;

Table: The Remuneration of the Directors for the Year 2016 and 2015

Position	Allowance (per time)									
	The Board of Directors		The Executive Directors Committee		The Audit Committee		The Corporate Governance Committee		The Nomination and Remuneration Committee	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Chairman	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
Executive Directors	-	-	-	-	-	-	-	-	-	-

3. The directors' pensions for the year 2016

The board of directors plays a key role in supporting the policies, problem solving, make decision in important issues for the bank together with the management team resulting the bank had the good performance and good image continuously. Therefore, the board of directors agreed to determine the directors' pensions.

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 totaled not more than Baht 1,000,000 to 2 directors as follows;

1. Mr. Sirichai Sombutsiri
2. Mr. Sun Vithespongse

Other Remuneration of the Directors

The bank paid the remuneration to the director which consists of monthly remuneration and meeting allowances in total of Baht 15,310,643.28.

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 salary and meeting allowances as follows;

Table: The Remuneration of Directors for the Year 2016 And 2015

Board Members	Date appointed as Director	2016 ^{/1}			2015 ^{/1}		
		Compensation and Meeting Allowance (Baht)	Bonus (Baht)	Other Remuneration Benefits ^{/2} (Baht)	Compensation and Meeting Allowance (Baht)	Bonus (Baht)	Other Remuneration Benefits ^{/2} (Baht)
1. Mr. Anant Asavabhokhin	19 December 2005	-	-	-	-	-	-
2. Mr. Rutt Phanijphand	28 December 2005	12,000,000	-	Company Car	12,000,000	-	Company Car
3. Mr. Phairoj Hengsakul	1 February 2009	60,000	-	-	90,000	-	-
4. Mr. Abdul Vinaiphat	19 December 2005	120,000	-	-	150,000	-	-
5. Mr. Somsak Assavapokee	5 October 2012	80,000	-	-	120,000	-	-
6. Mr. Naporn Sunthornchitcharoen	19 December 2005	80,000	-	-	100,000	-	-
7. Mr. Sun Vithespongse	17 November 2015	1,174,327.49	-	-	134,333.33	-	-
8. Mr. Khunnawut Thumpomkul	9 March 2012	-	-	-	-	-	-
9. Mr. Sirichai Sombutsiri	2 January 2014	1,796,315.79	-	-	1,155,000	-	-
10. Mrs. Sasitorn Phongsothorn	21 December 2005	-	-	Company Car	-	-	Company Car
Total		15,310,643.28	-	-	13,749,333.33	-	-

Note ^{/1} The director's remuneration for the year 2016 and 2015 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 2016 and 2015 when the company paid the remuneration for the bank's directors, the bank did not pay the remuneration to the directors.

^{/2} Other remuneration benefits include shares, debentures, and other monetary and non-monetary benefits, apart from the benefits that they regularly receive, which consists of salary and meeting allowances.

The Remuneration of Executives

The bank paid the remuneration for 17 executives which consists of salary, bonus and other remuneration in total to Baht 80,042,654.74.

Table: The remuneration of executives for the year 2016 and 2015

Type	2016		2015	
	Number (Persons)	Remuneration (Baht)	Number (Persons)	Remuneration (Baht)
Salary	17	60,395,445	19	59,097,800
Extra money/ Bonus		15,158,400		18,023,600
Provident Fund		2,737,282		2,664,975
Group Insurance		28,237.74		40,507.90
Uniform		-		-
Medical expenses		94,290		60,377.95
Other Remuneration		1,629,000		-
Total		80,042,654.74		79,887,260.85

Other Remuneration Benefits

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

2. Other benefits that the bank provides to its executives are the company cars for the executive director and the executive high-ranking position from first senior vice president to president. The bank is responsible for the inspection, repair, license and insurance as the actual total.

3. 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.

- Duration of project 5 years

Start date July 1st, 2014

Employee payment period 5 Years

Accumulate by employee From July 1st, 2014 to June 30th, 2018

Accumulate duration by the company 5 Years

(From July 1st, 2014 to June 30th, 2018)

End of project June 30th, 2018

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

- Employees who participate 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.

11. Employee

As of December 31, 2016 the bank had 1,692 employees increasing 39 persons compared to year ended 2015 mainly due to the increase of the bank's branches, details are as follows:

	31 December 2016	31 December 2015	31 December 2014
Number of Employee (Persons)	1,692	1,653	1,467

In 2016, the bank had expenses on employees Baht 1,105.99 million, increasing Baht 161.54 million compared to the year 2015, or up to 17.10 % 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 (ProAcTIVE).

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 3-7% of their salary. For the year ended December 31, 2016 and 2015, the bank paid of Baht 34.19 million and Baht 31.0 million for Provident Funds, respectively.

12. The Bank's Directors and Executives Shareholding Proportion in LH Financial Group Public Company Limited and Land and Houses Bank Public Company Limited as at December 31, 2016 and December 31, 2015

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

Board Members	Position	31 December 2016		31 December 2015	
		Number of Shares Held		Number of Shares Held	
		The Company ¹	The Bank ²	The Company ¹	The Bank ²
1. Mr. Anant Asvabhokin	Chairman	-none-	-none-	-none-	-none-
2. Mr. Rutt Phanijphand	Chairman of Executive Director	-none-	-none-	-none-	-none-
3. Mr. Phairoj Hengsakul	Independent Director Chairman of the Audit Committee Chairman of the Corporate Governance Committee	5,606,797 shares 0.041% (decrease 15.14 %)	-none-	6,606,797 shares 0.048%	-none-
4. Mr. Adul Vinaiphat	Independent Director Chairman of the Nomination and Remuneration Committee Member of the Audit Committee Member of the Corporate Governance Committee	-none-	-none-	-none-	-none-
5. Mr. Somsak Assavapokee	Independent Director Member of the Audit Committee Member of the Corporate Governance Committee Member of the Nomination and Remuneration Committee	-none-	-none-	-none-	-none-
6. Mr. Sun Vithespongse	Independent Director Member of the Audit Committee Member of the Corporate Governance Committee	-none-	-none-	-none-	-none-
7. Mr. Naporn Sunthornchitcharoen	Executive Director Member of the Nomination and Remuneration Committee	-none-	-none-	-none-	-none-
8. Mr. Khunnawut Thumpomkul	Executive Director	2,700,066 shares 0.020% (hold by spouse)	-none-	2,700,066 shares 0.020% (hold by spouse)	-none-
9. Mr. Sirichai Sombutsiri	Executive Director	1,140,237 shares 0.008%	-none-	-none-	-none-
10. Mrs. Sasitorn Phongsathorn	President Executive Director	1,356,522 shares 0.010% (increase 11.50 %)	-none-	1,216,592 shares 0.009%	-none-

Note The Company¹ refers to LH Financial Group Public Company Limited
The Bank² refers to Land and Houses Bank Public Company Limited

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

The Executives	Position	31 December 2015		31 December 2014	
		Number of Shares Held		Number of Shares Held	
		The Company ^{/1}	The Bank ^{/2}	The Company ^{/1}	The Bank ^{/2}
1. Mrs. Sasitorn Phongsathorn	President Executive Director	1,356,522 shares 0.010% (increase 11.50 %)	-none-	1,216,592 shares 0.009%	-none-
2. Mrs. Suthamtip Phisitbuntoon	Senior Executive Vice President, Credit Development and Risk Management Group	-none-	-none-	-none-	-none-
3. Mr. Nontachit Tulayanonda	First Executive Vice President, Credit Development and Asset Management Group	2,524,552 shares 0.019% (increase 1.99 %)	-none-	2,475,256 shares 0.01%	-none-
4. Ms. Chutamas Sombunyaviroj	First Executive Vice President, Commercial Banking Marketing Group	664,128 shares 0.005 % (increase 5.07 %)	-none-	632,041 shares 0.005 %	-none-
5. Mr. Thanee Phalawong	Executive Vice President, Information and Technology Group	453,545 shares 0.003 % (increase 12.37)	-none-	403,609 shares 0.003 %	-none-
6. Ms. Chutima Boonmee	Executive Vice President, Compliance Group	-none-	-none-	-none-	-none-
7. Mr. Kosol Kavayavong	First Executive Vice President and Head of Loan Operation	260,897 shares 0.002 % (increase 17.96)	-none-	221,172 shares 0.002 %	-none-
8. Mr. Pairath Trangarnrueng	First Senior Vice President, Branch Network Administration Group	1,139,529 shares 0.008 % (increase 20.26)	-none-	947,525 shares 0.007 %	-none-
9. Mrs. Ravewan Wattananukij	Executive Vice President, Finance Group	650,000 shares 0.005 %	-none-	-none-	-none-
14. Mr. Ruangsak Vitavaskarnvej	First Senior Vice President, Human Resource Group	336,251 shares 0.002% (increase 12.61)	-none-	298,601 shares 0.002 %	-none-
13. Mr. Paradom Preyaprawat	First Senior Vice President, Bank Operation Group	405,824 shares 0.003% (increase 17.22)	-none-	346,202 shares 0.003 %	-none-
10. Ms. Chintana Klaisuwan	Executive Vice President 1 Credit Sector	1,058,740 shares 0.008% (increase 4.43)	-none-	1,013,857 shares 0.007 %	-none-
11. Mr. Anucha Bupphaves	Executive Vice President 2 Credit Sector	239,372 shares 0.002% (decrease 4.16%)	-none-	249,756 shares 0.002%	-none-
12. Mr. Somsak Deemongkolsuk	Executive Vice President 3 Credit Sector	367,080 shares 0.003% (increase 12.41%)	-none-	326,544 shares 0.002%	-none-
15. Mr. Vichian Amornpoonchai	First Senior Vice President Office of the President	402,745 shares 0.003% (decrease 3.44)	84 shares 0.000%	417,107 shares 0.003%	84 shares 0.000%
16. Mrs. Pattarapom Yeamsawat	First Senior Vice President, Commercial Banking Marketing Group	298,214 shares 0.002% (increase 10.99)	-none-	268,674 shares 0.002%	-none-
17. Mr. Sanchai Phanitcharoen	First Senior Vice President, Credit Group 2	-none-	-none-	-none-	-none-

Note The Company^{/1} refers to LH Financial Group Public Company Limited
The Bank^{/2} refers to Land and Houses Bank Public Company Limited

13. The Auditor's Remuneration

Land and Houses Bank Public Company Limited

The bank pays for the audit fee and other inspection expenses for EY Office Limited, the bank's auditor as follows;

Table: The Auditor's Remuneration

Detail of Fee	2016	2015	Changes	
	Amount (Baht)	Amount (Baht)	Amount (Baht)	%
1. Review Fee				
• The First Quarter as at 31 st March	600,000	600,000	50,000	8.33
• The Third Quarter as at 30 th September	600,000	600,000	50,000	8.33
2. Audit Fee				
• For the 6-month periods ended 30 th June	1,400,000	1,375,000	25,000	1.82
• For the year ended 31 st December	1,400,000	1,375,000	25,000	1.82
3. Review Fee in accordance with the requirements of the Bank of Thailand	220,000	220,000	-	-
4. Review Fee of The Internal Audit and the bank's electronic transfer service system Fee in accordance with the requirements of the Bank of Thailand	220,000	220,000	-	-
Total**	4,390,000	4,170,000	150,000	3.42

Note - In the year 2015, the bank reviewed fee audit potential evaluation amount to Baht 220,000, in the year 2016, did not show the information because there was no review.
 - The mentioned fees do not include the due diligence fee for the benefits of the auditors, Hereby, the experts on the actuarial sciences will disburse from the Bank at the actual rate for 200,000 Baht.

Other service fees

- None -

RISK FACTORS

1. Risk Management in Perspective

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 for catch up with situation and environment changes.

Risk Management Overview

The bank sets the framework and strategies in operating business to grow based on the efficient risk management along with creating the stable benefits to the organization. The bank controls and supervises the risk management systematically and efficiently. The risk-management structure and policies have been defined clearly in writing with the main goal being the prevention and management of risks.

Moreover, the bank also pays attention to the revelation of information about the risk and sufficiency of fund to public following the principles and guidelines set within the framework of the bank of Thailand's supervision guidelines.

Risk Management Policies

The risk management policies have main objectives to supervise and oversee transactions within and without the financial business group 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 directors of the bank will supervise the bureaus in the bank to perform the operation following the policies related to the risk management as follows:

1. Credit Risk Management Policy The bank specifies the credit risk management policy and criteria in the credit consideration for controlling, preventing, and mitigating the risk possibly occurring from the transaction in giving credit for the balance between the risk in giving credit and the benefits. The policy is regulated to have the goal and process suitable for the risk of each type of credit. This is for determining the clear goal in the operation and the flexibility in improving the policy within the levels of acceptable risks.

2. Market and Liquidity Risk Management Policy This can be the guidelines for the investment in the securities of bond and the risk management in the interest as well as the management of appropriate liquidity for serving the repayment of due liabilities and obligations. This includes the preservation on the level of revenues from net interest following the bank's goal. There is the suitable structure of assets and liabilities with the sources of fund or assets ready to be changed into cash sufficiently for serving the risks both in normal condition and crisis within the levels of acceptable risks in business operation.



3. Operational Risk Management Policy The bank regulates the policy in operational risk management covering the risk management in information technology, service used by the outsiders, process of new product launching, continually conducting the business plan, and report on the operational damage in accordance with the code of practice of Bank of Thailand and Basel Committee on Banking Supervision (BCBS).

4. Policy in assessing the risk and the sufficiency of fund and policy in testing the crisis This is for making the bank have sufficient fund for serving the significant risks both in normal condition and in crisis. The policy focuses on the process of risk management and the assessment on the sufficiency of fund systematically for maintaining the level of fund to be sufficient for the present and the future.

5. Policy in revealing the information of fund reservation and risk management This is for being the guideline in revealing the information of fund reservation and risk management, for example, information of fund structure and sufficiency of fund as well as the process in risk management. The stakeholders of the bank receive the information which is correct, complete, and can be used in the analysis and decision making for the transaction with the bank including the presence of transparency and the risk management in the business operation of the bank in the entire picture.

Risk Management Structure

The bank has defined organizational structure to manage risk and to be consistent with good internal supervision and control policies as follows:

1. The Board of Directors has the duty and responsibility in supervising the management department in regulating the policies, process, and control on the types of risk management as well as approving such policy including revising the strategies, real practice, and policy in such subject regularly.

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

3. The Audit Committee has the duty and responsibility in observing and ensuring the policy and the risk management to the implementation with efficiency and effectiveness to the organization.

4. The Risk Management Committee has the duty and responsibility in regulating the policies and strategies of risk management covering the risks as specified by the Bank of Thailand as well as assessing, observing, and monitoring the conformity to the approved policy.

5. 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 interest rate and liquidity as well as setting the investment plan and monitoring the operation following the plan.

6. The Sub-Operational Risk Management Committee has the duty and responsibility in managing the risks in the operation and related policies, monitoring the whole operational risk, and continually conforming to the risk management framework and business operational plan. The committee also considers and specifies the appropriate solution in case of finding the error or the over-acceptable risks, reports the risk status, and the change in significantly operational risk status to the Risk Management Committee.



Moreover, the Bank also has other Committees for supervising and controlling specific risks, for example, Information Technology Committee, Credit Committee, Liability Development Committee, etc. The Risk Management Department is responsible for managing the risk in the entire picture of the Bank and directly report to the Risk Management Committee. There is the Audit Department responsible for assessing the sufficiency of internal control system, including the verification and reliability of financial reports along with the conformity to the government regulations and rules and directly report to the Audit Committee.

Risk Factors

Banking business is directly linked to the fast-changing financial market and the local and global economies. Furthermore, business environment, whether it involves regulatory changes, adjustments by competitors, and political participation affects the operation of a banking business.

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 and the bank has the policies and procedures to manage the risks as follows:

1. Strategy Risk

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

1.1 Risk incurred by economic and competition uncertainty

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 in the preparations of such plans and estimates to ensure they are appropriately in line with the bank's strategies and strategic risk controls of the Bank. The executives of different departments share their opinions and propose the plans to the Board of Directors of the Bank for approval. In any case, the bank will semiannually review its business plans and budgets to suit the changing economic situation. The Executive Board will regularly follow up on the implementation of each department, comparing it with the objective-oriented annual plans regularly.

1.2 Risk incurred by inadequacy of capital funds

The changing of capital fund supervision under Basel III rules, in accordance with the Basel Committee on Banking Supervision (BCBS), which covering capital fund and liquidity risk management for the bank and the financial business group to control with both quantity and quality and determines for the bank and the financial business group must have to increase the capital fund reservation sufficient for support in normal and critical circumstances including it aim to strengthen capital fund position.

Under Basel III framework, the bank and the financial group have to maintain a minimum ratio of total capital to risk-weighted assets were not be less than 8.50%. Additionally, the ratio of Tier 1 capital to risk-weighted assets cannot be less than 6.00% and Common Equity Tier 1 to risk-weighted assets cannot be less than 4.50%.

Moreover, The Bank of Thailand has regulations for financial groups to maintain their Capital Buffer in order to support their loss in a crisis (conservation buffer) as well as a commercial bank by determining the ratio of Capital Tier 1(retained earnings and common stock) to risk assets by 2.5% more. The financial groups are allowed to gradually increase the ratio by more than 0.625% each year starting from January 1, 2016 to January 1, 2019.

As at 31 December 2016, the total Capital to risk weighted asset ratio (BIS)'s of the financial group was 13.75%, Tier 1 was 10.24% and Tier 1 ratio of the Common Equity was 10.24% which higher than the BOT's minimum capital ratios.

Accordance with the Basel III framework, the bank's total capital funds maintained under the laws were Baht 22,330.75 million, which can be divided into tier 1 capital funds of Baht 16,628.92 million or 74.47% of total capital funds before deduction and tier 2 capital funds of Baht 5,701.82 million or 25.53% of total capital funds and the rate adequate for the business operation and business growth promotion following the lay-down goal and strategies under normal condition and crisis possibly occurring from the economic uncertainty.

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

2. Credit Risk

Credit/default risk is a chance or probability in which counterparty cannot fulfill the agreed obligation, including a chance where the counter-party's credit risk will be downgraded and the deterioration of the quality of credit or investment where prices cannot be adjusted to offset the higher risk. These scenarios may affect earnings and capital fund of the bank due to the following external factors such as the change of economics, laws, rules and regulations and internal factors such as lack of regulatory control, lack of pursuit to the debtor complies with the terms of the agreement, loan process and reviewing of loan inefficient etc. And the transaction to be consistent with credit risk consists of loans and similar transactions, transactions related with obligation to delivery of assets or debts to the bank and transactions with debt securities.

Credit Risk Management Tools

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

- **Credit Scoring Model** is the tool to classify and designate the risk levels of individual borrowers. The model used by the bank in considering credit at present was developed based on the fundamental statistics of its customers, together with the discretion of experts (expert base).
- **Credit Rating Model** is the tool to screen and classify the risk levels of juristic persons. The bank has also kept track of the accuracies and efficiencies of the tools it has used in considering loan extensions by following up on the results of using the models and analyzing their efficiencies regularly for steady development and improvements of the credit risk management tools so that they can support its operations continually.

Credit Risk Management Process

The bank has put in place a credit risk management process where checks and balances are incorporated through a clear separation of duties among marketing officers, credit-risk analysts, collateral appraisal and operation officers. Furthermore, in considering approving credit, the bank has set up independent units; namely, the Credit Risk Analysis office and Retail Credit Risk Analysis office to supervise and give opinions on risk elements that may be incurred from extending credit to each customer. This is to ensure that the credit the bank approves has been considered and screened prudently including determine the specialized agency review the information for approving credit, monitoring compliance with the loan terms, promotion of new credit quality and treatment the original loan efficiently for more effective control monitor and control credit also, provide credit training for credit officers to develop the efficiency of credit marketing to acquire the high- quality loan.

Credit Portfolio Management

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

Credit Risk Consists of 3 Components;

2.1 Risk Incurred from Deterioration of Credit Quality

The most significant risk of the bank is a result of the rise of NPLs. In addition, the bank has to increase its reserve allowance for Doubtful Accounts which directly impact to the bank's profits and Capital adequacy. The bank has laid down a process to control non-performing loans by emphasizing the credit management efficiency from the more stringent credit-approving process. It involves the determination of the criteria in approving retail credit to serve as a standard in approving credit and keep the use of discretion by officers at a minimum, the setting of minimum down payment for housing loans of high-risk customers and the tightening of minimum standards of loan applicants' qualifications in each area, moreover, the bank has improved and developed tools for screening and categorizing risk levels of the bank's debtors to mitigate the risk from credit-approving process. The bank provides the department that responsible to monitor loans/debts.

2.2 Risk Incurred from 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 as well as reporting to the Risk Management Committee of the bank regularly.



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

Most of bank's credits are the credits with guarantee calculated as 63.18% of the credit fund. The guarantee in the type of real estate is calculated as 96.89% of all guarantees. 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 guarantee is devaluated. Therefore, the bank has the risk management incurred from the devaluation of value of guarantee. The appraisal policy was set to review the price of guarantee regularly followed in the period of time to classify the assets. In addition, the assets classification consists of 5 categories as follows; Pass, Special Mention Loans, Sub-Standard Debts, Doubtful Debts and Doubtful of Loss. The bank also, annually, reviews the property appraisal cost which gained from the repayment of loans or purchase at public auction. The period to reviews the property appraisal cost as mentioned is conform to the bank of Thailand notification for reflecting the actual value of guarantee following the current condition.

3. Market Risk

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

3.1 Price Risk

Price risk is a risk where damage may occur as a result of changes in interest rates or prices of securities. At present, the bank is exposed to minimal price risk since it has no policy to invest in high-risk securities such as derivatives.

Most of the bank's investments are for the purpose of maintaining liquid assets as required by the Bank of Thailand. As such, it has chosen to invest in low-risk securities, most of which are issued by government agencies and state enterprises.

As at 31 December 2016, the net investment was Baht 49,978 million divided into available for sale investment with the fair value of Baht 4,169 million and the held to maturity debt securities of Baht 45,804 million. Moreover, there was also general investment which was the equity instrument which was not in the domestic market demand for Baht 5 million.

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



3.2 Interest Rate Risk

Interest rate risk refers to risk arisen from movements of interest rates which may result in changes in the value of financial instruments value or volatilities of earnings or shareholders' equity value, both on- and off-balance sheets. Interest rate risk is a result of the structure and terms of rate-sensitive assets, debts and shareholders' equity and a timing mismatch in fixing new interest rates for assets, debts and off-balance sheet items. An asset and debt management committee is tasked with monitoring and supervising the interest rate risk 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 assets and debts with different terms at acceptable levels.

Nonetheless, the bank closely monitors the market and interest rate situations and prepares period of changes in interest rates of assets and debts. It also emulates net interest income to determine impacts on the Bank's earnings within the maximum risk level defined by the market and interest rate risk management policy.

3.3 Exchange Rate Risk

The bank has provided Currency Exchange trading (buying and selling) and also set standard for currency balance at the end of the day under the Bank of Thailand's regulations, thus, the bank has no significant exchange rate risk.

4. Liquidity Risk

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

The bank is able to efficiently plan and manage its liquidity risk at an appropriate and adequate level, enabling it to repay its debts both at present and in the future should the need arise. In addition, the bank issues new products to raise funds both for 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 work processes, human resources, work systems of the bank or external incidents including legal risk (e.g. the risk from litigation, prosecution, fine penalty, etc.) But not include the strategic risk and reputation risk. The bank has clearly defined the framework of its operational risk management policy. It also has good internal control system and has published an operating manual so that every employee understands the workflow and can perform their duties efficiently. Procedures have been laid down for business analysis, risk evaluation and risk monitoring, etc.

Moreover, the bank has developed its processes and tools to manage operational risk such as incident report on the purpose of filling data on damages, whether they are monetary or non-monetary, past or preventable ones and other incident report, have been collected and used for improved the operation and guideline control to prevent them from recurring.

The bank allocated all departments to perform risk and control self-assessment (RCSA). Each department have to specify its risky points of the operation and a loss report prepared to identify risky areas in the operating process of each unit and to assess whether the Bank's existing internal control system is adequate and appropriate for the control of those risks. The data are also processed to determine key risk indicators to follow up on the risks. According to its growth, the bank has realized related to the operation risks from both internal and external fraud , therefore, fraud risk assessment has been set to monitor its operations start from the business units that fraud risk tends to be happened and using these findings as data to set guideline for protecting and approaching fraud risk.

Moreover, the Bank determined the policy on using external services and releasing the new products in order to specify, measure, and follow up that operation risks. The risk management department can help in considering and give the opinion supplementary before the use of service from the outsiders or the launching of new products.

The bank has business continuity plan for emergency use such as in the event of contingent losses and disasters for the continuity of the bank's operations or reduced disruption to the operations of the bank in an acceptable level. All departments have been involved in the preparation of the plan and revised the plan every year. Moreover, the bank has rehearsed the Core banking Restoration and the Annual Operations on important transaction every year for ensure the bank can operate under crisis condition and efficiently.

The bank regularly develops its personnel to enhance the efficiency of the employees' performances. The bank develops the communication channel on the knowledge about the operational risk management in the form of E-Learning so that the executives and employees will have the understanding and awareness of the operational risk. Also employees are sent to attend seminars conducted by external organizers. Internal seminars are also held as needed by inviting conductors with expertise and knowledge to educate and enhance the skills of the employees.



THE EXECUTIVE DIRECTORS COMMITTEE'S REPORT



The Executive Directors Committee of LH Financial Group Public Company Limited consists of 5 directors as follows;

- | | | |
|------------------|---------------------|-----------------------------------|
| 1. Mr. Rutt | Phanijphand | Chairman of Executive Director |
| 2. Mr. Sirichai | Sombutsiri | Executive Directors |
| 3. Mr. Naporn | Sunthornchitcharoen | Executive Directors |
| 4. Mr. Khunawut | Thumpomkul | Executive Directors |
| 5. Mrs. Sasitorn | Phongsathorn | Executive Directors and President |

And Mr. Vichian Amornpoonchai Secretary

The Executive Directors Committee has performed duties under the scope of responsibilities assigned by the company's board of directors. In 2016, the company arranged the Executive Directors Committee meeting 24 times and reported the result of each meeting along with suggestions to the company's board of directors every time. The summary is as follows;

- Propose the strategies and directions of the company's operations in the year 2016 and the company's 3 years plan to the company's board of directors and operate conform with the approved policies.
- Delegate work and coordinate with the executives, monitor and evaluate the operations to ensure they are in line with the strategic plans. Follow up and evaluate the operations for enhanced efficiencies and analyze the operating results to determine strengths and weaknesses, as well as solutions.
- Consider any issue/task prior to proposing to the company's board of directors.
- Consider the performance evaluation for the president and propose to the nomination and remuneration committee

(Mr. Rutt Phanijphand)
Chairman of Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview

2016 Economic Overview and Outlook in 2017

2016 Economic Overview

In 2016, the Thai economy expanded at a greater pace than the previous year, mostly on account of higher-than-expected growth in the first half of the year that was particularly contributed by private consumption. Public spending-both government consumption and investment-continued to expand well and remained an important economic growth driver. However, the tourism sector, which is a key driver of the Thai economy in recent periods expanded at a somewhat slower were affected by the recent government's measure to curb illegitimate tour operators.

For the banking sector in the year 2016, loan growth continued to decelerate from the previous year, in both corporate and consumer loans. As the result of the slowdown in credit demand amid the gradual and uneven economic conditions, especially the sluggish recovery of private investment. Moreover, the commercial banks remain cautious in extending credit after the loan quality worsened. The ratio of non-performing loans to total loans (NPL ratio) rose from 2.55% at the end of 2015 to 2.83% at the end of the year 2016. However, Thai commercial banking system's remained stable with high level of loan loss provision and a capital fund to facilitate credit expansion going forward.

Economic Outlook for 2017

The Thai economy in 2017 is projected to expand by 3.0% – 3.5%, at a rate close from the previous year, due to

1. The strong expansion of public spending on the back on the progress of transport infrastructure development plan and the additional stimulus measure.
2. The gradual improvement in household income from both a pickup in export-related earning and a stronger recovery in farm income which will contribute to an increase in household consumption.
3. The gradual recovery of the merchandise exports. While the key risk factors for the Thai economy in 2017 are a fragile global recovery and uncertainties in economic and monetary policies of the major advanced economies that could add volatility to global financial market and may have an impact on the real economy.

Commercial banking industry is expected to perform better in accordance with expanded loans due to economic recovery from acceleration of infrastructure investment and other economic stimulus packages by government. However, large businesses are raising funds through debenture with lower cost, including risk from non-performing, especially a concern on loans for SMEs affected by export decelerated in recent period. In addition, the fragility of household purchasing power and low confidence of business investment may lead to limited growth of commercial bank's profits.

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

Land and Houses Bank Public Company Limited formulated its strategies based on advantages of various trading partments in development of bundle products or value added product or service development to meet customer demand and approach target customers. In addition, the Bank formulated marketing strategy in the area that competitors were unable to reach by continuing product and service differentiation, introduction of products with remarkable prices and diversity to keep existing customers and expand new customers. For competition in loan approvals, the bank offered competitive interest rate against other commercial banks and suitable for market condition.

Overview of Commercial Banking Industry and Competition in 2016 and Outlook in 2017

Overview of Commercial Banking Industry and Competition in 2016

In 2016, overview of commercial banking industry slightly expanded and grew in the last quarter of the year. Loan growth of commercial banking industry expanded by 5.7% or up 4.8% compared to last year. Commercial banking system faced high level of NPLs especially from large enterprise, SME, and retail loan customers, resulting in lower net profits due to higher allowance for doubtful accounts. As a result, the banking system focused on strict lending criteria, efficient risk management instead of loan competition and became more cautious on loan growth.

In funding and deposits, the banks competed in launching deposit products, subordinated debentures issuance and sales of debentures domestic and overseas.

Profitability of commercial banking industry was still good which net profits increased from the previous year, loans are not growing very well because commercial bank focused on cost-effectiveness of management both in interest cost and management costs resulting net profit in commercial bank in the year 2016 increased 3.7% compared to the year 2015, profit from operating expanded 4.2% from the year 2015.

Data of the Land and Houses Bank Public Company Limited Compared to Commercial Banking Industry

As of 31 December 2016

	2016	2015	2014	Growth Rate (Per Year)		Growth Rate (Per Year) Average of Past 2 Years
				2016	2015	
Commercial Banking System						
Assets	15,941,608	15,546,336	14,790,545	2.5%	5.1%	3.8%
Loans	11,150,111	10,924,682	10,342,155	2.1%	5.6%	3.8%
Deposits	11,392,320	11,222,823	10,907,489	1.5%	2.9%	2.2%
Land and Houses Bank						
Assets	209,695	198,039	164,818	5.9%	20.2%	12.8%
Loans	141,145	132,727	116,020	6.3%	14.4%	10.3%
Deposits	149,639	137,300	123,662	9.0%	11.0%	10.0%
LH BANK's Market Share						
Assets	1.32	1.27	1.11	-	-	
Loans	1.27	1.21	1.12	-	-	
Deposits	1.31	1.22	1.13	-	-	

Source Data from the Stock Exchange of Thailand, 15 Commercial Banks registered in Thailand

Outlook of Commercial Banking Industry and Competition in 2017

Office of the National Economic and Social Development Board or NESCB's report on reduction of expected GDP growth in 2017 to 3.0%-4.0% or 3.5% reflects slow economic recovery. In addition, high level of non-performing loans or NPLs in the year 2016 will still be considered by commercial banks when it comes to loan approval in 2017. However, reports on expected growth of loans from many commercial banks show that loans will grow by 3.0% which equal to the growth rate of the GDP.

Commercial banking system focuses on controlling Cost-to-Income ratio. In 2016, many banks closed branches or postponed new branch opening and also decreasing employees of branches to partly reduce operating costs. This action was also in accordance with the development of digital banking which has played a more important role because it allows anywhere and anytime transactions, which is more convenient and faster than visiting the branches.

Analysis of Banking Industry Influencing the Bank's Performance

Commercial banking system will be competed in development of financial products to increase the customer base especially retail customer base to support the reduction of deposit protection from not more than Baht 25 million to not more than Baht 1 million, to be effective on January 1, 2020. The bank focuses on building income in all part from interest income, non interest income and fee income, effective cost operation control including accelerating the development of technology to become a fully digital banking.

2. Operating Results

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

Financial Ratio	Separate Financial Statement		
	2015	2014	2013
Profitability Ratio			
Gross profit margin	45.86	42.43	33.19
Net profit margin	38.65	30.60	29.01
Return on equity	14.93	10.74	8.63
Yield on interest income	4.34	4.86	5.06
Yield on interest expense	2.10	2.56	3.00
Net interest margin	2.24	2.30	2.06
Return on investment	6.28	5.58	5.97
Efficiency Ratio			
Net interest income to assets ratio	2.37	2.39	2.16
Return on assets	1.23	0.90	0.77
Total assets turnover	0.03	0.03	0.03
Financial Ratio			
Debt to equity ratio	10.98	11.37	10.47
Loans to borrowings ratio	83.07	83.46	93.18
Loans to deposits ratio	94.48	86.83	94.01
Deposits to total liabilities ratio	77.86	75.43	82.19
Dividend payout ratio	37.26	61.33	70.23
Total capital funds to risk assets ratio	13.75	14.01	12.41
Asset Quality Ratio			
Loan loss reserve ratio	2.19	1.93	1.78
Non-performing loan to total loans ratio	1.78	1.92	1.98
Accrued interest receivables to total loans ratio	0.16	0.17	0.21
Comparing per Share (Baht)			
Book value per share	12.499	11.438	11.049
Earnings per share (EPS)	1.79	1.24	0.95

Overall Performance

The analysis of operating results of Land and Houses Bank Public Company Limited and its subsidiary performance are comparative performance of the year 2016 compared to the year 2015.

In 2016, the bank had profit for the year totalled Baht 2,502.30 million, increased by Baht 871.64 million or up 11.37% compared to the year 2015 following the expansion of all loans and other income (consists of gains on trading and foreign exchange transactions, investment profit, dividend income and other operating income) increased by 81.95%.

Other operating expenses increased by Baht 122.68 million or up to 5.55% compared to the year 2015 due to the expansion of the bank's branches and increasing of employees which caused higher employees' expenses and other expenses.

An allowance for doubtful accounts increased by Baht 64.61 million or decreased by 5.93% compared to the year 2015.

The profits from operating before bad debts and doubtful accounts to total revenues ratio in 2016 was 63.96%, up from in 2015 which was at 58.51%, mainly from an increase in operating income and other operating expenses in the same direction. The increase of operating income was higher than other operating expenses at 15.96%.

Basic earning per share in 2016 was Baht 1.79 per share, increased by Baht 1.24 per share compared to the previous year. The return on equity ratio (ROE) for the year 2016 was 14.93% and the return on total assets ratio (ROA) for the year 2016 was 1.23%.

Table: Operating Results

Operating Results	Separate Financial Statement			Change (2016 Compared to the Year 2015) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,838.04	4,344.06	3,382.45	493.98	11.37
Net fees and service income	261.15	228.28	155.68	32.87	14.40
Total net gains on trading and foreign exchange transactions, gains on investments, dividend income and other operating income	1,375.10	755.75	609.71	619.35	81.95
Total operating income	6,474.29	5,328.09	4,147.84	1,146.20	21.51
Other operating expenses	(2,333.27)	(2,210.59)	(1,949.50)	122.68	5.55
Profits from operating	4,141.02	3,117.50	2,198.34	1,023.52	32.83
Bad debts, doubtful accounts and impairment loss	(1,025.00)	(1,089.61)	(710.00)	(64.61)	(5.93)
Profits before income taxes expenses	3,116.02	2,027.89	1,488.34	1,088.13	53.66
Income tax expenses	(613.72)	(397.23)	(285.20)	216.49	54.50
Profits for the year	2,502.30	1,630.66	1,203.14	871.64	53.45
Earning per share (EPS) (Baht)	1.79	1.24	0.95		
Return on equity ratio (ROE) (%)	14.93	10.74	8.63		
Return on total assets ratio (ROA) (%)	1.23	0.90	0.77		

1. Operating Income Structure

Structure of operating income of Land and Houses Bank Public Company Limited is as follows:

Operating Income

In 2016, the bank had operating income totalled Baht 6,474.29 million, up to 21.51% compared to the year 2015 mainly from increasing interest income from loans, loans expansion and investment profits, the details are as follows:

Table: Operating Income

Operating Income	Separate Financial Statement			Change (2015 compared to the year 2014) Increase (decrease)	
	2015	2014	2013		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest income					
Loan to customers	6,459.89	6,259.57	5,570.29	200.32	3.20
Investments in debt securities	1,664.67	1,470.79	1,476.58	193.88	13.18
Interbank and money market items	607.36	633.24	298.51	(25.88)	(4.09)
Hire purchase	84.41	121.58	135.62	(37.17)	(30.57)
Total interest income	8,816.33	8,485.18	7,481.00	331.15	3.90
Interest expenses	(3,978.29)	(4,141.12)	(4,098.55)	(162.83)	(3.93)
Net interest income	4,838.04	4,344.06	3,382.45	493.98	11.37
Fees and service income	336.90	294.96	207.22	41.94	14.22
Fees and service expenses	(75.75)	(66.68)	(51.54)	9.07	13.60
Net fees and service income	261.15	228.28	155.68	32.87	14.40
Gains on investments	1,135.62	659.74	485.59	475.88	72.13
Dividend income	210.63	78.08	100.54	132.55	169.76
Other operating income	28.85	17.93	23.58	10.92	60.90
Total other operating income	1,375.10	755.75	609.71	619.35	81.95
Total operating income	6,474.29	5,328.09	4,147.84	1,146.20	21.51

Net Interest Income

In the year 2016, the bank had net interest income were Baht 4,838.04 million, up to 11.37% compared to the year 2015 due to an increase of interest income from investments in debt securities and loans to customers.

Interest expenses were Baht 3,978.29 million, decreased by Baht 162.83 million or down 3.93% reflect good efficiency of cost management and ability in creating efficiency return on assets.

Net Non-Interest Income

Net non-interest income included net fees and service income and other income (which comprised gains on investments, dividend income and other operating income). In the year 2016, the bank had net non-interest income amounted Baht 1,636.25 million increased by Baht 652.22 million or up to 66.28% compared to the year 2015, the details are as follows;

- Net Fees and Service Income

The bank had net fees and service income was Baht 261.15 million, increased by Baht 32.87 million or up to 14.40% compared to the year 2015, resulting from the sales promotion to increase the number of depositors, activating the LH Bank ATM Card, making transaction via all LH Bank ATM Machines in Thailand without fee, fee from funds management, selling agent fee from sales of financial products and services, i.e. insurance broker, life insurance broker sales support and fund selling agent etc.

- Other Income

The bank had other income was Baht 1,375.10 million, increased by Baht 619.35 million or up to 81.95% compared to the year 2015, mainly from the increase of gains on 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 2016, net interest income after deducting bad debts, doubtful accounts and impairment loss was Baht 3,813.04 million, increased by Baht 558.59 million or up to 17.16% compared to the year 2015.

Bad Debts, Doubtful Accounts and Impairment Loss

In 2016, the bank had bad debts and doubtful accounts and impairment loss was Baht 1,025.00 million, decreased by Baht 64.61 million or down 5.93% compared to the year 2015, following loan growth and supporting to uncertainty of domestic economy. Loan loss reserves based on the guideline of the BoT was 185.50% in 2016 and 180.42% in 2015.

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 Statement			Change (2015 Compared to the Year 2014) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Net interest income	4,838.04	4,344.06	3,382.45	493.98	11.37
Bad debts, doubtful accounts and impairment loss	(1,025.00)	(1,089.61)	(710.00)	(64.61)	(5.93)
Net Interest Income after deducting bad debts, doubtful accounts and impairment loss	3,813.04	3,254.45	2,672.45	558.59	17.16
Loan loss reserves (%)	185.50	180.42	157.35		

Other Operating Expenses

Other operating expenses included employee's expenses, directors' remuneration, premises and equipment expenses, tax and duties, advertising and promotion expenses, amortization and intangible assets, and other expenses. In 2016, the bank had other operating expenses totalled Baht 2,333.27 million, increased by Baht 122.68 million or up to 5.55% compared to the year 2015. It was mainly from an increase in employees' expenses due to expand branches increased by 7 branches in 2015 to be 133 branches at the end of 2016.



The operating expenses to total operating income ratio in 2016 was 36.04%, decreased from 2015 which was 41.49%, the details are as the follows;

Table: Other Operating Expenses

Other Operating Expenses	Separate Financial Statement			Change (2015 Compared to the Year 2014) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Employees' expenses	1,159.31	1,056.99	912.14	102.32	9.68
Directors' remuneration	15.31	13.75	1.50	1.56	11.35
Premises and equipment expenses	659.97	667.22	610.34	(7.25)	(1.09)
Tax and duties	219.73	217.06	192.20	2.67	1.23
Advertising and promotion expenses	90.12	92.23	80.19	(2.11)	(2.29)
Amortisation and Intangible assets	63.09	59.03	55.78	4.06	6.88
Other expenses	125.74	104.31	97.35	21.43	20.54
Total other operating expenses	2,333.27	2,210.59	1,949.50	122.68	5.55
Total operating expenses to total operating income ratio (%)	36.04	41.49	47.00		

- **Employees' Expenses**

The bank had employees' expenses were Baht 1,159.31 million, increased by Baht 102.32 million or up to 9.68% compared to the year 2015, resulting from an increase in salary, annual bonus payment and the number of employees increasing for business and branch expansion.

Table: Number of Employee

	31 December 2016	31 December 2015	31 December 2014
The number of employee	1,692	1,653	1,524

- **Premises and Equipment Expenses**

The bank had premises and equipment expenses were Baht 659.97 million, decreased by Baht 7.25 million or down 1.09% compared to the year 2015.

- **Other Expenses**

Other expenses was Baht 125.74 million, increased by Baht 21.43 million or up to 20.54% compared to the year 2015.

2. Asset Management Efficiency

An Analysis of Financial Positions

An analysis of financial positions of Land and Houses Bank Public Company Limited was a comparison of financial positions as of 31 December 2016 and 31 December 2015.

Table: Total Assets

Total Assets	Separate Financial Statement			Change (2015 Compared to the Year 2014) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Assets					
Cash	2,109.13	2,242.56	2,503.96	(133.43)	(5.95)
Interbank and money market items - net	17,961.03	17,742.12	13,083.09	218.91	1.23
Investments - net	49,978.12	45,965.02	33,180.41	4,013.10	8.73
Loans to customers and accrued interest receivables	-	257.29	257.29	(257.29)	(100.00)
Loans to customers					
Accrued interest receivables	141,236.44	132,906.68	116,301.56	8,329.76	6.27
Total loans to customers and accrued interest receivables	229.43	222.89	239.68	6.54	2.93
Less: Deferred revenue	141,465.87	133,129.57	116,541.24	8,336.30	6.26
Allowance for doubtful accounts	(91.77)	(179.45)	(281.52)	(87.68)	(48.86)
Revaluation allowance for debts restructuring	(3,078.63)	(2,555.27)	(2,068.13)	523.36	20.48
Loans to customers and accrued interest receivables - net	(15.23)	(8.74)	(7.55)	6.49	74.26
Properties foreclosed	138,280.24	130,386.11	114,184.04	7,894.13	6.05
Premises and equipment - net	107.32	99.34	52.81	7.98	8.03
Intangible assets - net	317.88	409.04	462.65	(91.16)	(22.29)
Deferred tax assets	180.24	181.27	183.94	(1.03)	(0.57)
Accrued interest receivables on investments	263.45	190.71	133.44	72.74	38.14
Other assets - net	295.84	305.40	345.39	(9.56)	(3.13)
Total assets	201.72	259.97	431.16	(58.25)	(22.41)

Total Assets

Core assets of the bank included loans to customer and accrued interest receivables - net 65.94% of total assets, followed by investment - net 23.83% of total assets. As at 31 December 2016, total assets was Baht 209,694.97 million, increased by Baht 11,656.14 million or up to 5.89% compared to the year 2015, which was mainly from an increase in loans to customers and accrued interest receivables - net and investments - net.

Investments - Net

As at 31 December 2016, investments in securities which had book value was Baht 49,978.12 million, increased by Baht 4,013.10 million or up to 8.37% compared to the year 2015, mainly increase from invested in held-to-maturity debt securities.

Table: Investment Classified by Type of Investment at Book Value

Net Investment	Separate Financial Statement			Change (2015 Compared to the Year 2014) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Available- for -Sale investments					
Government and state enterprise securities	4,169.39	1,135.56	1,175.94	3,033.83	267.17
Private sector debt securities	4,169.39	1,135.56	1,175.94	3,033.83	267.17
Domestic marketable equity securities					
Total available-for-sale investments	18,313.43	22,073.90	15,386.44	(3,760.47)	(17.04)
Held-to-maturity debt securities	22,417.37	17,399.35	15,262.82	5,018.02	28.84
Government and state enterprise securities	5,072.68	5,350.96	1,350.41	(278.28)	(5.20)
Private sector debt securities	45,803.48	44,824.21	31,999.67	979.27	2.18
Other securities					
Total held-to-maturity debt securities	5.28	5.28	5.37	-	-
General Investment- Cost	(0.03)	(0.03)	(0.57)	-	-
Non-marketable equity securities	5.25	5.25	4.80	-	-
Less: Allowance for impairment	49,978.12	45,965.02	33,180.41	4,031.10	8.73
General investments - net	4,169.39	1,135.56	1,175.94	3,033.83	267.17
Investments - Net	4,169.39	1,135.56	1,175.94	3,033.83	267.17

Loans

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

As of 31 December 2016, the bank had loans net of deferred revenue (including interbank and money market items) totalled Baht 157,493.84 million, increased by Baht 8,483.82 million or up to 5.69% compared to the year 2015. Mainly from Big Corporate & Corporate loans 64.08%, followed by Retail loans 19.77% of total loans. When they were classified by type of loans, mainly from public utilities and services loans and housing loans at 24.18% and 18.50% of total loans, respectively.

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

Loans Classified by Business Sector (included interbank and money market items)	Separate Financial Statement						Change (2015 Compared to the Year 2014) Increase (Decrease)	
	2016		2015		2014			
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Big Corporate & Corporate loans	100,920.01	64.08	90,053.21	60.43	69,774.26	54.67	10,866.80	12.07
SMEs & SSME loans	25,441.42	16.15	27,143.71	18.22	25,486.31	19.97	(1,702.29)	(6.27)
Retail loans	31,132.41	19.77	31,813.10	21.35	32,356.97	25.36	(680.69)	(2.14)
Loans net of deferred revenue	157,493.84	100.00	149,010.02	100.00	127,617.54	100.00	8,483.82	5.69
Add : accrued interest receivables	243.64		236.52		244.93		7.12	3.01
Total loans and accrued interest receivables net of deferred revenue	157,737.48		149,246.54		127,862.47		8,490.94	5.69

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

Loans Classified by Type of Loans (included interbank and money market items)	Separate Financial Statement						Change (2015 Compared to the Year 2014) Increase (Decrease)	
	2016		2015		2014			
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Housing loans	29,134.89	18.50	29,812.73	20.01	30,472.25	23.88	(677.84)	(2.27)
Manufacturing and commerce	27,844.63	17.68	27,390.76	18.38	22,909.61	17.95	453.87	1.66
Public utilities and services	38,074.24	24.18	34,424.60	23.10	27,283.53	21.38	3,649.64	10.60
Real estate and construction	20,789.91	13.20	18,847.74	12.65	15,230.61	11.93	1,942.17	10.30
Agricultural and mining	488.40	0.31	386.13	0.26	420.88	0.33	102.27	26.49
Financial intermediation	23,877.22	15.16	21,938.64	14.72	19,001.13	14.89	1,938.58	8.84
Saving cooperative	15,229.17	9.67	14,093.29	9.46	10,028.50	7.86	1,135.88	8.06
Others	2,055.38	1.30	2,116.13	1.42	2,271.03	1.78	(60.75)	(2.87)
Total loans net of deferred revenue	157,493.84	100.00	149,010.02	100.00	127,617.54	100.00	8,483.82	5.69

Quality of Assets

As of 31 December 2016, classified assets included interbank and money market items and accrued interest receivables, investments, loans and accrued interest receivables and other assets. Assets categorized in compliance with the regulations of the Bank of Thailand as follows:

Table: Assets Classified by Type of Asset

Assets Classified by Type of Asset	Separate Financial Statements			Change (2015 Compared to the Year 2014) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interbank and money market and accrued interest receivables					
- Pass	16,363.39	16,296.41	11,602.75	66.98	0.41
Investments					
- Doubtful of loss	71.72	50.66	36.03	21.06	41.57
Loans and accrued interest receivables					
- Pass	137,462.17	129,150.53	111,826.75	8,311.64	6.44
- Special - mention	1,146.01	984.94	1,983.91	161.07	16.35
- Sub - standard	912.01	347.08	507.50	564.93	162.77
- Doubtful	621.85	1,471.27	570.55	(849.42)	(57.73)
- Doubtful of loss	1,232.06	996.30	1,371.01	235.76	23.66
Other assets					
- Doubtful of loss	51.17	34.97	26.11	16.20	46.33
Total	157,860.38	149,332.16	127,924.61	8,528.22	5.71

Allowance for Doubtful Accounts

As of 31 December 2016, allowance for doubtful accounts was Baht 3,078.63 million, increased by Baht 523.36 million or up to 20.48% compared to the year 2015, following the growth of loans and supporting to uncertainty of domestic economy. Allowance for doubtful accounts to total loans ratio was 2.19%, up to 1.93 from 2015. LLR/NPL increased from 98.12% to 119.62%.

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 (2015 Compared to the Year 2014) Increase (Decrease)	
	2016				2015					
	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	137,462.17	97.23	812.38	26.39	129,150.53	97.14	498.05	19.49	314.33	63.11
Special - mention	1,146.01	0.81	168.48	5.47	984.94	0.74	2.85	0.11	165.63	5,811.58
Sub - standard	912.00	0.65	202.31	6.57	347.08	0.26	108.24	4.24	94.07	86.91
Doubtful	621.85	0.44	49.61	1.61	1,471.27	1.11	367.30	14.37	(317.69)	(86.49)
Doubtful of loss	1,232.06	0.87	320.92	10.42	996.30	0.75	347.82	13.61	(26.90)	(7.73)
Total	141,374.09	100.00	1,553.70	50.47	132,950.12	100.00	1,324.26	51.82	229.44	17.33
Additional provision for specific debtors			571.54	18.56			508.60	19.91	62.94	12.38
General provision			953.39	30.97			722.41	28.27	230.98	31.97
Total	141,374.09	100.00	3,078.63	100.00	132,950.12	100.00	2,555.27	100.00	523.36	20.48
LLR/NPL (%)	137,462.17	97.23	812.38	26.39	129,150.53	97.14	498.05	19.49	314.33	63.11

As of 31 December 2016, 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 (2015 Compared to the Year 2014) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
At call ^{/1}	15,843.04	10,379.04	8,514.33	5,464.00	52.64
Less than 3 months	27,454.52	21,378.84	19,771.29	6,075.68	28.42
3 – 12 months	19,973.76	17,367.36	14,633.22	2,606.40	15.01
More than 1 year	77,965.12	83,781.44	73,382.72	(5,816.32)	(6.94)
Total	141,236.44	132,906.68	116,301.56	8,329.76	6.27

Note ^{/1} Loans to customers maturing at call include defaulted loans and non-performing loans.

Revaluation Allowance for Debts Restructuring

The bank recorded revaluation allowance for debts restructuring totalled Baht 15.23 million, increased by Baht 6.49 million or up to 74.26% compared to the year 2015.

Debt Restructuring

As of 31 December 2016, The bank had 12,870 debtors, 287 debtors are under debt restructuring and had an outstanding debt for Baht 3,622.18 million.

Table: Debt Restructuring

Debtor	Separate Financial Statements			Change (2015 Compared to the Year 2014) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Debtor					
- Number of debtors	12,870	12,488	12,176	382	3.06
- Interest and principal on debt obligations	141,374.09	132,950.12	116,259.72	8,423.97	6.34
Debtor under debt restructuring					
- Number of debtors	287	342	425	(55)	(16.08)
- Interest and principal on debt obligations	3,622.18	3,258.77	3,252.51	363.41	11.15

Non-Performing Loans

As of 31 December 2016, non-performing loans (gross) was Baht 2,765.92 million, decreased by Baht 48.73 million or down 1.73% compared to the year 2015. Non-performing loans to total loans ratio 1.76%, down from to 2015 which was at 1.89%.

Non-performing loans (net) were Baht 2,188.44 million, or 1.39% of total loans after deducting allowance for doubtful accounts of non-performing loans.

Total Liabilities

As of 31 December 2016, the bank had total liabilities were Baht 192,197.09 million, increased by Baht 10,171.17 million or up to 5.59% compared to the year 2015.

Table: Liabilities Classified by Type of Liabilities

Liabilities Classified by Type of Liabilities	Separate Financial Statements			Change (2015 Compared to the Year 2014) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Deposits	149,639.50	137,300.10	123,661.96	12,339.40	8.99
Interbank and money market items	20,053.83	20,665.87	23,956.61	(612.04)	(2.96)
Liabilities payable on demand	75.99	176.52	109.95	(100.53)	(56.95)
Debts issued and borrowings	20,464.66	21,814.06	1,000.00	(1,349.40)	(6.19)
Others	1,963.11	2,069.37	1,725.48	(106.26)	(5.13)
Total liabilities	192,197.09	182,025.92	150,454.00	10,171.17	5.59

Deposits

As of 31 December 2016, the bank had deposits totalled Baht 149,639.50 million, increased by Baht 12,339.40 million or up to 8.99% compared to the year 2015, mainly from time deposits.

Table: Deposits Classified by Type of Deposits

Deposits Classified by Type of Deposits	Separate Financial Statements			Change (2015 Compared to the Year 2014) Increase (Decrease)	
	2015	2014	2013		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Demand deposits	5,061.09	5,678.02	5,034.06	(616.93)	(10.87)
Savings deposits	65,119.72	51,887.27	50,659.00	13,232.45	25.50
Time deposits	50,648.23	41,212.83	30,684.68	9,435.40	22.89
Fixed deposit receipt	28,810.46	38,521.98	37,284.22	(9,711.52)	(25.21)
Total deposits	149,639.50	137,300.10	123,661.96	12,339.40	8.99

Owners' Equity

As of 31 December 2016, the bank had owners' equity totalled Baht 17,497.88 million, increased by Baht 1,484.97 million or up to 9.28% compared to the year 2015.

3. Capital Adequacy

Sources and Uses of Fund

As of 31 December 2015, capital structure according to the consolidated financial statements consist of liabilities totalled Baht 192,197.09 million and owners' equity totalled Baht 17,497.88 million, or was 10.98 times of debt to equity ratio. Sources of fund composition in terms of liabilities included deposits 71.36% of sources of fund, interbank and money market items 9.56%, debts issued and borrowings 9.76%, liabilities payable on demand and others 0.97%, while owners' equity 8.35%.

Relations of Sources and Uses of Fund

As of 31 December 2016, loans to customers (before deducting deferred revenue) totalled Baht 141,236.44 million. Loans to deposits ratio was 94.48%. The bank invested remaining liquidity in liquid assets such as interbank and money market items, investments and loans.

Significant sources and uses of fund as of 31 December 2016 could be classified by contract maturity date. Deposits less than 1 year totalled Baht 142,298.50 million, or 95.09% of total deposits. Loans less than 1 year totalled Baht 63,271.32 million, or 44.80%. Deposits more than 1 year totalled Baht 7,341.00 million, or 4.91%. Loans more than 1 year totalled Baht 77,965.12 million, or 55.20%.

Table: Sources and Uses of Fund

Periods	Deposits				Loans			
	2016		2015		2016		2015	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Less than 1 year	142,298.50	95.09	129,314.01	94.18	63,271.32	44.80	49,125.24	36.96
More than 1 year	7,341.00	4.91	7,986.09	5.82	77,965.12	55.20	83,781.44	63.04
Total	149,639.50	100.00	137,300.10	100.00	141,236.44	100.00	132,906.68	100.00

4. Change of Cash Flow

The cash of the bank as of 31 December 2016 was Baht 2,109.13 million, decreased by Baht 139.43 million compared to the year 2015. Net cash provided by and used in activities as the following.

- Net cash provided by operating activities was Baht 1,737.38 million, which was from the profits from operation before changes in operating assets and liabilities totalled Baht 504.63 million and mainly change of assets and liabilities were loans to customers increased by Baht 8,933.32 million, short-term debts issued and borrowings increased by Baht 1,349.40 million and deposits increased by Baht 12,339.40 million.
- Net cash used in investing activities was Baht 938.41 million, mainly from invested in held-to-maturity investments totalled Baht 2,872.32 million while cash received from held-to-maturity investments totalled Baht 1,756.00 million.
- Net cash provided by financing activities was Baht 932.40 million, which was from fully paid dividend.

5. Adequacy of Liquidity

Items	31 December 2016	31 December 2015
Total assets	209,694.97	198,038.83
Deposits	149,639.50	137,300.10
Loan to customers (net deferred revenue)	141,144.67	132,727.23
Liquidity assets	54,957.23	51,983.72
Loan to customers/Deposits (%)	94.48	96.83
Liquidity assets/Total assets (%)	26.21	26.25
Liquidity assets/Deposits (%)	36.73	37.86

6. Liquidity Assets Ratio

The bank maintained the liquidity assets ratio on average at not lower than 1.00% of some types of 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 2016, the bank had cash at the cash center, cash at Bank of Thailand and investments totalled Baht 2,386.147 million.

Capital Adequacy and the Ratio of Capital Fund to Risk Assets

As of 31 December 2016, the bank had the ratio of total capital fund to risk assets at 13.750%, higher than the 9.125% minimum rate required by the Bank of Thailand and increasing from BIS when compared with 31 December 2015 at 14.01%.

The ratio of Tier 1- capital fund to risk assets was 10.239%, higher than the 6.625% minimum rate required by the Bank of Thailand.

Table: Capital Fund to Risk Assets Ratio

Capital Fund to Risk Assets Ratio	31 December 2016		31 December 2015		31 December 2014	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Common equity Tier 1 capital fund						
The bank	16,628.92	10.239	15,202.82	10.18	13,895.82	11.32
Minimum rates required by law		5.125		4.50		4.50
The Difference		5.114		5.68		6.82
Tier 1 capital funds						
The bank	16,628.92	10.239	15,202.82	10.18	13,895.82	11.32
Minimum rates required by law		6.625		6.00		6.00
The Difference		3.614		4.18		5.32
Total capital funds						
The bank	22,330.75	13.750	20,936.11	14.01	15,231.93	12.41
Minimum rates required by law		9.125		8.50		8.50
The Difference		4.625		5.51		3.91

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 2016, off-balance sheet commitments of Land and Houses Bank Public Company Limited were Baht 27,221.82 Million, up to Baht 2,526.75 million or 10.23% compared to 2015.

Table: Off-Balance Sheet Commitments

Off-Balance Sheet Commitments	Separate Financial Statements			Change (2015 Compared to the Year 2014) Increase (Decrease)	
	2016	2015	2014		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Avals to bills	23.95	119.46	246.71	(95.51)	(79.95)
Bill of exchange is not yet due	8.02	-	-	8.02	n/a
Guarantee-others	4,020.78	4,334.09	2,518.30	(313.31)	(7.23)
Letter of credit	6.93	-	-	6.93	n/a
Undrawn bank overdrafts	4,901.75	5,039.80	4,523.31	(138.05)	(2.74)
Commitment-others	18,260.40	15,201.72	10,734.67	3,058.68	20.12
Total	27,221.83	24,695.07	18,022.99	2,526.76	10.23

Credit Rating

Land and Houses Bank Public Company Limited has been assigned a “A-” (Single A Minus) as corporate credit rating with “Stable” outlook by TRIS Rating Company Limited reflecting continually improving business status, good asset quality and solid capital of the bank.

7. Factors Influencing Future Operating Results

The key factors which may affect future operation, namely, Thai economic outlook recovery is quite weak due to slow growth of global economy, fluctuations in currency market and capital market and weak domestic demand including agricultural households affected by agricultural price drop and droughts. These may result in loan demand and quality loan and affected to interest income of commercial banking system decreased including high level of NPLs problem and must conduct to set more doubtful.

3. Change of significant accounting policies

3.1 Standard of financial reporting effective in the current accounting year

All of financial reporting standards of Land and Houses Bank Public Company Limited and its subsidiary were revised and issued to correspond with the new international financial reporting standards by The Federation of Accounting Professions (revised 2015) which are effective for accounting period started on 1 January 2016 or after , mostly in terms of wording and vocabulary, interpretations, and accounting guidelines for standard executors. These financial reporting standards do not have significant effects on financial statement as mentioned in a note for financial statement No. 3.1 regarding financial reporting standard effective in the current accounting year.

3.2 Financial reporting standard effective in the future

During the present year, The Federation of Accounting Professions announces the 2016 revised and the new Financial Reporting Standards including many accounting standards which are effective for accounting period started on 1 January 2017 or after. These financial reporting standards were revised and issued to correspond with international financial reporting standards mostly in terms of wording and vocabulary, interpretations, and accounting guidelines for standard executors. The management of the company and its subsidiaries believed that it will not have any significant effects on financial statement of the year that the standard is applied.

THE CORPORATE GOVERNANCE COMMITTEE'S REPORT



The Corporate Governance Committee of Land and Houses Bank Public Company Limited consists of 4 members as follows;

1. Mr. Phairoj Hengsakul
Chairman of the Corporate Governance Committee
2. Mr. Adul Vinaiphat
Member of the Corporate Governance Committee
3. Mr. Somsak Assavapokee
Member of the Corporate Governance Committee
4. Mr. Sun Vitespongse
Member of the Corporate Governance Committee

Ms. Chutima Boonmee Secretary

The Corporate Governance Committee has performed duties under the scope of responsibilities prescribed in the Announcement of the Corporate Governance Committee Appointment assigned by the board of directors. During the year 2016, the bank arranged the meeting 2 times and reported the result of the meeting to the board of directors. The summary is as follows:

- Review Good Corporate Governance Policy for appropriateness and compliance with guidelines of government agencies regulating the bank in order to build the confidence that the bank conducts its business with responsibility, transparency and integrity and fairly treat all stakeholders.
- Review the Anti-Corruption Policy to enable the bank's directors and executives holding it as an operational guideline on prohibitions of offering or receiving gifts, attending party and other benefits, bribes and inducements, charitable contributions, financial sponsorships, political participations and activities as well as receiving reports or complaints.
- Review the Corporate Social Responsibility (CSR) policy to sustain the business development and to make the bank has sustainable growth together with persuade all employees to participate in social responsibility.
- Consider for the approval of the Whistleblower Policy for protecting persons who identify clues or make complains to the company in order to ensure that the persons will not be suffered by damage or treated unfairly.
- Review the Prevention of Conflict of Interest Policy to ensure the reliability of the bank business operation and take into account the interests of the shareholders and all group of stakeholder as well as protect the interest from damages and effects of reputation of the bank.
- Represent the bank in communicating, supervising and promoting the organization to comply with the Good Corporate Governance Policy and Anti-Corruption Policy.

We, Land and Houses Bank Public Company Limited recognizes the importance of the good corporate governance and business ethics for the bank's sustainable growth and building the confidence among all stakeholders and the company is confident that the good corporate governance will help maximize the value for stakeholders.

(Mr. Phairoj Hengsakul)

Chairman of the Corporate Governance Committee

MESSAGE FROM THE PRESIDENT



Land and Houses Bank Public Company Limited has the destination in operating a business in conformity with the Good Corporate Governance as the important principle together with the code of conduct and ethics for responding to the satisfaction of all stakeholders continuously, especially, the Good Corporate Governance at all of work contexts. In addition, all our performances have to agree with working standards, honesty, transparency and accountability. The company also operates its business by considering others Corporate Social Responsibility, such as, generating business with neutrality, joining the Private Sector Collective Action Coalition Against Corruption (CAC), respecting human rights, treating employees fairly, responsibility to customers, developing social and community, and environment and innovation management.

All together leads the company to achieve the sustainable growth. To communicate, with all stakeholder groups about the company operation regards to the Corporate Social Responsibility, the company also provides the report on sustainable business together with the annual report of the year 2016.

The bank has promoted the information about financial discipline by passing the knowledge and proficiency to create the common interest for communities and the whole society. The purpose of this procedure is for stimulating people to recognize the advantage of money- saving. Therefore, since the year 2014, the company has continuously joined the project “Saving for Change” with CSR club, the Thai Bankers' Association and the National Council for Child and Youth Development Under the Royal Patronage of HRH Princess Maha Chakri Sirindorn (NCYD) to educate the youth in personal financial management and discipline.

We, Land and Houses Bank Public Company Limited sincerely hope that the report on sustainable businesses development will available for reaching our intention to take part of carrying forward and support in developing sustained business growth. Finally, we would like to thanks shareholders, business partners, customers, all stakeholder groups and employees that have provided us a good continuous support. Additionally, we will maintain the intention and insist on the social responsibility for the stability and sustainable growth.

(Mrs. Sasitorn Phongsathorn)
President



BUSINESS SUSTAINABILITY REPORT

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



The logo of CSR for sustainable development of Land and Houses Bank Public Company Limited

The social responsibility is one of the principles considered to be very important. The bank 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 bank 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 volunteer 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.

The bank intends to operate the business with the good corporate governance policy together with the corporate social responsibility which is a part of the company’s operation especially, good corporate governance in all process of operation. In all contexts of operation is required to have the standard, integrity, transparency and accountability.

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 and on October 16, 2014, the company has been awarded the certification from the Thailand's Private Sector Collective Action Coalition Against Corruption by the Thai Institute of Directors.



Operation of CSR-in-Process

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

Operation of CSR-after-Process

CSR-after-Process means the activities operate apart from the normal business operation by playing the role in promoting the social activities occasionally. The aim of this process is to create the highest benefits for the society and communities, both in public and private sector which contribute to lay the stronger foundation for vigorous society and country permanently.

Guidelines for the Operation in Social Responsibility

The bank's board of directors pays attention to the company's social responsibility for bringing about the concrete practice in all business processes for a sustainable growth of the company growth, in addition to encouraging all level of employees to participate in. The employees have to adhere to the code of conduct strictly and the company has to implant its employees to have a conscious mind in working by considering about the social responsibility. The chairman and the president are the company's representatives in driving the organization to sustainable development. Moreover, the corporate governance committee has responsible for the company's social responsibilities, in addition to consider, gives opinions and monitor the social responsibilities operation plan and report to the company's board of directors. While the president has duties for encouraging and supporting in operation following the bank's board of directors guidelines.

The bank's board of directors has determined policy about the social responsibility for sustainable development following the Corporate Social Responsibility Institute guideline of the Securities and Exchange Commission and the Exchange of Thailand. Therefore, the directors, the executives and all levels of employees have to adhere to the policy as guidelines in working and the policy is reviewed annually.

Corporate social responsibility means operating the business by focusing on the stakeholders, economics, society, and environment with morals, ethics and corporate governance in order to hold the activities with honesty, transparency and fairness. The company has to run the business by realizing the negative impact on the economy, society, and environment. The company is ready to reduce the mentioned impact by applying the philosophy of sufficient economy to integrate in operations to create the achievement and benefits, including an increase the competitiveness in all trade forums which will be truly advantageous for the sustainability of the operation, stakeholders, economy, society, and environment.



Social Responsibility for the Sustainable Development in Business

The bank is aware of operating a business under the social responsibility for making the business to be sustainable and it also plays an attention to the stakeholders, economy, society, and environment with morality and ethics. The bank operates its business along with the honesty, transparency, and fairness. The negative impact on the economy, society, and environment must be well-aware. The company regulates the policy on social responsibilities for the sustainable development in business for the practice so that the company's board of directors, executives and all levels of employees can conform to as the practice in 9 following areas:

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

 The details of Corporate Social Responsibility for Business Sustainability Policy are published on the bank's website (www.lhbank.co.th)

Business Sustainability Reporting Guidelines

The bank gives priority to the business sustainability report. This report as a part of the annual report, is used to communicate with all groups of stakeholders to clearly inform them regarding to policy guidelines, management guidelines and the outcome of social and environmental responsibility by demonstrating the company's performance in the fiscal year from January 1 to December 31, 2016 follow the guideline of Corporate Social Responsibility Institute, the Securities and Exchange Commission and the Stock Exchange of Thailand. The content of the report covers the whole business by collecting data from the direct responsibility business unit.

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

Analysis of Stakeholders' Requirements

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 different activities and many communication channels. The company also determines the frequency of operation clearly, such as, arranging the meeting, surveying the employees' relationship toward the company. In addition, the company will use these information/data to determine the practice guidelines consistent with guideline practice of a good corporate governance policy and social responsibilities for sustainable development in business. In addition, to identify and select the stakeholders, the bank will consider by giving priority to all groups of stakeholders and also realizes about the impact that will affect to all groups of stakeholders occurring from the business operation. This is to support the business operation to carry on properly and fairly.



Guideline Practice to Stakeholders

The bank has determined the practice guideline for stakeholders in the written Code of Business Conduct and the written Code of Employee Conduct. The bank pays attention to the rights of all group of stakeholder in their wants, their needs and response to all groups of stakeholders correctly, including encourages participation of all stakeholders and the stakeholders consist of 2 groups as follows;

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' Requirements



Stakeholders	Requirements Analysis	Policy-Compliant Practices	Implementation
1. Shareholders	<ul style="list-style-type: none"> - Good business performance under appropriate risk. - Operate the business with transparency, fairness, and accountability. 	<ul style="list-style-type: none"> - Running business under the principle of good corporate governance 	<ul style="list-style-type: none"> - Organize the Annual General Meeting of Shareholders for 1 time/year. - Organize the press conference and analyst meeting for 3 times/year. - Provide information in-person for 3 times. - Present information through all channels with correctness, equality, and transparency. - Receive suggestions and petitions through channels provided by the banks.
2. The Board of Directors	<ul style="list-style-type: none"> - Operate the business with transparency following the principle of corporate governance for sustainable growth of the organization. - Treat all stakeholders on the basis of fairness. - Evaluate the performance to improve working 	<ul style="list-style-type: none"> - Running the business under the principle of good corporate governance. 	<ul style="list-style-type: none"> - Organize the company's board of directors meeting monthly. - Provide sufficient, complete, and timely information. - Participate in good corporate governance. - Encourage, support and develop knowledge related to the duties of the directors and the company's business. - Set the Orientation program for New directors. - Assign the company's board of director and sub-committees, to do the group and individual Self assessment related to the principle of good corporate governance and the results will be used to improve more efficient working.
3. Employees	<ul style="list-style-type: none"> - Offer the appropriate remuneration, positions and benefits - Prepare a good hygiene workplace which is clean and safe. - Arrange the seminars for knowledge and potential development. 	<ul style="list-style-type: none"> - Non-discrimination in recruitment regarding to ethic, race, gender, status, religion, political views, or age. These are not used as the main point for recruitment consideration and decision making. - Promote employment for vulnerable labors, such as provide opportunities by hiring people with disability. - Develop human resources by providing skill training and capacity building by creating learning and promotion opportunities for career progression. - Do not dismiss or terminate any employment which is solely based on the management's decision or based on discrimination. - Promote and respect the human right protection by not supporting labor coercion, as well as promote employees' work-life balance. 	<ul style="list-style-type: none"> - Arrange welcome activity for new employees. - Orientation program for new employees. - Encourage to PRO-Active value for employees. - Develop employees' potential by arranging capacity building learning for all levels of employees including increasing the learning channels via the company's intranet which the employees can learn from the channel at all time. - Executives and important positions succession development plan. - Activities to communicate and build stronger teams. - Survey market rate of compensation on a regular basis every year for improving accordance with the proper industrial or living standard. - Provide channels to receive complaint, opinions and suggestions. - Protect and do not treat or punish any disciplinary

Stakeholders	Requirements Analysis	Policy-Compliant Practices	Implementation
		<ul style="list-style-type: none"> - Respect right to express opinions of employees, covering their independence in providing comments without intervention, their right to received information or opinions through media, as well the provision of channels to hear employees' opinions. - Fair employment condition which allows employees to receive proper compensation based on their competency or agreement made between the employer and each employee in accordance with proper industrial or living standard. - Properly arrange working environment for work safety and dignity, allowing employees to work with full capacity and to have time for their family. - Protect and do not treat or punish any disciplinary proceedings against an employee who reports with integrity to the executives or public agencies, in relation to any wrongdoings done within the company. - Prepare a policy on safety and occupational health, as well as analyze and determine measures for controlling risks on safety and occupational health at work. 	<ul style="list-style-type: none"> proceedings against an employee who reports with integrity to executives or public agencies, in relation to any wrongdoings done within the company. - Establish the Environment, Health and Safety Committee for driving the policy and the plan for Occupational Safety, Health and Environment during working. - Support and promote career opportunity for people with disability to live in the society with pride.
4. Customers	<ul style="list-style-type: none"> - Satisfaction of various products, full, quality and excellent services. - Promptness in hearing and responding to customers' requirements. - Customer confidentiality. - Equality of each customer group. 	<ul style="list-style-type: none"> - Focus on presenting products which can satisfy customers' requirements, develop employees' competency to be able to offer customers with well-integrated products and services meeting all of their requirements, as well as determine customer confidentiality as one of the company's code of conducts which must be strictly complied and communicated to employees on a regular basis. 	<ul style="list-style-type: none"> - Understand customers by meeting for support relations. - Organize activities/information on product. - Receive suggestion or petition for improvement. - Initiate and create products and services satisfying consumers' requirements. - Promote complete products and services information based on reality to support customers' decision making and to publish through various channels easily accessible by consumers. - To provide assistance and answer customers' questions to understand our products and services. - Collect complaints and opinions from customers and manage to correct within the time limit.

Stakeholders	Requirements Analysis	Policy-Compliant Practices	Implementation
5. Community, Environmental and Social	<ul style="list-style-type: none"> - Support communities activities. - Encourage and develop in knowledge. - Encourage and support to governance department policies. - Preserve environment. 	<ul style="list-style-type: none"> - Perform business with ethics in parallel with environmental and social responsibilities. - Support social activities benefiting communities and encourage employees to participate in activities. - Support and promote education, as well as participation in improving educational quality and accessibility. - Promote cultural activities in accordance with local culture, tradition, and religion. - Promote effective use of resources by concerning capability in maximizing value of resources. - Prepare emergency plan suitable for reducing losses. - Open and facilitate benefits to all stakeholders on creativity which is the root of abilities in creating innovation causing the continuous creation of innovation. - Promote and cooperate with the stakeholders, such as trade partners, to develop innovation with social responsibilities. - Regularly review business procedure, whether it causes any risk or adverse effects to society and environment or not. If any, it must be resolved promptly. 	<ul style="list-style-type: none"> - Survey community and social requirements and allow communities to participate in operating activities . - Provide support for cultural activities suitable for local culture, tradition, and religion. - Provide appropriate emergency plan to serve for loss and damages against environment. - Green Office project to reduce electricity and paper use, as well as change to use environmental-friendly office supplies. - Development youth's learning by providing the lecturer in financial literacy for young people via the project "Be happy by saving and using wisely" - Participate with the project "Soft-Loan Program for SMEs" by Ministry of Finance. - Donate the used computers for young people in disadvantaged. - Lend a hand by giving consumer goods, money and also providing restructuring debt for customers who are affected by natural disaster.
6. Trade Partners	<ul style="list-style-type: none"> - Perform business with transparency. - Facility and Process Sharing: Forward to customers in Land and Houses financial business group. - Information Sharing: Information exchange for business performance. - Network Extension: Extend bank networks with partners. 	<ul style="list-style-type: none"> - Comply with trade conditions and agreements. - Creating partnerships with potential customers - Fair business - no barrier for partners 	<ul style="list-style-type: none"> - Meet with trade partners. - Create marketing together with Land and Houses financial business group and the group's partners. - Create partnerships with customers to recommend other customers to receive the bank's services. - Receive suggestion or complaint. - Appoint Purchase Committee in order to manage the appropriate procurement process and fair business to partners

Stakeholders	Requirements Analysis	Policy-Compliant Practices	Implementation
7. Trade Competitors	- Perform business with transparency.	- Operate following the good competition rules and do not use any dishonest method.	- Determine mutual fair competition conditions.
8. Creditors	- Pay interest and payback as determined. - Continuously communications.	- Perform under the agreement or conditions in the agreement and their duties.	- Perform under the agreement or conditions in the agreement and their duties. - Receive suggestion or complaint.

Determine the Important Issues Comply with Social Responsibilities for Sustainable Development in Business

For preparing the sustainable business development report, the bank will consider the issues, suggestions, guidance and expects which acquired from the analysis of the requirement of both internal and external stakeholders comply with Social Responsibilities for Sustainable Development in Business policy guidelines and the operation of the company to stakeholders.

Quality Inspection of Report

The content presented in the sustainable business development report and disclosed on the bank website has been audited and reviewed with regard to the accuracy and completeness by the bank's responsible comply with the social responsibilities for sustainable development in business guidelines.



1. GOOD CORPORATE GOVERNANCE

Land and Houses Bank Public Company Limited concentrates operate its business in conformity with the good corporate governance policy as the guideline along with the sustainably social and environmental development. The company emphasizes on creating the culture of good governance in the organization along with the ethics in business operation for making the competitiveness and trust worthy among the shareholders, investors, stakeholders, and all related parties. All mentioned things are important fundamental factors in operating with the efficiency, transparency, and trustworthy, and are able to support the honesty on business management to increase of value in business, security, and sustainable growth. The bank also places 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 established the sub-committees to give assistance in the close supervision on its operations; the executive directors committee, the audit committee, the corporate governance committee, the nomination and remuneration committee, and the risk management committee. Each sub-committee will supervise the 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 have to consider as the operational guidelines as follows;

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

The bank has determined to use the good corporate governance in succession and the principles should appropriate to the environment, the organization structure and the necessity of organization.

1.1 Good Corporate Governance Policy

The bank has defined its good corporate governance policy within writing by referring to the good corporate governance policy principle following the guideline provided by the Stock Exchange of Thailand. This consists of the principles and guidelines in relation to the good corporate governance policy for the bank's board of directors, the executives, and the employees to use as the guidelines for the operation. This is for ensuring that the company will perform its business with the highest responsibility, transparency, and equitable treatment of stakeholders to promote the management with honesty, efficiency, and effectiveness.

The bank has reviewed the good corporate governance policy annually, which is approved by the bank's board of directors meeting held on December 16th, 2016. The good corporate governance policy consists of the principles and guidelines in relation to the good corporate governance for the board of directors, the executives, and the employees to use as the guidelines for the operation. It is classified into 5 categories as follows;

Category 1	Rights of Shareholders
Category 2	Equitable Treatment of Shareholders
Category 3	Role of Stakeholders
Category 4	Disclosure and Transparency
Category 5	Responsibilities of the Board

✚ The details of the Good Corporate Governance Policy has disclosed via the bank's website (www.lhbank.co.th)

The bank pays attention to the disclosure of information in consideration with all groups of stakeholders as well as the press conference and the analyst meeting for explaining the bank's operational performance and answering the questions on the principle of business operation. The bank discloses its information via, Annual Report, the Invitation Letter of Annual General Meeting of Shareholders, the Minutes of Annual General Meeting of Shareholders.

1.2 Sub-Committee

The management structure of Land and Houses Bank Public Company Limited consists of the board of directors. The board of directors has appointed 5 Sub-Committees; the executive directors committee, the audit committee, the corporate governance committee, the nomination and remuneration committee, and the risk management committee. The board of directors and the sub-committees has clearly divided responsibilities and duties.

✚ The details of sub-committees and the scope of authority and duties of each sub-committee has disclosed in the Management Structure part.

✚ The details of the audit committee with having knowledge and experiences in the verification of the company's financial statements has disclosed in the Management Structure part.

1.3 Nomination and Appointment of the Directors and the Top Executives

The nomination and remuneration committee will select the qualified persons who have knowledge and experiences in finance and banking including economics, law, and others by considering the necessity of the organization and the good corporate governance.

1. Independent Directors

Regarding to the criteria in nomination and appointment the persons to be the independent directors, such person must have the qualifications as specified by the company that is stronger than what specified by the Capital Market Supervisory Board's Notification and correspondent with the guideline for the practice of the Good Corporate Governance Policy.

✚ The criteria in the nomination of independent directors and the qualification of independent directors has disclosed in the Management Structure part.

2. Nomination of the Directors and the Top Executives

Regarding to the criteria in the nomination of the bank's directors, the nomination and remuneration committee will propose the c 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 new directors.

✚ The details of the criteria in the nomination of the directors has disclosed in the Management Structure part.

Regarding to the criteria in nominating the bank's top executives, the nomination and remuneration committee will consider nominating the persons with proper competence and qualification by considering the ethics and honesty in the positions of top executives at the position of the president. The basic factors used in the consideration are qualification, knowledge, and experience in the financial field. The selected persons should have the idea and vision of management in the same direction to the board of directors in order that the operation of the organization can successfully achieve the goal. The nomination and remuneration committee will propose the selected persons to the company's board of directors for considering the nomination.


1.4 Corporate Governance of the Bank's Operation

Land and Houses Bank Public Company have the regulations in making the related party transaction, performance reporting, business administration with the principles of good corporate governance and having the data storage and recording the account with the Financial Reporting Standards.

The directors, the executives, and the employees operate their duties conform to the relevant laws, rules and regulations for ensuring that the bank has operated the business with responsibilities, transparency and equitable treatment to stakeholders including the management with honesty.

1.5 Governance on the Internal Data Usage

The bank regulates the policy in governing the internal data usage for being the criteria in securing the confidentiality of the bank. This is for the equality in the data recognition and the prevention of internal data usage for the benefits of the directors, the executives and the employees as well as the spouses and immature children and for the good corporate governance.

 The details of policy governing the internal data usage have been revealed in the topic 1.7 Practice Following the Good Corporate Governance Principles, Category 2 Equitable Treatment of Shareholders, No. 3 Protection of Internal Information Usage.

1.6 Appointment and Remuneration of the Auditors

The audit committee takes responsible for considering the qualifications and performance of the auditors for recommendation to the board of directors for their annual appointment, and the proposed audit fees for further consideration and approval by the General Meeting of Shareholders. The list of the auditor companies to be proposed as the bank's auditors must also be endorsed by the Bank of Thailand.

According to the bank's policy, all companies in the financial business group have to outsource the same audit company which currently is EY Office Limited.

The remuneration of the auditors in the year 2016 compared to the year 2015 of the bank are as follows;

Details of Fee	The Auditor's Remuneration (Baht)		Change Addition (Reduction)	
	2016	2015	Amount (Baht)	Ratio (%)
1. Review Fee				
• The First Quarter as at 31 st March	650,000	600,000	50,000	8.33
• The Third Quarter as at 30 th September	650,000	600,000	50,000	8.33
2. Audit Fee				
• For the 6-month periods ended 30 th June	1,400,000	1,375,000	25,000	1.82
• For the year ended 31 st December	1,400,000	1,375,000	25,000	1.82
3. Review Fee for the Electronic Funds Transfer Services System	220,000	220,000	-	-
Total*	4,320,000	4,170,000	150,000	3.60
<p><u>Note</u></p> <ul style="list-style-type: none"> - The year 2015, the company had to pay the review fee for the performance evaluation of the internal audit department of Baht 220,000, but 2016, there were no reviewing, so it was not showing in the table. - *Refer to the fee excluding the employees benefit reviewing fee reviewed by the actuarial expert which will be charged on the bank according the actual expenses at Baht 200,000. 				

Other service fees

-None-

1.7 Practice Following the Good Corporate Governance Principles

The board of directors realizes the rules and responsibilities of the board in enhancing the good corporate governance in order to make the operation continually grow with the stable, effective, transparent, and fair management. The bank also operates its business conform to the good corporate governance policy regulated by the Stock Exchange of Thailand as follows;

Category 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.

1. Protection of Shareholders Rights

- In recognition of the significance of the basic shareholders' rights, the company committed to ensure their equitable treatment for all shareholders. The shareholders' basic legal rights include buying, selling or transferring shares; receiving their rightful portion of company profits, rights to receive the dividend, rights to appoint a proxy to attend the meeting and vote, rights to attend and vote for the election of appointment, resignation or removing the directors and determining the director's remuneration, appointment the auditors and determining audit fees, rights of proposing an opinion and question in the shareholders' meeting and rights to obtain relevant and adequate information in time via easy communication channels and in the appropriate time.

- The board of directors has given importance to the rights of all groups of stakeholders, whether they are internal stakeholders such as the directors, the executives and the employees of the company or external stakeholders such as all groups of shareholders, competitors, government agencies and other related agencies. The company has a policy to conduct its business transparently with good corporate governance, including supporting the cooperation between the company and its stakeholders for mutual benefits and to ensure that the stakeholders are well protected and good treated.
- The board of directors has given importance to disclose the bank'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 for all stakeholders in order to perceive the information. The website covered both in Thai and English versions such as the Information about Financial Statement Report, Annual Report (Form 56-2), Invitation Letters for Shareholders Meeting.

2. Shareholder's Meeting

- Before the Annual General Meeting of Shareholders, to encourage and support all group shareholders and institutional shareholders place importance to attend the meeting, the company delivers an invitation letter in paper to the shareholders together with the annual report in CD-ROM not less than 7 days prior to the date of the shareholder's meeting as required by law. The invitation letter specifies the date, time, place of the meeting, documents for meeting, regulations for the shareholders' meetings, proxy form according to the regulation of the Ministry of Commerce and map of the meeting venue. The proxies can use the proxy form attached to this Notice of Meeting for specifying the opinion of vote. The agenda is specified clearly in propose such as for acknowledgement and for approval. Moreover, the agenda includes clearly with fact, reason and opinion of the company's board of directors and the sub-committees for the shareholders to consider and make a decision on voting. The Notice of Meeting has disclosed on the company's website www.lhbank.co.th prior to the shareholder's meeting day for giving the shareholders enough time of considering. The company promulgates in the daily Thai newspaper for three consecutive days at least 3 days prior to the meeting day.
- With regard to the shareholder meeting, in addition to the annual general meeting which must be convened within 4 months of the date ending the accounting period, the Board of Directors may summon an extra-ordinary meeting at such date, time and place as determined by the Board. Shareholders who hold an aggregate number of shares not less than one-fifth of the total number of paid-up shares may also request that the Board of Directors convene an extra-ordinary meeting by listing their names in a notice and submitting their reasons. Similarly, a group of shareholder numbering not less than 25, who hold an aggregate number of shares not less than one-tenth of the total number of paid-up shares, may also request an extraordinary meeting. In such case, the Board of Directors must set the date, time and place of the meeting within 1 month of the date of receiving the notice.

3. Operation on the Date of Shareholders' Meeting

- The company has attached the registration form with the notice of the annual general meeting of shareholders for shareholder's convenience in registration to attend the meeting.
- The company conducts the shareholders' meeting in order to make the meeting proceed quickly and convenience, which starting from the process of preparation of the information of attendance, registration of attendants, process of voting results following the agenda and the summarized report of the shareholders' meeting result.
- On the date of shareholders' meeting, shareholders can register 2 hours before the meeting start. The company provides convenience for shareholders prior to the meeting such as preparing place and staffs in order to run the registration smooth and fast.
- On the date of shareholders' meeting, shareholders can register 2 hours before the meeting start. The bank provides convenience for shareholders prior to the meeting such as preparing place and staffs in order to run the registration smooth and fast.
- The bank provides staffs for monitoring and counting the votes at the meeting.

● Meeting Attendance

- To protect shareholders' right to attend the meeting and ensure equitable treatment for shareholders, the bank has provided the officers to check shareholders' or proxy's documents according to the requirements stated in the notice. Moreover the company allowed enough time for any shareholders to register to attend the meeting in advance of the meeting time for accurately and correctly.
- 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 2016 annual general meeting of shareholders, the company proposed two independent directors, chairman of the audit committee and chairman of the nomination and remuneration committee. The company has sent the notice and attached Proxy Form B and Proxy Form C to the shareholders that they can determine the direction of voting. In addition, the shareholders can download other types of proxy forms from the bank's website.
- In the 2016 annual general meeting of shareholders, all 10 directors attended the meeting.

● 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.
- The company shall endeavor to arrange for all directors, the top executives of the company and subsidiaries, as well as the auditors to attend the shareholders' meeting to answer the queries. The company's directors and management will clearly explain and clarify such matters. And the company will arrange to record the minutes of the meetings with complete and relevant information and shareholders audited report later.

- **Conduct of the Meeting and Voting**

- **Before the meeting starts** the chairman opens the meeting and welcomes the shareholders. The chairman will inform about number and proportion of shareholders or proxies attended the meeting and will clarify the rules of voting rights of each agenda, voting process and vote counting.
- **The Conduct of Meetings**
 - The 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 company has allocated the time appropriately. 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 bank encourages the shareholders to have the opportunity in expressing their comments and suggestions. The directors and related executives are responsible for explaining and answering the queries of shareholders.
 - The 2016 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, 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".
- **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.

Category 2 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.

1. Information Provision Prior to the Shareholders' Meeting

- The bank prepares the notice of the shareholder's meeting both in Thai and English and notifies the meeting details, the agenda and the documents of the meeting, which the company has determined the agenda stating clearly whether they will be for acknowledgement, for approval or for considering including the director's suggestion, fact and reason each agenda to allow shareholder adequate time to study meeting materials. Such notice and materials shall be sent to the shareholders not less than 7 days before the date set for the meeting in accordance with the law. In addition, the company shall publish the notice of the shareholder meeting in a newspaper for 3 consecutive days and not less than 3 days before the date set for the meeting, The information presented on the website shall be the same as that presented in the meeting materials sent to the shareholders as the following;
 1. The notice of the meeting including explanation and supporting document for agenda
 2. CD-Rom version of the annual report
 3. The profile of directors who retires by rotation and is proposed for re-election by shareholder for another term
 4. Guidelines for registration, identification documents required to attend the meeting and proxies eligible to register, vote and the vote counting at the meeting
 5. Articles of Association of the company, only for those related to shareholders' meeting
 6. Proxy forms
 7. The profile of independent directors to be a proxy to attend the meeting on behalf of shareholder
 8. Definition of independent directors
 9. Map of the venue of the shareholders' meeting
- The bank has provided the proxy forms as required by law which the shareholders can determine the direction of voting.
- In the bank shareholders' meeting, the company facilitates the shareholders by proposing 2 independent directors as the attorney in fact with the profile for the shareholders to consider giving the authority.
- The bank notifies the shareholders to know the rules used in the meeting in the invitation letter. The details are about the principles and methods in participating the meeting, the process of resolution voting, the rights in voting, and the vote counting.

2. Protection of Rights of the Minorities

- The board of directors is aware of the rights and equitability of the shareholders and treats all group shareholders, majority or minority, individual of institutional, foreign or Thai, fairly and equally. All shareholders receive important and accurate information at the same time fairly and to protect the basic rights of shareholders.
- The bank will not add the shareholders' meeting agenda which is not notified in advance without necessity especially for the special occasion when the shareholders have to spend time in studying the information before making the decision.

3. Protection of Internal Information Usage

- The board of directors realizes the importance of protecting internal information and preventing it from possible abuses. The company has determined protection of internal information usage policy in written. The written policy is the rule for protection of the company's confidential information and for equality of acknowledged information and protecting the usage of internal information for benefits of the directors, the executives, the employees including their spouses and any minor children. For the good corporate governance, the company specifies the policy on the protection of internal information usage as follows:

1. The directors, the executives and the employees including their spouses and minor children who are privy to sensitive information and financial statements which have not been disclosed to the public may not propagate or disclose them to other persons, both inside and outside the company. Access to information across departments is also prohibited to prevent premature revelation of undisclosed sensitive information unless it is necessary for a department to acknowledge it in which case it will protect the information in the same manner as the owning department does.

This does not include the disclosure of information to governing government agencies; namely, the Bank of Thailand, the Securities and Exchange Commission and the Stock Exchange of Thailand.

2. The directors, the executives and the employees including their spouses and minor children who are privy to sensitive information and the financial statements of the company may not buy, sell, transfer or accept the transfer of the company's shares 7 days before the disclosure of the financial statements to the public.
- The bank regulates the guideline for the practice of the employees to work with honesty and conformity to the law and regulation. This is for making the employees not pay attention to their own benefits rather than the responsibility to the bank.

4. The Interests of Directors

- The bank has determined that the directors, the top executives or top 4 executives whose ranks are subsequent to the top executives, any person holding the equivalent position of the fourth ranked management, and Accounting department managers must report their securities holding in the company, as well as the securities holding of their spouse and any minor children, to control group.

5. Conflicts of Interest Prevention

- The board of directors realizes to establish trust and build credibility in business operation and benefits of shareholders and all stakeholder groups including protecting them from damages and affect the reputation and the image of the company. The company has determined the conflicts of interest prevention policy for the operational guideline as follows;

The Principle for Preventing Conflict of Interests

1. All bank's transaction shall avoid conflict of interests deliberately and reasonably. Moreover the transaction should conduct independently under the good ethical framework for benefits of the company, shareholders and all stakeholder groups. Therefore, the directors or executives who may have benefits related the company's transaction shall not be permitted to join in considering and approving the transaction.

2. In conducting transactions between companies within the financial group, the transaction should follow the same rules and conditions which similar to those applied to other persons in the normal course of business at a similar level of risk including disclosures required by the policy, regulations and related laws.
3. The related party transactions, transactions with connect to a related party and an information disclosure shall being in line with all regulations, rules and laws.
4. The directors and the executives shall follow the use of inside information using policy strictly.
5. The directors and the executives shall disclose the information about the transaction which making with the company within the financial group properly and adequately for the benefit in making decision, considering and approving the company's transaction or the company within in the financial group's transaction.
6. Securities trading must conform to the bank's securities trading regulations

Operation Guidelines for Conflicts of Interest Prevention

The bank pays attention to conflicts of interest prevention. The guidelines are as follows;

1. To determine the measures to prevent unlawful information use.
 2. To determine the operational regulations to prevent any action that may cause conflicts of interest.
 3. To determine the measures of following, controlling and monitoring the operation in order to comply with the measures.
- The company has disclosed details of every related or connected transaction that may cause conflicts of interest according to the Office of the Securities and Exchange Commission and Capital Market Supervisory Board's criteria, in the Annual Reporting Form (56-1 Reporting Form), as well as in the company's annual report. This also includes disclosures of information on connected transactions to the Stock Exchange of Thailand including disclosures of related transactions are shown in the Notes to the Financial Statements.
 - At the board of directors or shareholders' meeting, the company has determined the board of directors, the executives, or shareholders with the stake holding in any agenda must reveal the information about their stakes and related persons to the meeting. They have no rights to vote in such agenda in order to make the meeting be able to consider the transaction with the possible interest conflict and make the decision for the bank's benefits.

Category 3 Role of Stakeholders

The bank pays attention to and considers the rights of stakeholders. There is no act in the infringement of the rights of the stakeholders to create the responsibilities between the company and all groups of stakeholders.

1. Specifying the Policy in Treating the Stakeholders

- The bank is the financial institution entrusted to raise capital in the country. It is thus responsible for protecting the interests of depositors and customers. The bank must maintain its good reputation, honor, and image as a quality bank which embraces transparency, integrity and responsibilities in order to create confidence among investors in financial institutions. Furthermore, all directors, executives and employees have the duty to comply with the Code of Ethics to instill in them conscience of ethical operations, as well as to embrace the operational guidelines with honesty, sincerity and righteousness in their treatment of the bank and all stakeholder groups, the public and society.

- The bank has disclosed the information of the bank to the shareholders, the investors and general people with accuracy, completeness and in a timely manner following the related law and regulations as well as the cooperation to the governing organization by reporting the information with accuracy, completeness and in a timely manner.
- The bank has determined the good corporate governance policy for support the management with integrity, honesty, accuracy, transparency and efficiency for increasing the value of the business in the long term, including for the stability and sustainable growth. The company has published the good corporate governance policy on the company's website divided into 5 categories as follows;

Category 1	Rights of Shareholders
Category 2	Equitable Treatment of Shareholders
Category 3	Role of Stakeholders
Category 4	Disclosure and Transparency
Category 5	Responsibilities of the Board

- **The Code of Conduct and Ethics**

The bank has determined the Code of Conduct and Ethics in written to serve as guidance to implement all groups of stakeholders, whether they are internal stakeholders such as the directors, the executives of the bank or external stakeholders such as shareholders, customers, partners, competitors, government agencies and other related agencies. The bank has determined to conduct its business transparently and support collaborative relationships the company with stakeholders to mutually benefit, including to ensure that the stakeholders are protected and treated well as follows;

1. Code of Conduct and Business Ethics for the bank
2. Code of Ethics for the directors
3. Code of Ethics for the employees

1. Code of Conduct and Business Ethics Practices

The company strives to operate within the strongly adhered principles: integrity, righteousness and responsibility. The directors, the executives and all employees are determined to perform their duties and abide by the following principles:

- | | |
|-----------------|--|
| 1. Customers | The bank strives to provide its customers with maximum benefits and satisfaction by overseeing their interests, offering good quality of products and services, offering services fairly and keeping their information confidential. |
| 2. Shareholders | The bank aims to operate its business efficiently and transparently while creating appropriate returns for shareholders by maintaining good operating results and putting in effect efficient internal controls, internal audit and risk management systems. |
| 3. Employees | The bank regards all employees as a valuable resource. It strives to support continual personnel development, steadily develop its personnel, promote their career advancement and job security and appropriately compensate them based on their knowledge, competencies and performances. |

4. Partners and Competitors	The bank treats all partners and competitors fairly and keeps their confidentiality within related regulations and laws. It does not seek information on its partners and competitors in a corrupt and unfair manner.
5. Creditors and Partners	The bank upholds honesty in complying with the conditions it has pledged with the creditors lenders and partners under the conditions and criteria specified by law.
6. Society and Environment	The bank conducts its business with responsibilities towards society and the environment. It applies care when considering any action that may affect public sentiment and encourages the employees to have conscience and responsibility towards the environment.
7. Conflicts of Interest	The bank conducts its business by taking into consideration the maximum benefits of its customers and the company. The company monitors and pays due attention to possibly inappropriate transactions with potential conflicts of interest, connected transactions or related-party transactions that might constitute conflicts of interests. For connected transactions, the company has a policy to treat them as normal transactions by applying the same prices and conditions as those in similar transactions with external persons.
8. Information Disclosures	The bank strives to disclose its news and information on its shareholders, investors and the public with accuracy, completeness, in a timely manner and act in accordance with abiding laws and regulations.
9. Corporate Governance	The bank conducts operations according to good corporate governance and the company will cooperate with organizations that govern the company by reporting information to the governing bodies with accuracy, completeness and in a timely manner.

2. Directors' Code of Ethics

Since the board of directors plays an important role as the leader who brings the organization to success, determines policies and directs the behavior of the company's personnel to the right directions, the company's board of directors holds on to the following principles and guidelines under the Code of Conduct and Ethics to set a good example for the executives and all levels of employees.

2.1 Management Duties

- Manage the bank in a manner that does not excessively compromise its stability.
- Perform duties with integrity, transparency, morality and justice to ensure that the maximum benefits of the company has been taken into consideration when making any decision or taking any action without discrimination or abstention by upholding the principle of equality.
- Perform duties as professionals, with knowledge, skill, determination and care, including apply existing knowledge and skills to manage duties for the bank properly.

- Refrain from seeking personal gains or benefits for related persons 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 financial gains of themselves and others.
- Oversee the bank's operations to ensure they are in compliance with related laws, regulations and state policies. Supervise to ensure no facts are concealed and that information is reported accurately, completely, timely and regularly.
- Carry out duties according to the laws and regulations relating to the business operations.

2.2 Relationship with Shareholders, Customers, Creditors, Trade Partners and Employees

- Directors have responsibilities to shareholders on issues such as information disclosures, accounting practices, the use of internal information and conflicts of interest.
- Protect customers' interests at all times, take care and full responsibilities of the customers.
- Conform within the rules of healthy competition by refraining from tarnishing their reputation and from seeking their information in a dishonest or unfair manner.
- Oversee to ensure equal employment opportunities and establish other employee related principles to build confidence that the employees have the knowledge and skills necessary for the operations.

2.3 Social and Environmental Responsibilities

- Operate the business with responsibilities to society and environment.
- Take proper care and pay attention when proceeding with any act that may affect the public.
- Promoting environmental awareness and responsibility.

3. Code of Ethics for Employees

It is grouped into 4 categories as follows;

Category 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, the financial system, as well as the general 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.

Category 2 Confidentiality

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

- Financial information
- Information about the bank'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 and its customers 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 which the employees work for, the customers or the public.

Category 3 Professionalism

The bank has created conscience among the executives and employees at all levels so that they conform within the appropriate ethical, moral and justice frameworks which will result in a good overall image for the bank's business.

Category 4 Service to Community

The bank's operation is not limited only in the field of industries and customers. As a person and juristic person of the country, the bank has the consciousness and awareness in creating the benefits for the society both in the business operation and personal affairs.

● Whistleblower Protection Policy

The bank has determined the whistleblower protection policy for protecting the whistleblowers and to ensure that the whistleblowers will not gain the suffering, damage or unfairness after notify to the bank. The policy is to protect the right of the complainant and informants, and keep information secret by limiting those responsible for perception. In addition, if the bank has found data misuse or data without proper disclosure which breaches of the bank rules, the company will consider taking disciplinary action.

● Notification of Information and Complaints

The bank provides various channels allowing the stakeholders to express their opinions, complaints or other significant information directly to the independent directors. The bank's secretary is responsible for the investor relation to receive the opinions and complaints from the shareholders and investors in selecting and reporting the important subjects to related bureaus for operating the correction and/or reporting to the audit committee for the consideration following the appropriateness. The audit committee will report to the bank's 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 3 members.

Mr. Phairoj	Hengsakul	Chairman of the Audit Committee Email: phairojh@lhbanks.co.th Tel. 081-990-7448
Mr. Adul	Vinaiphat	Member of the Audit Committee Email: adulv@lhbanks.co.th Tel. 081-834-0104
Mr. Somsak	Assavapokee	Member of the Audit Committee Email: somsaka@lhbanks.co.th Tel. 085-485-4269
Mr. Sun Vithesponges		Member of the Audit Committee Email: sunv@lhbanks.co.th Tel. 085-485-4269
Via the Bank's Website		www.lhbanks.co.th
The Bank's Email Address		presidentoffice@lhbanks.co.th

● The Social Responsibility Policy for Business Sustainable Development Policy

The bank realizes the business operation under the social responsibility for the sustainability in the business with the focus on supervising the stakeholders, economy, and environment with morality and ethics as well as the good corporate governance. The business operations must be conducted with honesty, transparency, and fairness with the awareness of negative impact to the economy, society, and environment. The company regulates the policy of social responsibilities for sustainably developing the business in written form following the guideline of Corporate Social Responsibility institute, The Office of The Securities and Exchange Commission and the Stock Exchange of Thailand. The 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 the society in the main process of business operation (CSR-in-process) and CSR-after-process by focusing on the participation of the executives and all levels of employees in having the consciousness on the social responsibilities.

The policy on social responsibilities for sustainably developing the business consists of the principle and guideline for the practice so that the board of directors, the executives and all levels of employees can conform to as the practice in 9 following areas;

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

● **The Policy in Preventing the Dishonest Seeking of Benefits**

The bank regulates the policy in preventing the dishonest seeking of benefits, the directors and the employees should know the duties and responsibilities in anti-corruption. The bank operates the business following the morality and ethics in operating business with the principle in all forms of anti-corruption.

● **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.

● **Fair Treatment of Labor**

- The bank has provided a fair and reasonable system of remuneration and benefits including provident fund, so that employees could have the better quality of life.
- The bank refrains from violating the basic rights of others and takes caution in every process with respect to sensitive issues.

● **Fair Treatment of Trade Partners, Trade Competitors and Creditors**

The bank has encouraged to treat trade partners, trade competitors and creditors fairly both in costs and compensation. For example, the company manages its purchasing and procurement by determining adequately delivery period, fair trade agreements and not related to activities that violations of property and intellectual property infringement including payments by using or acquisition of properties fairly and timely.

● **Disclosure for the Practice Following the Policy and Conducting the Report on Social Responsibility**

- The bank discloses the practice following the policy of social responsibility in the Annual Registration Statement (Form 56-1), 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 Registration Statement (Form 56-1), the annual report and the bank's website.

Category 4 Disclosures and Transparency

The bank 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 on the Financial and Non-Financial Information

- The bank has disclosed the important information to the shareholders, investors and general public with transparency, accuracy, completeness, adequacy, timeliness and verifiability, according to all applicable laws and regulations via easy channels, easy access with fairly and the information must be always up to date as follows;
 1. The bank's website (www.lhbank.co.th)
 2. IR/PR news of the bank
 3. Analyst meetings
 4. Press conferences
 5. Notice and meeting documents sent by mail to shareholders
 6. Publish on newspaper
- 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 public accountants and were endorsed by the Audit Committee and the company's board of directors before disclosure and the bank also disclosed its report of the responsibilities of the board of directors for financial reports in the annual report.

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 bank published the 2016 annual report on the bank's website.

The bank has channels of information and contract at:

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

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

Fax : 0 2677 7223

Email : presidentoffice@lhbank.co.th

Website : www.lhbank.co.th

- The remuneration for annual audit fee, the audit committee and the board of directors has approved. The board of directors proposed to the shareholders' meeting for approval and disclosed in the Annual Registration Statement Form (Form 56-1) and the annual report.
- The board of directors has appointed the nomination and remuneration committee to perform the duty of nominating and determining the remuneration of the directors and the president clearly and transparently, in accordance with their roles, duties and responsibilities. In determining the remuneration of the directors, an approval is required from the shareholders' meeting and the remuneration must be disclosed in the annual report.

- The board of directors prepares and includes the accountability report to the bank's financial statements and financial Information report in the annual report. The bank's financial statements are prepared by internationally accepted accounting standards. Appropriate accounting policy is selected and applied regularly.
- The bank prepares reports for submission to relevant authorities and for public dissemination on the basis of equality and simplicity. The bank shall indicate the performance of the bank and important business activities over the course of the year to shareholders and has accountable for assessing the company's internal control system, which is primarily assessed by the internal audit office of subsidiaries and the audit committee was the auditors.
- Certification of financial report accuracy, the board of directors assigned the Audit Committee to review the financial statements of the bank and its subsidiaries to ensure that they are presented in accordance with the financial reporting standard and disclosed in an accurate.
- The bank has disclosed the executive directors committee's report, the audit committee's report, the corporate governance committee's report, the nomination and remuneration committee's report and the auditors' report shall be included in the annual report. The bank arranges for the disclosure of the names and responsibilities of the board of directors and the sub-committees, the number of meetings, each director's meeting attendance record, their remuneration, profile of the directors, the executives and the corporate information in the annual report and the bank's website.
- The bank has notification of meeting details and documents of the shareholder meeting and notifies the meeting details to investors prior to the meeting date through the bank's website to allow shareholders adequate time to study meeting materials. In addition, the bank shall publish Notice of the shareholder meeting in a daily newspaper for 3 consecutive days at least 3 days prior to the date of the meeting and being proposed for acknowledgement, for approval, or for consideration, as the case may be, and include the opinions of the board of directors in said matters.

2. Investor Relations Function

- The bank assigned 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 2017, the bank has provided investor relation activities as follows;
 1. To arrange 3 times of the press conferences with approximately 30-40 mass media per time.
 2. Several times of information transmission to mass media and interview of the top executives.

Category 5 Responsibilities of the Board of Directors

The board of directors is the most important unit of the good corporate governance consisting of experts in many fields with the proficiency, experience, leadership, vision, and freedom in decision-making. They dedicate their time and fully try to perform the duties as assigned with the carefulness and honesty for the highest benefits of the bank and the shareholders.


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

- The board of directors is composed of 10 members who have the appropriate knowledge, ability and experience that support the bank. The director selection has been passed in accordance with the resolutions of the annual general shareholders' meeting, conform with regulations as inquire by laws and the bank's Articles of Association which appropriate with the bank's business. In addition, the company has determined the appropriate and sufficient number of the company's board of directors structure. The board of directors currently consists of 9 directors as follows;

1. The Executive Director of 1 Person
2. The Non-Executive Director of 5 Persons
3. The Independent Director of 4 Persons

The structure of the board of directors is in line with the appropriate and fair proportion and for the independence of the chairman, including the distribution of powers in separating the Good Corporate Governance policy from routine management. Therefore, the company's chairman of the board directors, chairman of the executive directors and chairman of the audit committee shall not be the same person as the president of the company. The company has provided a clear separation of powers. For balancing and management monitoring, so any person will have the unlimited power.

- The board of directors was selected on the considering of knowledge, experience, expertise, integrity, ability to give independent analytical inquiries, understanding in business of the financial business group and not against a person because of that person's gender.
- The board of directors has determined the qualification of the bank's independent directors in accordance with the good corporate governance practices and requirements stricter than the Notification of the Capital Markets Supervisory Board and the Bank of Thailand. The company's board of directors consists of the independent directors at least 3 persons or at least one third of the total members of the board, whichever number is higher. The independent directors must not be the employee and not receive the salary from the company and independent from the company's major shareholders and able to oversee the minor shareholders' interests.

 *Qualification Details of independent directors has disclosed in Management Structure Section regarding Qualifications of Independent Directors*


- The board of directors has approved a semi-annually reviewed annual plan and budget, including corporate business strategies, and also undertakes supervision of management's administration to ensure compliance with the established strategies and plan taking in account the best interests of the company, and follow up the administration on a monthly basis to ensure effective implementation of the strategies as per the set goals and plan.

- The board of directors has determined the term of position of the directors in accordance with the Public Limited Companies Act and the Articles of Association. In the Annual General Meeting of Shareholders, the directors must retire one-third of the directors. If the number of the directors is not divisible by three, the one nearest to one-third shall be used. Directors hold the position for the longest term shall retire first. If an agreement cannot be reached, retirement shall be determined by draw lot. Retired directors may be re-elected.
- Any director or person who may have conflict of interest or stake, such director is not authorized in approving the operation to the company or the affiliates as regulated by the Securities and Exchange Commission and / or the Stock Exchange of Thailand.

2. Sub-Committee

- The board of directors has delegated its authority effectively and transparently by the company's board of directors has setting the sub-committees to help study details and filter the work, relieving the company's board of directors of the workload and allowing it to spend more time considering issues with more clarity. The sub-committees consists of 5 committees as follows;
 1. The Executive Directors Committee
 2. The Audit Committee
 3. The Corporate Governance Committee
 4. The Nomination and Remuneration Committee
 5. The Risk Management Committee

Moreover, the chairman of the audit committee, the chairman of the corporate governance committee and the chairman of the nomination and remuneration committee are the independent directors for transparency and independence in performing their duties. The sub-committees have clearly defined job roles and responsibilities.

 Details about the Sub-Committee has disclosed in Management Structure Section regarding the details of Scope of Duties Responsibilities of the Sub-Committee

3. The Company Secretary

- The board of directors appointed Mr. Vichian Amornpoonchai, First Senior Vice President, Office of President as the company secretary since March 2008 to perform the company's secretary function as required by laws. The board of directors encouraged and supported for the training and knowledge development in law, accounting or the secretary's function. The company secretary's profile is as follows;

Name	Mr. Vichian Amornpoonchai
Position:	The Company Secretary
Age: (Years)	55
Education:	- MBA Mahanakorn University of Technology - Bachelor of Accounting Dhurakijpundit University
The Training Profiles	- Certified Professional Internal Auditor (CPIA): Thailand Affiliate of IIA - Modern Managers Program: Chulalongkorn University - Company Secretary Program 32/2009: IOD - Effective Minute Taking 17/2010: IOD - Company Reporting Program 17/2017: IOD - Corporate Secretary Development Program: Thai Listed Companies Association

Relationship with executives - None -

Work experiences in the past 5 years

❖ Current Position in 1 Listed Company

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

❖ Current Position in 3 Non-Listed Companies

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

Duties and Responsibilities of the Company Secretary

1. Prepare and retain the following documents:
 - 1.1 Director registration
 - 1.2 Notice of Board of Directors meeting, Minutes of the Board of Directors meeting, and the annual report of the company.
 - 1.3 Notice of Annual General Meeting of Shareholders and Minutes of such meeting.
2. Retain the reports on interest reported by the directors and the executives.
 - 2.1 The directors and the executives have a duty to report on the interest. (namely the Directors and Management are responsible for reporting its interest and relevance to the company.)
 - 2.2 The company secretary submit the copy of report to the chairman of the company and the chairman of the audit committee within seven days from the date of receipt of the report.
 - 2.3 To provided a system of a storing documents and evidence related to the accuracy, completeness and can be checked within a period of not less than five years from the date of such document or information.
3. Take any other actions are prescribed by the Capital Market Supervisory Board.

4. Board of Directors' Meetings

- The bank arranges the board of directors meeting and other committees meeting regularly by scheduling in advance to meet every month over a one-year course. Additional meetings are held as necessary. The bank will inform all directors of the schedule in advance so that they can arrange their schedules to accommodate them. The chairman, the chairman of the executive directors committee and the president has determined the agendas and has considered matters in the agenda for the meetings via the company secretary. The agendas will be determined in advance clearly and there will be the important agenda such as considering the quarterly financial statement, the bank's performance. Moreover, in the board of directors meeting, the company secretary will be submitted the Notice and documents of the meeting 7 days ahead of the meeting dates to allow them ample time to study the agenda items and related documents. Normally, each meeting takes about 2 - 2.30 hours and the minutes are recorded in written and covered completely important matters in a timely manner, kept systematically of the minutes approved by the board of directors and documents of the meeting as well as the board of directors can be checked and ease search of reference.
- At the meeting of the board of directors, the chairman allocates adequate time for all directors to discuss the important issues. On certain agenda items, the top executives is invited to join them to provide further details since he/she is directly responsible for the issues under discussion
- At the meeting of the board of directors, the quorum shall consist of more than one-half of the total membership according to the Articles of Association. The decision by the meeting shall be by the majority of votes. In case of a tie, the chairman of the meeting shall an additional vote as casting vote.
- At the meeting of the board of directors, any director having a conflict of interest in any matter shall not join the consideration of and not be entitled to vote for it. The conflict of interest is recorded along with the resolution for such matter in minutes of meeting.
- The directors can ask for the suggestion from the independent consultants or external experts in case of necessity at the company's expense.
- The non-executive directors can arrange the meeting among them without participated by the president for issues or problems discussion about handle the attention to provide development for benefits of the management team and the resolutions and opinions of the meeting must be notified to the president.

5. Self Assessment of the Board of Directors

The board of directors has evaluated its overall performance to review the performance and trouble in the last year and to provide more efficiency performance because the board of directors is clearly aware of their responsibilities. Self-evaluation is essential to assess the appropriateness of the Board of Directors' composition and performance. The board of directors shall analyze the evaluation results, recommendations and remarks from the board of directors' member by using form of self-evaluation of the Stock Exchange of Thailand and consider applying according to the company's business environment and operations. The self-evaluation is of the following details:

- Self Assessment for the board of directors and the sub-committees
- Self Assessment of the company's directors and the sub-directors on an individual basis
- Self Assessment of implementation according to the principles of good corporate governance by the corporate governance committee and the company's board of directors

5.1 Self Assessment for the Board of Directors and the Sub-Committees

Self Assessment divided into 6 areas as follows;

1. Structure and qualification of the directors
2. Role, function and responsibilities of the board of directors
3. The board of directors' meeting
4. The board of directors' performance
5. The relation between the management team
6. The self-improvement of the directors and the development of the executives

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 board of directors and the individual sub-committees, the directors thereof jointly conducted an evaluation by giving score in each assessment item. In a 2017 whole team self-evaluation, most assessment items were given the score of 4.

5.2 Self -Assessment of the Board of Directors and the Sub-Committees

The Assessment divided into 3 areas as follows;

1. Structure and qualification of the directors
2. The board of directors meeting
3. Role, function and responsibilities of the board of directors

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

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

Evaluation Method and Results, the company secretary sent the self assessment of the individual members of committees in which they hold an office, for their self-evaluation. The completed forms were then returned to the company secretary for compilation and notification to the company's board of directors. Overall, in the year 2017 result of the evaluate the self assessment of the individual members of committees, most assessment items were given the score of 4.

5.3 Self Assessment of Implementation According to the Principles of Good Corporate Governance

The board of directors of the company has provided the self assessment of implementation according to the principles of good corporate governance for the board of directors and the management team of the bank to evaluate on the issue that the bank has done or not, which issue need to do and for an adequate disclosure of the bank. The board of directors shall analyze the evaluation results, recommendations and remarks from the board of directors' member and consider applying according to the bank's business environment and operations.

The Assessment divided into 4 areas as follows;

1. Shareholders' rights 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 (v) in a Yes field for a practice that had been followed
- Put a check mark (v) in a No field for a practice that hadn't been followed or completed

Evaluation Method and Results, at the meeting of the board of directors and the corporate governance committee, the directors thereof jointly conducted an evaluation by the result of the self assessment of implementation according to the principles of good corporate governance of the year 2016, most assessment items were given "Yes".

6. The Criteria of the President's Annual Performance Assessment

The board of directors delegated the nomination and remuneration committee to consider a performance evaluation guideline for the president and determine compensation and bonus for annual performance taking in account his duties and responsibilities towards the bank.

In the evaluation of annual performance of the president, the executive directors committee, represented by the chairman of executive director, based on the evaluation guideline provided by the nomination and remuneration committee, came up with certain KPIs consistent with the vision, the missions and long-term goals of the bank factoring in duties and responsibilities, target achievements, and then circumstances and conditions of business. The evaluation form consists of 2 major parts consists of the financial and the non-financial KPIs.

The chairman of executive director conducted an annual evaluation on the president and proposed the results of the evaluation to the nomination and remuneration committee for consideration and determination of compensation and bonus. Once completed, the president evaluation results were proposed to the meeting of the board of directors for consideration and approval.

7. Remuneration of the Directors and the Executives

- The nomination and remuneration committee, chaired by the independent directors, to lay down the policies, methods and criteria in remunerating the directors and the president in a fair and transparent manner which links to the 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 with desirable qualifications.

- Directors' remuneration is fixed by the shareholders' meeting in pecuniary and other forms considered and proposed by the nomination and remuneration committee. Remuneration consideration was taken on the basis of general practices of the industry taking in account work experience, knowledge and competencies, duties and responsibilities, including directors' contributions made towards the company, in comparison to SET listed companies in similar industries and businesses and to a listed companies average according to a survey report on remuneration rates for directors of listed companies by the Thai Institute of Directors. The rates of remuneration for the directors approved by the 2016 Annual General Meeting held on March 14, 2016 and remuneration amounts and other compensation for the directors in 2016 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 has disclosed in Management Structure, Section 9: Remuneration of the Directors and the Executives.

8. Development of the Directors, the Executives and the Employees

- The bank pays attention to increase efficiency in the board of directors performance by having the policy to encourage its directors, executives, employees, and secretary work, performance supervision, internal control, and corporate governance support staff to attend outside and in-house seminars as a regularly promoted development and enhancement of their skills, knowledge and competencies to accommodate both short- and long-term business growth, such as training courses held by the Institute of Directors, Office of the Securities and Exchange Commission, Stock Exchange of Thailand, and Thai Listed Companies Association, etc. In the year 2016, the directors attended the training seminars as follows;

Name of Directors	Training Seminars Program
1. Mr. Rutt Phanijphand Chairman of Executive Director	- Corporate Governance for Capital Market Intermediaries (CGI)" 14/2016 Arranged by : Thai Institute Of Directors Date : August 16-17, 2016 Venue : Sports Club, Rajpruek Club
2. Mr. Phairoj Hengsakul Independent Director Chairman of the Audit Committee Chairman of the Corporate Governance Committee	- New Dimensions of Economic Policy in the Age of Information Seminar Arranged by : the Bank of Thailand Date : September 15-16, 2016 Venue : Bangkok Convention Room, Centara Grand at Central World
3. Mr. Adul Vinaiphath Independent Director Chairman of the Remuneration and Nomination Committee Member of the Corporate Governance Committee Member of the Audit Committee	- CG Forum 3/2016 "Corporate Corruption, the Dark Side of Organizations can be Prevented and Controlled" Arranged by : Stock Exchange of Thailand Date : August 24, 2016 Venue : Stock Exchange of Thailand's Professor Sangwian Intarawichai Auditorium

Name of Directors	Training Seminars Program
4. Mrs. Sasitorn Phongsathorn President Executive Director The Chairman of the Risk Management Committee	- Corporate Governance for Capital Market Intermediaries (CGI) (English Program) 17/2016 Arranged by : Thai Institute Of Directors Date : November 24-25, 2016 Venue : Suriyanchandra Room, Anantara Siam Bangkok Hotel

9. Orientation Program for New Directors

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

10. Developing Plan for Replacement of Executives and Key Positions

- On the purpose of preparing the organization for the importance position in the future. The bank has developed successors by provided programs for the top executives, provided the successors to attend the executive directors committee and the executive committee and assigned as the bank's representative for many operation. Such the develop plan, the purpose is to ensure stability and continuity of the business operation and to ensure that the company has the preparation of staff for the importance position of the bank business operation.
- 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.

11. Internal Control and Internal Audit

- The board of directors has encouraged and pays attention to internal control and internal audit consists of 5 configurations, the environment control in the organization, risk assessment, information technology operation control and communication activities and follow up and evaluation system to ensure that the company has the internal control system that is adequate for business operation under the good supervision and the good internal control.

12. Risk Management

- The board of directors pays attention to risk management across the organization. The process of risk management is comprised of such major steps as risk identification, risk assessment, risk monitoring and controls, and risk reporting, with adequacy of the risk management and risk management effectiveness regularly considered and reviewed.

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 company, the customers and stakeholders.

The bank is confident that the fair business operation would lead to confidence of relevant sectors, which will in turn benefit of the business in the long term. The company operates its activities in accordance with the fair business operation principles for sustainable business development. In this regard, the company conducts activities consistent with the law and fair competition and coordinate with the government officers such as by making employees aware of the importance of compliance with the law on trade competition, fair competition, supporting free trade under the scope of law, creating awareness of employees in keeping trade secrets, and refraining from obtaining information of partners and trade competitors unfairly in bad faith.

The 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 settle utilization fees or acquisition fees fairly such as by making payment to the creditors in a timely manner every month.

The bank has determined the purchasing and procurement method, and other outsources service method for receiving quality products and services at the appropriate price by specifying. The methods in 3 ways as follows; agree on prices method, check price method and bidding method, which method will be used depends on financial amounts of the operation in each time. In addition, the company has determined the criteria for selecting suppliers and service providers by selecting their stabilities product and/or service quality, services and prices for fairness and equity and 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 company also promotes the participation in the activities of the anti-corruption project of private sector of Thailand in order to maintain the ethical reputation of the company. The company regulates the anti-corruption policy of being the guidelines for the directors, the executives, and the employees of the company to be acknowledged and strictly comply.

Roles and Responsibilities

The bank's board of directors approves the anti-corruption policy and responsible for operating the company's business with honesty, carefulness, and protection on the entire benefits of the organization.

The corporate governance committee monitors and promotes the implementation of the anti-corruption policy and also communication with the companies in the financial business group.

Practice 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. The company will not use the fund or the resources of the company in political promotion to the candidates of a politician or political party for political campaign or political activities except that such promotion is legally permitted and entirely promote the permission by law and support the democracy. This must be approved by the company's board of directors before starting the operation.
5. To provide the company's business operation corporate governance under better control where there are assessments of significant risks, effective control activities and appropriate segregation of duties. Including the company has provided adequate and reliable information system as well as evaluating the internal control regularly.
6. To provide the channel in receiving the information, suggestion, or claims through the independent directors or the company's website at www.lhbank.co.th or email: 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 company, including implementing the anti-corruption policy, operational control plan and auditing plan as well as providing the handbook/guideline for the business operation to the executives and the employees.

- These policies prohibit all types of bribe in every activity under the control. Moreover, it must be ensured that the donation to charity and the donation given to political parties, business gift giving, and sponsoring any activity must be transparent without the intention to convince the government / private officials to operate inappropriately.
 - These policies 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.
 - To provide 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.
 - To provide 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
 - To provide the mechanism in reporting the financial status transparently and accurately.
 - To provide 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
- To support the initiation of the national project for creating the conditions in fair and transparent competition in business operation including ensuring the good corporate governance.
 - To participate 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.
 - To participate in the Integrity Pacts with other organizations and government agencies in auctions and purchasing the raw materials, equipment and the construction.
 - To cooperate 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.
 - To cooperate in regulating the measures and audit system for promoting the transparency and integrity in business operation.
 - To cooperate 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.
 - To support 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 to operate the business following the ethics and elevate 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 obtained the certificate of membership from Thailand's Private Sector Collective Action Coalition Against by Thai Institute Of Directors held on October 16, 2014.

The bank's board of directors has provided the whistleblower policy for stakeholders to complain any clues that illegal, fraud or corruption via the company's channels and fair treating the rights of whistleblowers and related persons, including to provide the anti-corruption policy for employees to adhere to the practice of management. In addition, the company's board of directors required to review the whistleblower policy annually and published on the company's website as well as internal channel communication of the company.

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 the executives and the employees must be strictly comply following the anti-corruption policy.

Moreover, the bank has encouraged participation in anti-corruption activities such as the activities in the National Anti-Corruption Day 2016 under the theme "Cheating Destiny Fulfilled" on September 11, 2016 at Sanam Luang, Bangkok to show the historic power in the Anti-Corruption Day and to be a part of eradicating the persons who are cheating.

4. RESPECT OF HUMAN RIGHTS

Land and Houses Bank Public Company Limited pays attention all interested persons, whether employees, or the surrounding community and society with fairness and equality, respecting the lives and dignity of all, and refrains from violating the basic rights of others and takes caution in every process with respect to sensitive issues. This is considered the foundation of human resources management and development and creation of good human relationship.

The bank pays attention to all levels of employees to ensure employees obtain fair return and benefits. It also provides opportunity for the employees to improve their capacity for occupational progress, and promotes 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 allows for independence in inspection and decision-making, taking into consideration 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 act 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 which 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;

- To arrange of vacation leaves and holidays in accordance with the requirements of the law or more than the requirements of the law for some holidays, for employees to manage the balancing of working life and private life plan.
- To determine the criteria for investigation and disciplinary action clearly for fair punishment along with the similarly practical guidelines standard.
- To support staff activities for communication and strengthen teamwork in the bank.



The executives and the employees arranged the staff activity at Prachinburi



The executives and the employees arranged the staff activity at Samut Songkhram



5. FAIR TREATMENT OF LABOR

Land and House Bank Public Company Limited has focused on human resource management to determine the mission of the bank to develop and support the human resource management system from the point of view of knowledge and benefit of the employees. The bank established the Human Resources Development Committee in 2009 in order to manage and develop the human resources effectively, efficiently and consistent with the bank's strategic.

Important Principle of Human Resource Management and Development

The bank strives to develop human resource management by innovations comparable to leading organizations in the country as well as to support implementation of proactive human resource for the operation of all departments to achieve business goals and continually strives to provide employees with further knowledge and improve the quality of work life, by considering the fair treatment of employees principle and human rights.

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

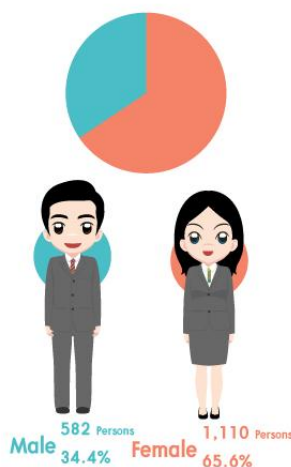
The number of employees of the bank as of 31 December 2016 was 1,692 persons.

2016

Employee data in 2015

Number of employees: 1,692

Average age 36.4 Years

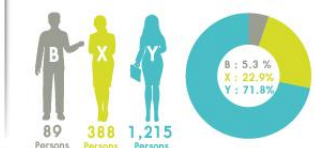


Male 38.3 Years
Female 35.5 Years

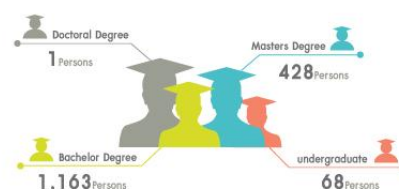
Average service years 2.9 Years

Male 3.0 Years
Female 2.8 Years

Generation



Education Level



Employee Recruitment

The bank has provided the employee recruitment policy that focuses on selecting personnel based on ability, and an appropriate qualification which suit the positions and the bank's value "PRO-Active". The bank has provided the recruitment channels namely, arranging activities and creating multiple channels that grant access to target applicant groups such as "Toward Success Together Day" activity, "Mobile Recruitment" activity, "Friend get Friends" activity. In addition, the bank also announced the recruitment through the bank's website and Social Media, such as LINE and Facebook to reach desired applicant groups.



Employees Selection Criteria

To recruit employees, apart from considering knowledge, competences and other required criteria, the bank realizes the importance of recruit 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 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 aimed 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 in internal and external stakeholders. The bank does not use illegal labor and child labor and this guideline is 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

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, including hiring people with disabilities as the bank's employees.



Sustainable Growth and Human Resources Development

The bank has promoted and developed its employees with PRO-Active value, which is a core value, by implementing role-playing plans in promoting the value with 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 near the office for the new employees could have a good understanding and awareness that will help to adapt to the working life in the bank.

Activities to Support Organization's Core Values in Orientation Program

The bank has arranged the activity together with the orientation program to promote its core values by providing learning activities that new employees have to practice activities through the role play or “Action Learning”.

Performance Management

The bank provided the Key Performance Indicator system for evaluating the performance of all levels of employees and used the indicators tool to evaluate the Pro-Active organization value behavior via the Performance Appraisal System (PAS).

Employee's Potential Development

The bank pays attention to human resource development and all levels of employees' learning such as the executives, managements, middle managements, supervisors and officers by supporting the development of knowledge, abilities and skills to suit with job functions. The bank also gives an opportunity for the employees to develop their full potential abilities, including self-development and various training courses. In addition, the principles of human resource development played a significant role in considering the career path of the employees.

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

1. Functional Program
2. Compliance Program
3. Work System Program
4. Leadership Development Program
5. Events & Meetings

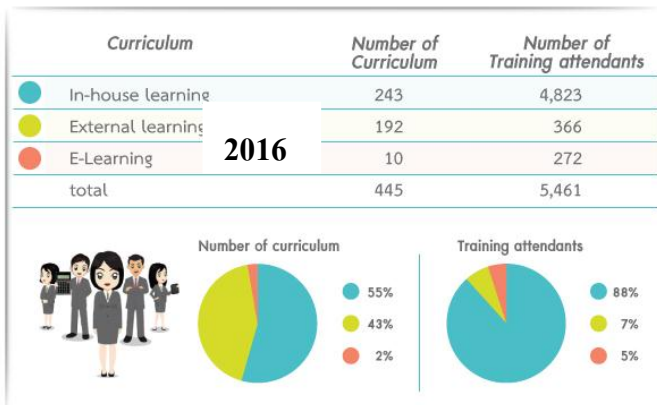
The learning plan starts from the employee's first day of work with the bank and continues until probation period is completed. This includes the development of knowledge, skills, abilities and Soft Skills that important and necessary to work in all positions. For example, the standard course to manage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

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

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

All 3 courses are employee development courses for the supervisor to executive level, starting from department manager, section manager, assistant vice president, vice president as well as the top executives. The learning formats are a combination of Lecture, Workshop, Best Practice, Problem Based, Company Case, and Discussion. In addition, the bank also encourages learning with other methods such as Keynote Speaker, Company Visit, and Self-Initiative Program. All of the above will be designed into a learning method used in the course to create a variety of learning processes and to maximize learning performance.

Training data in 2015



Training attendants categorized by levels

Level	Number of employees	Percentage %	Average period (hours)	Average period (days)
Executive (Level 18-24)	137	2.64%	6.12	1.02
Management (Level 15-17)	255	4.91%	6.84	1.14
Middle Management (Level 10-14)	1,356	26.13%	9.35	1.56
Supervisor (Level 6-9)	2,550	49.15%	16.88	2.81
Operation (Level 1-5)	832	16.03%	13.85	2.31
Total	5,188	100%	13.46	2.24



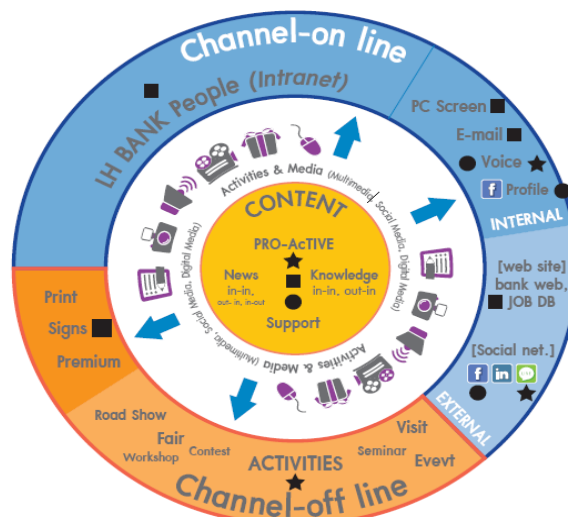
Succession Plan

The bank has prepared the Succession Plan and in the year 2016, the nomination remuneration committee approved the policy and the Succession Plan method which covered criteria, guidelines, and methods and will further proceed to follow the approval process.

Communication and Building a strong sense of Pride in the Organization

The bank pays attention to the communication and building a strong sense of pride in 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 has provided various activities to create the participation, build a strong pride and promote a good work environment in the organization.

The bank considers that the communication is a main factor of the organization in moving forward, making a unity and creating the participation for sustainability of the organization. The bank has also provided a various strategies and communication plans covering both in internal and external communications as shown in the figure below;



Creating Awareness - Knowledge through Communication Channels

The bank emphasizes on employee potential development through multiple internal communication channels for convenient access to information and building communications on a continuous basis. To create the awareness, therefore, the bank uses the guidelines of content and communication channels management to achieve its goal for building the awareness of knowledge and attitude shared value by categorizing media into 2 types 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.

- **LH BANK People Intranet:** is an information source accessible to employees. The source includes general knowledge, various news announcements, and opinion center of the employees in sharing any issue opinions for analysis and further development such as clicking Like, Comment, Vote.
- **LH BANK People Voice:** is a radio broadcast for internal communication to ensure that the employees have perceived the information effectively by encouraging the employees' involvement as moderators.
- **Social Media:** Line and Facebook is another communication channel relating to personnel recruitment and various news within the bank, which is a suitable method in building a good image for the outsiders to recognize the organization.



2. Offline Media: consists of building a strong sense of pride, creating the participation and making relationships between the bank and the employees, such as, Zone Visit, Staff Activity, and 10 year pin of honor activity etc.

- **Zone Visit:** is an activity which aims to communicate the policy direction of the bank as well as to build relationships between the employees who work in various branches across the country including, improve the employee's quality of life (Care & Share). Therefore, this is another channel that can easily reach out to employees.
- **Staff Activities:** are activities that conform to the bank's policy to encourage and promote the relationship and harmoniousness within the department through joining activities together.



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

Digital Handbook

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



Digital Learning

The bank has developed training channels and courses to give the employees learning via Digital Learning System, which includes the following courses: All about LH BANK, We are LH BANK, Risk Management, Compliance, Product & Service, IT Security, IT Helpdesk, Internal Control, Investment Advisor etc.

The course “We are LH BANK” is the course for learning about PRO-ACTIVE value. The company has determined all employees to learn as a guideline for their working behavior and all probation employees are assigned to study and should pass the Pre-test and Post-test before being full-time employees.

Good Quality of Life

In order to support the employee's good quality of life, the bank offered the appropriate compensation and benefits including takes care of good environment and work safety for making the employees happy at work.

Good Health

In order to support good health, the bank arranged various activities for the employees as follows;

- Annual health check-up and influenza vaccination
- To provide the certified nurse and medical room open every day during working hours for giving the first aid to the employees who become injured or ill at work, including to provide bed and first aid equipment.
- Improving the benefits to suit with the current situation and covering both care and safety of the employees.



Emotionally Healthy

The bank arranged various activities aimed at building the sense of well-being and supporting emotionally healthy as follows;

- Welcome Newcomers activity, helps to greet the new employees and build a sense of well-being.
- How Are You questionnaire for employees on probation, aimed at understanding of their feelings and collecting opinion on the job, working environment and the organization.
- Zone Visit activity aimed to “share & care” that take care of the life of the employees in branches and support their needs.

Good Remuneration and Benefits

Good remuneration and benefits package is the important factor of good working spirit. The bank has built a fair and reasonable system of remuneration and benefits, so that employees could have the good quality of life. The benefits include:

- Staff’s Uniform
- Provident Fund
- Medical Service, Dentist Service and Medical Check-up
- Group Life and Health Insurance
- Housing and Car Loans

Good Environment and Work Safety

The bank pays special attention to the working environment and safety for the employees. The bank has established the Safety Healthy Environment committee (SHE) in order to promote the policy, the safety plan and occupational health and safety in working as follows;

- Communication of knowledge and understanding of occupational safety through various communication channels
- Annual fire drill
- Establishing the SHE Hotline that receives reports on unsafe conditions and coordinates with the divisions concerned in order to provide immediate help,
- CARE Project, the activity to support health.

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

6. RESPONSIBILITY ON THE CONSUMERS

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

The bank mainly considers 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 service used by the customers. The information on the products and services is presented accurately for using in making decisions through various channels and can be easily accessed. The information will be provided for the customers to clearly understand products and services.

Fundamental Rights of Consumers

The bank announces the fundamental rights of consumers in order to make them aware about the rights deserved to receive from using the service of the bank via the bank's website.

Rights of Consumers	Products	Personnel or Processes
1. Right in receiving correct information	<ul style="list-style-type: none"> ● The consumers must receive clearly explained about the difference between the main products of commercial banks and products of securities and insurance. ● The consumers must receive the information of product details, risks, conditions, benefits such as in the form of APR (Annual Percentage Rate) or IRR (Internal Rate Return) and related hypotheses. ● The consumers must receive the information of an advertisement or the use of marketing media in promoting the sale correctly and appropriately. 	<ul style="list-style-type: none"> ● The consumers must receive the documents summarizing the main information for offering the sale of products of securities and insurance (fact sheet) indicated the characteristics and risks of the products with the concise and easy to be understood words following the form required by the Office of The Securities and Exchange Commission and Office of Insurance Commission supplementary for making the decision in buying the products.
2. Right in choosing the financial products and services freely		<ul style="list-style-type: none"> ● The consumers have right to freely invest and can deny buying the products of securities and insurance. ● The consumers have right to deny buying the products of securities and insurance together with the products of commercial banks. The commercial banks must give the right to the consumers in choosing to buy or not to buy such products.

		<ul style="list-style-type: none"> ● The consumers have right to give the consent or deny revealing the information following the letter of consent separated from the contract of product purchase
3. Right in claiming for fairness		<ul style="list-style-type: none"> ● The consumers have right to claim to all branches of commercial banks selling the products of securities and insurance (point of sale) with the evidence to prove that the commercial banks acknowledge the claims. ● The consumers must be able to ask for the information for the understanding in the products from the call center of the seller's bank.
4. Right in being considered on the compensation in case of damage		<ul style="list-style-type: none"> ● The consumers have right to be compensated appropriately if it is proved that the commercial bank does not conform to the policy of good product selling with intention or negligence causing damage to the consumers.

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 the standard operation manual, focusing on dividing the duties of employees suitably with clear process of operation, quick system, accuracy, and control of the operation. The transaction can be proved with the evidence 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 service, 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 - 20.00 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 reality 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 for the customers to know and make the decision in using the service. The publication will be done by announcing in all departments via our www.lhbank.co.th website. Moreover, the interest rate is clearly indicated in the announcement following the financial budget, type of customers, details and conditions of such products so that the customers can use for the decision making.

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

- Off-Line media which is 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 which is via ATM machines, LCD, Website, Line, Facebook, Youtube, radio, television including SMS Alert service for inform the movement of customer accounts

The bank provides the employees with the knowledge in products and services in order to be able to give the information of the bank correctly and quickly. This is for the convenience in using service and also provided the Call Center Department that advisory service all 24 hours, telephone number 0 2359 0000. The bank has the call center for 24 hours consultation as well.



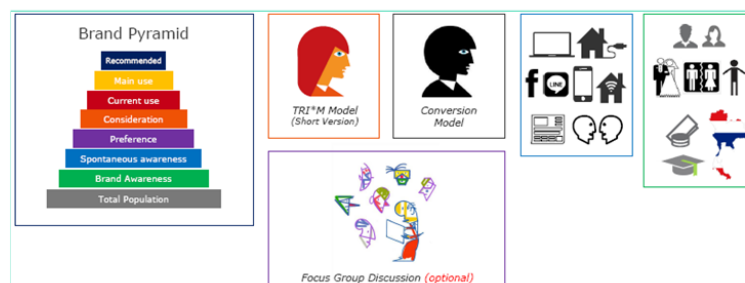
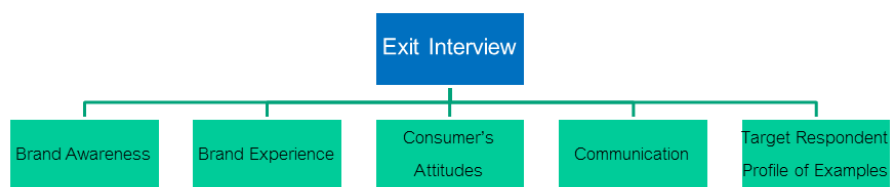
The bank provides the channels in receiving the claims by having the independent bureau to receive the claims and process the solution to the claims. The information is collected for improving the standard of operation and service which the bank provides various channels in receiving the claims as follows;

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

The bank pays attention to the caring of 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 customer satisfaction who consumes products and services 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 of the bank 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 customer 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.

1. Service Types

1. To provide opening the deposit account, deposit/withdrawal from deposit account and closing the deposit account only.
2. Opening the deposit account, savings and fixed deposit account only.
3. Withdrawal and closing the deposit account, the account owner's branch only.

2. Service Conditions

1. Signing the application form and payment condition by fingerprint instead of a signature.
2. Operation for the blind persons
 - 2.1 Fill out the application form
 - 2.2 Read the requested services list, including the agreements and condition of service.
 - 2.3 Check the accuracy of the document or count the cash.
 - 2.4 Sign as a witness in the application form and payment condition by
 - 2.4.1 In case the blind persons have a family member or trusted person
 - The 1st witness is a family member or trusted person
 - The 2nd witness is a branch employee who provides the service
 - 2.4.2 In case the blind not have a family member or trusted person
 - The 1st witness is a branch employee who reads the document for the blind persons
 - The 2nd witness is a branch employee who fill out the document for the blind persons
3. The blind's representative
 - 3.1 In case the blind have a family member or trusted person
 - Family member or trusted person is allowed to proceed.
 - 3.2 In case the blind not have a family member or trusted person
 - One branch employee proceeds by filling out the documents and reading the documents or agreements and the conditions of service which different person.



Participation in Opening the Baht Zero Deposit Account Project

As the National e-Payment committee agreed to provide the social welfare data base integration and the payment of social welfare through electronics project. The bank pays attention the responsibility to consumers, so the bank participated Opening the baht zero deposit account project for social security benefit payments and other expenses similar to the Comptroller General's Department, Ministry of Finance. The bank provided the in opening the baht zero deposit account and waiver of account maintenance fee for eligible persons as follows:

1. Persons eligible to receive subsidy for newborn nursing.
2. Persons eligible to receive health fund from Village Health Volunteer (VHV.)
3. Persons eligible to receive disability allowance.
4. Persons eligible to receive elderly allowance.

Arbitration Proceedings and Notify the Result of Whistleblowers to Acknowledge According to the Service Level Agreement (Service Level Agreement: SLA)

Regarding to the Thai Bankers' Association participated commercial bank to determine the Service Level Agreement for set the duration of financial services process of retail individual customers. This covers services in the field of credits, deposits, electronic cards and general services to be the standard upgrade of financial services as well as set the standards in receiving and taking care of customer complaints which will help decrease the complaint issues.

The bank has determined the Service Level Agreement, which is the bank's commitment to give services efficiently and response the customers' needs so that our customers will receive services that are convenient and fast including to acknowledge the bank's operation which the Service Level Agreement considered the needs and completeness of facts and/or information including the cooperation of the customers.

However, the bank has disclosed the Service Level Agreement on the bank's website at www.lhbank.co.th, which consists of the following 5 financial services;

- 1. Receiving and Taking Care of Complaints** consists of
 - The confirmation of complaints through various channels
 - The informing of conclusion or progress of improving complaints for every complaint channel
- 2. Loan for Retail Individual Customers** consists of
 - Redemption of warranty
 - Ownership transfer of cars/motorcycle to borrower when debt is completely paid.
 - Consideration of revising debt structure and issuing a written confirmation of complete debt payment.
 - 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 electronic channel such as ATM/CDM/Internet/ Mobile Banking but an error occurred and the system malfunctioned causing the money not to be received.

- Request to check list of transfers to wrong account in the case of transfers to the same bank or other bank.

4. Electronic Cards consists of

- Withhold the electronic cards such as ATM cards and debit cards.

- To notice the debit card holder's payment

5. General Services consists of

- The requesting of various information for retail individual customers about the calculation of credit/hire-purchase interest for information not longer than 12 months and bank statement information not longer than 6 months.



7. COOPERATION IN THE DEVELOPMENT OF COMMUNITY AND SOCIETY

Land and Houses Bank Public Company Limited has the intention in operating the business together with social responsibility following the business ethics and good corporate governance. The bank focuses on the employees' participation in volunteering for making awareness of social responsibility.

The bank plays the role in promoting the social activities in the occasions with the expectation for the highest benefits to the society and community. The creative and beneficial activities are conducted for promoting the activities of public and private sectors as well as donating books or drinking water to non-profit organizations. The bank operates the activities for helping and enhancing young people's quality of Life and Thai society with the hope to enhance and strengthen Thai society for sustainable growth of the country.

The bank operates the social activities in 3 areas as follows:

1. Education
2. Society and Environment
3. Art and Culture

1. Education

Education is the foundation of every kind of success. The Bank continually realizes the importance of giving educational support to develop knowledge, abilities and quality of young Thai people. For example, our executives and officers have participated in donating books to prisoners in the project “Give Books and Learning Materials to the Department of Corrections”. The Bank also organized another project called “LH Bank Supporting Scholarships Nationwide”.



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

● LH Bank Sponsors 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 LH Bank sponsors scholarship project which offers 72 scholarships across the country for youths with high academic performance, capability, and determination in pursuing higher level education but lack financial support. 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 human resources.



Project Objectives

- To create educational opportunities for youths with high academic performance, capability, and good behavior but lack financial support.
- 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 whole country.

The Nature of Scholarship

- Offering the scholarships to high school students who have excellent academic record and good behavior.
- The scholarship areas are divided through the bank's branch networks in 6 regions.
- Dividing 2 schools into 1 zone and offering 1 scholarship/class for high school students M.1- M.6 of total 72 scholarships for 12 schools

Scholarship Qualifications

- Having his/her domicile or residence in Thailand,
- Age between 11 – 18 years old.
- A person who lacks of opportunities due to 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 students that have suitable qualifications and meet the scholarship requirements. The selected schools are as follows:

- Bang Bua Tong School, Nonthaburi
- Triamudomsuksa School (Nomklao), Nonthaburi
- Bangkok School, Bangkok
- Samut Prakarn School, Samut Prakarn
- Kanlayanawat School, Khon Kaen
- Roi Et Industrial and Community Education College, Roi Et
- Kannasootsuksalai School, Suphanburi
- Phothisamphanphitthayakhan School, Chonburi
- Satriephuket School, Phuket
- Aor Bor Jor Muang Phuket School, Phuket
- Wattanothaipayap School, Chiang Mai
- Anubanmaemoh School (Community 1), Lampang





Kanlayanawat School, Khon Kaen



Anubanmaemoh School (Community 1), Lampang



Phothisamphanphitthayakhan School, Chonburi



Aor Bor Jor Muang Phuket School, Phuket

2. Society and Environment

The bank supports the project that promote the society and environment by supporting activities of the associations and foundations by charitable donations made through LH Bank ATM machines and all branches. In addition, the bank has invited the executives, employees and customers to participate in donating money to help victims including supporting anti-corruption activities to encourage Thai society to resist all kinds of corruptions.

• Society

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



The bank has joined the project “Soft-Loan Program for SMEs”

The bank has joined the project “Soft-Loan Program for SMEs” to help and increase the opportunity in access to finance for SMEs including strengthen the investment climate and creating of money circulating in Thailand's economy.



• Environment

The bank has joined the project “Revolving Fund”

The bank has signed the “Revolving Fund” agreement with the Ministry of Energy for the conservation of energy with the aim to lower the overall quantity of the long-term energy import and ensure highest efficiency of energy use. For supporting this project, the bank focuses on sustainability criteria.



• Providing the measures to help customers that affected by the floods in southern

Land and Houses Bank Public Company Limited concerned for the citizens and its customers who live in the areas affected by flooding in many areas of southern provinces. The bank has offered disaster relief aid for victims in various aspects: for example, invite the executives, the employees, and the valued customers to donate drinking water to help alleviate the impact on disaster victims. Furthermore, the bank has also implemented assisting measures for customers affected by the disaster such as increasing credit facilities, extending installment period or reducing the installment amount. These assisting measures of the bank will help lessen the impact from the disaster to a certain degree, and can be summarized as follows;

Retail Customers Group

- 1) The principal payment suspension for a maximum period of 12 months or extend installment payment period up to 12 months and reducing the installment rate.
- 2) Offer the overdraft (O/D) facility a period of 5 years without having to pay the principal for up to 6 months which the first year has an interest rate of MLR-1% and standard MLR from 2nd to 5th year for improving and renovating residence or establishment.



Business Customers Group

- 1) The principal payment suspension for a maximum period of 12 months or extend installment payment period up to 12 months and reducing the installment rate.
- 2) Increase the overdraft (O/D) facility by 20% of the original facility not exceeding Baht 10 million, to improve liquidity in business operation and restore the business. The bank offers in the period 3 years, the first year has an interest rate of 5%, and MLR-1% for 2nd and 3rd year, with no need to pay principal for up to 6 months.



LH Bank donates drinking water to help flood victims in the south LH Bank donates funding to help flood victims in the south

Activities of Helping Mind for Social Development



LH Bank cooperates to donate blood with Thai Red Cross Association



LH Bank cooperates collaborate with Chulabhorn Hospital and Ministry of Finance to prepare the donation project for help needy patients and purchasing the medical equipment.

● Promotion and Development on Learning of Young Thai People

The bank realizes that young Thai people are the future of the nation. As keening on how to make the young people smart and well-behaved, the bank cooperates with CSR Club of the Thai Bankers' Association and National Center for Youth Development under Royal Patronage of HRH Princess Sirindhorn (NCYD) in organizing the project "Be happy by saving and using wisely" continuously since 2014 for sharing the knowledge in personal financial management and instilling a sense of financial discipline who are undergraduate leaders of the universities in Nakhon Pathom province. The bank also cooperates with the social sector organizations consists of the National Center for Youth Development under Royal Patronage of HRH Princess Sirindhorn (NCYD) and other parties consists of the Stock Exchange of Thailand, the Financial Consumer Protection Center a unit of the Bank of Thailand, the Office of the National Anti-Corruption Commission and the Friends of Facilitator Networks for cooperates to create the good changing of attitude and behavior in the young people which are the target group.

Achievement of Project Results are as follows;

(1) To develop the financial knowledge of youths from the courses "4 Knowledge Concepts to Wealth" for the lecturers of the bank, 15 members of the Thai Bankers' Association, total 84 persons and to create 10 lecturers who were trained to relay this knowledge of financial danger further which is the course of the Financial Consumer Protection Center.

(2) To provide knowledge in personal financial planning, encouraging financial discipline, and instilling morality and ethics on anti-corruption to undergraduate leaders for a total of 312 students and 35 professors in 7 universities in Nakhon Pathom province.

(3) 191 university student leaders attended the training course for developing their own ability as a person who spreads knowledge and moral principles that have been cultivated from the project "Peer Educator" to other university students and surrounding communities via 25 activities.

(4) To develop the university student leaders manual such that they are suitable for spreading knowledge and moral.

(5) To develop the relationships between banking sector, educational institutions and surrounding communities in Nakhon Pathom province through this project.

(6) To provide knowledge to primary and secondary students that are in areas nearby the bank's branches.

Land and Houses Bank Public Company Limited, as a member of CSR Thai Bankers' Association, has continuously provided its cooperation in the project "Be happy by saving and using wisely" because the bank is aware of the importance in instilling knowledge of financial planning, creating of financial discipline, and moral discipline on anti-corruption in society from a young age to create the economic stability and sustainability for society in the future.

The project's goals are to reinforce financial discipline for youths who are leaders of various universities to develop the ability of these leaders so that they play a role in spreading financial discipline from the use of knowledge, expertise, and skills obtained from banking sector in creating benefits for their community and society and to response the intentions of the bank to recognize the importance of intellectual capital in the society and helping develop the society to become a sustainable quality society.





- Promote the Age-Friendly Business Project

In the next 5 years, Thailand will become a Complete Aged Society with its aging population reaching 1 in 5 of the total population. Apart from an increase in the number of older people, the changes in socioeconomic factors will also contribute to strategy changes in the business operation in response to the demand and behavior of consumption and lifestyle of the older people group in the future.

The company recognizes the importance of the changing and cooperates in the project “Age-Friendly Business” with Thaipat Institutes, Department of Older Persons, Ministry of Social Development and Human Security, and the private sector in driving the Age-Friendly business under the CSR-in-process and Social Enterprise format. In addition, on the September 7th, 2016, the company received a certificate of participation in the Age-Friendly business from the Department of Older Persons for corroborating with Thaipat Institutes, and the Rural Area Renovation Foundation of Thailand under Royal Patronage.



Promote the Age-Friendly Business Project are as follows;

1. Products and Services for Older People

The bank recognizes the importance of changing in the pace of aging society completely of Thailand. The bank also understands the demand and behavior of consumption and lifestyle of older people group in the future. Therefore, the bank provides 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 current deposit saving account balances by covered in case a customer's death from accident in 24 hours. Customers can deposit a minimum initial deposit is Baht 1,000, and the more customers deposit, the more customers gain the benefit and coverage without health check and without insurance premium payment.

2. Employment of retired employee

The company has determined its recruitment management guidelines to support older people society by specifying criteria that includes employment of retired employee to carry out duties in the important positions. This is to provide career opportunities for retired personnel to come back to work again. In addition, this would also compensate for workforce shortage as well.

3. Hiring the Older People as Lecturer

The bank has arranged the “My Bank My Love” activity for purposes of creating lasting positive relationships between customers and the bank by proposing valuable and customer beneficial activities. The bank has hired older people with expertise in various subjects as lecturer to transfer knowledge to the bank’s customers. Thus, customers that participated in the activities were able to apply the knowledge obtained and create a career out of it. Some of the activities included scented soap making, perfume making, floral decoration arrangement, sewing, clay molding, and herb inhaler making.



3. Art and Culture

The bank has arranged the traditional activities with people living in the areas located near the bank, for example, supporting the activity in Chinese Festival and Children's Day Activity for promoting and encouraging the tradition and culture with the communities around the bank's branches.



The bank supported Children's Day Activity at the Library for Learning, Lumpini Park



The bank supported Children's Day Activity at Wat Disanukaram School and Samranrat Police Station



LH Bank, Yaowarat branch, participated in the Chinese New Year festival activities by offering the auspicious oranges to the bank's customers

8. ENVIRONMENTAL MANAGEMENT

Land and Houses Bank Public Company Limited realizes the importance of environmental problems as we see that 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 problem of pollution for preserving the environment by promoting the energy saving inside the organization and the saving of paper consumption.

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 has realizes the importance of good environmental management and has assigned the Occupational Safety, Health, and Environment Committee in order to study and improve the practice for introducing Green Office Project. The project has been carried out since 2012. The main focus is to educate the employees about management of resources, energy, and environment, and environment-friendly procurement. The final goal is to have an efficient use of resources and energy to alleviate the standard to environment-friendly level. By achieving that, the bank will be successful in reducing the emission of greenhouse gasses and environmental impact. It all can start with the environment-friendly activities to change the behavior of the officers in the bank and encourage them to join the minimized consumption of energy and emission of pollution to the public.

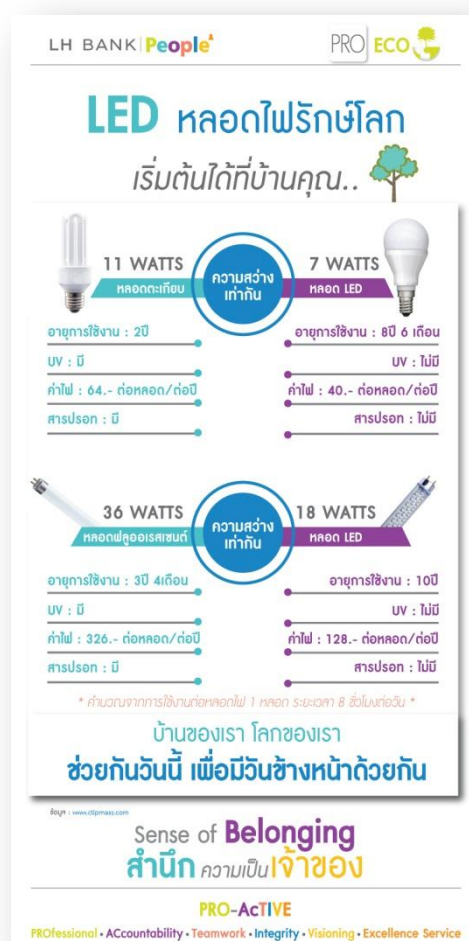
Implementation of the Green Office Project

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

Energy Management

The bank is continuously trying to do a good energy management including electricity and tap water in order to achieve efficient use and sustainability of the corporate. Some of the improvements include the following:

- The bank has improved the office and supplies in an environmental-oriented manner and protects its employees from pollution. The focus is the management to reduce pollution, energy usage, and costs.



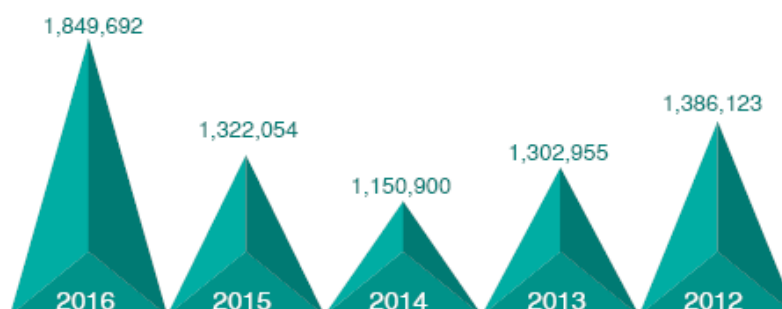
- The bank has reduced the old technology devices and the single function items and shift to new technologies that help reduce pollution and save energy. The outcome of constant implementation since 2012 showed that the activity has helped reduce the energy costs and other expenses greatly, especially paper usage, supplies procurement, maintenance cost, and the space of 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 2016-2017, 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. In the 2016, there were many completed projects, such as changing the incandescent light bulb in front of the head office building, and in the year 2017, the company will change to use LED in the head office's area.

Electricity Usage

Electricity usage of 2016 totaled 1,849,692 units (kWh) compared to 2015 totaled 1,322,054 units (kWh) due to an increase in electricity usage or increasing by 39.91%. The electricity usage in 2016 increased from using meeting rooms and multi-purpose spaces for seminars and activities.

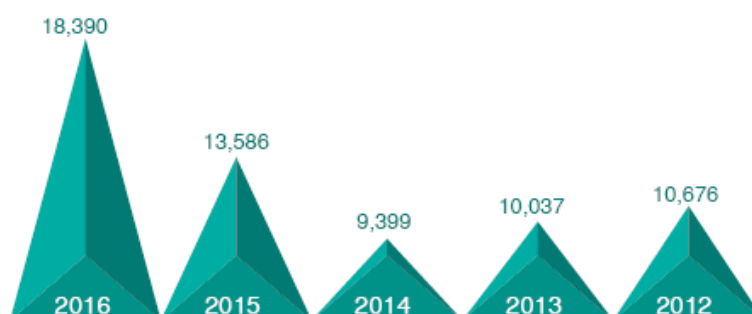
Electricity Usage (Units)



Tap Water Usage

The tap water usage in 2016 totaled 18,390 units, increasing by 13,586 cubic meters of tap water or increasing by 35.36% compared to 2015. The tap water usage in 2016 increased from using of meeting rooms and multi-purpose spaces for seminars and activities.

Tap Water Usage (Cubic Meters)



Shifting from Printed Meeting Invitation Letter to Saving the Letter in iPad

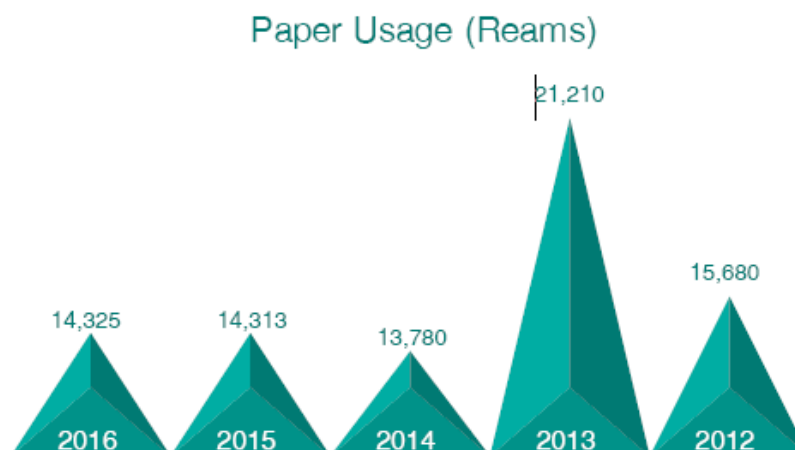
The bank has changed the process of preparing the meeting's materials of the bank's board of directors, the executive directors committee, the audit committee, the corporate governance committee and the nomination and remuneration committee by changing the meeting's materials from paper to e-documents which recorded in iPad. As a result, this process can help to reduce paper consumption by approximately 5,000 pieces a month.

Pool Printer Management Project

The bank has improved the way its department use the printers. Formerly, the departments used the single-function printers but now they have shifted to use the multi-function (4 in 1) printers. One printer is shared among a pool of departments. The result is the lower usage of paper, electricity, and space.

Paper Usage

The amount of paper used in the year 2016 was 14,325 reams and increased by 0.08% compared to the year 2015 which was 14,313 reams.



Measurement of Intensity of Light in Workplace

The bank pays attention to dangers of light that may affect 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: 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
 - Having 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
 - Increasing work efficiency
 - Creating good image for the bank
3. Result of **Shine (Cleaning)**
 - A pleasant working environment
 - Cutting down the waste of resources
 - Increasing efficiency of tools and equipment and decreased breakdown of office supplies
4. Result of **Standardize**
 - Neat and tidy workplace
 - Employees work 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

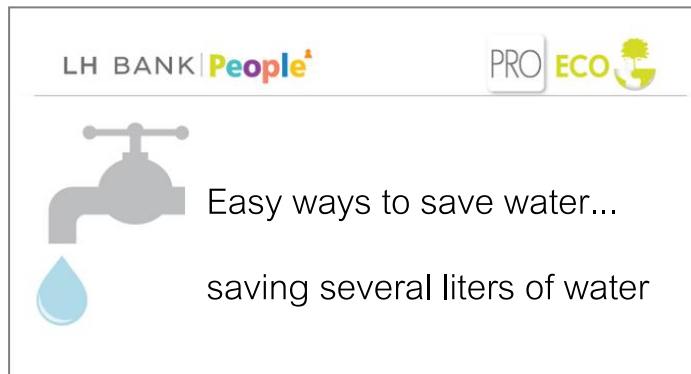
LH BANK ATM Stops Global Warming

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 2016, the bank has totally 203 ATM machines including reduce the usage of electricity especially those in shopping malls which is accomplished by setting the switch of electricity and illumination according to operating hours of the mall.

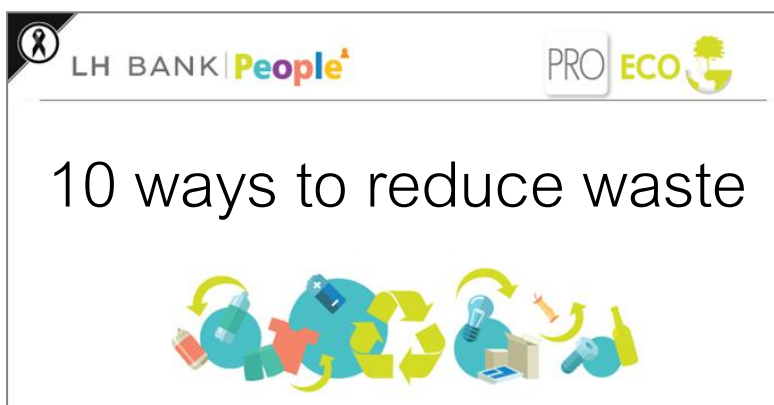
The Communication of Social Responsibilities Campaign

The bank focuses on creating environmental awareness to participate in saving energy and conserving the environment through internal communication channel or intranet; the intranet, LH BANK People and Pro Eco column. The mentioned channels provide the employees about the contents that could be applied in real practice both at their home and in the workplace such as:

- Easy ways to save water, saving several liters of water



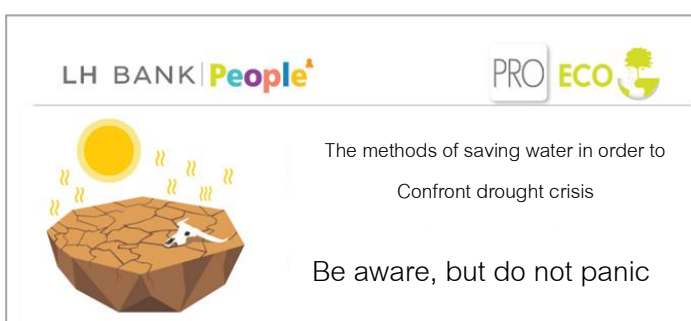
- 10 ways to reduce waste



- Easy saving energy for office man/women



- The methods of saving water in order to confront drought crisis: Be aware, but do not panic.



- Knowing the kind of tissue paper before using (“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 intends to create the innovation which could help to improve 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 awareness to promote the product innovation development and digital financial service for helping customers' save traveling time, reduce their expenses and service convenience.

Banking Service on Mobile Vans is similar to a mobile branch, helping increase channels of financial service for customers in several places. This service also allows customers to save time and expense in traveling to make transactions at the bank branches.

No Slip Deposit – Withdrawal and Transfer Service is another way to provide more convenient and faster transactions to customers.

Financial Services via Mobile Phone (LH Bank M Choice) provides a channel to carry on transactions via mobile phones, which have now become a part of customers' daily life. This new service channel is not limited to places and time but still maintains the same form and safety standard as transactions at the bank branches.

Internet Banking Service (LH Bank Speedy) provides convenient services of financial transactions both to individual and juristic persons every day at any places and time. Our internet banking comes with the double security system to ensure financial transaction safety. LH Bank Speedy is user-friendly with various services such as fund transfers within the bank and inter-bank transfers, payment of goods and services, loan payment, cheque status and stop cheque status inquiries, as well as account status inquiry. The bank will send a message to inform the transaction to customers after each transaction on mobile phone.

ATM Chip Card Service and Debit Chip Card Service are new type of ATM cards. ATM Chip Card can be used to enhance security of ATM service by using chip card to record customer's data. And the Debit Card provides more convenience for financial transactions 24 hours a day and ensures the security of financial transactions. The services provide the customers to do the following transactions; withdrawal, money transfer, loan payment, and product and service payment etc.

Debit Card Service Partnered with Union Pay International is the card which provided to enhance the convenience for financial transactions. The debit card can be used in overseas via ATM machines and Union Pay International shop members covered many countries around the world under the UnionPay logo



LH Bank PromptPay Service is a new service to transfer funds for decrease cash transactions by linking the citizen ID card and mobile phone numbers with LH Bank's account number. In addition, money transfers easily by using their citizen ID card number or mobile phone number without using their account number which the bank provides the LH Bank PromptPay service via 4 channels as follows;



1. Mobile Phone (LH Bank M Choice)
2. Internet Banking (LH Bank Speedy)
3. LH Bank's ATM machines
4. Branches of the bank

E- Guarantee and E- Payment Services.

The bank has signed the MOU with the Comptroller Generals Departments (CGD) for the e-Guarantee and e-Payment services to respond to the government policy about enhancing the digital system. The data related to all operational procedure will be collected and stored in IT system to make more convenient and reduce costs for the entrepreneurs and government agencies.

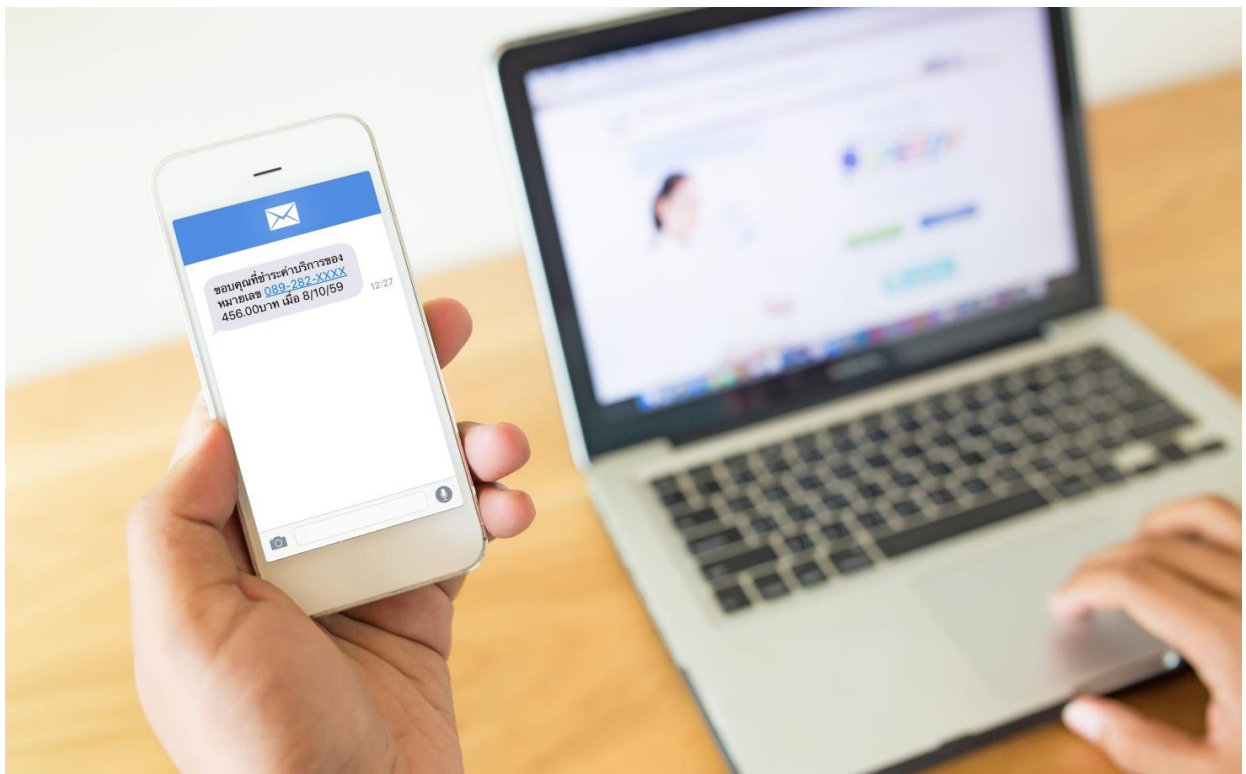


E- Guarantee is the service that provides the letters of Guarantee for many business purposes such as bid bond, performance bond and advance payment guarantee for submitting to the government agencies via electronic system without paper letter.

E-Payment is the service for buying the bid bond paper via electronic system without traveling to the government agencies' office.

In addition, the bank has publicized and communicated about its products and services to customers correctly for the highest efficiency for customers and society.

The bank has adopted and supported for searching, creating and developing the new innovation which can produce the innovative creation within the bank under the development responding the social responsibilities, the bank regularly monitors its business management regard to the risk that may cause the negative effect to society and environment to react to the problems as soon as possible.



INTERNAL CONTROL AND RISK MANAGEMENT

The board of directors and the executives of the bank emphasizes the importance of the internal control and the significant of risk management and also the adequacy of internal control in every aspect of the bank operation by giving the internal control management to every unit of the bank to ensure that the bank has efficient implementation of operation plans which can be the working principles for employees. Moreover, the bank provides the unit to monitor and risk management policies as the guidelines to operation.

The bank provides the reviewing of the efficiency and adequacy of the risk management and internal control by the audit committee. The essence consists of considering the responsibility scope, operation plan including the result of the evaluation of adequacy and quality of risk management, internal control system, monitoring process and compliance with law, rule, regulations of the bank and the governance, reporting to the board of director in case of there are any suggestions or corrected significant deficiency.

The bank emphasizes the good corporate governance and internal control and supervises the risk management systematically and efficiently. The risk-management structure and policies have been defined clearly in writing with the main goal being the prevention and management of risks for developing the operation skills to employees in order to have the effective performance.

The bank has developed a learning system for employees focusing on business ethics, working principles and measures of disciplinary actions to make their performance effective, transparency and fair to treat stakeholders as well as to promote strengthen of the good corporate governance and internal control at all levels of the bank continuously and comprise of the training programs for all level of employees.

The bank has determined internal control activities as a part of the operational processes and structures the appropriate controls in all bank units. The bank divides the operations between the operators and the monitors in order to balance and check each other appropriately. The activities that may have a conflict of interest will be identified and implemented regarding the rules and regulations of the bank.

The Information system of the bank has been developed continuously including the financial information system, the operation and compliance with law and regulations. These are manipulated for following up the internal control system of the bank and for promptly correcting the significant deficiencies to have the accurate and up-to-date information which will be useful for the board of directors and the executives to make a decision. Moreover, to have quality channel of communication to ensure that executives and the employees understand the policy and operational processes that related to their responsibilities.

Monitoring and follow up of the bank operation by control group, the performance of internal audit is an independent and report directly to the audit Committee, focuses on risk audit including to fraud and unethical conduct comply with law, regulations of the government, policies, operational procedure and code of conduct in order to evaluate the adequate of internal control and the appropriate of the risk management of the bank including the effectiveness of resource management evaluation and the assessment of the accuracy and reliability of the data.

Control group is obliged to consult on the implementation of the units which have to be verified and monitored from the scope of work. The objective is to add value and improve the operations of Land and Houses Financial Group by applying the principle of continuous audit and integrated audit along with evaluating and improving the quality of the job following the vocation of internal audit. In 2015, compliance department improved the quality of internal audit accordance with international standards and internal audit operation.

The bank realizes that internal control is the significant procedure for business operation which can provide the effective performance and confidence that the bank's operations can achieve the objective and create sustainable benefits, the financial report and the operation of the bank are reliable and comply with law, rules and regulations, and avoiding the activity which may cause the damage of the bank asset and reputation. Therefore, the bank has the monitoring and evaluation of internal control during the operation to ensure that internal control of the bank still conform and can manage the changes of risk during the period. The deficiencies of internal control will be reported to the executives who have responsible for the jobs and the significant deficiencies also be reported to the high level executives, the audit committee and the board of director, respectively.

Appointment and Remuneration of the auditor

The audit committee has the role on the appointment and dismissal of the auditor, for the appointment of auditors the audit committee will consider the qualifications and performance of the auditor. Each year, the audit committee will propose the mentioned in the qualifications and performance include of auditor's remuneration to the board of directors for approval by the meetings of shareholders. Moreover, the appointment of auditors of the bank, the auditors must be approved by the Bank of Thailand.

The auditor of the bank is EY Office Limited which is the auditor in fiscal year 2015 and proposed to report on the financial statements that unconditioned opinion.

Internal Control Monitoring

- **Internal Audit Department and Information Technology Audit Office**

has the duties for audit and evaluate the sufficiency of the internal control system. The audit will have to comply with relevant policies, regulations, operational process, code of conduct, also the requirements under the law and the official regulations. Not only monitoring the system of internal control to assess the adequacy of the internal control system and the appropriateness of risk management but also evaluate the efficiency of resource management, the validity and reliability of the data and propose for improving the operation to reduce the risk. In addition, the bank has determined audit system and internal control to give information to customers regarding to the laws and regulations of the bank strictly.

- **Compliance Office and Information Technology Compliance Office**

has the duties for controlling the bank's operation to conform with the law and government regulation that related to financial business, managing compliance operations and reviewing of operations to comply with an international standard. In addition, the unit has to report the result of supervising and verification to the audit committee and the company's board of director regularly and pay attention to the revision of the law and government regulation including the good corporate governance.

Duties and Responsibilities of the Head of Control Group

1. Compliance
2. Information Technology Compliance
3. Credit Review
4. Internal Audit
5. Information Technology Audit
6. Special Audit and Fraud

Profile of the Head of Control Group

Name	Miss Chutima Boonmee
Position	Executive Vice President, Control Group
Age (Years)	64
Education	- Master of Public Administration (M.P.A.) National Institute of Development Administration (NIDA)
Training	- Master Degree, Srinakharinwirot University - Success Factors and Raising Anti-Corruption Standard Guideline in the ASEAN Community, National Institute of Development Administration - Thailand's 5 th National Conference on Collective Action Against Corruption "Tackling Corruption through Public – Private Collaboration": IOD - Anti – Corruption for Executive Program 4/2012: IOD - Compliance Training Program for the Head of Compliance unit along with the SEC regulations Class 1/2013 and 2015) arranged by the Thai Bankers Association - Leadership Program for Managers: CC Knowledge Base Co.,Ltd. - Compliance Officer: Faculty of Law, Chulalongkorn University - Certificate to Pacific Rim International Conference The Anti- Money Laundering Office On Money Laundering and Financial Crime: Anti - Money Laundering Office (AMLO) - Risk Management for Financial Institutions: Kenan Institute Asia - Best Practices in Credit Risk Management & Operational Risk Management Pricewaterhouse Coopers (PwC)
Shareholding (%)	-None-
Family relationship with executives	-None-
Work experiences in the past 5 years	

❖ None Current Position in Listed Company

Period	Position	Organization/Company
Apr. 2006 - Oct. 2010	Senior Vice President, Compliance Office	Siam City Bank PLC

❖ Current Position in 1 Non-Listed Company

Period	Position	Organization/Company
Aug 2013 – Present	First Executive Vice President, Control Group	Land and Houses Bank PLC
Mar. 2012 – Aug. 2013	First Senior Vice President Control Group	
Nov. 2010 – Feb. 2012	Senior Vice President Compliance Office	

Duties and Responsibilities for Compliance and Information Technology Compliance

- Supervise and monitor all the bank's operations to have efficiency and effectiveness in accordance to the government sector, which is in line with rules by the Bank for International Settlements (BIS) in April 2005, the Financial Action Task Force on Money Laundering (FATF 40+9 Recommendations), and BOT : IT Best Practice Phase I and Phase II.
- Develop the risk management system for the operations as required by relevant regulations.

Duties and Responsibilities for Internal Audit and Information Technology Audit

- Determine objective, goal and scope of internal audit and internal audit planning.
- Provide and improve internal audit manual.
- Administrate for internal audit function and supervise for the internal audit team.
- Verify an approval of the audit program, evaluate the sufficiency and efficiency of the internal control system to reduce risk but increase quality of assigned works.
- Evaluate the credibility and reliability of financial and operational information.
- Consider all the operations to follow the company's policy, goal, objective, plan and rules as well as relevant laws and regulations.
- Set the work standard guideline and review auditors' performance comply with the audit standard as well as control the implementation of audit plan.
- Propose the audit report to the audited department, president, top executives, the audit committee and the company's board of directors as appropriate.
- Enhance knowledge and potential skills of auditors according to the change of the economic and society.
- Provide job evaluation for all level of internal audit officers.
- Provide advice, opinion and suggestion about the operational work in accordance to rules, announcement and internal control.
- Handle other works assigned by the audit committee.

Duties and Responsibilities for Special Audit and Fraud

- Determine in monitor of unusual transactions.
- To propose the special audit analysis result to the president for acknowledges and coordinates with internal departments of the bank to consider in comply with operation guideline correctly and completely.
- Propose the special audit report with the documents to the president, the top executives and report to audit committee.
- Follow up the progress of the special inspection work such as the resolution of the discipline committee and legal proceedings etc.

The Number of Employee in the Internal Audit Department

The number of employees work as auditor amount 29 persons consists of general auditor and branch auditor amount 20 persons, and information technology auditor amount 9 persons.

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.

In order to enhance transparency for intra-group transactions and to avoid any conflict of interest between the bank and its subsidiary, the bank has established risk management policy regard with the regulations of the Bank of Thailand. The transaction between the bank and its subsidiary were considered by the same policies through the transparent approval process regarding to the advantages of the bank and its shareholders.

The person or related party of the bank and its subsidiary are defined as a person or company that has the authorities to control the bank or its subsidiary or under the same control directly or indirectly with the bank and its subsidiary. Moreover, person or related parties comprise of enterprises and person who have significant influence to the bank, whether directly or indirectly to the bank and its subsidiary which their related party transactions are disclosed in the notes to the financial statements under the heading. "Related party transaction report".

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 and its subsidiaries 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 and its subsidiaries. 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, its subsidiary, and its shareholders. Such transactions are subjected to due procedures based on the regulations of the bank and its subsidiary 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 related persons and related companies including the transaction related with the directors, the executives or the person who have same level together with the business which person or related person has the authorities in management and in the business which the bank, directors and executives hold more than 10 percent of total paid up capital which were disclosed in the Note No. 39 to the financial statements of the bank. The details were as follows:



The Outstanding Balances as at 31 December 2016

As at 31 December 2016, the outstanding balances of transactions between the bank and their related parties can be summarized as follows:

(Unit: Million Baht)

Relationship ¹	Separate Financial Statements											
	Type of Transaction											
	Investments – Cost	Accrued Interest Receivables on Investments	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	Accounts Payable on Securities Trading	Other Liabilities	Commitments – Bank Guarantee
1. The parent company is LH Financial Group PCL	-	-	415.00	0.03	0.30	536.98	-	137.80	0.79	-	-	-
2. The company's subsidiaries of LH Financial Group PCL are Land and Houses Securities Public Company Limited, Land and Houses Fund Management Company Limited and Land and Houses Advisory Company Limited.	-	-	765.00	0.04	4.20	5.38	43.97	-	-	5.12	-	-
3. Companies and persons who hold more than 10 percent of shares in the bank's parent company ("the major shareholders")	-	-	-	-	4.72	1,597.30	-	-	0.03	-	0.07	-
4. The subsidiaries of the major shareholders of the bank's parent company (shareholders as stated in No. 3 above), who have transactions with the bank	-	-	-	-	1.57	2,148.82	-	-	0.75	-	0.01	-
5. The associates of the major shareholders of the bank's parent company (shareholders as stated in No. 3 above), who have transactions with the bank	67.20	-	-	-	20.45	2,794.39	-	-	1.07	-	0.93	21.18
6. The companies which are related the bank's management and have transactions with the bank	1,523.05	15.81	1,389.60	0.86	5.16	219.52	-	-	1.41	-	2.00	199.25

Relationship ^{/1}	Separate Financial Statements											
	Type of Transaction											
	Investments – Cost	Accrued Interest Receivables on Investments	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	Accounts Payable on Securities Trading	Other Liabilities	Commitments – Bank Guarantee
7. The companies which are related to the major shareholders of the bank's parent company (shareholders as stated in No. 3 above), and have transactions with the bank	91.46	-	-	-	-	1,146.78	-	-	2.35	-	-	-
8. The companies which are controlled by the bank's related persons, and have transactions with the bank	-	-	-	-	-	6.89	-	-	-	-	-	-
9. Directors and executives	-	-	8.11	-	-	755.32	-	28.00	1.62	-	0.03	-
10. Related persons	-	-	33.20	0.01	-	1,009.05	-	12.50	1.76	-	-	-
Total	1,681.71	15.81	2,610.91	0.94	36.40	10,220.43	43.97	178.30	9.78	5.12	3.04	220.43

Notes ^{/1} The nature of the relationships are described in the Note No. 39 to the financial statements "Related party transactions"



Transactions during the year 2016

During the year 2016, 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 its related parties are as follows;

(Unit: Million baht)

Relationship ¹	Separate Financial Statements							
	Value of Transactions							
	Interest income	Fees and service income	Gains on investments	Dividend income	Other operating income	Dividends Paid	Interest expenses	Other operating expenses
1. The parent company is LH Financial Group PCL	8.32	0.13	-	-	-	-	-	-
	-	-	-	-	-	932.40	-	-
	-	-	68.13	-	-	-	-	-
	-	-	-	-	-	-	8.18	-
	-	-	-	-	-	-	-	1.32
2. The company's subsidiaries of LH Financial Group PCL are Land and Houses Securities Public Company Limited, Land and Houses Fund Management Company Limited and Land and Houses Advisory Company Limited.	21.35	-	-	-	-	-	-	-
	-	60.52	-	-	-	-	-	-
	-	-	-	-	0.40	-	-	-
	-	-	-	-	-	-	0.93	-
3. Companies and persons who hold more than 10 percent of shares in the bank's parent company ("the major shareholders")	-	-	-	-	-	-	24.97	-
	-	-	-	-	-	-	-	21.40
4. The subsidiaries of the major shareholders of the bank's parent company (shareholders as stated in No. 3 above), who have transactions with the bank	-	-	-	-	-	-	20.05	-
	-	-	-	-	-	-	-	0.43

Relationship ^{/1}	Separate Financial Statements								
	Value of Transactions								Pricing policy
	Interest income	Fees and service income	Gains on investments	Dividend income	Other operating income	Dividends Paid	Interest expenses	Other operating expenses	
5. The associates of the major shareholders of the bank’s parent company (shareholders as stated in No. 3 above), who have transactions with the bank	-	-	-	5.24	-	-	-	-	As announced by the funds
	-	-	-	-	-	-	19.49	-	The same rates as paid to general depositors
	-	-	-	-	-	-	-	87.52	As specified in the agreements
6. The companies which are related through the bank’s and the subsidiary’s management , and have transactions with the bank	134.00	-	-	-	-	-	-	-	The same rates as charged to general customers and as specified in prospectus
	-	-	-	3.69	-	-	-	-	As announced by the funds
	-	-	-	-	-	-	2.53	-	The same rates as paid to general depositors
	-	-	-	-	-	-	-	14.14	As specified in the agreements
7. The companies which are related to the major shareholders of the bank’s parent company (shareholders as stated in No. 3 above), and have transactions with the bank	-	-	-	6.87	-	-	-	-	As announced by the funds
	-	-	-	-	-	-	9.83	-	The same rates as paid to general depositors
8. The companies which are controlled by the bank’s related persons, and have transactions with the bank	-	-	-	-	-	-	0.05	-	The same rates as paid to general depositors
9. Directors and executives	0.45	-	-	-	-	-	-	-	The same rates as charged to general customers
	-	-	-	-	-	-	10.26	-	The same rates as paid to general depositors and as specified in prospectus
10. Related persons	1.48	-	-	-	-	-	-	-	The same rates as charged to general customers
	-	-	-	-	-	-	13.19	-	The same rates as paid to general depositors and as specified in prospectus
Total	165.60	60.65	68.13	15.80	0.40	932.40	109.48	124.81	

Notes ^{/1} The nature of the relationships are described in the Note 39 to the financial statements "Related party transactions"

THE AUDIT COMMITTEE'S REPORT



The Audit Committee of Land and Houses Bank Public Company Limited consists of 4 independent directors as follows;

1.	Mr. Phairoj	Hengsakul	Chairman of the Audit Committee
2.	Mr. Adul	Vinaiphat	Member of the Audit Committee
3.	Mr. Somsak	Assavapokee	Member of the Audit Committee
4.	Mr. Sun	Vithespongse	Member of the Audit Committee
	Ms. Chutima	Bunmee	Secretary

The Audit Committee has performed duties under the scope of responsibilities prescribed in the Auditor Committee Charter assigned by the board of directors. In 2016, the Audit Committee arranged the meeting 12 times and reported the result of each meeting along with suggestions to the board of directors in order to carry out the issues deemed appropriate. The summary is as follows;

- **Financial Report**

Reviewing the bank's quarterly, half-year and annual financial statements prepared under the financial reporting standards to consider accuracy and completeness of information, adequacy of disclosed information and significance risk inspection. In addition, the board has considered 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 they should report found issues to the audit committee completely.

- **Internal Control and Internal Audit**

Scrutinizing the evaluate result of the internal control system, external auditor, the Bank of Thailand and external supervision agencies to follow up the improvement result regularly, especially risk issues to ensure that the internal control is adequate, appropriate and has continuous development in line with the bank's operational including reviewing the independent compliance operation, credit review and annual audit which cover high risk in operational processes.

- **Compliance with Regulations**

Reviewing and controlling the bank's operation to conform the laws and government regulations including to follow up the operation result of control group monthly to ensure any issues has an improvement and report the result to the board of directors in order to acknowledge the significant issues and changing of regulations that affect the bank's operation including approval the compliance with regulation report to ensure that the bank has determinations of the compliance policy which was the standard and guideline for the directors, the executives and all employees must comply following the laws, regulations, rules of the government related any standard, especially risk management, capital adequacy, financial services and selection the services following the basic consumer rights. In addition, the bank pays attention to control customer data following the laws and related regulations.

- **External Auditor**

Scrutinizing qualifications and performance of the auditor and proposing to the bank's Board of Directors for appointment of auditor annually and also auditor remuneration for approval at the Annual General Meeting of Shareholders. Recommended auditor for the appointment as the bank's auditor shall be approved by the Bank of Thailand.

During the year 2016, the bank's auditor was EY Office Limited that was an auditor of 2016 financial statements and presented unqualified financial statement audit opinion.

- **Related Transactions or Any Other Transactions Likely to Have Conflict of Interest**

Scrutinizing related transactions or any other transactions that may have conflict of interest in accordance with laws and regulations of the Stock Exchange of Thailand to ensure transparency, suitability and protection of benefits of financial business units and shareholders. Scrutinizing completeness and accuracy where related transactions or any other transactions that may have conflict of interest are concerned.

In performing its roles and responsibilities collectively assigned, the Audit Committee has the opinion that the company's financial statements have been accurately prepared under the Accounting Standards with appropriateness and adequacy of disclosed information. The external auditor who conducts an audit of the company's financial statements is independent and performs as a professional auditor. The company has sufficient and appropriate risk management and internal control systems for the business and complies with laws, rules and regulations relevant to the business.



(Mr. Phairoj Hengsakul)

Chairman of the Audit Committee

THE NOMINATION AND REMUNERATION COMMITTEE'S REPORT



The Nomination and Remuneration Committee of Land and Houses Bank Public Company Limited consists of 3 directors as follows:

1. Mr. Adul Vinaiphat

Chairman of the Nomination and Remuneration Committee

2. Mr. Naporn Sunthornchitcharoen

Members of the Nomination and Remuneration Committee

3. Mr. Somsak Assavapokee

Members of the Nomination and Remuneration Committee

Mr. Ruangsak Vitavaskarnvej

Secretary

All of them are not executives of the bank. The Chairman of the Nomination and Remuneration Committee is an independent director.

In the year 2016, the Nomination and Remuneration Committee held the meeting 4 times and all members of the committee attended the meeting. The Nomination and Remuneration Committee has considered the core agenda as follows:

- Procurement of directors to replace those whose terms expired and those who resigned.
- Determine the scope of remuneration and meeting allowances for the Board of Directors and the Executive Directors Committee, the Audit Committee, the Corporate Governance Committee and the Nomination and Remuneration Committee for propose to the Board of Directors and the shareholder meeting.
- Review the duties and responsibilities of the Nomination and Remuneration Committee in order to determine the increasing of their duties consists of suggestion the performance evaluate process of the Board of Directors.
- Consider the director's gratuity.
- Consider the annual bonus and annual salary increasing of the president.
- Consider the policy and the succession plan which cover criteria determining, nomination process and selection of the executive in the president position.
- Consider the scope of policy and criteria of fixed-term employment model.
- Consider overview and scope of remuneration structure, salary increasing and annual bonus including other benefits of the top executives and the employees.
- Consider the budget for annual bonus payment and annual salary increasing for the employees.

(Mr. Adul Vinaiphat)

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 is 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. An important information is adequately and transparently disclosed for shareholders and other investors in the notes to financial statements.

The Board of Directors has established and maintained 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 on 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, 2016.



(Mr. Anant Asavabhokhin)
Chairman of the Board of Directors



(Mrs. Sasitorn Phongsathorn)
President



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, which comprise the separate statement of financial position as at 31 December 2016, the separate 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, and have also audited the consolidated statements of comprehensive income, changes in owners' equity and cash flows of Land and Houses Bank Public Company Limited and its subsidiary (the Group) for the same period.

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 2016, its financial performance and cash flows for the year then ended and financial performance and cash flows for the year then ended of Land and Houses Bank Public Company Limited and its subsidiary, in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

The engagement partner on the audit resulting in this independent auditor's report is Rachada Yongsawadvanich.



Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951

EY Office Limited
Bangkok: 20 February 2017

Land and Houses Bank Public Company Limited and its subsidiary

Statements of financial position

As at 31 December 2016 and 2015

(Unit: Thousand Baht)

	Note	Consolidated	Separate	
		financial statements	financial statements	
		2015	2016	2015
Assets				
Cash		2,242,561	2,109,131	2,242,561
Interbank and money market items - net	6	17,761,606	17,961,031	17,742,126
Derivative assets	7	-	2,858	-
Investments - net	8	46,203,903	49,978,116	45,965,016
Investment in a subsidiary	9	-	-	257,289
Loans to customers and accrued interest receivables	10			
Loans to customers		132,906,677	141,236,436	132,906,677
Accrued interest receivables		222,888	229,428	222,888
Total loans to customers and accrued interest receivables		133,129,565	141,465,864	133,129,565
Less : Deferred revenue		(179,447)	(91,770)	(179,447)
Allowance for doubtful accounts	11	(2,555,273)	(3,078,627)	(2,555,273)
Revaluation allowance for debt restructuring	12	(8,740)	(15,232)	(8,740)
Loans to customers and accrued interest receivables - net		130,386,105	138,280,235	130,386,105
Properties foreclosed - net	14	99,340	107,322	99,340
Premises and equipment - net	15	416,698	317,877	409,040
Intangible assets - net	16	192,680	180,245	181,271
Deferred tax assets	17.1	194,900	263,446	190,708
Accrued interest receivables on investments		305,398	295,841	305,398
Accounts receivable on sales of securities		57	-	57
Other assets - net	18	287,548	198,868	259,918
Total assets		198,090,796	209,694,970	198,038,829

The accompanying notes are an integral part of the financial statements.

Land and Houses Bank Public Company Limited and its subsidiary

Statements of financial position (continued)

As at 31 December 2016 and 2015

(Unit: Thousand Baht)

		Consolidated	Separate	
		financial statements	financial statements	
	Note	2015	2016	2015
Liabilities and owners' equity				
Deposits	20	137,300,095	149,639,499	137,300,095
Interbank and money market items	21	20,641,074	20,053,826	20,665,872
Liabilities payable on demand		176,517	75,991	176,517
Derivative liabilities	7	5,395	-	5,395
Debts issued and borrowings - net	22	21,814,064	20,464,660	21,814,064
Interest payables		819,239	600,890	819,239
Accrued expenses		412,604	461,196	408,800
Provisions for liabilities	23	85,582	98,790	82,380
Tax payable		287,870	333,799	286,057
Revenue received in advance		275,308	235,879	275,308
Accounts payable on securities trading		18,816	5,122	-
Other liabilities	24	195,740	227,440	192,192
Total liabilities		182,032,304	192,197,092	182,025,919
Owners' equity				
Share capital				
Registered				
2,000,000,000 ordinary shares of Baht 10 each		20,000,000	20,000,000	20,000,000
Issued and paid-up				
1,400,000,000 ordinary shares of Baht 10 each	25	14,000,000	14,000,000	14,000,000
Other component of equity				
Revaluation surplus (deficit) on available-for-sale				
investments - net of income taxes	8.3	(7,257)	(82,251)	2,684
Retained earnings				
Appropriated - statutory reserve	26	347,800	473,000	347,800
Unappropriated		1,717,948	3,107,129	1,662,426
Equity attributable to the Bank's shareholders		16,058,491	17,497,878	16,012,910
Non-controlling interests of the subsidiary		1	-	-
Total owners' equity		16,058,492	17,497,878	16,012,910
Total liabilities and owners' equity		198,090,796	209,694,970	198,038,829

The accompanying notes are an integral part of the financial statements.

Land and Houses Bank Public Company Limited and its subsidiary

Statements of comprehensive income

For the years ended 31 December 2016 and 2015

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2016	2015	2016	2015
		(Restated)			
Profit or loss:					
Continuing operations					
Interest income	29	8,816,327	8,485,175	8,816,327	8,485,175
Interest expenses	30	(3,978,264)	(4,140,885)	(3,978,289)	(4,141,118)
Net interest income		4,838,063	4,344,290	4,838,038	4,344,057
Fees and service income	31	331,847	272,376	336,899	294,962
Fees and service expenses	31	(75,742)	(66,682)	(75,742)	(66,682)
Net fees and service income		256,105	205,694	261,157	228,280
Gains on trading and foreign exchange transactions		1,369	1,903	1,369	1,903
Gains on investments	32	1,067,492	666,380	1,135,620	659,739
Dividend income		210,634	78,082	210,634	78,082
Other operating income		27,477	16,031	27,477	16,031
Total operating income		6,401,140	5,312,380	6,474,295	5,328,092
Other operating expenses					
Employees' expenses	37	1,159,311	1,056,990	1,159,311	1,056,990
Directors' remuneration	33	15,311	13,749	15,311	13,749
Premises and equipment expenses		659,965	667,220	659,965	667,220
Tax and duties		219,731	217,061	219,731	217,061
Advertising and promotional expenses		90,124	92,234	90,124	92,234
Amortisation on intangible assets		63,094	59,032	63,094	59,032
Other expenses		125,738	104,304	125,738	104,304
Total other operating expenses		2,333,274	2,210,590	2,333,274	2,210,590
Bad debts, doubtful accounts and impairment loss	34	1,025,000	1,089,614	1,025,000	1,089,614
Profits before income tax expenses		3,042,866	2,012,176	3,116,021	2,027,888
Income tax expenses	17.2	(613,718)	(397,232)	(613,718)	(397,232)
Profits for the years from continuing operations		2,429,148	1,614,944	2,502,303	1,630,656
Profits for the years from discontinued operations	41.1	17,633	45,790	-	-
Profits for the years		2,446,781	1,660,734	2,502,303	1,630,656

The accompanying notes are an integral part of the financial statements.

Land and Houses Bank Public Company Limited and its subsidiary

Statements of comprehensive income (continued)

For the years ended 31 December 2016 and 2015

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

Note	Consolidated financial statements		Separate financial statements	
	2016	2015 (Restated)	2016	2015
Other comprehensive income (loss):				
Continuing operations	35			
Items to be recognised in profit or loss in subsequent periods:				
Gains (losses) on revaluation of available-for-sale investments				
- net of income taxes	(84,935)	10,303	(84,935)	16,944
Total items to be recognised in profit or loss in subsequent periods	(84,935)	10,303	(84,935)	16,944
Items not to be recognised in profit or loss in subsequent periods:				
Actuarial gains - net of income taxes	-	1,218	-	1,218
Total items not to be recognised in profit or loss in subsequent periods	-	1,218	-	1,218
Other comprehensive income (loss) for the years				
from continuing operations	(84,935)	11,521	(84,935)	18,162
Other comprehensive income for the years				
from discontinued operations	41.1	9,941	10,699	-
Other comprehensive income (loss) for the years	(74,994)	22,220	(84,935)	18,162
Total comprehensive income for the years from continuing operations	2,344,213	1,626,465	2,417,368	1,648,818
Total comprehensive income for the years from discontinued operations	41.1	27,574	56,489	-
Total comprehensive income for the years	2,371,787	1,682,954	2,417,368	1,648,818
Profits for the years attributable to:				
The Bank's shareholders				
Profits for the years from continuing operations	2,429,148	1,614,944	2,502,303	1,630,656
Profits for the years from discontinued operations	41.1	17,633	45,790	-
Profits for the years for the Bank's shareholders	2,446,781	1,660,734	2,502,303	1,630,656
Non-controlling interests of the subsidiary				
Profits for the years from continuing operations	-	-	-	-
Profits for the years from discontinued operations	-	-	-	-
Profits for the years for non-controlling interests of the subsidiary	-	-	-	-

The accompanying notes are an integral part of the financial statements.

Land and Houses Bank Public Company Limited and its subsidiary

Statements of comprehensive income (continued)

For the years ended 31 December 2016 and 2015

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

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2016	2015	2016	2015
		(Restated)			
Total comprehensive income for the years attributable to:					
The Bank's shareholders					
Total comprehensive income for the years from continuing operations		2,344,213	1,626,465	2,417,368	1,648,818
Total comprehensive income for the years from discontinued operations	41.1	27,574	56,489	-	-
Total comprehensive income for the years for the Bank's shareholders		<u>2,371,787</u>	<u>1,682,954</u>	<u>2,417,368</u>	<u>1,648,818</u>
Non-controlling interests of the subsidiary					
Total comprehensive income for the years from continuing operations		-	-	-	-
Total comprehensive income for the years from discontinued operations		-	-	-	-
Total comprehensive income for the years for non-controlling interests of the subsidiary		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings per share of the Bank's shareholders:					
Basic earnings per share (Baht per share)	36				
From continuing operations		1.74	1.23	1.79	1.24
From discontinued operations	41.1	0.01	0.03	-	-
Profits for the years attributable to the Bank's shareholders		<u>1.75</u>	<u>1.26</u>	<u>1.79</u>	<u>1.24</u>
Weighted average number of ordinary shares					
(Thousand shares)		1,400,000	1,318,082	1,400,000	1,318,082

The accompanying notes are an integral part of the financial statements.

Land and Houses Bank Public Company Limited and its subsidiary
Statements of changes in owners' equity
For the years ended 31 December 2016 and 2015

(Unit: Thousand Baht)

Consolidated financial statements							
Equity attributable to the Bank's shareholders							
Note	Issued and paid-up share capital	Other component of equity - Revaluation surplus (deficit) on available-for-sale investments - net of income taxes	Retained earnings		Total equity attributable to the Bank's shareholders	Non-controlling interests of the subsidiary	Total
			Appropriated - statutory reserve	Unappropriated			
Balance as at 1 January 2015	13,000,000	(27,927)	266,200	1,137,354	14,375,627	1	14,375,628
Issuance of addition ordinary shares	25 1,000,000	-	-	-	1,000,000	-	1,000,000
Appropriated to statutory reserve	26 -	-	81,600	(81,600)	-	-	-
Dividends paid	27 -	-	-	(1,000,090)	(1,000,090)	-	(1,000,090)
Profit for the year from continuing operations	-	-	-	1,614,944	1,614,944	-	1,614,944
Profit for the year from discontinued operations	-	-	-	45,790	45,790	-	45,790
Other comprehensive income for the year from continuing operations	-	10,303	-	1,218	11,521	-	11,521
Other comprehensive income for the year from discontinued operations	-	10,367	-	332	10,699	-	10,699
Total comprehensive income for the year	-	20,670	-	1,662,284	1,682,954	-	1,682,954
Balance as at 31 December 2015	14,000,000	(7,257)	347,800	1,717,948	16,058,491	1	16,058,492
Balance as at 1 January 2016	14,000,000	(7,257)	347,800	1,717,948	16,058,491	1	16,058,492
Appropriated to statutory reserve	26 -	-	125,200	(125,200)	-	-	-
Dividends paid	27 -	-	-	(932,400)	(932,400)	-	(932,400)
Profit for the year from continuing operations	-	-	-	2,429,148	2,429,148	-	2,429,148
Profit for the year from discontinued operations	-	-	-	17,633	17,633	-	17,633
Other comprehensive loss for the year from continuing operations	-	(84,935)	-	-	(84,935)	-	(84,935)
Other comprehensive income for the year from discontinued operations	-	9,941	-	-	9,941	-	9,941
Total comprehensive income (loss) for the year	-	(74,994)	-	2,446,781	2,371,787	-	2,371,787
Decrease from sale of investment in a subsidiary	-	-	-	-	-	(1)	(1)
Balance as at 31 December 2016	14,000,000	(82,251)	473,000	3,107,129	17,497,878	-	17,497,878

The accompanying notes are an integral part of the financial statements.



Land and Houses Bank Public Company Limited and its subsidiary

Statements of changes in owners' equity (continued)

For the years ended 31 December 2016 and 2015

(Unit: Thousand Baht)

Separate financial statements					
Note	Issued and paid-up share capital	Other component of equity - Revaluation surplus (deficit) on available-for-sale investments - net of income taxes	Retained earnings		Total
			Appropriated - statutory reserve	Unappropriated	
Balance as at 1 January 2015	13,000,000	(14,260)	266,200	1,112,242	14,364,182
Issuance of addition ordinary shares	25 1,000,000	-	-	-	1,000,000
Appropriated to statutory reserve	26 -	-	81,600	(81,600)	-
Dividends paid	27 -	-	-	(1,000,090)	(1,000,090)
Profit for the year	-	-	-	1,630,656	1,630,656
Other comprehensive income for the year	-	16,944	-	1,218	18,162
Total comprehensive income for the year	-	16,944	-	1,631,874	1,648,818
Balance as at 31 December 2015	14,000,000	2,684	347,800	1,662,426	16,012,910
Balance as at 1 January 2016	14,000,000	2,684	347,800	1,662,426	16,012,910
Appropriated to statutory reserve	26 -	-	125,200	(125,200)	-
Dividends paid	27 -	-	-	(932,400)	(932,400)
Profit for the year	-	-	-	2,502,303	2,502,303
Other comprehensive loss for the year	-	(84,935)	-	-	(84,935)
Total comprehensive income (loss) for the year	-	(84,935)	-	2,502,303	2,417,368
Balance as at 31 December 2016	14,000,000	(82,251)	473,000	3,107,129	17,497,878

The accompanying notes are an integral part of the financial statements.



Land and Houses Bank Public Company Limited and its subsidiary

Statements of cash flows

For the years ended 31 December 2016 and 2015

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2016	2015	2016	2015
Cash flows from operating activities				
Profits before income tax expenses from continuing operations	3,042,866	2,012,176	3,116,021	2,027,888
Profits before income tax expenses from discontinued operations	20,252	51,007	-	-
Profits before income tax expenses	3,063,118	2,063,183	3,116,021	2,027,888
Adjustments to reconcile profits before income tax expenses to net cash provided by (paid from) operating activities				
Depreciation and amortisation	213,417	220,334	212,701	216,631
Bad debts, doubtful accounts and impairment loss	1,025,000	1,089,614	1,025,000	1,089,614
Provisions for employee benefits	21,221	15,102	20,993	13,975
(Gains) losses on disposals/write-offs of premises and equipment	(132)	1,664	(132)	1,664
Gains on sales of investments	(1,070,193)	(664,050)	(1,135,620)	(659,739)
Net interest income	(4,838,069)	(4,344,311)	(4,838,038)	(4,344,057)
Dividend income	(214,579)	(89,335)	(210,634)	(78,082)
Cash received on interest income	7,097,620	7,129,952	7,097,602	7,129,949
Cash paid on interest expenses	(4,163,778)	(3,997,050)	(4,163,778)	(3,997,284)
Cash paid on income taxes	(620,158)	(434,699)	(619,486)	(430,520)
Profits from operation before changes in operating assets and liabilities	513,467	990,404	504,629	970,039
(Increase) decrease in operating assets				
Interbank and money market items	(418,308)	(4,707,548)	(218,980)	(4,697,514)
Loans to customers	(8,922,316)	(17,337,393)	(8,922,316)	(17,337,393)
Properties foreclosed	19,627	48,000	19,627	48,000
Other assets	37,700	146,889	43,570	151,431
Increase (decrease) in operating liabilities				
Deposits	12,339,404	13,638,133	12,339,404	13,638,133
Interbank and money market items	(1,151,534)	(3,276,196)	(612,046)	(3,290,737)
Liabilities payable on demand	(100,526)	66,565	(100,526)	66,565
Short-term debts issued and borrowings	(1,349,404)	16,814,064	(1,349,404)	16,814,064
Accrued expenses	20,215	22,210	19,538	21,194
Provisions for liabilities	(4,703)	(688)	(4,703)	(688)
Accounts payable on securities trading	733,789	8,143	-	-
Other liabilities	18,712	27,801	18,583	26,587
Net cash provided by operating activities	1,736,123	6,440,384	1,737,376	6,409,681

The accompanying notes are an integral part of the financial statements.



Land and Houses Bank Public Company Limited and its subsidiary

Statements of cash flows (continued)

For the years ended 31 December 2016 and 2015

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Cash flows from investing activities				
Proceeds from sales of available-for-sale investments	4,975,699	1,332,315	4,926,686	1,209,039
Proceeds from held-to-maturity investments	14,690,637	11,144,132	14,690,637	11,144,132
Proceeds from sale of investments in a subsidiary	325,417	-	325,417	-
Cash received on interest income on investments	1,755,999	1,577,054	1,755,999	1,577,054
Cash received on dividend income on a investments	212,850	89,335	210,634	78,082
Invested in available-for-sale investments	(7,846,420)	(1,285,970)	(7,799,007)	(1,132,749)
Invested in held-to-maturity investments	(14,955,000)	(23,385,041)	(14,955,000)	(23,385,041)
Proceeds from disposals of equipment	1,057	376	1,057	376
Cash paid for purchases of leasehold improvements and equipment	(55,541)	(110,548)	(55,379)	(105,197)
Cash paid for purchases of intangible assets	(41,851)	(63,350)	(39,450)	(56,686)
Net cash used in investing activities	(937,153)	(10,701,697)	(938,406)	(10,670,990)
Cash flows from financing activities				
Long-term debts issued and borrowings	-	4,000,000	-	4,000,000
Dividends paid	(932,400)	(1,000,090)	(932,400)	(1,000,090)
Proceeds from issuance of additional ordinary shares	-	1,000,000	-	1,000,000
Net cash provided by (used in) financing activities	(932,400)	3,999,910	(932,400)	3,999,910
Net decrease in cash and cash equivalents	(133,430)	(261,403)	(133,430)	(261,399)
Cash and cash equivalents of the disposed subsidiary	-	-	-	-
Cash and cash equivalents as at 1 January	2,242,561	2,503,964	2,242,561	2,503,960
Cash and cash equivalents as at 31 December	2,109,131	2,242,561	2,109,131	2,242,561

Supplemental cash flows information

Non-cash related items:

Purchases of assets on credit	31,109	6,029	30,466	3,560
Transfers of properties foreclosed from debtors to settle debts	27,609	94,531	27,609	94,531
Bad debts written-off	76,111	305,893	76,111	305,893
Decrease in loans to customers due to debt forgiven	29,084	-	29,084	-

The accompanying notes are an integral part of the financial statements.



Land and Houses Bank Public Company Limited and its subsidiary

Notes to financial statements

For the years ended 31 December 2016 and 2015

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 2016, the Bank has 1 head office and 132 branches in Thailand (31 December 2015: 1 head office and 125 branches in Thailand).

2. Basis for preparation of financial statements

2.1 Basis for preparation of financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and the regulation of the Bank of Thailand ("BoT"), and their presentation of the financial statements has been made in compliance with the BoT's Notification No. Sor Nor Sor. 21/2558 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", dated 4 December 2015.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 4 to the financial statements regarding a summary of significant accounting policies.

The financial statements in Thai language are the official statutory financial statements of the Bank. The financial statements in English language have been translated from the financial statements in Thai language.

2.2 Basis of consolidation

- (a) As a result of the financial business group restructure on 1 March 2016, the Bank sold shares of Land and Houses Fund Management Company Limited ("LH Fund"), which is the subsidiary, to LH Financial Group Public Company Limited, which is the Bank's parent company. The Bank therefore included the financial statements of the subsidiary only up to 29 February 2016 in preparation of consolidated financial statements. The Bank restated items in statements of comprehensive income for the year ended 31 December 2015 for comparative purpose with those of the current year due to a separate presentation of performance between the continuing operation and the discontinued operation as a result of disposal of a subsidiary.

- (b) The Bank is deemed to have a control over an investee or a subsidiary if it has rights, or is exposed, to variable returns from its involvement with the entity it has invested, and it has the ability to direct the activities that affect the amount of its returns.
- (c) Subsidiary has been fully consolidated from the date on which the Bank has obtained control until the date when such control ceases.
- (d) The financial statements of the subsidiary are prepared for the same reporting period and use the same significant accounting policies as those of the Bank.
- (e) The significant outstanding balances and intercompany transactions have been eliminated from the consolidated financial statements until the date when such control ceases.
- (f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiary that is not held by the Bank, and are presented separately in the consolidated statements of comprehensive income and within owners' equity in the consolidated statements of financial position.

2.3 The separate financial statements

The Bank has prepared the separate financial statements, which have presented investment in a subsidiary under the cost method.

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Bank has adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Bank's financial statements.

3.2 Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The management of the Bank believes that the revised financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied.

4. Summary of significant accounting policies

4.1 Revenue recognition

(a) Interest and discount on loans 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. Management and registrar fees are recognised as revenues on an accrual basis, calculated based on percentages of the net asset value of the funds under the subsidiary's management or at rates stipulated in agreements.

(c) 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. The fair value of investment units that are not listed securities are determined based on their net asset value per unit at the end of the reporting periods.

Loss on impairment (if any) of investments is recognised in profit or loss.

In cases where there is reclassification of investment type from one type to another, such investments will be readjusted to their fair value as at the reclassification dates. The difference between the carrying amount and the fair value on the date of reclassification are recorded in profit or loss or other comprehensive income (loss), depending on the type of reclassified investment.

The Bank and its subsidiary record purchases and sales of investments on the transaction date. On disposal of an investment, the difference between net disposal proceeds and the cost of an investment is recognised in profit or loss. The Bank and its subsidiary use the weighted average method for computation of the cost of an investment when it is sold.

4.6 Investment in a subsidiary

Investment in a subsidiary, presented in the separate financial statements, is stated at cost net of allowance for impairment (if any).

4.7 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.

4.8 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 also takes into consideration debtors’ collection history, default experience and the value of the underlying collateral.

Allowance for doubtful accounts additionally set up (reversed) is charged to expense for each year.

Amounts written off as bad debts are deducted from allowance for doubtful accounts. Write offs are only made for loans which the subsidiary pursues the collection but has no prospect of further receipts. These procedures comply with BoT’s notification and guidelines. In case of recovery being made from bad debts, the recovered amount is recognised as revenue in the year they are recovered.

4.9 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 bad debts and doubtful account expenses.

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.

4.10 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 or expense in profit or loss when sold. Impairment loss is recognised as expenses in profit or loss.

4.11 Premises and equipment and depreciation

Land is stated at cost less allowance for impairment (if any). Buildings and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Depreciation is calculated by reference to their costs on the straight-line basis over the following estimated useful lives.

Buildings	-	20 years
Leasehold improvements	-	3 and 5 years
Furniture and fixtures	-	5 years
Office equipment	-	3 and 5 years
Vehicles	-	5 years

Depreciation is recognised in profit or loss.

No depreciation is provided on land and assets in progress.

An item of land, buildings and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

4.12 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.

4.13 Impairment of assets

At the end of each reporting period, the Bank and its subsidiary perform impairment reviews in respect of assets whenever events or changes in circumstances indicate that an asset may be impaired. The Bank and its subsidiary recognise impairment loss in profit or loss when the recoverable amount of asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, the calculations are based on the amount that they could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

4.14 Provisions for liabilities

Provisions for liabilities are recognised when the Bank and its subsidiary have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.15 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, its subsidiary and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank and its subsidiary. The fund's assets are held in a separate trust fund and the Bank and its subsidiary's contributions are recognised as expenses when incurred.

Defined benefit plan

The Bank and its subsidiary treat 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, or by its subsidiary's management using the actuarial discounted cash flow techniques.

Actuarial gains or losses arising from the defined benefit plan are recognised in other comprehensive income (loss) and directly charged to retained earnings.

4.16 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.

4.17 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which are also the Bank's and its subsidiary's functional currency. Items of each entity included in the consolidated financial statements of each entity are measured using the functional currency of that entity.

Transactions in foreign currencies, which occurred during the year, are translated into Thai Baht at the reference rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and commitment outstanding on the financial reporting date have been translated into Baht at the rates ruling at the end of the reporting periods.

Gains or losses on exchange are recognised as revenues or expenses in profit or loss and are presented as a part of net gains (losses) on trading and foreign exchange transactions.

4.18 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 and its subsidiary recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax loss carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax loss carried forward can be utilised.

At each reporting date, the Bank and its subsidiary review and reduce the carrying amount of deferred tax assets to the extent that they are no longer probable that sufficient taxable profit will be available to allow all or a part of deferred tax assets to be utilised.

The Bank and its subsidiary record deferred taxes directly to owners' equity if the taxes relate to items that are recorded directly to owners' equity.

4.19 Long-term leases

Leases that do not transfer substantially all the risks and rewards of ownership to the Bank and its subsidiary, 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.

4.20 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 and its subsidiary apply a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except when there is no active market of an identical assets or liabilities or when a quoted market price is not available. The Bank and its subsidiary measure fair value using a valuation technique that is appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of inputs to be used in fair value measurement as follows:

Level 1 Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 Use of unobservable inputs such as estimations of future cash flows

At the end of each reporting period, the Bank and its subsidiary determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting periods that are measured at fair value on a recurring basis.

4.21 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by the Bank and its subsidiary, whether directly or indirectly, or which are under common control with the Bank and its subsidiary.

They also include individuals which directly or indirectly own a voting interest in the Bank and its subsidiary that give them significant influence over the Bank and its subsidiary, key management personnel, directors, and officers with authority in the planning and direction of the Bank and its subsidiary'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 and its subsidiary consider setting up an allowance for impairment on investments whenever there is an indication of impairment. The management is required to use judgment in loss estimation of each item, based on analysis of current status.

5.3 Allowance for doubtful accounts

Allowance for doubtful accounts on loans 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.

5.10 Assessment of investment funds as structured entities

In determining whether the funds, in which the subsidiary provides asset management services to, are structured entities, the management is required to use judgement, taking in to consideration the voting rights and other similar rights afforded to other parties in these funds, including the rights to remove the subsidiary as a fund manager, liquidate the funds, or redeem holdings in the funds and has concluded as to whether these rights are the dominant factor in deciding who controls the funds.

6. Interbank and money market items (assets)

(Unit: Thousand

Baht)

	Consolidated financial statements		
	31 December 2015		
	At call	Term	Total
Domestic			
Bank of Thailand	1,525,088	-	1,525,088
Commercial banks	102,916	1,600,000	1,702,916
Other financial institutions	6,252,785	8,430,000	14,682,785
Total domestic items	7,880,789	10,030,000	17,910,789
Add: Accrued interest receivables	4,721	8,924	13,645
Less: Allowance for doubtful accounts	(62,528)	(100,300)	(162,828)
Interbank and money market items - net	7,822,982	9,938,624	17,761,606

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2016			31 December 2015		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand	1,562,923	-	1,562,923	1,525,088	-	1,525,088
Commercial banks	198,213	-	198,213	83,455	1,600,000	1,683,455
Other financial institutions	4,540,000	11,809,172	16,349,172	6,252,785	8,430,000	14,682,785
Total domestic items	6,301,136	11,809,172	18,110,308	7,861,328	10,030,000	17,891,328
Add: Accrued interest receivables	4,899	9,316	14,215	4,702	8,924	13,626
Less: Allowance for doubtful accounts	(45,400)	(118,092)	(163,492)	(62,528)	(100,300)	(162,828)
Interbank and money market items - net	6,260,635	11,700,396	17,961,031	7,803,502	9,938,624	17,742,126

7. Derivative assets/liabilities

As at 31 December 2016 and 2015, the carrying values and the notional amounts of derivatives held for banking book of the Bank were classified by type of risk as follows:

(Unit: Thousand Baht)

Types of risk	Separate financial statements		
	31 December 2016		
	Carrying value		Notional amounts *
	Assets	Liabilities	
Foreign exchange rate and interest rate	2,858	-	1,146,582
Total	2,858	-	1,146,582

* Disclosed only in case that the Bank has an obligation to pay.

(Unit: Thousand Baht)

Types of risk	Consolidated and separate financial statements		
	31 December 2015		
	Carrying value		Notional amounts *
	Assets	Liabilities	
Foreign exchange rate and interest rate	-	5,395	1,154,835
Total	-	5,395	1,154,835

* 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)

	Consolidated financial statements	Separate financial statements	
	31 December 2015	31 December 2016	31 December 2015
<u>Available-for-sale investments - fair value</u>			
Domestic listed securities			
- Stocks	31,500	-	-
- Investment units	1,322,794	4,169,389	1,135,554
Investment units	20,147	-	-
Total available-for-sale investments	1,374,441	4,169,389	1,135,554
<u>Held-to-maturity investments - cost/amortised cost</u>			
Government and state enterprise securities	22,073,899	18,313,426	22,073,899
Private sector debt securities	17,399,344	22,417,366	17,399,344
Other debt securities	5,350,963	5,072,679	5,350,963
Total held-to-maturity investments	44,824,206	45,803,471	44,824,206
<u>General investments - cost</u>			
Domestic non-marketable equity securities - stocks	5,281	5,281	5,281
Less: Allowance for impairment	(25)	(25)	(25)
General investments - net	5,256	5,256	5,256
Investments - net	46,203,903	49,978,116	45,965,016

8.2 Classified by remaining periods to maturity of the debt securities

(Unit: Thousand Baht)

	Separate financial statements				Consolidated and separate financial statements			
	31 December 2016				31 December 2015			
	Due within				Due within			
	Within 1 year	1 - 5 years	Over 5 years	Total	Within 1 year	1 - 5 years	Over 5 years	Total
Held-to-maturity investments								
Government and state enterprise securities				18,313,42				22,073,89
Private sector debt securities	1,551,094	9,591,900	7,170,432	6	2,953,454	6,687,055	12,433,390	9
Other debt securities	267,854	12,174,51	9,975,000	6	760,157	4,644,187	11,995,000	4
	-	1,926,097	3,146,582	5,072,679	-	2,196,128	3,154,835	5,350,963
Total held-to-maturity investments	1,818,948	23,692,50	20,292,01	45,803,47	3,713,611	13,527,37	27,583,22	44,824,20
Total investments in debt securities	1,818,948	23,692,50	20,292,01	45,803,47	3,713,611	13,527,37	27,583,22	44,824,20

8.3 Revaluation surplus (deficit) on available-for-sale investments

As at 31 December 2016 and 2015, revaluation surplus (deficit) on available-for-sale investments consisted of:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	31 December 2015	31 December 2016	31 December 2015
Revaluation surplus on the reclassified investments			
Debt securities	3,959	1,474	3,959
Total	3,959	1,474	3,959
Revaluation deficit on the reclassified investments			
Debt securities	(8,093)	(150,374)	(8,093)
Total	(8,093)	(150,374)	(8,093)
Revaluation surplus on investments			
Equity securities	57,501	115,993	56,337
Total	57,501	115,993	56,337
Revaluation deficit on investments			
Equity securities	(63,261)	(69,906)	(48,847)
Total	(63,261)	(69,906)	(48,847)
Revaluation surplus (deficit) on available-for-sale investments	(9,894)	(102,813)	3,356
Add (less): Income taxes	2,637	20,562	(672)
Revaluation surplus (deficit) on available-for-sale investments - net of income taxes	(7,257)	(82,251)	2,684

For the years ended 31 December 2016 and 2015, changes in revaluation surplus (deficit) on available-for-sale investments are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	For the year ended 31 December 2015	For the years ended 31 December	
		2016	2015
Balances - beginning of the years	(27,927)	2,684	(14,260)
Unrealised gains on revaluation of available-for-sale investments during the years	34,256	92,251	26,320
Realised gains from sales transferred to be recognised in profit or loss	(5,602)	(46,946)	(3,984)
Losses from reclassification of investments	-	(152,160)	-
Amortisation of revaluation (surplus) deficit on the reclassified investments	(1,156)	686	(1,156)
Total gains (losses) on revaluation of available-for-sale investments	27,498	(106,169)	21,180
Add (less): Income taxes	(6,828)	21,234	(4,236)
Gains (losses) on revaluation of available-for-sale investments - net of income taxes	20,670	(84,935)	16,944
Balances - end of the years	(7,257)	(82,251)	2,684

8.4 Investments in companies having problems relating to financial position and operating results

(Unit: Thousand Baht)

	Consolidated and separate financial statements				Consolidated and separate financial statements			
	Separate financial statements				statements			
	31 December 2016				31 December 2015			
	Number of companies	Cost	Fair value	Allowance for impairment	Number of companies	Cost	Fair value	Allowance for impairment
General investments								
Companies which auditors' report indicating going concern issues	1	25	-	25	1	25	-	25
	1	25	-	25	1	25	-	25

8.5 Investments subject to restriction

As at 31 December 2016, the Bank placed government and state enterprise securities totaling Baht 2,911 million (face value) as securities against those sold under repurchase agreements (31 December 2015: Nil).

8.6 Reclassification of investment types

During the year ended 31 December 2016, the Bank reclassified its investments in government and state enterprise securities from available-for-sale investments to be held-to-maturity debt securities, as approved by the resolution of its Executive Director Committee, whereby the fair value at the reclassification date and the original cost of the reclassified investments amounted to Baht 3,634 million and Baht 3,786 million, respectively, and the difference of Baht 152 million was recognised as revaluation deficit on investments in owners' equity, which will be amortised throughout the remaining periods of such investments.

9. Investment in a subsidiary

Investment in a subsidiary, as presented in the separate financial statements as at 31 December 2015, is an investment in the ordinary shares of Land and Houses Fund Management Company Limited, which has been operating a fund management business. Details are as follows:

(Unit: Thousand Baht)

Company's name	31 December 2015		
	Issued and paid-up capital	Shareholding percentage (Percent)	Cost
Land and Houses Fund Management Company Limited	300,000	99.99	257,289

On 1 March 2016, the Bank disposed of an investment in a subsidiary in which the carrying held 99.99 percent of the issued and paid-up share capital for a price equivalent to the carrying value of net asset of the subsidiary as at the end of February 2016, amounting to Baht 325 million, to LH Financial Group Public Company Limited, which is the Bank's parent company. The Bank recognised gains on sale of investments (presented as part of "Gains on investments" in statement of comprehensive income) as follows:

(Unit: Thousand Baht)

	Consolidated financial statements For the year ended 31 December 2016	Separate financial statements For the year ended 31 December 2016
Selling price	325,417	325,417
Carrying value of a subsidiary in the consolidated financial statements/Cost value of investment in a subsidiary in the separate financial statements	325,417	257,289
Gains on sale of investment in a subsidiary	-	68,128

Net asset value of Land and Houses Fund Management Company Limited as at the date the Bank disposed investment in a subsidiary as follows:

(Unit: Thousand Baht)

29 February 2016

Assets

Interbank and money market items - net	783,107
Investments - net	252,242
Equipment - net	7,288
Intangible assets - net	11,801
Deferred tax assets	1,543
Other assets - net	44,586
Total assets	1,100,567

Liabilities

Accrued expenses	8,141
Provisions for liabilities	3,430
Tax payable	3,137
Accounts payable on securities trading	757,240
Other liabilities	3,202
Total liabilities	775,150
Net asset value	325,417

10. Loans to customers and accrued interest receivables

10.1 Classified by loan types

(Unit: Thousand Baht)

	Separate financial statements 31 December 2016	Consolidated and separate financial statements 31 December 2015
Overdrafts	4,798,901	4,824,858
Loans	98,525,852	98,991,433
Bills	36,751,326	27,160,819
Hire purchase receivables	1,160,357	1,929,567
Total loans to customers	141,236,436	132,906,677
Less: Deferred revenue	(91,770)	(179,447)
Loans to customers net of deferred revenue	141,144,666	132,727,230
Add: Accrued interest receivables	229,428	222,888
Total loans to customers and accrued interest receivables	141,374,094	132,950,118
Less: Allowance for doubtful accounts	(3,078,627)	(2,555,273)
Revaluation allowance for debt restructuring	(15,232)	(8,740)
Loans to customers and accrued interest receivables - net	138,280,235	130,386,105

10.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	Separate financial statements			Consolidated and separate financial statements		
	31 December 2016			31 December 2015		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	141,144,666	-	141,144,666	132,727,230	-	132,727,230
	<u>141,144,666</u>	<u>-</u>	<u>141,144,666</u>	<u>132,727,230</u>	<u>-</u>	<u>132,727,230</u>

10.3 Classified by business types and loan classification

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2016					
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	488,398	-	-	-	-	488,398
Manufacturing and commerce	27,009,922	326,264	41,264	38,757	428,419	27,844,626
Real estate and construction	19,836,069	142,477	131,439	258,518	421,405	20,789,908
Public utilities and services	36,795,085	363,584	624,195	36,729	254,644	38,074,237
Housing loans	28,365,779	262,237	108,099	282,226	116,548	29,134,889
Financial intermediation	22,757,226	-	-	-	-	22,757,226
Others	1,989,735	41,972	7,009	5,622	11,044	2,055,382
Loans to customers net of deferred revenue	<u>137,242,214</u>	<u>1,136,534</u>	<u>912,006</u>	<u>621,852</u>	<u>1,232,060</u>	<u>141,144,666</u>

(Unit: Thousand Baht)

	Consolidated and separate financial statements					
	31 December 2015					
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	386,132	-	-	-	-	386,132
Manufacturing and commerce	26,743,365	100,393	92,607	89,561	364,834	27,390,760
Real estate and construction	17,647,624	185,462	6,890	870,121	137,643	18,847,740
Public utilities and services	33,697,857	243,855	68,786	286,219	127,879	34,424,596
Housing loans	28,686,648	410,235	169,936	207,401	338,513	29,812,733
Financial intermediation	19,749,144	-	-	-	-	19,749,144
Others	2,027,746	34,118	8,864	17,964	27,433	2,116,125
Loans to customers net of deferred revenue	<u>128,938,516</u>	<u>974,063</u>	<u>347,083</u>	<u>1,471,266</u>	<u>996,302</u>	<u>132,727,230</u>

10.4 Classified by loan classification

(Unit: Thousand Baht)

	Separate financial statements			
	31 December 2016			
	Loans to customers and accrued interest receivables	Net amount used for setting allowance for doubtful accounts ⁽¹⁾	Minimum rates	Allowance for doubtful accounts
			(Percent)	
Provision at BoT’s minimum required rates				
Pass	137,462,167	58,494,562	1	812,374
Special-mention	1,146,009	239,510	2	168,479
Sub-standard	912,006	202,312	100	202,312
Doubtful	621,852	48,580	100	49,614
Doubtful of loss	1,232,060	313,070	100	320,919
Total	141,374,094	59,298,034		1,553,698
Additional provision for specific debtors				571,544
General provision				953,385
Total				3,078,627

⁽¹⁾ For loans classified as pass and special-mention, net amount used for setting allowance for doubtful accounts means principal balance excluding accrued interest receivables and net of collateral. For loans classified as sub-standard, doubtful and doubtful of loss, it means the principal balance after deduction of the present value of future cash flows expected to be received from debt collection or from the disposal of collateral.

(Unit: Thousand Baht)

	Consolidated and separate financial statements			
	31 December 2015			
	Loans to customers and accrued interest receivables	Net amount used for setting allowance for doubtful accounts ⁽¹⁾	Minimum rates	Allowance for doubtful accounts
			(Percent)	
Provision at BoT's minimum required rates				
Pass	129,150,528	49,804,924	1	498,049
Special-mention	984,939	142,554	2	2,851
Sub-standard	347,083	108,239	100	108,239
Doubtful	1,471,266	367,301	100	367,301
Doubtful of loss	996,302	347,820	100	347,820
Total	132,950,118	50,770,838		1,324,260
Additional provision for specific debtors				508,603
General provision				722,410
Total				2,555,273

⁽¹⁾ For loans classified as pass and special-mention, net amount used for setting allowance for doubtful accounts means principal balance excluding accrued interest receivables and net of collateral. For loans classified as sub-standard, doubtful and doubtful of loss, it means the principal balance after deduction of the present value of future cash flows expected to be received from debt collection or from the disposal of collateral.

10.5 Non-performing loans

As at 31 December 2016 and 2015, the Bank has the following non-performing loans:

	Separate financial statements 31 December 2016	Consolidated and separate financial statements 31 December 2015
Non-performing loans (Thousand Baht)	2,765,918	2,814,651
Percentage of non-performing loans to total loans ⁽¹⁾	1.76%	1.89%

⁽¹⁾ The denominator base included interbank and money market items

Non-performing loans calculated based on the notification of the BoT. Those include sub-standard, doubtful and doubtful of loss, and exclude outstanding loans for which debt restructuring agreements have been made and which have already met the conditions for upgrading to pass or special-mention under the BoT's criteria.

10.6 Non-accrued loans to customers

As at 31 December 2016 and 2015, the Bank has the following loans to customers on which interest income recognition has been ceased on an accrual basis:

	Separate financial statements 31 December 2016	Consolidated and separate financial statements 31 December 2015
Non-accrued loans (Thousand Baht)	2,796,969	2,853,721
Percentage of non-accrued loans to total loans ⁽¹⁾	1.78%	1.92%

⁽¹⁾ The denominator base included interbank and money market items

10.7 Loans to customers that have repayment problems or defaulted payments

As at 31 December 2016 and 2015, the Bank has loans to customers and accrued interest receivables due from companies and persons, which have repayment problems or defaulted payments, against which allowance for doubtful accounts, has been made as follows:

(Unit: Thousand Baht)

	Separate financial statements			
	31 December 2016			
	Number of debtors	Debt balances	Collateral value	Allowance for doubtful accounts/Revaluation allowance
Companies and persons that have repayment problems or defaulted payments	306	3,911,927	3,098,981	745,957

(Unit: Thousand Baht)

	Consolidated and separate financial statements			
	31 December 2015			
	Number of debtors	Debt balances	Collateral value	Allowance for doubtful accounts/Revaluation allowance
Companies and persons that have repayment problems or defaulted payments	459	3,799,590	2,822,801	826,696

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.

10.8 Troubled debt restructuring

For the years ended 31 December 2016 and 2015, the Bank had completed restructuring of troubled debts, which was summarised as follows:

(Unit: Thousand Baht)

Separate financial statements							
For the year ended 31 December 2016							
	Number of debtors	Debt balances (principal and accrued interest receivables)		Type of assets to be transferred	Amount of assets to be transferred agreement	Debt hair-cut loss per agreements	Losses on debt restructuring ⁽¹⁾
		Before restructuring	After restructuring				
Modification of terms of payments	69	2,173,622	2,173,622	-	-	-	10,290
Transfers of assets and/or modification of terms of payments	1	41,062	12,322	Lands and construction thereon	1,274	28,740	-
Total restructured debts	70	2,214,684	2,185,944			28,740	10,290

⁽¹⁾ Losses on debt restructuring are the amounts before deducting allowance for doubtful accounts already provided in the accounts on the restructuring dates.

(Unit: Thousand Baht)

Consolidated and separate financial statements			
For the year ended 31 December 2015			
	Number of debtors	Debt balances (principal and accrued interest receivables)	
		Before restructuring	After restructuring
Modification of terms of payments	82	1,128,339	1,128,339
Total restructured debts	82	1,128,339	1,128,339

⁽¹⁾ Losses on debt restructuring are the amounts before deducting allowance for doubtful accounts already provided in the accounts on the restructuring dates.

For the years ended 31 December 2016 and 2015, the debts restructured as referred to above can be classified by terms of repayment under the restructuring agreements as follows:

Term of repayment under restructuring agreements	Separate financial statements		(Unit: Thousand Baht) Consolidated and separate financial statements	
	For the year ended 31 December 2016		For the year ended 31 December 2015	
	Number	Debt balances	Number	Debt balances
	of debtors	after restructuring	of debtors	after restructuring
Less than 5 years	17	663,305	6	124,886
5 - 10 years	36	953,913	27	401,117
10 - 15 years	3	510,643	10	439,511
More than 15 years	14	58,083	39	162,825
Total	70	2,185,944	82	1,128,339

Supplemental information for the years ended 31 December 2016 and 2015, relating to the restructured debts, are as follows:

	(Unit: Thousand Baht)	
	Separate financial statements	Consolidated and separate financial statements
	For the year ended 31 December 2016	For the year ended 31 December 2015
Interest income recognised in profit or loss	139,859	162,529
Cash settlement by debtors	780,586	747,374
Transfers of assets from debtors	1,274	-
Losses on debt restructuring	10,290	9,429
Debt hair-cut loss per agreements	28,740	-

As at 31 December 2016 and 2015, 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)
31 December 2016	12,870	141,374,094
31 December 2015	12,488	132,950,118

As at 31 December 2016 and 2015, the Bank had no outstanding commitments to provide additional loan facilities after restructuring.

10.9 Hire purchase receivables

As at 31 December 2016 and 2015, the Bank had hire purchase receivables, on which the terms of the agreements are generally between 2 and 8 years and they carry interest at fixed rates stipulated in the agreements.

(Unit: Thousand Baht)

Separate financial statements				
31 December 2016				
Amounts due under the contracts				
	Less than 1 year	1 - 5 years	More than 5 years	Total
Aggregate initial investments under the hire purchase agreements	581,128	579,187	42	1,160,357
Less: Deferred revenue	(50,567)	(37,565)	-	(88,132)
Present value of minimum lease payments	530,561	541,622	42	1,072,225
Less: Allowance for doubtful accounts				(84,406)
Hire purchase receivables - net				987,819

(Unit: Thousand Baht)

Consolidated and separate financial statements				
31 December 2015				
Amounts due under the contracts				
	Less than 1 year	1 - 5 years	More than 5 years	Total
Aggregate initial investments under the hire purchase agreements	796,365	1,104,003	29,199	1,929,567
Less: Deferred revenue	(89,072)	(83,615)	(691)	(173,378)
Present value of minimum lease payments	707,293	1,020,388	28,508	1,756,189
Less: Allowance for doubtful accounts				(65,933)
Hire purchase receivables - net				1,690,256

11. Allowance for doubtful accounts

(Unit: Thousand Baht)

	Separate financial statements							
	For the year ended 31 December 2016							
	Provision at BoT's minimum required rates					Additional provision for		Total
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss	specific debtors	General provision	
Balances - beginning of the year	498,049	2,851	108,239	367,301	347,820	508,603	722,410	2,555,273
Increase (decrease) during the year	448,487	183,193	134,900	(180,052)	120,723	62,941	209,201	979,393
Bad debts written off	-	-	(3,072)	(52,804)	(18,841)	-	-	(74,717)
Decrease as a result of disposals	(134,162)	(17,565)	(37,755)	(56,091)	(116,494)	-	-	(362,067)
Transfer to revaluation allowance for debts restructuring	-	-	-	(28,740)	-	-	21,774	(6,966)
Transfer to allowance for doubtful accounts of other assets	-	-	-	-	(11,569)	-	-	(11,569)
Others	-	-	-	-	(720)	-	-	(720)
Balances - end of the year	<u>812,374</u>	<u>168,479</u>	<u>202,312</u>	<u>49,614</u>	<u>320,919</u>	<u>571,544</u>	<u>953,385</u>	<u>3,078,627</u>

(Unit: Thousand Baht)

	Consolidated and separate financial statements							
	For the year ended 31 December 2015							
	Provision at BoT's minimum required rates					Additional provision for		Total
	Pass	Special-mention	Sub-standard	Doubtful	Doubtful of loss	specific debtors	General provision	
Balances - beginning of the year	411,844	2,495	87,312	140,544	617,646	380,000	428,290	2,068,131
Increase during the year	86,567	6,364	30,187	301,047	124,396	128,603	356,736	1,033,900
Bad debts written off	-	-	-	(20,265)	(284,158)	-	-	(304,423)
Decrease as a result of disposals	(362)	(6,008)	(9,260)	(54,025)	(100,171)	-	(61,423)	(231,249)
Transfer to revaluation allowance for debts restructuring	-	-	-	-	-	-	(1,193)	(1,193)
Transfer to allowance for doubtful accounts of other assets	-	-	-	-	(9,893)	-	-	(9,893)
Balances - end of the year	<u>498,049</u>	<u>2,851</u>	<u>108,239</u>	<u>367,301</u>	<u>347,820</u>	<u>508,603</u>	<u>722,410</u>	<u>2,555,273</u>

12. Revaluation allowance for debt restructuring

	Separate financial statements	(Unit: Thousand Baht) Consolidated and separate financial statements
	For the year ended 31 December 2016	For the year ended 31 December 2015
Balances - beginning of the years	8,740	7,547
Increase during the years	39,030	9,429
Decrease during the years	(6,866)	(9,676)
Debt hair-cut loss per agreements	(28,740)	-
Adjustment during the years	3,068	1,440
Balances - end of the years	15,232	8,740

13. Disposals of non-performing loans

In 2016 and 2015, the Bank entered into the sale and purchase agreements, as a seller, to sell non-performing loans, are summarised as follows:

		For the year ended 31 December 2016		For the year ended 31 December 2015		
		Outstanding balances (including relevant other assets)	Selling price	Month sold	Outstanding balances (including relevant other assets)	Selling price
Batch	Month sold					
1	September	534	391	June	314	194
2	December	519	288	December	299	180
		1,053	679		613	374

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 September 2017 (for the first batch in 2016) and December 2017 (for the second batch in 2016) 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. However, up to the authorisation date of these financial statements, the buyer has yet to cancel any assets sold.

14. Properties foreclosed

(Unit: Thousand Baht)

	Separate financial statements			
	For the year ended 31 December 2016			
	1 January 2016	Increase	Disposal	Change of appraisers
Properties foreclosed - Immovable assets				
Appraised by external appraisers:				
Cost	21,473	25,431	(4,007)	(18,410)
Allowance for impairment	-	-	-	-
Net book value	21,473	25,431	(4,007)	(18,410)
Appraised by internal appraisers:				
Cost	77,867	6,099	(23,101)	18,410
Allowance for impairment	-	-	-	-
Net book value	77,867	6,099	(23,101)	18,410
Properties foreclosed - Immovable assets	99,340	31,530	(27,108)	-
Properties foreclosed - Movable assets				
Appraised by external appraisers:				
Cost	-	5,400	(1,840)	-
Allowance for impairment	-	-	-	-
Net book value	-	5,400	(1,840)	-
Properties foreclosed - Movable assets	-	5,400	(1,840)	-
Total properties foreclosed	99,340	36,930	(28,948)	-

(Unit: Thousand Baht)

	Consolidated and separate financial statements		
	For the year ended 31 December 2015		
	1 January 2015	Increase	Disposal
Properties foreclosed - Immovable assets			
Appraised by external appraisers:			
Cost	11,268	10,205	-
Allowance for impairment	-	-	-
Net book value	11,268	10,205	-
Appraised by internal appraisers:			
Cost	41,541	46,605	(10,279)
Allowance for impairment	-	-	-
Net book value	41,541	46,605	(10,279)
Total properties foreclosed	52,809	56,810	(10,279)

As at 31 December 2016 and 2015, 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.

15. Premises and equipment

(Unit: Thousand Baht)

	Separate financial statements							Total
	Land	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicles	Assets in progress	
Cost								
1 January 2015	40,589	10,211	384,448	129,276	477,962	16,807	-	1,059,293
Additions	-	-	19,739	7,579	76,890	-	1,852	106,060
Written-offs/disposals	-	-	(4,815)	(868)	(12,554)	-	-	(18,237)
Transferred in (out)	-	-	-	126	-	1,726	(1,852)	-
31 December 2015	40,589	10,211	399,372	136,113	542,298	18,533	-	1,147,116
Additions	-	-	15,421	8,194	23,914	6,100	6,038	59,667
Written-offs/disposals	-	-	(6,123)	(934)	(14,308)	(4,656)	-	(26,021)
Transferred in (out)	-	-	5,834	204	-	-	(6,038)	-
31 December 2016	40,589	10,211	414,504	143,577	551,904	19,977	-	1,180,762
Accumulated depreciation								
1 January 2015	-	966	201,589	77,391	309,794	6,900	-	596,640
Accumulated depreciation on written-offs/disposals	-	-	(2,995)	(715)	(12,453)	-	-	(16,163)
Depreciation charged for the year	-	511	63,084	18,935	72,018	3,051	-	157,599
31 December 2015	-	1,477	261,678	95,611	369,359	9,951	-	738,076
Accumulated depreciation on written-offs/disposals	-	-	(5,004)	(858)	(14,160)	(4,656)	-	(24,678)
Depreciation charged for the year	-	511	59,242	17,695	68,869	3,170	-	149,487
31 December 2016	-	1,988	315,916	112,448	424,068	8,465	-	862,885
Net book value								
31 December 2015	40,589	8,734	137,694	40,502	172,939	8,582	-	409,040
31 December 2016	40,589	8,223	98,588	31,129	127,836	11,512	-	317,877
Depreciation for the years								
2015								157,599
2016								149,487

As at 31 December 2016 and 2015, the Bank has 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 462 million and Baht 314 million, respectively.

16. Intangible assets

(Unit: Thousand Baht)

	Separate financial statements			Total
	Computer softwares	Deferred membership and license fee	Computer softwares under development	
Cost				
1 January 2015	444,763	26,750	30,344	501,857
Additions	43,102	6,420	6,842	56,364
Transferred in (out)	873	-	(873)	-
31 December 2015	488,738	33,170	36,313	558,221
Additions	47,262	2,091	12,715	62,068
Transferred in (out)	17,642	-	(17,642)	-
31 December 2016	553,642	35,261	31,386	620,289
Accumulated amortisation				
1 January 2015	307,958	9,960	-	317,918
Amortisation charged for the year	55,821	3,211	-	59,032
31 December 2015	363,779	13,171	-	376,950
Amortisation charged for the year	59,647	3,447	-	63,094
31 December 2016	423,426	16,618	-	440,044
Net book value				
31 December 2015	124,959	19,999	36,313	181,271
31 December 2016	130,216	18,643	31,386	180,245
Amortisation for the years				
2015				59,032
2016				63,094
Remaining amortisation periods (years)	0 - 5	4, 8 and 9	-	

As at 31 December 2016 and 2015, the Bank has 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 to Baht 246 million and Baht 203 million, respectively.

17. Deferred tax assets and income taxes

17.1 Deferred tax assets

The components of deferred tax assets include deferred income taxes arose from the following transactions:

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 December 2015	Change in deferred income taxes for the year ended 31 December 2015
Deferred tax assets arose from:		
Allowance for doubtful accounts - general provision	144,482	58,824
Allowance for doubtful accounts - other assets	6,304	611
Non-accrued interest income	10,481	4,012
Assets written off	2,271	(2,877)
Bad debts written off	11,505	(166)
Provisions for employee benefits	16,020	2,471
Vacation leave accruals	1,200	-
Unutilised tax losses	-	(2,376)
Unrealised losses on revaluation of available-for-sale investments	2,637	(6,828)
Deferred tax assets	194,900	
Total		53,671
Changes in deferred income taxes:		
Recognised in profit or loss		60,887
Recognised in other comprehensive income (loss)		(7,216)
Total		53,671

(Unit: Thousand Baht)

	Separate financial statements			
	31 December		Changes in deferred income taxes for the years ended	
	2016	2015	2016	2015
Deferred tax assets arose from:				
Allowance for doubtful accounts				
- general provision	190,677	144,482	46,195	58,824
Allowance for doubtful accounts				
- other assets	10,235	6,304	3,931	611
Non-accrued interest income	9,690	10,481	(791)	4,012
Assets written off	939	2,028	(1,089)	(2,778)
Bad debts written off	11,505	11,505	-	(166)
Provisions for employee benefits	18,638	15,380	3,258	2,329
Vacation leave accruals	1,200	1,200	-	-
Unrealised (gains) losses on revaluation of				
available-for-sale investments	20,562	(672)	21,234	(4,236)
Deferred tax assets	263,446	190,708		
Total			72,738	58,596
Changes in deferred income taxes:				
Recognised in profit or loss			51,504	63,137
Recognised in other comprehensive income (loss)			21,234	(4,541)
Total			72,738	58,596

17.2 Income taxes

Income tax expenses reported in profit or loss for the years ended 31 December 2016 and 2015 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
	(Restated)			
Continuing operations				
Current income taxes:				
Corporate income taxes for the years	(665,222)	(460,369)	(665,222)	(460,369)
Deferred income taxes:				
Deferred income taxes from temporary differences and reversal of temporary differences	51,504	63,137	51,504	63,137
Income tax expenses reported in profit or loss	<u>(613,718)</u>	<u>(397,232)</u>	<u>(613,718)</u>	<u>(397,232)</u>
Discontinued operations				
Current income taxes:				
Corporate income taxes for the years	(2,649)	(2,967)	-	-
Deferred income taxes:				
Deferred income taxes from temporary differences and reversal of temporary differences	30	(2,250)	-	-
Income tax expenses reported in profit or loss	<u>(2,619)</u>	<u>(5,217)</u>	<u>-</u>	<u>-</u>

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2016 and 2015 multiplied by the applicable tax rate are as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	For the years ended		For the years ended	
	31 December		31 December	
	2016	2015	2016	2015
	(Restated)			
Accounting profits before income tax				
expenses - continuing operations	3,042,866	2,012,176	3,116,021	2,027,888
Accounting profits before income tax				
expenses - discontinued operations	20,252	51,007	-	-
Total accounting profits before income				
tax expenses	3,063,118	2,063,183	3,116,021	2,027,888
Applicable tax rate	20%	20%	20%	20%
Income taxes calculated based on				
accounting profits	(612,624)	(412,637)	(623,204)	(405,578)
Tax effects of:				
Tax-exempted revenues	15,810	8,586	15,810	7,808
Expenses with additional privilege for				
more tax-deductible	2,462	2,294	2,462	2,293
Non-tax deductible expenses	(1,686)	(1,469)	(1,645)	(1,393)
Others	(20,299)	777	(7,141)	(362)
Income tax expenses reported in profit				
or loss	(616,337)	(402,449)	(613,718)	(397,232)
Income tax expenses - continuing				
operations	(613,718)	(397,232)	(613,718)	(397,232)
Income tax expenses - discontinued				
operations	(2,619)	(5,217)	-	-
Total income tax expenses	(616,337)	(402,449)	(613,718)	(397,232)

The amounts of income tax recognised in other comprehensive income (loss) for the years ended 31 December 2016 and 2015 are summarised below:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2016	2015	2016	2015
	(Restated)			
Continuing operations				
Deferred tax relating to:				
(Gains) losses on revaluation of available-				
for-sale investments	21,234	(4,236)	21,234	(4,236)
Actuarial gains	-	(305)	-	(305)
Income tax reported in other comprehensive				
income (loss)	21,234	(4,541)	21,234	(4,541)
Discontinued operations				
Deferred tax relating to:				
Gains on revaluation of				
available-for-sale investments	-	(2,592)	-	-
Actuarial gains	-	(83)	-	-
Income tax reported in other comprehensive				
income (loss)	-	(2,675)	-	-

18. Other assets

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	31 December	31 December	
	2015	2016	2015
Deposits and guarantees	73,450	80,266	71,795
Suspense accounts - debtors	44,639	53,420	44,639
Deferred expenses	55,206	28,913	55,206
Prepaid expenses	24,797	26,380	18,294
Receivables on disposals of properties foreclosed through auctions	61,328	20,244	61,328
Token money	15,029	19,891	15,029
Accrued income	33,356	14,753	21,298
Income tax awaiting refund	7,065	-	-
Others	7,648	6,174	7,299
Total	322,518	250,041	294,888
Less: Allowance for doubtful accounts/ allowance for impairment	(34,970)	(51,173)	(34,970)
Other assets - net	287,548	198,868	259,918

19. Quality of assets

As at 31 December 2016 and 2015, the Bank had assets categorised in compliance with the regulations of the BoT as follows:

(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2016				
	Interbank and money market items and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets	Total
<u>Classification of assets</u>					
Pass	16,363,387	-	137,462,167	-	153,825,554
Special-mention	-	-	1,146,009	-	1,146,009
Sub-standard	-	-	912,006	-	912,006
Doubtful	-	-	621,852	-	621,852
Doubtful of loss	-	71,725	1,232,060	51,173	1,354,958

Separate financial statements				
31 December 2016				
Total	Interbank and money market items and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets
				Total
	16,363,387	71,725	141,374,094	51,173
				157,860,379

(Unit: Thousand Baht)

Separate financial statements				
31 December 2015				
Classification of assets	Interbank and money market items and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets
				Total
Pass	16,296,411	-	129,150,528	-
Special-mention	-	-	984,939	-
Sub-standard	-	-	347,083	-
Doubtful	-	-	1,471,266	-
Doubtful of loss	-	50,665	996,302	34,970
Total	16,296,411	50,665	132,950,118	34,970
				149,332,164

20. Deposits

20.1 Classified by type of deposits

		(Unit: Thousand Baht)	
		Separate financial statements	Consolidated and separate financial statements
		31 December 2016	31 December 2015
Demand deposits		5,061,089	5,678,018
Savings deposits		65,119,722	51,887,271
Time deposits		50,648,233	41,212,825
Fixed deposit receipts		28,810,455	38,521,981
Total deposits		149,639,499	137,300,095

20.2 Classified by currency and residency of depositors

(Unit: Thousand Baht)

	Separate financial statements			Consolidated and separate financial statements		
	31 December 2016			31 December 2015		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	149,639,499	-	149,639,499	137,300,095	-	137,300,095
Total	149,639,499	-	149,639,499	137,300,095	-	137,300,095

21. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements		
	31 December 2015		
	At call	Term	Total
Domestic:			
Bank of Thailand	-	5,322,595	5,322,595
Commercial banks	8,952	1,001,000	1,009,952
Specialised financial institutions	-	7,696,982	7,696,982
Other financial institutions	2,062,002	4,549,543	6,611,545
Total interbank and money market items	2,070,954	18,570,120	20,641,074

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2016			31 December 2015		
	At call	Term	Total	At call	Term	Total
Domestic:						
Bank of Thailand	-	4,451,250	4,451,250	-	5,322,595	5,322,595
Commercial banks	5	2,001,000	2,001,005	8,952	1,001,000	1,009,952
Specialised financial institutions	-	9,445,053	9,445,053	-	7,696,982	7,696,982
Other financial institutions	1,238,183	2,918,335	4,156,518	2,086,800	4,549,543	6,636,343
Total interbank and money market items	1,238,188	18,815,638	20,053,826	2,095,752	18,570,120	20,665,872

22. Debts issued and borrowings

(Unit: Thousand Baht)

	Separate financial statements					Consolidated and separate financial statements				
	31 December 2016					31 December 2015				
	Interest rate per annum	Matured in year	Domestic	Overseas as	Total	Interest rate per annum	Matured in year	Domestic	Overseas	Total
Bills of exchange	1.50%-1.75%	2017	14,064,151	-	14,064,151	1.40%-1.90%	2016	17,820,500	-	17,820,500
Subordinated debentures ⁽¹⁾	5.125%	2025	4,000,000	-	4,000,000	5.125%	2025	4,000,000	-	4,000,000
Unsubordinated and unsecured debentures	1.95%	2017	2,400,000	-	2,400,000	-	-	-	-	-
Borrowings from Department of Alternative Energy Development and Efficiency	0%	2021	6,398	-	6,398	-	-	-	-	-
			20,470,5		20,470,54					21,820,50
Total			49	-	9			21,820,500	-	0
Less: Deferred expenses			(5,889)	-	(5,889)			(6,436)	-	(6,436)
			20,464,6		20,464,66					21,814,06
Debts issued and borrowings - net			60	-	0			21,814,064	-	4

⁽¹⁾ Counted as a part of Tier 2 capital, which is determined under the conditions as specified in the BoT's Notification.

22.1 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.

23. Provisions for liabilities

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the year ended 31 December 2016			
	Provisions for employee benefits	Provisions for decommissioning cost	Provisions for other liabilities	Total
As at 1 January 2016	80,102	5,360	120	85,582
Increase during the year	21,221	-	120	21,341
Decrease as a result of payment	(4,703)	-	-	(4,703)
Decrease as a result of disposal of a subsidiary	(3,430)	-	-	(3,430)
As at 31 December 2016	93,190	5,360	240	98,790

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the year ended 31 December 2015			
	Provisions for employee benefits	Provisions for decommissioning cost	Provisions for other liabilities	Total
As at 1 January 2015	67,746	5,360	-	73,106
Increase during the year	13,164	-	120	13,284
Decrease as a result of payment	(808)	-	-	(808)
As at 31 December 2015	80,102	5,360	120	85,582

(Unit: Thousand Baht)

	Separate financial statements			
	For the year ended 31 December 2016			
	Provisions for employee benefits	Provisions for decommissionin g cost	Provisions for other liabilities	Total
As at 1 January 2016	76,900	5,360	120	82,380
Increase during the year	20,993	-	120	21,113
Decrease as a result of payment	(4,703)	-	-	(4,703)
As at 31 December 2016	93,190	5,360	240	98,790

(Unit: Thousand Baht)

	Separate financial statements			
	For the year ended 31 December 2015			
	Provisions for employee benefits	Provisions for decommissioning cost	Provisions for other liabilities	Total
As at 1 January 2015	65,256	5,360	-	70,616
Increase during the year	12,452	-	120	12,572
Decrease as a result of payment	(808)	-	-	(808)
As at 31 December 2015	76,900	5,360	120	82,380

23.1 Provisions for employee benefits

Movements of provisions for employee benefits, which are compensations to employee when retired, are as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2016	2015	2016	2015
Provisions for employee benefits at the beginning of the years	80,102	67,746	76,900	65,256
Current service costs	18,876	13,179	18,662	12,100
Interest costs	2,345	1,923	2,331	1,875
Actuarial (gains) losses arose from:				
Demographic assumption changes	-	(9,266)	-	(9,266)
Financial assumption changes	-	5,195	-	4,776
Other changes	-	2,133	-	2,967
Decrease as a result of disposal of a subsidiary	(3,430)	-	-	-
Benefits paid during the years	(4,703)	(808)	(4,703)	(808)
Provisions for employee benefits at the end of the years	93,190	80,102	93,190	76,900

Employee benefit expenses recognised in profit or loss are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
Current service costs	18,876	13,179	18,662	12,100
Interest costs	2,345	1,923	2,331	1,875
Total employee benefit expenses	21,221	15,102	20,993	13,975

As at 31 December 2016 and 2015, the Bank expected to pay approximately Baht 0.6 million and Baht 1.6 million, respectively, on employee benefits over the next 1-year period.

As at 31 December 2016 and 2015, the Bank's weighted average durations of employee benefit payments were estimated to be 9 years.

The principal assumptions used in actuarial valuation as at the revaluation dates are summarised below.

	Consolidated financial statements		Separate financial statements	
	31 December		31 December	
	2016	2015	2016	2015
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Future salary incremental rates	5 and 5.5	5 and 5.5	5	5
Turnover rates	0 - 30	0 - 30	0 - 30	0 - 30
Discount rates	2.51 and 3	2.51 and 3	3	3

The impacts from changes in significant assumptions on provisions for employee benefits as at 31 December 2016 and 2015 are summarised below.

	(Unit: Thousand Baht)			
	Separate financial statements			
	31 December 2016		31 December 2015	
	Increase (decrease) in provisions for employee benefits		Increase (decrease) in provisions for employee benefits	
	Increase in assumption by 0.5%	Decrease in assumption by 0.5%	Increase in assumption by 0.5%	Decrease in assumption by 0.5%
Significant assumptions				
Future salary incremental rates	5,198	(4,856)	4,151	(3,886)
Discount rates	(4,075)	4,387	(3,584)	3,859

24. Other liabilities

	(Unit: Thousand Baht)		
	Consolidated	Separate	
	financial statements	financial statements	
	31 December	31 December	31 December
	2015	2016	2015
Suspense accounts - creditors	176,589	183,065	176,585
Accounts payable on acquisition of equipment and intangible assets	6,183	30,466	3,560
Deposits received	6,602	6,558	6,602
Account payable - Revenue Department	5,396	5,762	4,765
Others	970	1,589	680
Total other liabilities	195,740	227,440	192,192

25. Share capital

On 19 October 2015, the Board of Director's Meeting No. 10/2558 of the Bank passed a resolution approving the allotment of additional 100 million ordinary shares to LH Financial Group Public Company Limited, with par value of Baht 10 per share, totaling Baht 1,000 million. The Bank already received the payment of the additional shares on 27 October 2015. This allotment of additional ordinary shares was approved by the Annual General Meeting of Shareholders for year 2012.

Reconciliations of issued and paid-up share capital for the years ended 31 December 2016 and 2015 were as follows:

	Consolidated and separate financial statements			
	For the years ended 31 December			
	2016		2015	
	Million shares	Million Baht	Million shares	Million Baht
Ordinary shares at beginning of the years	1,400	14,000	1,300	13,000
Issuance of additional ordinary shares during the years	-	-	100	1,000
Ordinary shares at end of the years	1,400	14,000	1,400	14,000

26. 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.

27. Dividends paid

During the years ended 31 December 2016 and 2015, 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 nine-month period ended 30 September 2015	Board of Director's Meeting of the Bank held on 19 October 2015	1,000,090	0.769
Total dividends paid in 2015		1,000,090	0.769
The interim dividends for the three-month period ended 31 March 2016	Board of Director's Meeting of the Bank held on 25 April 2016	400,400	0.286
The interim dividends for the nine-month period ended 30 September 2016	Board of Director's Meeting of the Bank held on 7 November 2016	532,000	0.380
Total dividends paid in 2016		932,400	0.666

28. Capital funds

The primary objectives of the Bank's capital management are to maintain the Bank's 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 2016 and 2015, capital funds of the Bank calculated under Basel III consisted of the following:

	(Unit: Thousand Baht)	
	31 December 2016	31 December 2015
<u>Common Equity Tier 1 capital fund</u>		
Issued and fully paid up share capital	14,000,000	14,000,000
Statutory reserve	473,000	347,800
Retained earnings after appropriation	2,490,646	1,112,242
Revaluation surplus on available-for-sale investments	36,869	5,991
Less: Deferred tax assets	(263,446)	(190,708)
Less: Intangible assets	(108,146)	(72,508)
Total Common Equity Tier 1 capital fund	16,628,923	15,202,817
Total Tier 1 capital fund	16,628,923	15,202,817
<u>Tier 2 capital fund</u>		
Subordinated debentures	4,000,000	4,000,000
Reserve for assets classified as pass and general reserve	1,701,823	1,733,288
Total Tier 2 capital fund	5,701,823	5,733,288
Total capital funds	22,330,746	20,936,105

(Unit: Percentage)

	31 December 2016		31 December 2015	
	Minimum and additional rates required by law *		Minimum rates required by law	
	The Bank		The Bank	
The ratio of Common Equity Tier 1 capital fund to risk assets	10.239	5.125	10.18	4.50
The ratio of Tier 1 capital fund to risk assets	10.239	6.625	10.18	6.00
The ratio of total capital fund to risk assets	13.750	9.125	14.01	8.50

* 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.

The Bank disclosed capital adequacy and capital risk exposure information as of 31 December 2015 through the Bank's website at www.lhbank.co.th on 29 April 2016 and will disclose capital adequacy and capital risk exposure information as of 31 December 2016 within April 2017.

29. Interest income

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
	(Restated)			
Interbank and money market items	607,357	633,237	607,357	633,237
Investments in debt securities	1,664,666	1,470,786	1,664,666	1,470,786
Loans to customers	6,459,888	6,259,570	6,459,888	6,259,570
Hire purchase	84,416	121,582	84,416	121,582
Total interest income	8,816,327	8,485,175	8,816,327	8,485,175

30. Interest expenses

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	For the years ended	For the years ended
	31 December	31 December
	2016	2015
	(Restated)	
Deposits	2,465,419	2,780,091
Interbank and money market items	206,866	280,081
Contributions to the Deposit Protection Agency and the Bank of Thailand	761,966	691,926
Debts issued		
- Subordinated debentures	206,109	126,686
- Unsubordinated and unsecured debentures	28,080	-
Borrowings	309,824	262,101
Total interest expenses	3,978,264	4,140,885

31. Fees and service income

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	For the years ended	For the years ended
	31 December	31 December
	2016	2015
	(Restated)	
Fees and service income		
Acceptances, avals and guarantees	46,048	43,503
Commission income	201,376	159,625
Others	84,423	69,248
Total fees and service income	331,847	272,376
Fees and service expenses		
Fees and charges	56,677	50,669
Others	19,065	16,013
Total fees and service expenses	75,742	66,682
Net fees and service income	256,105	205,694

32. Gains on investments

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
	(Restated)			
Gains on sale:				
Available-for-sale investments	191,478	18,220	191,478	11,579
Held-to-maturity investments	876,014	647,704	876,014	647,704
General investments	-	456	-	456
Investment in a subsidiary	-	-	68,128	-
Total gains on investments	1,067,492	666,380	1,135,620	659,739

During the years ended 31 December 2016 and 2015, the Bank sold held-to-maturity investments with amortised costs totalling Baht 10,337 million and Baht 9,679 million, respectively, by approvals resolved by the meetings of the Board of Directors of the Bank, and incurred net realised gains on sales of investments totalling Baht 876 million and Baht 648 million, respectively.

33. Directors' remuneration

Directors' remuneration represents the benefits, exclusive of salaries and related benefits payable to executive directors, paid to the directors of the Bank and its subsidiary in accordance with Section 90 of the Public Company Limited Act.

34. Bad debts, doubtful accounts and impairment loss

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
	(Restated)			
Bad debts and doubtful accounts (reversal)				
Loans to customers ⁽¹⁾	1,008,133	1,024,007	1,008,133	1,024,007
Interbank and money market items	664	46,853	664	46,853
Other assets	16,203	18,754	16,203	18,754
Total bad debts, doubtful accounts and impairment loss	1,025,000	1,089,614	1,025,000	1,089,614

⁽¹⁾ For the years ended 31 December 2016, such amount included a debt hair-cut loss per agreements of Baht 28.7 million

35. Components of other comprehensive income (loss)

Components of other comprehensive income (loss) for the years ended 31 December 2016 and 2015 consisted of the following:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2016	2015	2016	2015
	(Restated)			
(a) Items to be recognised in profit or loss in subsequent periods:				
Gains (losses) on revaluation of available-for-sale investments				
Unrealised gains on revaluation of investments during the years	92,251	26,320	92,251	26,320
Losses from reclassification of investments	(152,160)	-	(152,160)	-
(Gains) losses transferred to be recognised in profit or loss for the years due to				
- Sales of available-for-sale investments	(53,654)	(7,394)	(53,654)	(753)
- Sales of available-for-sale investments, reclassified from other types	6,708	(3,231)	6,708	(3,231)
Amortisation of revaluation (surplus) deficit on the reclassified investments	686	(1,156)	686	(1,156)
Total gains (losses) on revaluation of available-for-sale investments	(106,169)	14,539	(106,169)	21,180
Add (less): Income taxes	21,234	(4,236)	21,234	(4,236)
Gains (losses) on revaluation of available-for-sale investments - net of income taxes	(84,935)	10,303	(84,935)	16,944
(b) Items not to be recognised in profit or loss in subsequent periods:				
Actuarial gains	-	1,523	-	1,523
Less: Income taxes	-	(305)	-	(305)
Actuarial gains - net of income taxes	-	1,218	-	1,218
Other comprehensive income (loss) for the years	(84,935)	11,521	(84,935)	18,162

36. Earnings per share

Basic earnings per share is calculated by dividing profits for the years attributable to the Bank's shareholders (excluding other comprehensive income (loss)) by the weighted average number of ordinary shares in issue during the years.

37. Provident fund

The Bank and their employees have jointly established provident funds as approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. The funds are monthly contributed to by employees, at the rate of 3 - 15% of basic salaries, and the Bank contribute at rates ranging from 3 - 7%, depending on the number of years of service of each employee. The funds will be paid to employees upon termination in accordance with the rules of the funds. During the years ended 31 December 2016 and 2015, the Bank contributed Baht 34.2 million and Baht 30.0 million, respectively, to the provident funds.

38. Commitments and contingent liabilities

38.1 Commitments

	Separate financial statements			(Unit: Thousand Baht) Consolidated and separate financial statements		
	31 December 2016			31 December 2015		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	23,953	-	23,953	119,458	-	119,458
Under unmaturred import bills	8,021	-	8,021	-	-	-
Guarantee - others	4,020,780	-	4,020,780	4,334,089	-	4,334,089
Letters of credit	6,927	-	6,927	-	-	-
Undrawn bank overdrafts	4,901,743	-	4,901,743	5,039,803	-	5,039,803
Other commitments	18,260,401	-	18,260,401	15,201,722	-	15,201,722
Total	27,221,825	-	27,221,825	24,695,072	-	24,695,072

38.2 Commitments under long-term lease agreements

(a) As at 31 December 2016 and 2015, the Bank and its subsidiary entered into a number of long-term lease and service agreements for office building, equipment and motor vehicles. The terms of the agreements are between 1 and 9 years, under which future minimum rental and service fees, which are to payable by the Bank and its subsidiary, can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements	Separate financial statements	
	31 December 2015	31 December 2016	31 December 2015
Payable within:			
Up to 1 year	318	296	310
Over 1 and up to 5 years	347	293	332
Over 5 years	16	8	16

As at 31 December 2016 and 2015, the above commitments of the Bank included rental and service agreements with related parties amounted to Baht 113 million and Baht 180 million, respectively (31 December 2015: The Bank and its subsidiary have a total commitment totalling Baht 197 million.).

- (b) The Bank entered into various consultancy service agreements relating to software development and installation services. As at 31 December 2016 and 2015, the Bank is obligated to pay further Baht 10 million and Baht 9 million, respectively.
- (c) The subsidiary entered into various consultancy service agreements relating to software development and installation services. As at 31 December 2015, a subsidiary is obligated to pay further Baht 17 million. In addition, a subsidiary has committed under the agreement for permission to use computer programs to pay an annual maintenance fee at Baht 1.6 million for the year 2016 onwards. The agreements remain in effect until terminated by the subsidiary or either party breaches conditions stipulated in the agreements.

38.3 Service commitments

As at 31 December 2015, the subsidiary is required to pay license fees to the Office of the Securities and Exchange Commission with regard to the operation of businesses as follows:

- Management fee at the rates as specified and calculated based on the average month-end net asset value (NAV) of the fund.
- Registrar fee charged at a rate of 1 percent of registrar fee income.

The minimum total fee is Baht 500,000 per annum.

38.4 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 or Program) 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	<p>Within the first three years, employees cannot sell any shares.</p> <p>After 3 years, employees can sell 25% of accumulated shares.</p> <p>After 4 years, employees can sell 50% of accumulated shares.</p> <p>After 5 years, employees can sell all shares.</p> <p>Upon resignation from the Program in any circumstances, employees can sell all of the shares immediately.</p>

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 for the years ended 31 December 2016 and 2015, of Baht 7.1 million and Baht 7.4 million, respectively.

38.5 Litigation

As at 31 December 2016 and 2015, the Bank was sued in many litigation cases being claimed for compensations totaling Baht 845 million and Baht 33 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.

39. Related party transactions

The Bank and its subsidiary had significant business transactions with their related parties, including transactions with directors, executive or other persons with equivalent position, including entities that the persons or related persons have management authorities, or entities in which the Bank and its subsidiary or directors or such executives hold in aggregate of more than 10 percent of the paid-up share capital of those entities.

Relationship with related parties can be summarised as follows:

1. The 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)

As described in Note 9 to the financial statements that Land and Houses Fund Management Company Limited ("LH Fund") had been the Bank's subsidiary until 29 February 2016 and has become the parent company's subsidiary since 1 March 2016. However, for comparability of related party transactions with LH Fund, those transactions are therefore presented under the same line item of "Subsidiaries of the Bank's parent company" in these financial statements.

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 Land and Houses Public Company Limited
 - 3.2 Quality Houses Public Company Limited
 - 3.3 Ms. Piengjai Harnpanich
4. Related companies
 - 4.1 The subsidiaries of the major shareholders of the Bank's parent company (shareholders as stated in No. 3 above), who have transactions with the Bank and its subsidiary, consist of:
 - The Confidence Company Limited
 - Q.H. Management Company Limited
 - Q.H. International Company Limited
 - LH Asset Company Limited
 - L&H Property Company Limited
 - Atlantic Real Estate Company Limited
 - Casa Ville Company Limited
 - Casa Ville (Rayong 2553) Company Limited
 - Casa Ville (Petchburi 2553) Company Limited
 - Casa Ville (Chonburi 2554) Company Limited
 - Casa Ville (Prajubkirikhan 2554) Company Limited
 - LH Real Estate Company Limited
 - LH Mall and Hotel Company Limited
 - Property Host Company Limited
 - Gusto Village Company Limited
 - Q. House Precast Company Limited
 - Land and Houses Northeast Company Limited
 - L&H Hotel Management Company Limited
 - L&H Retail Management Company Limited
 - Centre Point Hospitality Company Limited
 - Siamtanee Property Company Limited
 - Siamtanee Real Estate Company Limited
 - Double Tree Company Limited
 - Phuket Future Plan Company Limited
 - L.H. Muang Mai Company Limited

4.2 The associates of the major shareholders of the Bank's parent company (shareholders as stated in No. 3 above), who have transactions with the Bank and its subsidiary, consist of:

- Home Product Center Public Company Limited
- Asia Asset Advisory Company Limited
- Quality Construction Products Public Company Limited
- Land and Houses Property and Loan Fund - II
- Quality Houses Leasehold Property Fund
- Quality Houses Hotel and Residence Freehold and Leasehold Property Fund
- L&H Management Company Limited
- Mega Home Center Company Limited
- Market Village Company Limited

4.3 The companies which are related to the Bank's and its subsidiary's directors, and have transactions with the Bank and its subsidiary, consist of:

- Siam Retail Development Company Limited
- Thai Packaging & Printing Public Company Limited
- Pico (Thailand) Public Company Limited
- Banpu Public Company Limited
- DC Service Center Company Limited
- Burirum Sugar Public Company Limited
- Burirum Sugar Factory Company Limited
- Onirin Company Limited
- Pre-Built Public Company Limited
- LH Hotel Leasehold Real Estate Investment Trust

4.4 The companies which are related to the major shareholders of the Bank's parent company (shareholders as stated in No. 3 above), and have transactions with the Bank and its subsidiary, consist of:

- Industry Housing Company Limited
- Mayland Company Limited
- A.A. Property Company Limited
- Northern Real Estate Company Limited
- B.C. Real Estate Company Limited
- Prachachuen Real Estate Company Limited
- Surasaya Company Limited
- Attachat Company Limited
- Land and Houses Real Estate Company Limited
- Dahra Company Limited
- Pathumthani Real Estate Company Limited
- A&P Associate Company Limited
- Autumnland Company Limited
- Land and Houses Freehold and Leasehold Property Fund
- Mandarin Hotel Public Company Limited
- Siam C. Bridge Company Limited

4.5 The companies which are controlled by the Bank's and its subsidiary's related persons, and have transactions with the Bank and its subsidiary, consist of:

- Pornpol Subcharearn Company Limited
- A.A. Property (Chiang Mai) Company Limited

5. Directors and executives who are the Bank's directors, president, vice president, first executive vice president, heads of department and assistant heads of department.

6. Related persons who are the directors of the parent company and of the subsidiary, 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.

39.1 Transactions during the years

During the years, the Bank and its subsidiary 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, its subsidiary and their related parties.

(Unit: Thousand Baht)

	Consolidated financial statements For the years ended 31 December		Separate financial statements For the years ended 31 December		Pricing policy
	2016	2015	2016	2015	
Interest income					
Parent company	8,323	5,082	8,323	5,082	The same rates as charged to general customers
Subsidiary of the Bank's parent company	21,348	277	21,348	277	The same rates as charged to general customers
Related companies	134,004	145,792	134,004	145,792	The same rates as charged to general customers and as specified in prospectus
Directors and executives	446	452	446	452	The same rates as charged to general customers
Related persons	1,475	1,640	1,475	1,640	The same rates as charged to general customers
	<u>165,596</u>	<u>153,243</u>	<u>165,596</u>	<u>153,243</u>	
Fees and service income					
Parent company	126	20	126	20	The same rates as charged to general customers
Subsidiaries of the Bank's parent company	55,470	345	60,522	22,929	The same rates as charged to general customers and as specified in the agreements
Related companies	6,268	37,809	-	-	At the percentage of net asset value of the fund under the subsidiary's management
	<u>61,864</u>	<u>38,174</u>	<u>60,648</u>	<u>22,949</u>	
Gains on investment					
Parent company	-	-	68,128	-	Reference to net asset value as of 29 February 2016 (Note 9)
	<u>-</u>	<u>-</u>	<u>68,128</u>	<u>-</u>	
Dividend income					
Related companies	15,804	11,376	15,804	11,376	As announced by the funds
	<u>15,804</u>	<u>11,376</u>	<u>15,804</u>	<u>11,376</u>	
Other operating income					
Subsidiaries of the Bank's parent company	401	2,970	401	2,970	As mutually agreed and as specified in the agreements
	<u>401</u>	<u>2,970</u>	<u>401</u>	<u>2,970</u>	
Dividends paid					
Parent company	932,400	1,000,090	932,400	1,000,090	As announced by the Bank
	<u>932,400</u>	<u>1,000,090</u>	<u>932,400</u>	<u>1,000,090</u>	

(Unit: Thousand Baht)

	Consolidated financial statements For the years ended 31 December		Separate financial statements For the years ended 31 December		Pricing policy
	2016	2015	2016	2015	
Interest expenses					
Parent company	8,181	8,573	8,181	8,573	The same rates as paid to general depositors and as specified in prospectus
Subsidiaries of the Bank's parent company	907	5,718	933	5,951	The same rates as paid to general depositors
The major shareholders of the Bank's parent company	24,966	33,359	24,966	33,359	The same rates as paid to general depositors
Related companies	51,950	47,599	51,950	47,599	The same rates as paid to general depositors
Directors and executives	10,263	7,760	10,263	7,760	The same rates as paid to general depositors and as specified in prospectus
Related persons	13,184	13,156	13,184	13,156	The same rates as paid to general depositors and as specified in prospectus
	<u>109,451</u>	<u>116,165</u>	<u>109,477</u>	<u>116,398</u>	
Other operating expenses					
Parent company	1,320	1,320	1,320	1,320	As specified in the agreements
The major shareholder of the Bank's parent company	22,676	25,982	21,404	21,175	As specified in the agreements
Related companies	102,090	98,101	102,090	98,101	As specified in the agreements
	<u>126,086</u>	<u>125,403</u>	<u>124,814</u>	<u>120,596</u>	

39.2 The outstanding balances

As at 31 December 2016 and 2015, the outstanding balances of significant transactions between the Bank and its related parties can be summarised as follows:

(Unit: Thousand Baht)

	Consolidated financial statements 31 December 2015	Separate financial statements 31 December 2016 31 December 2015	
Investments - cost			
<u>Related companies/persons</u>			
Private sector debt securities - Banpu Public Company Limited	2,065,000	1,435,000	2,065,000
Equity securities - Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	67,200	67,200	67,200
Equity securities - LH Hotel Leasehold Real Estate Investment Trust	-	88,047	-
Equity securities - Land and Houses Freehold and Leasehold Property Fund	91,462	91,462	91,462
	<u>2,223,662</u>	<u>1,681,709</u>	<u>2,223,662</u>

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	31 December 2015	31 December 2016	31 December 2015
Accrued interest receivables on investments			
<u>Related companies/persons</u>			
Banpu Public Company Limited	31,201	15,806	31,201
	<u>31,201</u>	<u>15,806</u>	<u>31,201</u>
Loans to customers			
<u>Parent company</u>			
LH Financial Group Public Company Limited	-	415,000	-
<u>Subsidiary of the Bank's parent company</u>			
Land and Houses Securities Public Company Limited	89,500	765,000	89,500
<u>Related companies/persons</u>			
Burirum Sugar Factory Company Limited	1,015,008	1,389,600	1,015,008
Pre-Built Public Company Limited	-	1	-
Directors and executives	10,436	8,107	10,436
Related persons	51,507	33,205	51,507
	<u>1,166,451</u>	<u>2,610,913</u>	<u>1,166,451</u>
Accrued interest receivables on loans to customers			
<u>Parent company</u>			
LH Financial Group Public Company Limited	-	31	-
<u>Subsidiary of the Bank's parent company</u>			
Land and Houses Securities Public Company Limited	-	38	-
<u>Related companies/persons</u>			
Burirum Sugar Factory Company Limited	171	861	171
Directors and executives	6	4	6
Related persons	38	9	38
	<u>215</u>	<u>943</u>	<u>215</u>
Accounts receivable on sales of securities			
<u>Subsidiaries of the Bank's parent company</u>			
Land and Houses Securities Public Company Limited	57	-	57
	<u>57</u>	<u>-</u>	<u>57</u>
Other assets			
<u>Parent company</u>			
LH Financial Group Public Company Limited	300	300	300
<u>Subsidiaries of the Bank's parent company</u>			
Land and Houses Securities Public Company Limited	28	64	28
Land and Houses Fund Management Company Limited	-	4,137	1,891
<u>The major shareholder of the Bank's parent company</u>			
Quality Houses Public Company Limited	6,274	4,715	4,710
<u>Related companies/persons</u>			
Quality Houses Leasehold Property Fund	15,924	14,632	14,436
Other related companies	16,993	12,550	14,945
	<u>39,519</u>	<u>36,398</u>	<u>36,310</u>

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	31 December 2015	31 December 2016	31 December 2015
Deposits			
<u>Parent company</u>			
LH Financial Group Public Company Limited	230,202	536,976	230,202
<u>Subsidiary of the Bank's parent company</u>			
Land and Houses Advisory Company Limited	5,573	5,377	5,573
<u>The major shareholders of the Bank's parent company</u>			
Land and Houses Public Company Limited	3,770,343	599,947	3,770,343
Quality Houses Public Company Limited	938,234	961,933	938,234
Ms. Piengjai Harnpanich	4,719	35,424	4,719
<u>Related companies/persons</u>			
The Confidence Company Limited	227,267	119,310	227,267
Q.H. Management Company Limited	19,974	302,275	19,974
Q.H. International Company Limited	65,808	120,449	65,808
LH Asset Company Limited	36,330	19,082	36,330
L&H Property Company Limited	1,146,975	22,163	1,146,975
Casa Ville Company Limited	527,362	317,095	527,362
Casa Ville (Chonburi 2554) Company Limited	33,934	33,407	33,934
Gusto Village Company Limited	301,605	240,963	301,605
Land and Houses Northeast Company Limited	21,277	31,444	21,277
L&H Hotel Management Company Limited	51,651	187,226	51,651
Centre Point Hospitality Company Limited	25,967	61,775	25,967
Siamtanee Property Company Limited	12,272	97,214	12,272
Siamtanee Real Estate Company Limited	97,186	15,139	97,186
Double Tree Company Limited	-	74,984	-
Phuket Future Plan Company Limited	-	148,119	-
L.H. Muang Mai Company Limited	-	242,729	-
Home Product Center Public Company Limited	1,887,379	2,689,413	1,887,379
Asia Asset Advisory Company Limited	69,489	6,098	69,489
Quality Houses Leasehold Property Fund	241,039	58,626	241,039
Mega Home Center Company Limited	54,814	35,463	54,814
Thai Packaging & Printing Public Company Limited	87,809	62,186	87,809
Pre-Built Public Company Limited	-	146,555	-
Industry Housing Company Limited	368,102	242,940	368,102
Mayland Company Limited	44,432	696,081	44,432
Pathumthani Real Estate Company Limited	68,175	75,799	68,175
A&P Associate Company Limited	68,958	78,080	68,958
Other related companies	165,836	191,781	165,836
Directors and executives	482,502	755,320	482,502
Related persons	823,850	1,009,058	823,850
	11,879,064	10,220,431	11,879,064

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	31 December 2015	31 December 2016	31 December 2015
Interbank and money market items (liabilities)			
<u>Subsidiaries of the Bank's parent company</u>			
Land and Houses Securities Public Company Limited	2,519	3,077	2,519
Land and Houses Fund Management Company Limited	-	40,897	24,798
	<u>2,519</u>	<u>43,974</u>	<u>27,317</u>
Debts issued and borrowings			
<u>Parent company</u>			
LH Financial Group Public Company Limited	150,800	137,800	150,800
<u>Related companies/persons</u>			
Directors and executives	20,000	28,000	20,000
Related persons	7,500	12,500	7,500
	<u>178,300</u>	<u>178,300</u>	<u>178,300</u>
Accrued interest payables			
<u>Parent company</u>			
LH Financial Group Public Company Limited	868	793	868
<u>The major shareholders of the Bank's parent company</u>			
Land and Houses Public Company Limited	5,096	-	5,096
Quality Houses Public Company Limited	30	-	30
Ms. Piengjai Harnpanich	31	28	31
<u>Related companies/persons</u>			
Related companies	4,696	5,582	4,696
Directors and executives	243	1,623	243
Related persons	2,352	1,758	2,352
	<u>13,316</u>	<u>9,784</u>	<u>13,316</u>
Accounts payable on securities trading			
<u>Subsidiary of the Bank's parent company</u>			
Land and Houses Securities Public Company Limited	-	5,122	-
	<u>-</u>	<u>5,122</u>	<u>-</u>
Other liabilities			
<u>The major shareholder of the Bank's parent company</u>			
Quality Houses Public Company Limited	137	71	133
<u>Related companies/persons</u>			
Related companies	3,078	2,943	3,078
Directors and executives	-	27	-
	<u>3,215</u>	<u>3,041</u>	<u>3,211</u>

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements	
	31 December 2015	31 December 2016	31 December 2015
Commitments - Bank guarantee			
<u>Related companies/persons</u>			
Quality Houses Leasehold Property Fund	21,186	21,186	21,186
Burirum Sugar Factory Company Limited	51,800	1,800	51,800
Pre-Built Public Company Limited	-	197,448	-
	<u>72,986</u>	<u>220,434</u>	<u>72,986</u>

39.3 Movements of related party balances

The movements of loans to customers, deposits, interbank and money market items (liabilities), and debts issued and borrowings having with its related parties for the year ended 31 December 2016 are as follows:

(Unit: Thousand Baht)

	Separate financial statements			
	For the year ended 31 December 2016			
	Beginning balances	Increase	Decrease	Ending balances
Loans to customers				
<u>Parent company</u>				
LH Financial Group Public Company Limited	-	818,100	(403,100)	415,000
<u>Subsidiary of the Bank's parent company</u>				
Land and Houses Securities Public Company Limited	89,500	6,243,500	(5,568,000)	765,000
Land and Houses Fund Management Company Limited	-	100,000	(100,000)	-
<u>Related companies/persons</u>				
Banpu Public Company Limited	-	3,800,000	(3,800,000)	-
Burirum Sugar Factory Company Limited	1,015,008	1,555,470	(1,180,878)	1,389,600
Pre-Built Public Company Limited	-	14,245	(14,244)	1
Directors and executives	10,436	9,612	(11,941)	8,107
Related persons	51,507	96,375	(114,677)	33,205
	<u>1,166,451</u>	<u>12,637,302</u>	<u>(11,192,840)</u>	<u>2,610,913</u>
Deposits				
<u>Parent company</u>				
LH Financial Group Public Company Limited	230,202	2,588,844	(2,282,070)	536,976
<u>Subsidiary of the Bank's parent company</u>				
Land and Houses Advisory Company Limited	5,573	333	(529)	5,377
<u>The major shareholders of the Bank's parent company</u>				
Land and Houses Public Company Limited	3,770,343	99,101,133	(102,271,529)	599,947
Quality Houses Public Company Limited	938,234	52,134,777	(52,111,078)	961,933
Ms. Piengjai Harnpanich	4,719	57,141	(26,436)	35,424

(Unit: Thousand Baht)

Separate financial statements

For the year ended 31 December 2016

Deposits (continued)Related companies/persons

	Beginning balances	Increase	Decrease	Ending balances
The Confidence Company Limited	227,267	8,561,284	(8,669,241)	119,310
Q.H. Management Company Limited	19,974	491,217	(208,916)	302,275
Q.H. International Company Limited	65,808	366,014	(311,373)	120,449
LH Asset Company Limited	36,330	257,332	(274,580)	19,082
L&H Property Company Limited	1,146,975	1,926,994	(3,051,806)	22,163
Casa Ville Company Limited	527,362	37,589,243	(37,799,510)	317,095
Casa Ville (Chonburi 2554) Company Limited	33,934	4,917,507	(4,918,034)	33,407
Gusto Village Company Limited	301,605	8,475,054	(8,535,696)	240,963
Land and Houses Northeast Company Limited	21,277	541,394	(531,227)	31,444
L&H Hotel Management Company Limited	51,651	2,061,912	(1,926,337)	187,226
Centre Point Hospitality Company Limited	25,967	852,636	(816,828)	61,775
Siamtanee Property Company Limited	12,272	470,677	(385,735)	97,214
Siamtanee Real Estate Company Limited	97,186	129,537	(211,584)	15,139
Double Tree Company Limited	-	241,251	(166,267)	74,984
Phuket Future Plan Company Limited	-	439,360	(291,241)	148,119
L.H. Muang Mai Company Limited	-	242,736	(7)	242,729
Home Product Center Public Company Limited	1,887,379	120,845,085	(120,043,051)	2,689,413
Asia Asset Advisory Company Limited	69,489	151,994	(215,385)	6,098
Quality Houses Leasehold Property Fund	241,039	2,450,911	(2,633,324)	58,626
Mega Home Center Company Limited	54,814	10,633,962	(10,653,313)	35,463
Thai Packaging & Printing Public Company Limited	87,809	347,346	(372,969)	62,186
Pre-Built Public Company Limited	-	952,725	(806,170)	146,555
Industry Housing Company Limited	368,102	45,346	(170,508)	242,940
Mayland Company Limited	44,432	2,050,458	(1,398,809)	696,081
Pathumthani Real Estate Company Limited	68,175	141,392	(133,768)	75,799
A&P Associate Company Limited	68,958	148,765	(139,643)	78,080
Other related companies	165,836	9,832,592	(9,806,647)	191,781
Directors and executives	482,502	8,037,038	(7,764,220)	755,320
Related persons	823,850	2,547,826	(2,362,618)	1,009,058
	11,879,064	379,631,816	(381,290,449)	10,220,431

**Interbank and money market items
(liabilities)**Subsidiaries of the Bank's parent company

Land and Houses Securities Public Company Limited	2,519	9,172,862	(9,172,304)	3,077
Land and Houses Fund Management Company Limited	24,798	40,201,006	(40,184,907)	40,897
	27,317	49,373,868	(49,357,211)	43,974

(Unit: Thousand Baht)

	Separate financial statements			
	For the year ended 31 December 2016			
	Beginning balances	Increase	Decrease	Ending balances
Debts issued and borrowings				
<u>Parent company</u>				
LH Financial Group Public Company Limited	150,800	-	(13,000)	137,800
<u>Related companies/persons</u>				
Directors and executives	20,000	8,000	-	28,000
Related persons	7,500	5,000	-	12,500
	<u>178,300</u>	<u>13,000</u>	<u>(13,000)</u>	<u>178,300</u>

39.4 Directors' and executives' compensation

During the years ended 31 December 2016 and 2015, compensations incurred on directors and executives of the Bank and its subsidiary, which was recognised in profit or loss, was classified as follows.

	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
Short-term employee benefits	100	106	97	95
Post-employment benefits	11	6	11	5
Total	<u>111</u>	<u>112</u>	<u>108</u>	<u>100</u>

Directors and executives of the Bank and its subsidiary are directors, president, vice president, first executive vice president, heads of department and assistant heads of department.

40. Interest in investment funds which are structured entities

The subsidiary providing fund management services to a number of investment funds, which meet the definition of structured entities. The subsidiary holds interests in these structured entities through the receipt of management fees from these funds.

As at 31 December 2015, based on the latest available financial reports of the funds under the subsidiary's management, which meet the definition of structured entities, the total net asset values of those funds are approximately Baht 23,403 million.

The Bank and its subsidiary's interest in those funds are shown below.

(Unit: Million Baht)

31 December 2015

Fees and service income receivables	8
Deposits at banks	377

(Unit: Million Baht)

For the years ended 31 December

	2016	2015
Fees and service income - mutual fund management	23	85
Interest expenses	2	3

The maximum risk exposure of the Bank and its subsidiary are equal to the interest as shown above.

41. Operating segments and discontinued operations

The Bank and its subsidiary have two principal operating segments: banking business and fund management business 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 other loans) and other segments.

The Executive Board of Directors monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. The Bank and its subsidiary measure segment performance based on operating profit or loss and total assets, and on a basis consistent with that used to measure operating profit or loss in the financial statements. In addition, recording for inter-segment is reported on a basis consistent with external customers.

41.1 Discontinued operations

On 1 March 2016, the Bank disposed its investment in Land and Houses Fund Management Company Limited, which was a subsidiary, and has already received payment on such disposal.

The operating results and cash flow of the subsidiary for the years ended 31 December 2016 and 2015 are as follows.

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

	For the years ended 31 December	
	2016	2015
Statements of comprehensive income		
Profit or loss:		
Interest income	6	21
Interest expenses	-	-
Net interest income	6	21
Fees and service income	31,605	132,635
Fees and service expenses	(3,066)	(18,807)
Net fees and service income	28,539	113,828
Gains (losses) on investments	2,701	(2,330)
Dividend income	3,945	11,253
Other operating income	78	387
Total operating income	35,269	123,159
Other operating expenses		
Employees' expenses	8,448	48,534
Directors' remuneration	180	1,030
Premises and equipment expenses	2,722	12,429
Tax and duties	25	121
Advertising and promotional expenses	1,797	1,906
Amortisation on intangible assets	333	2,015
Other expenses	1,512	6,117
Total other operating expenses	15,017	72,152
Profits before income tax expenses	20,252	51,007
Income tax expenses	(2,619)	(5,217)
Profits for the years from discontinued operations	17,633	45,790

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

	For the years ended 31 December	
	2016	2015
Other comprehensive income (loss):		
Items to be recognised in profit or loss in subsequent periods:		
Gains on revaluation of available-for-sale investments - net of income taxes	9,941	10,367
Total items to be recognised in profit or loss in subsequent periods	9,941	10,367
Items not to be recognised in profit or loss in subsequent periods:		
Actuarial gains - net of income taxes	-	332
Total items not to be recognised in profit or loss in subsequent periods	-	332
Other comprehensive income for the years from discontinued operations	9,941	10,699
Total comprehensive income for the years from discontinued operations	27,574	56,489
Earnings per share		
Basic earnings per share		
Profits for the years from discontinued operations	0.01	0.03

(Unit: Thousand Baht)

For the years ended 31 December

Statements of cash**flows****Cash flows from operating activities**

	2016	2015
Profits before income tax expenses from discontinued operations	20,252	51,007

Adjustments to reconcile profits before income tax expenses**to net cash provided by (paid from) operating activities**

Depreciation and amortisation	716	3,703
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Provisions for employee benefits	228	1,127
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Gains (losses) on sales of investments	(2,701)	2,330
--	---------	-------

Net interest income	(6)	(21)
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Dividend income	(3,945)	(11,253)
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Cash received on interest income	18	237
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Cash paid on income taxes	(672)	(4,179)
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Profits from operation before changes in operating assets and

liabilities	13,890	42,951
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(Increase) decrease in operating assets

Interbank and money market items	(199,328)	(10,035)
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Other assets	(5,870)	(4,540)
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Increase (decrease) in operating liabilities

Interbank and money market items	(539,488)	14,541
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Accrued expenses	(4,375)	(21,570)
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Accounts payable on purchase/sale of securities	733,789	8,143
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Other liabilities	129	1,214
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Net cash provided by (used in) operating activities

	(1,253)	30,704
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Cash flows from investing activities

Proceeds from sales of available-for-sale investments	49,013	123,276
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Cash received on dividend income on investments	2,216	11,253
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Invested in available-for-sale investments	(47,413)	(153,221)
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Cash paid for purchases of leasehold improvements and equipment	(162)	(5,351)
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Cash paid for purchases of intangible assets	(2,401)	(6,664)
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Net cash provided by (used in) investing activities

	1,253	(30,707)
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Decrease in cash and cash equivalents

	-	(3)
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Cash and equivalents as at 1 January

	-	3
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Cash and equivalents as at 31 December

	-	-
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41.2 Operating segments

Operating segment information of the Bank and its subsidiary are as follows:

(Unit: Thousand Baht)

For the year ended 31 December 2016						
Banking business						
Lending						
	Housing and retail	Other loans	Other segments	Total segments	Eliminations	Total
Interest income from external customers	1,419,003	5,732,583	1,664,741	8,816,327	-	8,816,327
Continuing operations						
Net interest income				4,838,038	25	4,838,063
Net fees and service income				261,157	(5,052)	256,105
Gains on trading and foreign exchange transactions				1,369	-	1,369
Gains on investments				1,135,620	(68,128)	1,067,492
Dividend income				210,634	-	210,634
Other operating income				27,477	-	27,477
Other operating expenses				(2,333,274)	-	(2,333,274)
Bad debts, doubtful accounts and impairment loss				(1,025,000)	-	(1,025,000)
Income tax expenses				(613,718)	-	(613,718)
Profit for the year from continuing operations				2,502,303	(73,155)	2,429,148
Discontinued operations						
Profit for the year from discontinued operations						17,633
Profit for the year						2,446,781

(Unit: Thousand Baht)

For the year ended 31 December 2015						
Banking business						
Lending						
	Housing and retail	Other loans	Other segments	Total segments	Eliminations	Total
Interest income from external customers	1,486,208	5,524,061	1,474,906	8,485,175	-	8,485,175
Continuing operations						
Net interest income				4,344,057	233	4,344,290
Net fees and service income				228,280	(22,586)	205,694
Gains on trading and foreign exchange transactions				1,903	-	1,903
Gains on investments				659,739	6,641	666,380
Dividend income				78,082	-	78,082
Other operating income				16,031	-	16,031
Other operating expenses				(2,210,590)	-	(2,210,590)
Bad debts, doubtful accounts and impairment loss				(1,089,614)	-	(1,089,614)
Income tax expenses				(397,232)	-	(397,232)
Profit for the year from continuing operations				1,630,656	(15,712)	1,614,944
Discontinued operations						
Profit for the year from discontinued operations						45,790
Profit for the year						1,660,734

(Unit: Thousand Baht)

As at 31 December 2016						
Banking business						
Lending				Eliminations	Total	
Housing and retail	Other loans	Other segments	Total segments			
Loans to customers/interbank and money market items	30,636,552	126,857,286	-	157,493,838	-	157,493,838
Cash				2,109,131	-	2,109,131
Interbank and money market items - net				17,961,031	-	17,961,031
Investments - net				49,978,116	-	49,978,116
Loans to customers and accrued interest receivables - net				138,280,235	-	138,280,235
Other assets				1,366,457	-	1,366,457
Total assets				209,694,970	-	209,694,970
Deposits				149,639,499	-	149,639,499
Interbank and money market items				20,053,826	-	20,053,826
Debts issued and borrowings				20,464,660	-	20,464,660
Other liabilities				2,039,107	-	2,039,107
Total liabilities				192,197,092	-	192,197,092

(Unit: Thousand Baht)

	As at 31 December 2015						
	Banking business						
	Lending				Fund management business		
	Housing and retail	Other loans	Other segments	Total segments		Eliminations	Total
Loans to customers/interbank and money market items	31,246,682	117,763,333	-	149,010,015	-	-	149,010,015
Cash				2,242,561	-	-	2,242,561
Interbank and money market items - net				17,742,126	44,278	(24,798)	17,761,606
Investments - net				45,965,016	238,887	-	46,203,903
Investment in a subsidiary				257,289	-	(257,289)	-
Loans to customers and accrued interest receivables - net				130,386,105	-	-	130,386,105
Other assets				1,445,732	54,342	(3,453)	1,496,621
Total assets				198,038,829	337,507	(285,540)	198,090,796
Deposits				137,300,095	-	-	137,300,095
Interbank and money market items				20,665,872	-	(24,798)	20,641,074
Debts issued and borrowings				21,814,064	-	-	21,814,064
Other liabilities				2,245,888	33,074	(1,891)	2,277,071
Total liabilities				182,025,919	33,074	(26,689)	182,032,304

The Bank and its subsidiary operate in Thailand only. As a result, all of the revenues, profits and assets as reflected in these financial statements pertain to the aforementioned geographical reportable. Moreover, during the years ended 31 December 2016 and 2015, the Bank and its subsidiary have no major customer with revenue of 10 percent or more of the consolidated revenues.

42. 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 and its subsidiary's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items, derivative assets/liabilities, investments, loans to customers, accounts receivable on sales of securities, deposits, liabilities payable on demand, debts issued and borrowings and accounts payable on securities trading.

The Bank and its subsidiary's risk management policies, principally Bank's manage and control 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:

42.1 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 and commitments. 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 risk management department in order to reduce the use of judgment by credit approvers during the credit approval process.

(c) Risk monitoring and reporting

The 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.

42.2 Market risk

Market risk is the risk that the value of assets, liabilities and commitments will change as a result of fluctuations in interest rate, securities prices, commodity prices and exchange rates. 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. The Bank and its subsidiary'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 2016 and 2015, financial assets and liabilities, classified by types of interest rate, are as follows:

(Unit: Thousand Baht)

Consolidated financial statements				
31 December 2015				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	2,242,561	2,242,561
Interbank and money market items	975	16,282,785	1,627,029	17,910,789
Investments	1,154,835	43,669,371	1,379,722	46,203,928
Loans to customers ⁽¹⁾	73,205,884	56,881,006	2,819,787	132,906,677
Accounts receivable on sales of securities	-	-	57	57
<u>Financial liabilities</u>				
Deposits	56,180,566	80,934,805	184,724	137,300,095
Interbank and money market items	1,250,278	19,365,120	25,676	20,641,074
Liabilities payable on demand	-	-	176,517	176,517
Derivative liabilities	-	-	5,395	5,395
Debts issued and borrowings	-	21,820,500	-	21,820,500

⁽¹⁾ In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates. In addition, non-interest bearing loans include non-performing loans.

(Unit: Thousand Baht)

Separate financial statements				
31 December 2016				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	2,109,131	2,109,131
Interbank and money market items	200,004	16,149,172	1,761,132	18,110,308
Derivative assets	-	-	2,858	2,858
Investments	1,146,582	44,656,889	4,174,670	49,978,141
Loans to customers ⁽¹⁾	68,936,277	69,530,017	2,770,142	141,236,436
<u>Financial liabilities</u>				
Deposits	69,086,753	80,376,016	176,730	149,639,499
Interbank and money market items	1,045,735	18,981,638	26,453	20,053,826
Liabilities payable on demand	-	-	75,991	75,991
Debts issued and borrowings	-	20,464,151	6,398	20,470,549
Accounts payable on securities trading	-	-	5,122	5,122

⁽¹⁾ In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates. In addition, non-interest bearing loans include non-performing loans.

(Unit: Thousand Baht)

Separate financial statements				
31 December 2015				
Descriptions	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	2,242,561	2,242,561
Interbank and money market items	-	16,282,785	1,608,543	17,891,328
Investments	1,154,835	43,669,371	1,140,835	45,965,041
Loans to customers ⁽¹⁾	73,205,884	56,881,006	2,819,787	132,906,677
Accounts receivable on sales of securities	-	-	57	57
<u>Financial liabilities</u>				
Deposits	56,180,566	80,934,805	184,724	137,300,095
Interbank and money market items	1,272,032	19,365,120	28,720	20,665,872
Liabilities payable on demand	-	-	176,517	176,517
Derivative liabilities	-	-	5,395	5,395
Debts issued and borrowings	-	21,820,500	-	21,820,500

⁽¹⁾ In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates. In addition, non-interest bearing loans include non-performing loans.

The remaining periods counting from 31 December 2016 and 2015 to the repricing dates or maturity dates (whichever are sooner) of financial instruments carrying interest at fixed rates are as follows:

(Unit: Thousand Baht)

Separate financial statements							
31 December 2016							
Descriptions	Remaining periods to repricing dates or maturity dates					Total	Interest rates (% p.a.)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Interbank and money market items	4,740,000	11,409,172	-	-	-	16,149,172	2.05 - 4.30
Investments	-	367,854	1,451,094	23,692,509	19,145,432	44,656,889	1.83 - 5.35
Loans to customers	6,396,922	28,399,208	15,711,233	17,767,347	1,255,307	69,530,017	2.73 - 5.68
<u>Financial liabilities</u>							
Deposits	3,835,603	27,998,126	42,188,801	6,353,486	-	80,376,016	0.80 - 3.00
Interbank and money market items	166,000	10,886,084	6,226,883	426,326	1,276,345	18,981,638	0.01 ⁽¹⁾ , 0.1 ⁽²⁾ , 0.75 - 2.75
Debts issued and borrowings	-	6,274,151	10,190,000	-	4,000,000	20,464,151	1.50 - 5.125

⁽¹⁾ It is the interest rate of 0.01% charged on the balance of Baht 4,451 million obtained for financial assistance to debtors affected by the floods in 2011.

⁽²⁾ It is the interest rate of 0.1% charged on the balance of Baht 3,466 million obtained for financial assistance to SMEs' debtors that lack of liquidity.

(Unit: Thousand Baht)

	Consolidated and separated financial statements						
	31 December 2015						
	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.)
<u>Financial assets</u>							
Interbank and money market items	6,252,785	8,990,000	1,040,000	-	-	16,282,785	1.40 - 5.00
Investments	-	420,035	3,293,576	13,527,370	26,428,390	43,669,371	2.80 - 5.79
Loans to customers	2,328,774	21,404,036	8,402,696	23,491,231	1,254,269	56,881,006	3.00 - 6.38
<u>Financial liabilities</u>							
Deposits	4,149,880	25,859,098	44,190,802	6,735,025	-	80,934,805	1.00 - 3.00
Interbank and money market items	795,000	8,168,909	4,004,556	5,323,672	1,072,983	19,365,120	0.01 ⁽¹⁾ , 0.1 ⁽²⁾ , 0.75 - 2.75
Debts issued and borrowings	-	10,606,500	7,214,000	-	4,000,000	21,820,500	1.80 - 5.125

⁽¹⁾ It is the interest rate of 0.01% charged on the balance of Baht 5,323 million obtained for financial assistance to debtors affected by the floods in 2011.

⁽²⁾ It is the interest rate of 0.1% charged on the balance of Baht 3,197 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/incurred expenses, calculated based on the average balances outstanding during the years, and the average interest rate for the years ended 31 December 2016 and 2015 are as follows:

(Unit: Thousand Baht)

	Separate financial statements					
	For the years ended 31 December					
	2016			2015		
	Average balances	Interest income/ expenses	Average rate (% per annum)	Average balances	Interest income/ expenses	Average rate (% per annum)
<u>Performing financial assets</u>						
Interbank and money market items	15,300,554	607,357	3.97	14,303,814	633,237	4.43
Investments in debt securities	46,644,251	1,664,666	3.57	36,352,785	1,470,786	4.05
Loans to customers	141,178,835	6,544,304	4.64	124,042,290	6,381,152	5.14
<u>Performing financial liabilities</u>						
Deposits	147,250,628	3,117,058	2.12	125,310,725	3,368,921	2.69
Interbank and money market items	18,607,682	226,568	1.22	21,521,201	327,155	1.52
Debts issued and borrowings	23,470,346	634,663	2.70	14,618,114	445,042	3.04

(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.

The status of the Bank's foreign currency balances as at 31 December 2016 and 2015 are as follows:

(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2016				
	USD	EUR	JPY	CNY	Others
<u>Foreign currency in the statements of financial position</u>					
Cash	152	52	12	16	55
Investments	1,146,582	-	-	-	-
Total assets	1,146,734	52	12	16	55

(Unit: Thousand Baht)

	Consolidated and separate financial statements				
	31 December 2015				
	USD	EUR	JPY	CNY	Others
<u>Foreign currency in the statements of financial position</u>					
Cash	138	86	174	3	35
Investments	1,154,835	-	-	-	-
Total assets	1,154,973	86	174	3	35

In addition, the Bank has commitments in respect of cross currency and interest rate swap contracts hold for banking book, which are to settle in foreign currencies as follows:

(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2016				
	USD	EUR	JPY	CNY	Others
Cross currency and interest rate swap contracts					
- Sold	1,146,582	-	-	-	-

(Unit: Thousand Baht)

	Consolidated and separate financial statements				
	31 December 2015				
	USD	EUR	JPY	CNY	Others
Cross currency and interest rate swap contracts					
- Sold	1,154,835	-	-	-	-

(c) Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities 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.

42.3 Liquidity risk

Liquidity risk is the risk that the Bank and its subsidiary 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 and its subsidiary incurring a financial loss.

The Bank manages their 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 Risk Management Department is responsible for carrying out the study and reporting the results to Asset and Liability Committee, which measures liquidity requirements under each scenario, and provides a framework for establishing contingency plans.

In addition, the 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 30 June 2016 and 31 December 2015 are as follows:

(Unit: Thousand Baht)

Descriptions	Consolidated financial statements					
	31 December 2015					
	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
<u>Financial assets</u>						
Cash	2,242,561	-	-	-	-	2,242,561
Interbank and money market items	7,880,789	8,990,000	1,040,000	-	-	17,910,789
Investments	-	420,035	3,293,576	41,110,595	1,379,722	46,203,928
Loans to customers ⁽¹⁾	10,379,034	21,378,839	17,367,361	83,781,443	-	132,906,677
Accounts receivable on sales of securities	-	57	-	-	-	57
<u>Financial liabilities</u>						
Deposits	57,565,289	26,423,161	45,325,560	7,986,085	-	137,300,095
Interbank and money market items	2,070,954	8,168,909	4,004,556	6,396,655	-	20,641,074
Liabilities payable on demand	176,517	-	-	-	-	176,517
Derivative liabilities	-	-	-	5,395	-	5,395
Debts issued and borrowings	-	10,606,500	7,214,000	4,000,000	-	21,820,500

⁽¹⁾ Loans to customers maturing at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)

Descriptions	Separated financial statements					
	31 December 2016					
	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
<u>Financial assets</u>						
Cash	2,109,131	-	-	-	-	2,109,131
Interbank and money market items	6,501,136	11,409,172	-	200,000	-	18,110,308
Derivative assets	-	-	-	2,858	-	2,858
Investments	-	367,854	1,451,094	43,984,523	4,174,670	49,978,141
Loans to customers ⁽¹⁾	15,843,040	27,454,522	19,973,758	77,965,116	-	141,236,436
<u>Financial liabilities</u>						
Deposits	70,180,811	28,610,989	43,506,697	7,341,002	-	149,639,499
Interbank and money market items	1,238,188	10,886,084	6,226,883	1,702,671	-	20,053,826
Liabilities payable on demand	75,991	-	-	-	-	75,991
Debts issued and borrowings	-	6,274,151	10,190,000	4,006,398	-	20,470,549
Accounts payable on securities trading	-	5,122	-	-	-	5,122

⁽¹⁾ Loans to customers maturing at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)

	Separate financial statements					
	31 December 2015					
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
<u>Financial assets</u>						
Cash	2,242,561	-	-	-	-	2,242,561
Interbank and money market items	7,861,328	8,990,000	1,040,000	-	-	17,891,328
Investments	-	420,035	3,293,576	41,110,595	1,140,835	45,965,041
Loans to customers ⁽¹⁾	10,379,034	21,378,839	17,367,361	83,781,443	-	132,906,677
Accounts receivable on sales of securities	-	57	-	-	-	57
<u>Financial liabilities</u>						
Deposits	57,565,289	26,423,161	45,325,560	7,986,085	-	137,300,095
Interbank and money market items	2,095,752	8,168,909	4,004,556	6,396,655	-	20,665,872
Liabilities payable on demand	176,517	-	-	-	-	176,517
Derivative liabilities	-	-	-	5,395	-	5,395
Debts issued and borrowings	-	10,606,500	7,214,000	4,000,000	-	21,820,500

⁽¹⁾ Loans to customers maturing at call included defaulted loans and non-performing loans.

Moreover, as at 31 December 2016 and 2015, the Bank had the following commitments from avals to bills, under unmatured import bills, guarantee, letters of credit, undrawn bank overdrafts and other commitments as summarised by the periods to maturity, counting from the financial position dates, of the contracts:

(Unit: Thousand Baht)

	Separate financial statements			Consolidated and separate financial statements		
	31 December 2016			31 December 2015		
	No more than 1 year	Over 1 year	Total	No more than 1 year	Over 1 year	Total
Avals to bills	23,953	-	23,953	119,458	-	119,458
Under unmatured import bills	8,021	-	8,021	-	-	-
Guarantee - other	3,678,406 ⁽¹⁾	342,374	4,020,780	3,420,098 ⁽¹⁾	913,991	4,334,089
Letters of credit	6,927	-	6,927	-	-	-
Undrawn bank overdrafts	4,901,743	-	4,901,743	5,039,803	-	5,039,803
Other commitments	-	18,260,401	18,260,401	-	15,201,722	15,201,722

⁽¹⁾ As at 31 December 2016 and 2015, these amount included contracts with no maturity date amounting to Baht 1,241 million and Baht 1,092 million, respectively.

43. Fair value of financial instruments

The Bank use the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

43.1 Fair value hierarchy

In applying the valuation techniques, the Bank endeavor to use relevant observable inputs as much as possible. TFRS 13 Fair Value Measurement establishes a fair value hierarchy categorising such inputs into three levels 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

43.2 Assets and liabilities measured at fair value

As at 31 December 2016 and 2015, the Bank had assets that were measured at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	Separated financial statements				
	31 December 2016				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value</u>					
Available-for-sale investments					
Domestic marketable equity securities	4,169,389	4,169,389	-	-	4,169,389
Total available-for-sale investments	4,169,389	4,169,389	-	-	4,169,389

(Unit: Thousand Baht)

	Separated financial statements				
	31 December 2015				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value</u>					
Available-for-sale investments					
Domestic marketable equity securities	1,135,554	1,135,554	-	-	1,135,554
Total available-for-sale investments	1,135,554	1,135,554	-	-	1,135,554

During the current year, there was no transfer within the fair value hierarchy.

43.3 Financial assets and liabilities for which fair values are disclosed

As at 31 December 2016 and 2015, the Bank had financial assets and liabilities that were measured at cost, and for which fair values are disclosed using different levels of inputs as follows:

(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2016				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets for which fair values are disclosed</u>					
Cash	2,109,131	2,109,131	-	-	2,109,131
Interbank and money market items - net	17,946,816	1,761,136	-	16,186,551	17,947,687
Derivative assets	2,858	-	23,273	-	23,273
Investments - net	45,808,727	-	46,347,255	5,256	46,352,511
Loans to customers - net	138,050,807	-	-	137,801,499	137,801,499
<u>Financial liabilities for which fair values are disclosed</u>					
Deposits	149,639,499	69,263,483	80,380,771	-	149,644,254
Interbank and money market items	20,053,826	1,072,188	18,983,471	-	20,055,659
Liabilities payable on demand	75,991	75,991	-	-	75,991
Debts issued and borrowings	20,470,549	6,398	20,607,952	-	20,614,350
Accounts payable on securities trading	5,122	-	5,122	-	5,122

(Unit: Thousand Baht)

	Separate financial statements				
	31 December 2015				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets for which fair values are disclosed</u>					
Cash	2,242,561	2,242,561	-	-	2,242,561
Interbank and money market items - net	17,728,500	1,608,543	-	16,127,706	17,736,249
Investments - net	44,829,462	-	46,508,254	5,256	46,513,510
Loans to customers - net	130,163,217	-	-	129,846,785	129,846,785
Accounts receivable on sales of securities	57	-	57	-	57
<u>Financial liabilities for which fair values are disclosed</u>					
Deposits	137,300,095	56,365,290	81,011,959	-	137,377,249
Interbank and money market items	20,665,872	1,300,752	19,372,544	-	20,673,296
Liabilities payable on demand	176,517	176,517	-	-	176,517
Derivative liabilities	5,395	-	22,117	-	22,117
Debts issued and borrowings	21,820,500	-	21,849,855	-	21,849,855

The methods and assumptions used by the Bank in estimating the fair values of financial instruments are as follow:

- (a) The fair values of financial assets and liabilities, which have short-term maturity periods or bear interest at rates close to market interest rates (i.e. cash, accounts receivable on sales of securities, liabilities payable on demand and accounts payable on securities trading), approximate their carrying values.
- (b) The fair values of investments in debt securities are determined based on the yield rates quoted by the Thai Bond Market Association.
- (c) The fair values of non-marketable equity securities are determined based on generally accepted pricing models.
- (d) The fair values of loans to customers and interbank and money market items (assets) that bear floating interest rates are assumed to approximate their carrying values, net of allowance for doubtful accounts and revaluation allowance for debts restructuring. The fair values of loans to customers and interbank and money market items (assets) that bear fixed interest rates are the present value of the expected future cash flows, discounted by the interest rates the Bank offer on similar loans. The fair values of non-performing loans are the present value of the expected future cash flows from the disposal of the loan collaterals, discounted by the rates and durations as referred in the BoT's guidelines regarding provision.
- (e) The fair values of deposits and interbank and money market items (liabilities) that are payable on demand or bear floating interest rates are assumed to approximate their carrying values. The fair values of deposits and interbank and money market items (liabilities) that bear fixed interest rates are determined by discounting the expected future cash flows at the Bank's announced interest rates for deposits of similar characteristics.
- (f) The fair values of derivative assets/liabilities are determined using fair values obtained from its counterparties, who are banks.
- (g) The fair values of debts issued and borrowings that are subordinated and unsubordinated debentures are determined using yield rates quoted by Thai Bond Market Association. The fair values of debts issued and borrowings that bear fixed interest rates are determined by discounting the expected future cash flows by market interest rates on borrowings of similar conditions.

44. Approval of financial statements

These financial statements were authorised for issue by the Bank's Board of Directors on 20 February 2017.

REFERENCE INFORMATION

Auditor	:	EY Office Limited
Auditors		Miss Ratana Jala Certified Public Accountant (Thailand), registration No. 3734 Miss Somjai Khunapasut Certified Public Accountant (Thailand), registration No. 4499 Miss Rachada Yongsawadvanich Certified Public Accountant (Thailand), registration No. 4951
Address:		193/136-137, 33 rd Floor, Lake Rajada Office Complex, Rajadapisek Road, Klongtoey, Bangkok 10110
Tel:		0 2264 0777
Fax:		0 2264 0789-90
Website		www.ey.com/th
Financial Advisor	:	Asia Plus Advisory Company Limited
Address:		175, 11 th Floor, Sathorn City Tower, South Sathorn Road, Thungmahamek, Sathorn , Bangkok 10120
Tel:		0 2680 4000
Fax:		0 2670 9291-2
Website		www.asiaplus.co.th



BRANCH INFORMATION

AREA	BRANCH		TELEPHONE
BANGKOK AND BOUNDARY	LUMPINI OFFICE	G floor, Q House Lumpini	0 2359 0000 # 4801-4, 0-2677-7111
	Q House Asoke Branch	G floor, Q House Asoke	0 2204 2515-7
	Q House Sathorn Branch	G floor, Q House Sathorn	0 2286 2646-7, 0 2105 3994
	Thonglo Branch	Near TSL showroom	0 2392 6053-5
	Park Lane (Ekkamai) Branch	1 floor, Park Lane Community Mall	0 2381 6573-5, 0 2714 4182
	Terminal 21 Branch	LG floor, next to Boots Shop	0 2254 0045-7, 0 2108 0674
	Wave Place (Phloen Chit) Branch	2 floor, Wave Place Building (Phloen Chit)	0 2254 4150-3, 0 2655 7128
	Silom Branch	Near Silom Complex	0 2235 8372-4
	Bangrak Branch	Opposite Robinson Bangrak	0 2235 7050-3
	Thanon Chan Branch	Soi Chan 18/8, Chan Road	0 2212 8639-41, 0 2212 8634, 0 2673 0453
	Maboonklong Center Branch	4 floors, Banking Zone	0 2686-3930
	Pratunam Branch	Behind Indra Square and next to KBank	0 2208 0860-2, 0 2656 3162
	Yaowaraj Branch	Soi Texas, Yaowaraj Road	0 2221 4600-2
	Sampheng Branch	Soi Wanit1, Mangkorn Road	0 2225 3552, 0 2225 3556-7, 0 2622 4938
	Wongwian 22 Karakada Branch	Soi Wat Phlapphla Chai	0 2223 4194-5, 0 2223-4280, 0 2623 0218
	Khlongthom Branch	Near SAB Junction	0 2223 2024-6
	Worachak Branch	In front of Worachak market	0 2221 6946-8, 0 2621 2026
	Bobae Branch	Entrance Princess Hotel	0 2280 9518, 0 2280 9530, 0 2280 9541, 0 2628 1356
	Banglamphu Branch	Sip Sam Hang Road	0 2282 4712-4, 0 2629 4162
	Talat Noi Branch	1 floor, Nattapoom Building, Song Wat Yak, Charoen Krung Road	0 2235 7463-5, 0 2639 6103
	The Old Siam Branch	1 floor, Burapha Road	0 2223 9866-8
	Pakhleng Talat Branch	Opposite Thai Agriculture Promotion Market	0 2225 4932-4, 0 2623 7316
	Sena Fest (Charoen Nakorn) Branch	1 floor, Sena Fest, Charoen Nakorn Road	0 2437 0038-41, 0 2108 9040

AREA	BRANCH		TELEPHONE
BANGKOK AND BOUNDARY (CONTINUED)	Suksawat Branch	Sookniwate 3 Project, Soi Wat Khru Nok	0 2462 8364-6, 0 2819 2726
	Phrannok Branch	Opposite Phran Nok Market	0 2411 1272-4, 0 2866 0314
	Fashion Island Branch	2 floors, next to Nitipon Clinic	0 2947 5588
	The Promenade Branch	G floor, Near Gourmet Market	0 2947 5056-8, 0 2130 4200
	The Paseo Town (Ramkhamhaeng) Branch	2 floors, Near Daiso Shop	0 2111 3007-9
	The Circle Ratchapruk Branch	Next to Kids Park Zone	0 2863 8757-9, 0 2863 8762
	Sena Nikhom Branch	Opposite Mayo Hospital	0 2561 5577, 0 2561 2376, 0 2561 1957, 0 2941 1051
	Saphankhwai Branch	On the same side of Big C, Near Saphan Khwai Junction	0 2278 1755-7, 0 2616 9407
	Talat Thai Branch	Near Fruit Market	0 2529 6162-3, 0 2529 6176-7, 0 2908 3420
	Future Park Rangsit Branch	2 floors, Central Zone	0 2958 5271-3
	Saphanmai Branch	Opposite Ying Charoen Market	0 2522 7088-91, 0 2971 1404
	Samutprakan Branch	Prakhonchai Road	0 2389 1683-5, 0 2702 6721
	Big C Rama 2 Branch	1 floor, near True Move Shop	0 2415 3737, 0 2415 3313, 0 2415 5423, 0 2415 7236
	Big C Bangna Branch	1 floor, next to Black Canyon	0 2361 6324-6
	Big C Bangplee Branch	1 floor, Banking Zone	0 2312 2626, 0 2312 2665, 0 2312 2667
	Big C Onnut Branch	3 floors, Food Court	0 2331 6471-3, 0 2742-6800
	Big C Tiwanon Branch	1 floor, next to Bangkok Bank	0 2527 4551-2, 0 2527 4557, 0 2968 3932
	Big C Rattanathibetch Branch	1 floor, gold shop area	0 2594 2578-80
	Tesco Lotus Rama I Branch	3 floors, Tesco Lotus Rama I	0 2214 3568-70, 0 2612 4920
	Tesco Lotus Rama 4 Branch	2 floors, Near the escalator	0 2249 5758-60, 0 2671 4697
	Tesco Lotus Bangna-Trad Branch	1 floor, Banking Zone	0 2316 3184-6, 0 2752 8143

AREA	BRANCH		TELEPHONE
BANGKOK AND BOUNDARY (CONTINUED)	Tesco Lotus Srinakarin Branch	2 floors, near the cinema	0 2175 7712-4, 02 105 3995
	HomePro Phet Kasem Branch	1 floor, Plaza Zone, on the same side of HomePro area	0 2444 3045-7
	HomePro Suvarnaphumi Branch	3 floors, Banking Zone	0 2316 6701-4, 0 2002 1024
	Home Pro Ekamai-Ramindra Branch	Near Maesriruen Restaurant	0 2514 9112-4
	HomePro Prachachuen Branch	1 floor, HomePro Prachachuen	0 2589 6015, 0 2589 6071, 0 2589 6074, 0 2951 8353
	HomePro Phutthamonthon Sai 5 Branch	1 floor, HomePro Phutthamonthon	0 2482 1286-7, 034 109605
	Megahome Rangsit Branch	1 floor, Mega Home Rangsit	0 2516 0971-2, 0 2105 3935
	Central Rama 9 Branch	5 floors, Banking Zone	0 2160 3866-8
	Central Pinklao Branch	4 floors, Banking Zone	0 2433 1155, 0 2433 1352-3
	The Mall Thapra Branch	B floor, in front of the supermarket	0 2477 9525, 0 2477 9497, 0 2477 9540
	The Mall Bangkae Branch	3 floors, Banking Zone	0 2454 9204-6
	The Mall Bangkokkapi Branch	2 floors, opposite Nokia shop, on the same side of Plaza	0 2363 3489-91
	The Mall Ngamwongwan Branch	1 floor, opposite DTAC shop	0 2550 1287-9
	Seacon Bangkae Branch	3 floors, Banking Zone	0 2458 2846-9
	Seacon Square Branch	3 floors Banking Zone	0 2138 6180-2, 0 2721 9246
	Nakhonpathom Branch	Ratchawithi Road	034 271981-3, 034 210143
	Samutsakhon Branch	Opposite Mahachai Christian School	034 870737-9, 034 870741, 034 810877
	Central Plaza Chaengwattana Branch	4 floors, near True Move Shop	0 2193 8130-2, 0 2024 8430
	HomePro Rama 3 Branch	1 floor, HomePro Rama 3	0 2164 4390-1, 0 2024 8959
	The Paseo (Ladkabang) Branch	Near McDonald's	0 2346 4211-3, 0 2024 8564

AREA	BRANCH		TELEPHONE
NORTH (CONTINUED)	HomePro Chiangrai Branch	1 floor, HomePro Chiangrai	0 5360 4430-1, 0 5202 9835, 0 5360 4430-1
	HomePro Phrae Branch	1 floor, HomePro Phrae	0 5453 1955-6, 0 5406 9505, 0 5453 1955-6
	HomePro Lampang Branch	1 floor, HomePro Lampang	0 5481 1481-2, 0 5481 1481-2
	Tesco Lotus Ruamchok (Chiang Mai) Branch	2 floors, Tesco Lotus Ruamchok	0 5301 4285, 0 5385 2027, 0 5301 4124-5,
	Big C Hangdong Branch	1 floor, Banking Zone	0 5344 7855-7
	Talat Warorot Branch	Entrance Warorot Market	0 5325 2223-5
	Chiangrai Branch	Thanalai Road	0 5371 7873-6
NORTH EAST	HomePro Roiet Branch	1 floor, HomePro Roiet	0 4351 6849-50, 0 4303 9805
	HomePro Sakonnakhon Branch	1 floor, HomePro Sakonnakhon	0 4271 2862, 0 4271 2868, 0 4209 9705
	HomePro Loei Branch	1 floor, HomePro Loei	0 4284 5827-8, 0 4203 9805
	HomePro Ubonratchathani Branch	1 floor, HomePro Ubonratchathani	0 4534 4738-9, 0 4595 9715
	HomePro Chaiyaphum Branch	1 floor, HomePro Chaiyaphum	0 4405 1842-3, 0 4410 9705
	HomePro Buriram Branch	1 floor, HomePro Buriram	0 4469 0490-1, 0 4411 9805
	HomePro Surin Branch	1 floor, HomePro Surin	0 4451 9902-3
	HomePro Khao Yai Branch	1 floor, HomePro Khao Yai	0 4492 9458-9, 0 4432 8033
	HomePro Nakhonratchasima (Huathalae) Branch	1 floor, HomePro Nakhonratchasima (Huathalae)	044 920530-1
	Mega Home Nongkhai Branch	1 floor, Mega Home Nongkhai	042 990453-4, 042 464229
	Khonkaen Branch	Sri Chan Road	0 4323 5244, 0 4323 5258, 0 4323 5260, 0 4324 5364, 0 4324 5415
	Central Khonkaen Branch	2 floors, Central Plaza Khonkaen	0 4328 8540-3
	Central Udonthani Branch	3 floors, Central Udonthani	0 4213 6155-7, 0 4234 3341

AREA	BRANCH	TELEPHONE
NORTH EAST (CONTINUED)	Udonthani Branch Near 5 Yaek Namphu	0 4223 0280-2, 0 4223 0284, 0 4223 0286,
	Ubon Ratchathani Branch Chayangkun Road	0 4234 3788, 0 4223 0308 0 4524 2584-6, 0 4526 2311
	The Mall B floor, next to TMB Bank Nakhonratchasima Branch	0 4439 3925-7, 0 4428 8118
	Pak Chong Branch Pak Chong Market	0 4431 4882-4, 0 4408 1114
	Megahome 1 floor, Mega Home Nakhonphanom Nakhonphanom Branch	0 4251 1981-2, 0 4219 9783
	Terminal 21 Korat Branch 2 floors, Terminal 21 Korat	0 4449 8511-4, 0 4408 1115
MIDDLE	HomePro Saraburi Branch 1 floor, HomePro Saraburi	0 3622 4471-2, 0 3667 9715
	HomePro Lopburi Branch 1 floor, HomePro Lopburi	0 3677 6095-6, 0 3668 9805
	HomePro Suphanburi Malai Man Road Branch	0 3552 2346-7, 03596 9605
	Big C Ayutthaya Branch 2 floors, Big C Ayutthaya	0 3574 7133-4, 0 3595 9715
	HomePro Sukhothai 1 floor, HomePro Sukhothai Branch	0 5561 6631-2, 0 5562 0004
	HomePro Nakhonsawan 1 floor, HomePro Nakhonsawan Branch	0 5637 1357-8, 0 5600 9735
	HomePro Phetchabun 1 floor, HomePro Phetchabun Branch	0 5671 9541-2, 0 5602 9705
	Phitsanulok Branch Baromatrilokanart Road	0 5525 8051-3, 0 5521 9033
	Nakhonsawan Branch Sawan Withi Road	0 5622 8521-3, 0 5631 1015
	Ayutthaya City Park 1 floor, opposite Boots Shop Branch	0 3580 1929-31, 0 3590 2349
WEST	HomePro Kanchanaburi 1 floor, HomePro Kanchanaburi Branch	0 3460 2695-6, 0 3462 2043
	HomePro 1 floor, HomePro Samutsongkhram Samutsongkhram Branch	0 3477 0898-9, 0 3472 3027
	HomePro Phetchaburi 1 floor, HomePro Phetchaburi Branch	0 3247 4575-6, 0 3241 0062
	HomePro Prachuap Khiri 1 floor, HomePro Prachuap Khan Branch Khiri Khan	0 3265 2151-2

AREA	BRANCH		TELEPHONE
WEST (CONTINUED)	Robinson Ratchaburi Branch	1 floor, Robinson Ratchaburi	0 3232 8025-7, 0 3231 0330
	Hua Hin Branch	Opposite Prachuap Khiri Khan Highway District	0 3251 3420-2
	Megahome Mae Sot Branch	1 floor, Mega Home Mae Sot	0 5550 6993-4
EAST	HomePro Chonburi Branch	2 floors, HomePro Chonburi	0 3838 7924-6
	HomePro Chonburi (AMATA) Branch	1 floor, HomePro Chonburi (AMATA)	0 3824 2052-4, 0 3304 6235
	HomePro Chachoengsao Branch	1 floor, HomePro Chachoengsao	0 3851 3418-9, 0 3359 9515
	Home Pro Chanthaburi Branch	1 floor, Home Pro Chanthaburi	0 3941 8112-3, 0 3960 9815
	Home Pro Prachinburi Branch	1 floor, Home Pro Prachinburi	0 3748 2338-9, 0 3762 9755
	Mega Home Bowin Branch	1 floor, Mega Home Bowin	0 3811 9168-9
	Mega Home Kabinburi Branch	1 floor, Mega Home Kabinburi	0 3748 0314-5, 0 3720 2003
	Mega Home Aranyaprathet Branch	1 floor, Mega Home Aranyaprathet	0 3724 7440-1, 0 3760 9824
	Sri Racha Branch	SI Racha Nakorn Road	038 325693-5
	Big C Pattaya Klang Branch	2 floors, next to 3BB Shop	0 3842 8946-8, 0 3836 0200
	Rayong Branch	Sukhumvit road, next to TMB Bank	0 3861 9434-6, 0 3886 4486
SOUTH	HomePro Phuket (Chalong) Branch	1 floor, HomePro Phuket (Chalong)	0 7638 4618-9, 0 7668 1135
	HomePro Phuket (Thalang) Branch	1 floor, HomePro Phuket (Thalang)	0 7639 0430-1
	HomePro Trang Branch	1 floor, HomePro Trang	0 7550 2276-7, 0 7582 9705
	HomePro Phatthalung Branch	1 floor, HomePro Phatthalung	0 7460 3663, 0 7460 3667, 0 7462 1219
	HomePro Chumphon Branch	1 floor, HomePro Chumphon	0 7765 8893-4, 0 7797 9905

AREA	BRANCH		TELEPHONE
SOUTH (CONTINUED)	Tesco Lotus Samui Branch	1 floor, Tesco Lotus Samui	0 7743 0628-30, 0 7725 6091
	Tesco Lotus Phuket Branch	G floor, Banking Zone	0 7630 4113-5
	Phuket Branch	Thep Kasattri Road	0 7635 5305-9
	Patong Branch	In front of Soi The Royal Paradise	0 7634 0770-1, 0 7634 0773, 0 7634 0775, 0 7634 0778, 0 76340 0801, 0 7629 2013
	Krabi Branch	Maha Rat Road	0 7562 0292-3, 0 7562 0377, 0 7563 0027
	Nakhonsithammarat Branch	Pattanakarn-Khukhwang Road	0 7535 7617-9, 0 7531 7770, 0 7535 7617-20
	Hatyai Branch	Niphat Uthit 2 Road	0 7422 5622-3, 0 7422 5628, 0 7435 0067
	Big C Hat Yai 2 Branch	1 floor, Big C Hat Yai	0 7455 5211, 0 7455 5281-2, 0 7434 4014
	Central Suratthani Branch	3 floors, Banking Zone	0 7760 2709-12
	Samui (Lamai) Branch	Rob Koh road, opposite Lamai Resort	0 7745 8599, 0 7745 8600, 0 7795 4031, 0 7745 8640
	HomePro Phuket (Chalong) Branch	1 floor, HomePro Phuket (Chalong)	0 7638 4618-9, 0 7668 1135
	HomePro Phuket (Thalang) Branch	1 floor, HomePro Phuket (Thalang)	0 7638 4618-9, 0 7668 1135

ANNUAL REPORT 2016

รายงานประจำปี ๒๕๕๙

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